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# 2023 First Quarter Earnings Conference Call

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April 27, 2023



# Aaron Musgrave

Vice President, Investor Relations



## Safe Harbor

This presentation includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation. The factors that could cause actual results to differ are discussed in the Appendix to this presentation, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, as filed with the SEC on April 26, 2023.



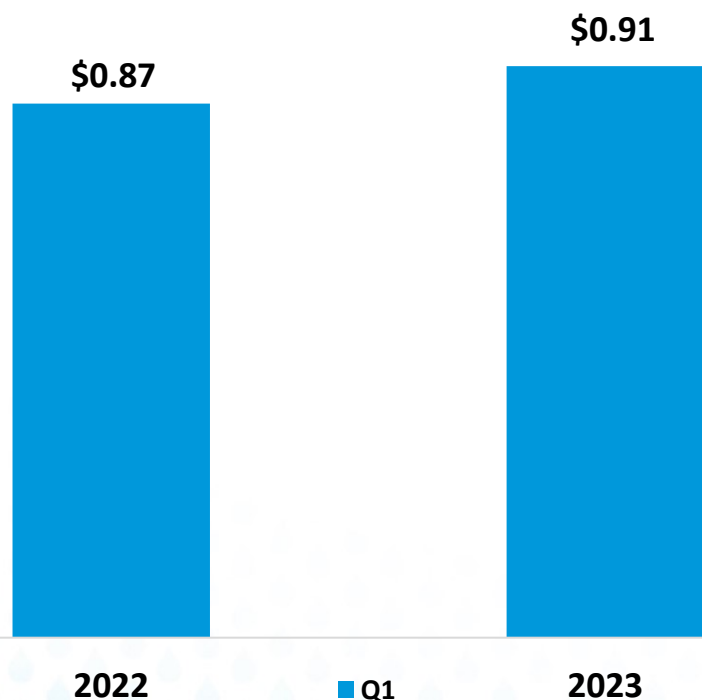
# M. Susan Hardwick

President and Chief Executive Officer

# Successful First Quarter 2023 Results



## Earnings Per Share



## ✓ Q1/YTD Highlights

- ✓ 2023 Q1 EPS of \$0.91 driven by higher revenue on increased rate base
- ✓ Issued approximately \$1.7 billion in common stock
- ✓ Invested well over \$500 million of capital in infrastructure improvements in the quarter
- ✓ New rates effective in PA, IL and VA; Constructive settlement filed in MO rate case; IN case filed on 3/31/23
- ✓ Over \$550M of acquisitions under agreement, including Towamencin, PA and Granite City, IL
- ✓ ESG leadership and transparency continues – 3<sup>rd</sup> annual ID&E Summary and ESG Data Summary published in April



# 2023 EPS Guidance and Long-Term Targets Affirmed AMERICAN WATER

## AWK EPS Growth Triangle

7-9% EPS CAGR Target

### Business Mix

100%

Regulated and  
Regulated-Like Earnings

Military  
Services  
Group  
≈0.2%

Regulated  
Acquisitions

1.5-2.5%

Regulated  
Investment  
CAPEX

5-7%

### 2023 EPS Guidance

- Affirming 2023 EPS Guidance Range of \$4.72 to \$4.82
  - Higher revenues from investments in rate base and acquisitions drive EPS growth
  - Successful equity issuance in March

### Long-Term Financial Targets

- Attractive, Long-Term Sustainable Shareholder Returns
  - EPS Growth 7-9%
  - Dividend Growth 7-9%
  - ESG Leadership Premium +
  - Customer Affordability +
- Rate Base Growth 8-9%
- Dividend Payout Ratio 55-60%
- Debt to Capital <60%

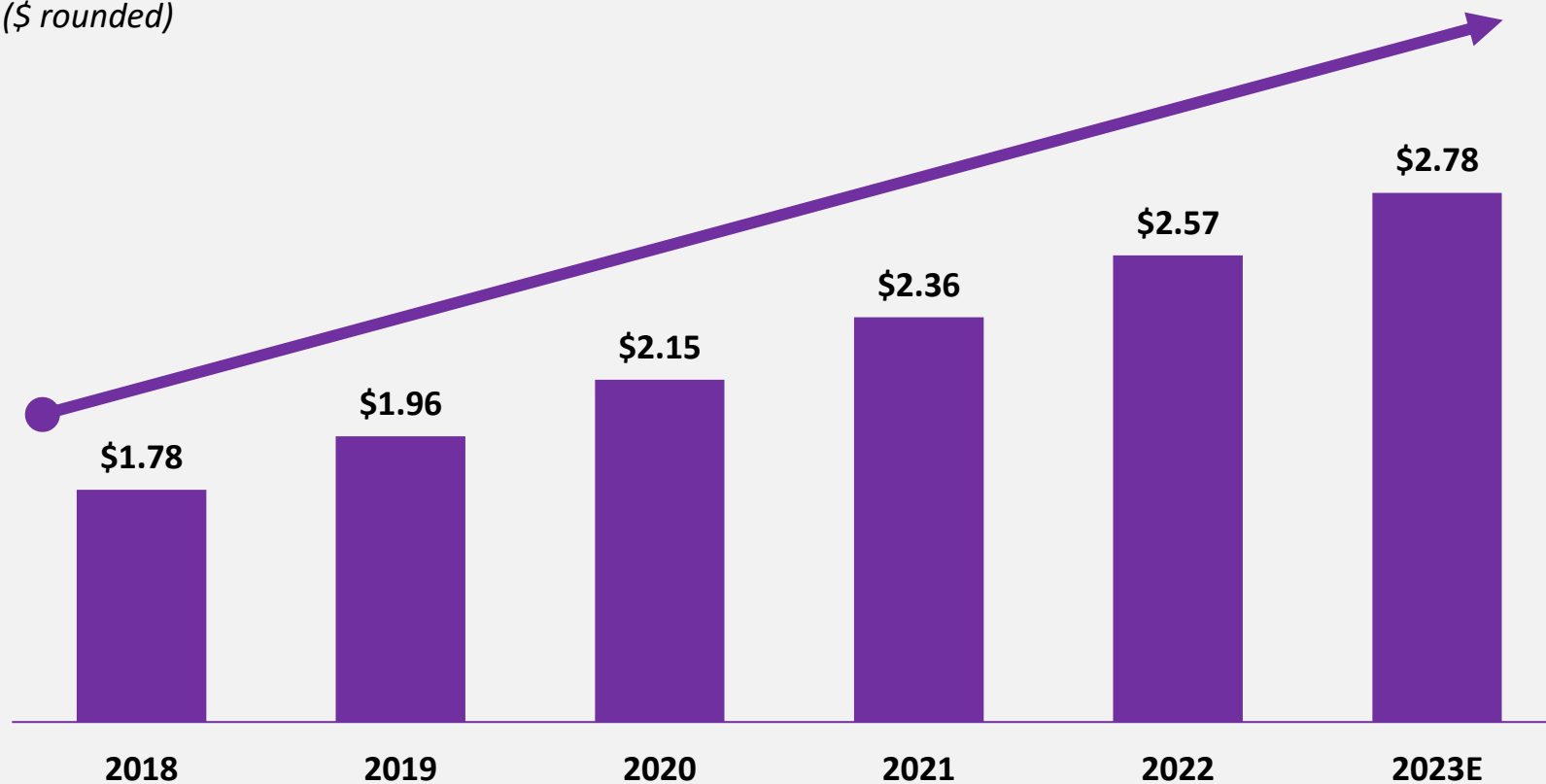
# Top Tier Dividend Growth Continues in 2023

*8.0% Increase Aligns with Long-Term Target*



## AWK's Strong and Consistent Dividend Growth\*

(\$ rounded)



\* Future dividends are subject to approval of the American Water Board of Directors



# John Griffith

Executive VP & Chief Financial Officer



# Financing Recap – 2023 Equity Issuance



Raised ~\$1.7 Billion Proceeds from Common Stock Issuance

Closing Date	March 3, 2023
Securities Issued	Common Stock
Size	12,650,000 Shares
Public Offering Price	\$135.50/Share
File-to-Offer Discount	3.5%
Use of Proceeds	Repaid outstanding commercial paper obligations and for general corporate purposes

## Total Debt to Total Capital

March 31,  
2023

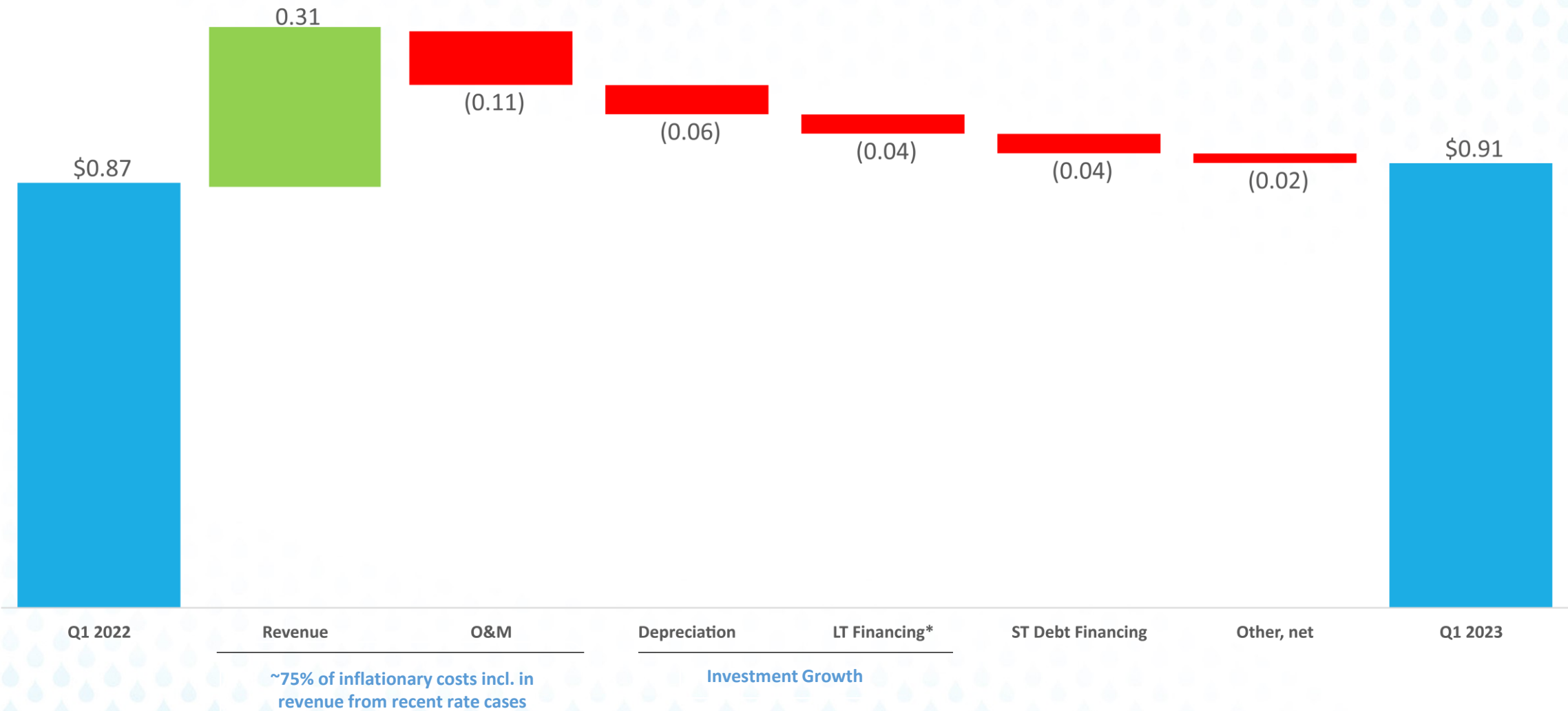
54%

Long-Term  
Target

<60%

Executed our Plan to Issue in 2023 a Significant Portion of Expected \$2B of Equity Need in Five-Year Plan (2023-2027)

# Details of First Quarter 2023 EPS



\*Reflects \$(0.02) per share of share count dilution. Also reflects impact of avoided interest from equity financing of \$0.02 per share.

# Strong Outlook for Acquisitions in 2023 and Beyond



**Under Agreement**  
*As of March 31, 2023*

≈48,200 Customer Connections  
27 Acquisitions in 9 States, \$481M

PA	6
MO	4
IL	3
NJ	3
VA	3
CA	3
IA	2
WV	2
IN	1

**Towamencin Township, PA Wastewater**

Continues our Wastewater execution in Pennsylvania

\$104 million purchase price

≈6,300 customer connections

Signed March 23, 2023

Expected close mid-year 2024, pending regulatory approval

**Closed**  
*As of March 31, 2023*

≈1,400 Customer Connections  
5 Acquisitions in 2 States, \$3M

**Granite City, IL Wastewater**

\$83 million purchase price

≈26,000 customer connections

Signed April 6, 2023

>\$550M  
Now Under Agreement



≈1.3 million Customer Connections in Pipeline



Regulated Acquisitions: Typical Fair Market Value Process





# Cheryl Norton

Executive VP & Chief Operating Officer

# Strong Cap Ex Growth to Start 2023

Drives Improved Water Quality, Reliability, and Earnings Growth



## AWK EPS Growth Triangle

7-9% EPS CAGR Target

### Business Mix

100%

Regulated and  
Regulated-Like Earnings

Military  
Services  
Group  
≈0.2%

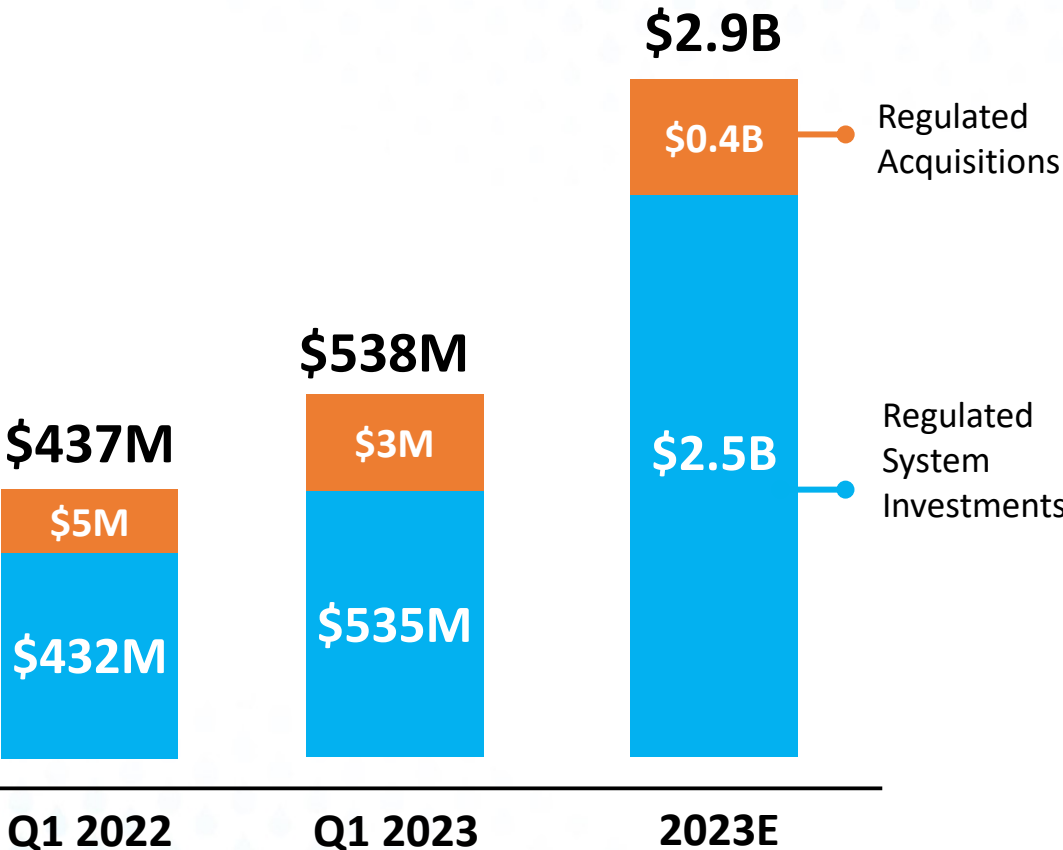
Regulated  
Acquisitions

1.5-2.5%

Regulated  
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CAPEX

5-7%

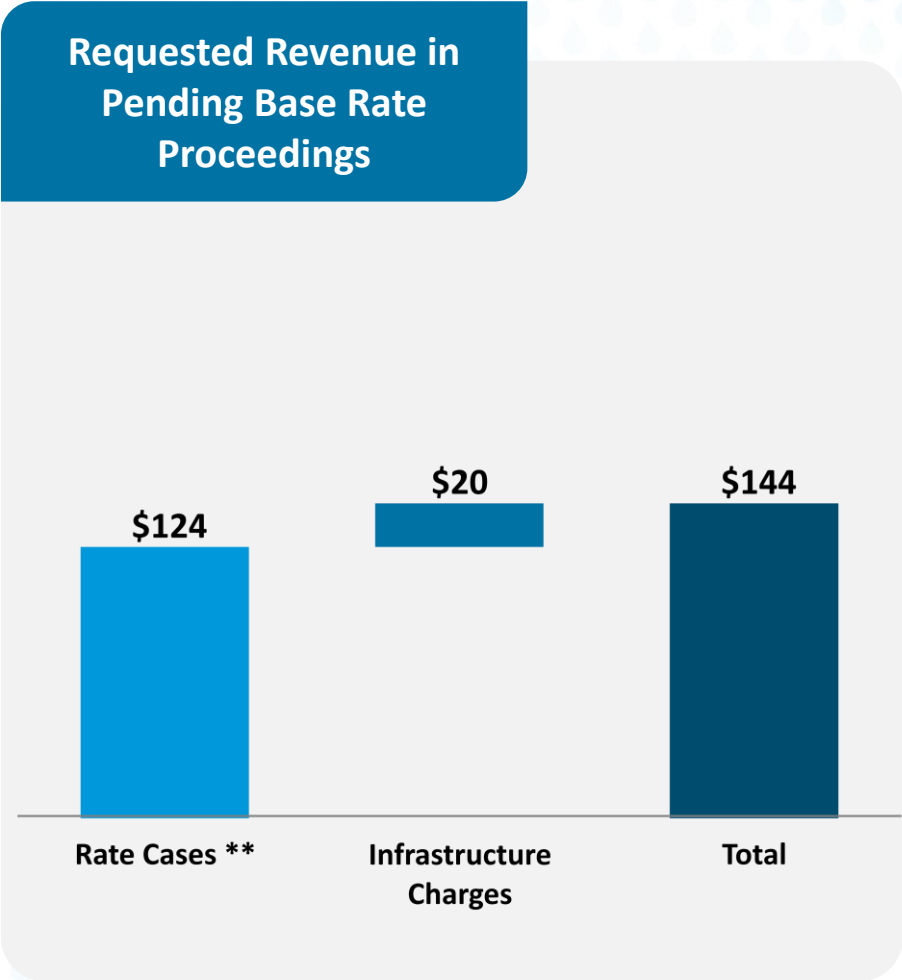
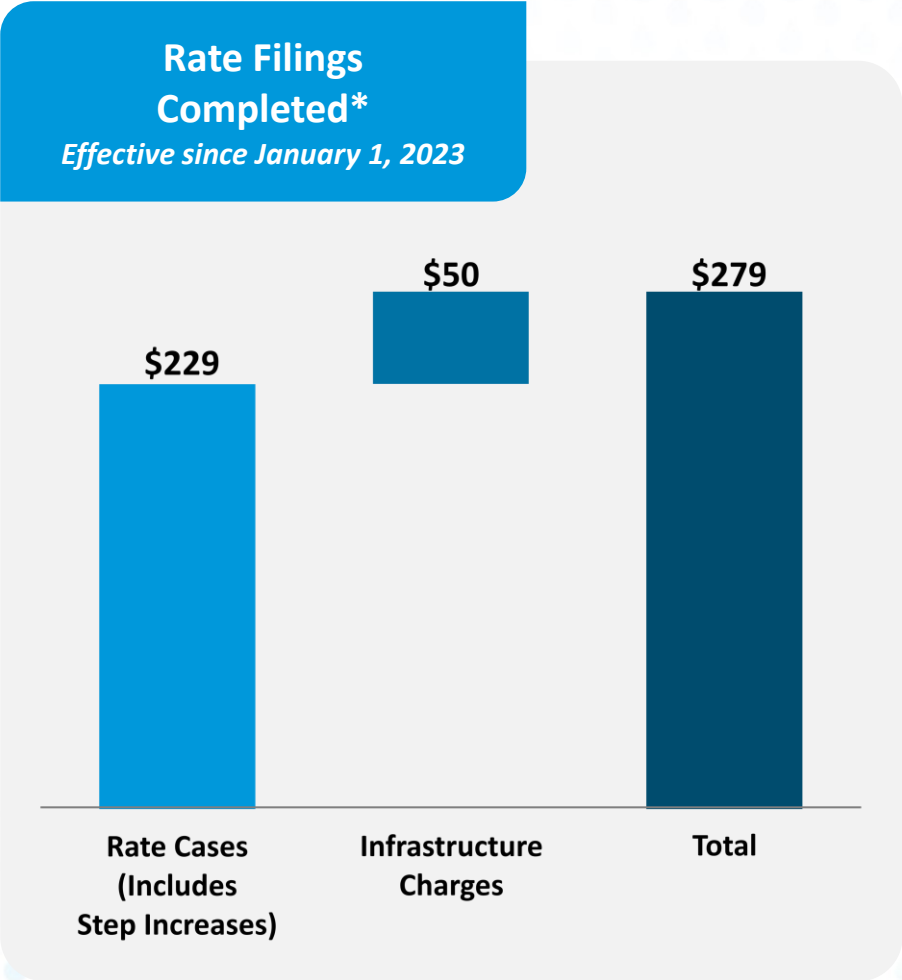
### Capital Investment



# Rate Filings Summary



(\$ in millions)



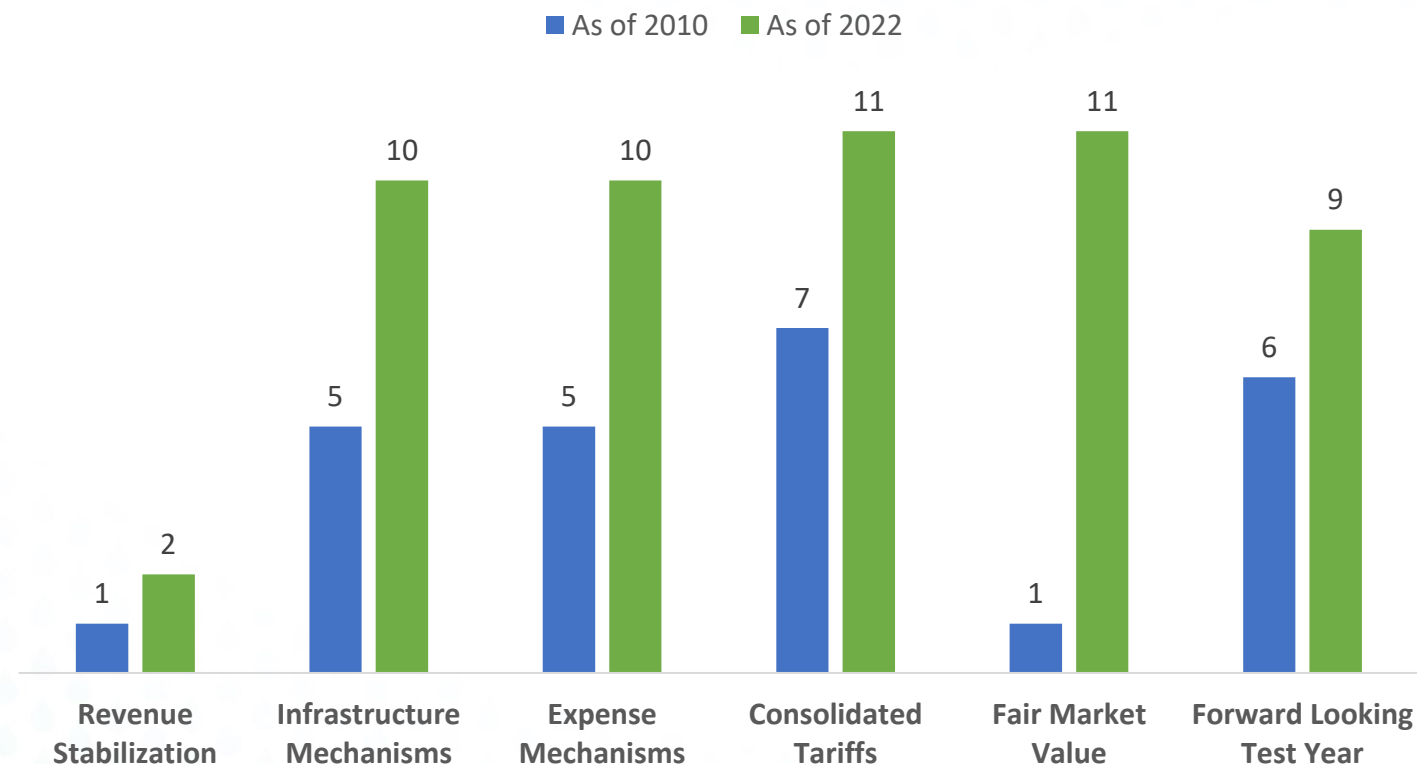
\*Annualized revenue increase for rates effective since January 1, 2023  
\*\* Excludes revenue already approved through infrastructure mechanisms



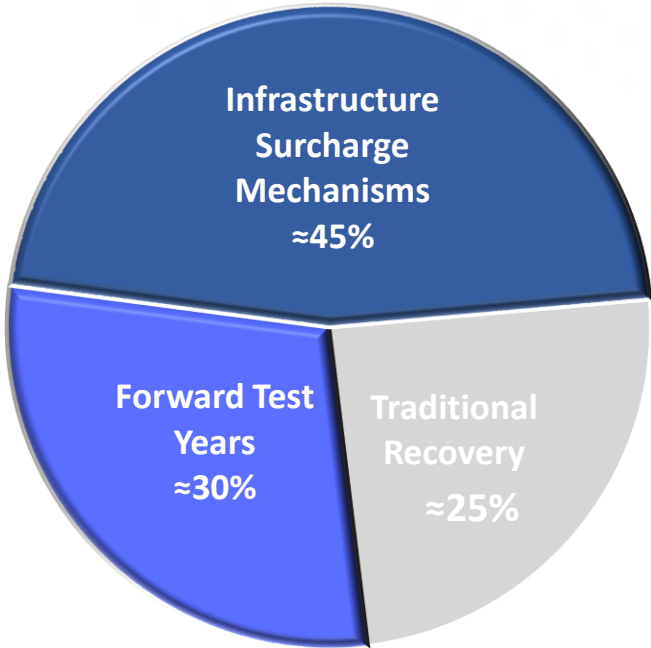
# Timely Recovery of Capital and Operating Costs



## American Water’s Jurisdictions



## Capital Recovery (2023-2027 Plan)



# General Rate Case and Regulatory Updates



## Rate Cases in Progress



- Rate case filed 7/1/22, Settlement filed 3/3/23
- Settlement: additional adjusted authorized base revenues of \$95M vs. \$145M requested, including \$51M for infrastructure surcharges previously approved
- Final Decision expected Q2 2023



- Rate case filed 7/1/22
- Will establish rates for the period 2024-2026
- Three-year capital investment of ≈\$462 million
- Rates expected to be effective 1/1/24



- Rate case filed 3/31/23
- Capital Investment of ≈\$875 million
- Rates expected to go into effect over three steps in Jan. 2024, May 2024, and May 2025

## Completed Rate Case in 2023



- General Rate Case
- Additional authorized revenues of \$11 million
- Effective 4/24/23

## Federal PFAS Update

- On March 14, 2023, the United States Environmental Protection Agency (EPA) announced the proposed National Primary Drinking Water Regulation for six per- and polyfluoroalkyl substances (PFAS).
- American Water expects to submit comments to the EPA on its proposed PFAS regulation by May 30, as it develops its final rule, expected by the end of 2023.
- American Water is currently part of Multi-District Litigation against multiple PFAS manufacturers because we firmly believe that the ultimate responsibility for the cleanup of these contaminants should fall to the polluters.
- American Water will advocate to ensure all water and wastewater utility providers, regardless of ownership, have equal access to any and all Federal and/or state funding related to treating PFAS.
- We are evaluating the estimated amount of capital expenditures needed for additional treatment over the next three to five years and additional estimated annual operating expenses.

## Other Regulatory Updates

- In California, related to the Monterey Water Supply Project, the amended Pure Water Monterey Expansion water purchase agreement was signed by the parties following an Order issued by the CPUC. Cal Am will be allowed standard ratemaking treatment for the construction funding of the pumps and pipes that were built to support the expansion.
- In Indiana, Senate Bill 180 passed allowing for consolidated rates in wastewater systems via Indiana's Service Enhancement Improvement recovery mechanism.

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# Q&A Session

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## Upcoming Events

Annual Shareholders Meeting (Virtual)

May 10, 2023

Q2 2023 Earnings Call

July 27, 2023 (projected)

Q3 2023 Earnings Call

November 2, 2023 (projected)

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# Appendix

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# Forward-Looking Statements

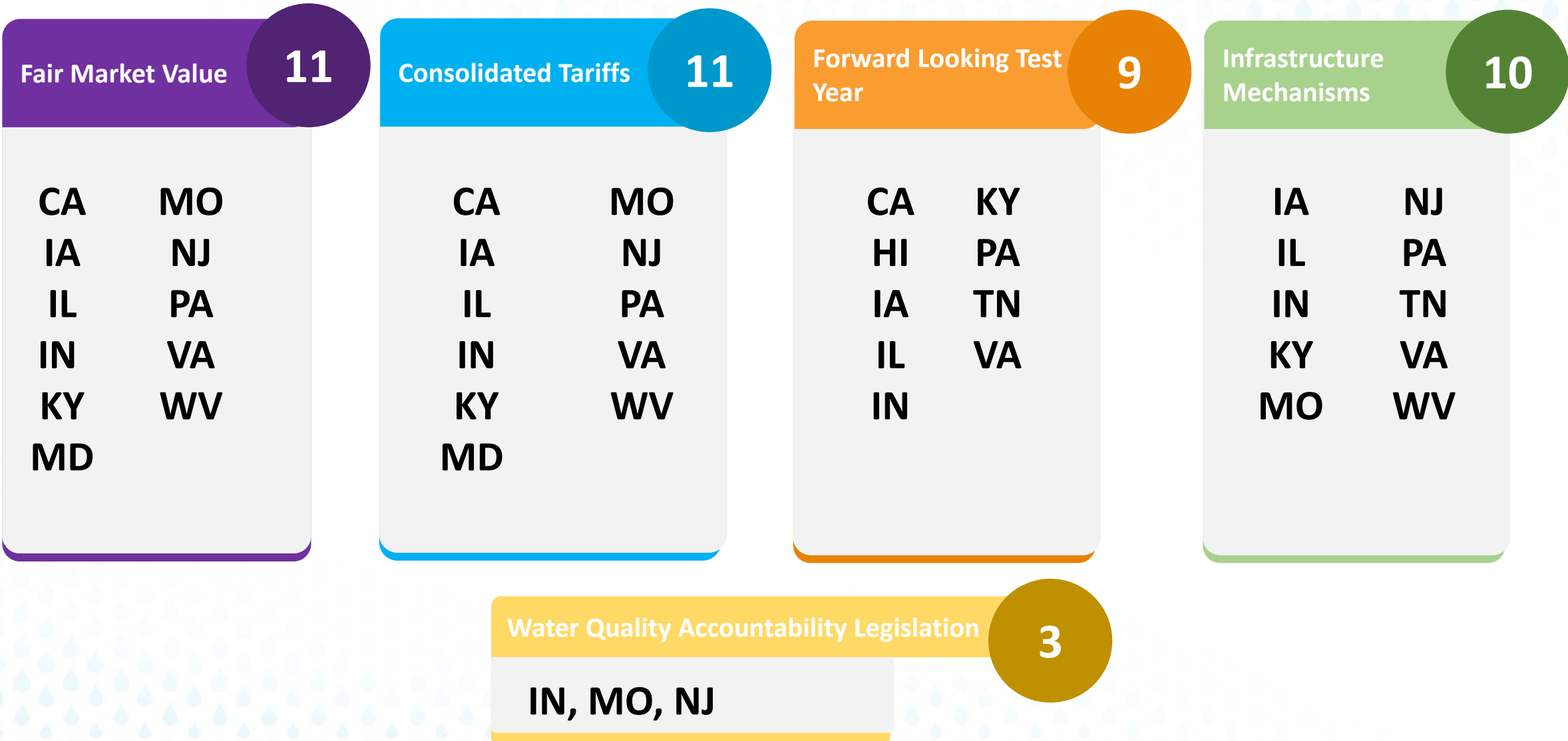


Certain statements made, referred to or relied upon in this presentation including, without limitation, with respect to 2023 earnings guidance, the Company's long-term financial, growth and dividend targets, future capital needs and the timing and amount of the Company's future public equity issuances, the ability to achieve the Company's strategies and goals, including with respect to its ESG focus, the outcome of the Company's pending acquisition activity, the amount and allocation of projected capital expenditures; and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "likely," "uncertain," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations, the Company's Military Services Group entering into new military installation contracts, price redeterminations and other agreements and contracts with the U.S. government, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of the Company's former Homeowner Services Group ("HOS"), including the Company's ability to receive contingent consideration provided for in the HOS sale as well as amounts due, payable and owing to the Company under the seller note when due and the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to the ability of energy providers, state governments and other third parties to achieve or fulfill their greenhouse gas emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans; changes in general economic, political, business and financial market conditions; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates and the Company's ability to address or mitigate the impacts thereof; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations; and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this presentation. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.



# State Legislation & Regulation Enable Growth



# Closed Acquisitions



 *March 31, 2023*

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
Missouri	4	600	600	1,200
Indiana	1	200	-	200
Total	5	800	600	1,400

# Acquisitions Under Agreement



 **March 31, 2023**

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
Pennsylvania	6	100	27,900	28,000
Missouri	4	1,000	900	1,900
Illinois	3	1,500	1,200	2,700
New Jersey	3	1,600	5,200	6,800
Virginia	3	1,600	1,400	3,000
California	3	1,300	-	1,300
Iowa	2	100	100	200
West Virginia	2	3,700	500	4,200
Indiana	1	-	100	100
<b>Total</b>	<b>27</b>	<b>10,900</b>	<b>37,300</b>	<b>48,200</b>

# Rates Effective Since...



(\$ in millions)

January 1, 2023

Rate Cases & Step Increases	Date Effective	Annualized Revenue Increases	Infrastructure Charges	Date Effective	Annualized Revenue Increases
Illinois	1/1/2023	\$67 <sup>(a)</sup>	West Virginia (DSIC)	1/1/2023	\$7
California, Step Increase	1/1/2023	13	Pennsylvania (DSIC)	1/1/2023	3
Pennsylvania	1/28/2023	138 <sup>(b)</sup>	Missouri (WSIRA)	1/16/2023	14
Virginia	4/24/2023	11 <sup>(c)</sup>	Indiana (SEI)	3/8/2023	6 <sup>(d)</sup>
			Indiana (DSIC)	3/23/2023	20
			Sub-Total		\$50
	Sub-Total	\$229	2023 Total		\$279

a) The Company’s Illinois subsidiary was authorized additional annualized revenues of \$67.1 million, excluding reductions in revenues for infrastructure surcharges in the amount of \$18.3 million.

b) The Company’s Pennsylvania subsidiary was authorized additional annualized revenues of \$138 million, excluding reductions in revenues for infrastructure surcharges in the amount of \$24.3 million.

c) On April 24, 2023, the Company’s Virginia subsidiary was authorized additional annualized revenues of \$10.75 million. Interim rates were effective May 1, 2022, and the difference between interim and final Commission approved rates are subject to refund with interest within 90-days of the date of the Order.

d) The Company’s Indiana subsidiary was authorized additional annualized revenues of \$5.5 million, 80% of which will be collected now, the remaining 20% will be collected in the next rate case, with carrying costs.



# Pending Rate Case Filings



(\$ in millions)

Rate Cases Filed	Docket/Case Number	Date Filed	Requested Revenue Increase	ROE Requested	Rate Base
California <sup>(a)</sup>	Case No. A.22-07-001	7/1/2022	\$37	NA	\$921
Indiana <sup>(b)</sup>	Cause No. 45870	3/31/2023	43	10.60%	1,614
Sub-Total			\$80		\$2,535
Infrastructure Charges Filed					
Kentucky (QIP)	Case No. 2023-00030	3/1/2023	\$4		\$30
New Jersey (DSIC)		3/15/2023	16		134
Sub-Total			\$20		\$164
Rate Cases Awaiting Regulatory Approval					
Missouri <sup>(c)</sup>	Docket No. WR-2022-0303	7/1/2022	\$44		
Sub-Total			\$44		\$0
Total			\$144		\$2,699

- a) The Company’s California subsidiary has requested additional annualized revenues of \$55.8 million for test year 2024. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$19.5 million and \$19.8 million. The total revenue requirement request, based on present rates effective at the time of filing, for the three year rate case cycle is \$95.1 million. The Company updated its filing in January 2023 to incorporate a decoupling proposal, the revised requested additional annualized revenues for the test year 2024 is \$36.5 million. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$20.1 million and \$19.8 million. The total revenue requirement request for the three year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is \$76.4 million.
- b) The Company’s Indiana subsidiary has requested additional annualized revenues of \$43.2 million for Step 1 proposed to effective Jan 2024, this excludes the \$40.5 million for infrastructure surcharges. This excludes the proposed step 2 and 3 rate increase proposed to be effective in May 2024 and May 2025 in the amount of \$18.1 million and \$25.4 million, respectively. The total revenue requirement request, based on present rates effective at the time of filing, for the three step rate case cycle is \$86.7 million.
- c) The Company’s Missouri subsidiary has requested additional annualized revenues of \$94.6 million, excluding reductions in revenues for infrastructure surcharges in the amount of \$50.7 million. On March 3, 2023, a settlement agreement, signed by 5 parties (6 parties were non-objectors), was filed with the Missouri Public Service Commission for a \$44.3 million annual revenue increase, excluding reductions in revenues for infrastructure surcharges in the amount of \$50.7 million.

# Regulatory Information – Top 10 States



	CALIFORNIA	ILLINOIS	INDIANA	KENTUCKY	MISSOURI
<b>Authorized Rate Base*</b>	\$667,632 <sup>(g)</sup>	\$1,642,200	\$1,182,170	\$443,654	\$1,703,170 <sup>(c)</sup>
<b>ROE</b>	9.20% <sup>(a)</sup>	9.78%	9.80%	9.70%	9.55% <sup>(d)</sup>
<b>Equity</b>	55.39% <sup>(a)</sup>	49.00%	53.41% <sup>(b)</sup>	48.90%	50.00% <sup>(e)</sup>
<b>Effective Date of Rate Case</b>	1/1/2021 <sup>(g)</sup>	1/1/2023	5/1/2020	6/28/2019	5/28/2021
	NEW JERSEY	PENNSYLVANIA	TENNESSEE	VIRGINIA	WEST VIRGINIA
<b>Authorized Rate Base*</b>	\$4,146,492	\$5,141,180 <sup>(c)</sup>	\$132,015	\$275,038 <sup>(c)</sup>	\$734,028
<b>ROE</b>	9.60%	10.00% <sup>(d)</sup>	10.00%	9.70%	9.80%
<b>Equity</b>	54.56%	55.20% <sup>(e)</sup>	34.38%	40.73%	47.97%
<b>Effective Date of Rate Case</b>	9/1/2022	1/28/2023	11/1/2012	4/24/2023 <sup>(f)</sup>	2/25/2022

\*Rate Base stated in \$000s

- a) On March 22, 2018, Decision 18-03-035 set the authorized cost of capital for 2018 through 2020. A separate Cost of Capital case sets the rate of return outside of a general rate proceeding.
- b) The Authorized Equity excludes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base.
- c) The Authorized Rate Base listed is the Company's view of the Rate Base allowed in the case; the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- d) The ROE is the Company's view of the ROE allowed in the case; however, the ROE was not disclosed in the Order or the applicable settlement agreement.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case; the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) Interim rates were effective May 1, 2022 and received final Order April 24, 2023.
- g) The Rate Base and Effective date are based off of Year 1 of the rate case. Annual adjustments are made for Year 2 and 3 which reflect authorized capital improvements for Rate Base and inflationary adjustments for O&M.