BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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Application of California-American Water Company (U210W) for Authority to Establish its Authorized Cost of Capital for the Period from January 1, 2022 through December 31, 2024.	Application No. 21-05-

APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) FOR AUTHORITY TO ESTABLISH ITS AUTHORIZED COST OF CAPITAL FOR THE PERIOD FROM JANUARY 1, 2022 THROUGH DECEMBER 31, 2024

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Attorneys for Applicant California-American Water Company

May 3, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Authority to Establish its Authorized Cost of Capital for the Period from January 1, 2022 through December 31, 2024.	Application No. 21-05-

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I. INTRODUCTION

Pursuant to Articles 2 and 3 of the Rules of Practice Procedure of the California Public Utilities Commission ("Commission") and as directed by the Commission in Decision ("D.") 07-05-062,[1] California-American Water Company ("California American Water") hereby submits this application for an authorized cost of capital for its utility operations for the period from January 1, 2022 to December 31, 2024.[2] By granting California American Water's requests, the Commission will enable California American Water to finance its investments on reasonable terms through 2024.

II. EVALUATION CRITERIA

Water utilities have a constitutional right to the opportunity to earn a reasonable return on their investments. When ruling on the rate of return that California American Water has requested in this application, the Commission must consider the criteria the United States

[1] D.07-5-062, *Order Instituting Rulemaking to Consider Revisions to the General Rate Case Plan for Class A Water Companies*, Opinion Adopting Revised Rate Case Plan for Class A Water Utilities.

[2] The initial filing deadline for this application was deferred to the current date by letter from Executive Director Alice Stebbins on March 11, 2020.

Supreme Court set forth in the *Hope,*[3] *Bluefield,*[4] and *Duquesne*[5] cases. These cases contain the following guidelines for rate of return decisions:

- The allowed rate of return should be comparable to that generally being made on investments and other business undertakings which are attended by corresponding risks and uncertainties;
- The return should be sufficient to maintain the utility's credit status;
- The return should allow the utility to attract the capital necessary to provide proper service to customers; and
- The return should be sufficient to ensure confidence in the financial soundness of the utility.
- The return may not be so low as to be confiscatory.

Adhering to these principles will strike the appropriate balance between a reasonable shareholder return and the interests of customers as reflected in the price for service.

III. REQUESTED COST OF CAPTIAL

In the previous cost of capital proceeding, the Commission authorized California American Water a 9.20% cost of equity, a 5.63% cost of debt, and 7.61% rate of return on rate base.[6]

In this application, California American Water is requesting a 10.75% cost of equity, a 4.35% cost of debt, and 8.0% rate of return on rate base. California American Water's proposed capital structure is shown below.

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[3] *FPC v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

[4] *Bluefield Water Works and Improvement Co.*, 262 U.S. 679 (1923).

[5] *Duquesne Light Co. v. Barash*, 488 U.S. 299 (1989).

[6] D.18-03-035, *Decision Fixing Cost of Capital for Calendar Years 2018, 2019 and 2020 for California Water Service Company, California-American Water Company, Golden State Water Company and San Jose Water Company*, dated March 22, 2018 ("D.18-03-035"), p. 2.

	Capital Structure	Cost	Weighted Cost
Debt	42.96%	4.35%	1.87%
Common Equity	57.04%	10.75%	6.13%

A. Capital Structure

California American Water recommends the following capital structure: 42.96% debt and 57.04% equity. California American Water's recommendation is discussed in the testimony of Mr. Stephen (Wes) Owens.

B. Cost of Equity

As Dr. Bente Villadsen explains in her testimony, she recommends a cost of equity of 10.75% for California American Water. Dr. Villadsen based her recommendation on analyses of the return on equity ("ROE") that investors expect as well as on California American Water specific analyses. In his testimony, Mr. Jeffrey Linam discusses the various risks that California American Water faces.

C. Cost of Debt

California American Water recommends an average cost of debt of 4.35%. California American Water's recommendation is discussed in Mr. Owens's testimony.

D. Cost of Capital

Based on the recommended capital structure and the cost of debt, and the recommendation for a cost of equity by Dr. Bente Villadsen of 10.75%, California American Water requests an overall rate of return of 8.00% for 2022. This recommendation is discussed in Mr. Owens's testimony.

E. Water Cost of Capital Mechanism (WCCM)

California American Water recommends that the WCCM be continued as explained in Mr. Owen's testimony.

IV. REVENUE INCREASE AND CUSTOMER IMPACT

The requested revenue increase as result of this application is $7.3 million. The impacts on rates for this revenue increase are detailed in Exhibit A to this Application.

V. PROCEDURAL ISSUES [RULE 2.1(c)]

A. Category

The Commission should categorize this proceeding as rate setting.

B. Need for Hearing

Potentially, there may be factual disputes on material issues, which will necessitate hearings. California American Water intends to introduce the following evidentiary items in support of the application: (1) this application and exhibits; (2) prepared witness qualifications and direct testimony to support the reasonableness of California American Water's requests; and (3) prepared and oral rebuttal testimony and related exhibits to support California American Water's specific requests.

C. Issues

The issues are whether California American Water has demonstrated the reasonableness of the proposed (1) capital structure, (2) cost of debt, (3) cost of equity and (4) rate of return on rate base.

D. Schedule

The following schedule for this proceeding takes into account the Commission's recommendation in D.07-05-062 that it reach a final decision within six months.[7]

May 3, 2021	Application Filed
June 14, 2021	Prehearing Conference
July 7, 2021	Public Advocates Office/Intervenor Testimony
July 23, 2021	Rebuttal Testimony
August 30, 2021	Evidentiary Hearings

[7] D.07-05-062, p. 16.

September 15, 2021	Opening Briefs
September 24, 2021	Reply Briefs
November 19, 2021	Proposed Decision
December 8, 2021	Comments on Proposed Decision
December 13, 2021	Reply Comments on Proposed Decision
December 16, 2021	Final Decision

VI. APPLICANT INFORMATION [RULE 2.1 AND RULE 2.2]

A. Description of Applicant

California American Water's exact legal name is California-American Water Company. California American Water, a California corporation organized under the laws of the State of California on December 7, 1965, is a Class A public utility water and wastewater company regulated by the Commission. California American Water provides regulated water and/or wastewater utility services in parts of San Diego, Los Angeles, Ventura, Monterey, Sonoma, Yolo, Sacramento, Merced, and Placer counties. California American Water's principal place of business is 655 W. Broadway, Suite 1410, San Diego, CA 92101-8494.

California American Water filed a certified copy of its articles of incorporation with the Commission on January 6, 1966 in Application 48170. California American Water filed a certified copy of an amendment to its articles of incorporation with the Commission on November 30, 1989, in Application 89-11-036. California American Water filed a certified copy of a further amendment to its articles of incorporation with the Commission on February 28, 2002, in Application 02-02-030. California American Water filed a certified copy of an additional amendment to its articles of incorporation with the Commission on April 3, 2017, in Application 17-04-003. Since the filing of A.17-04-003, California American Water has not subsequently amended its articles of incorporation.

None of the persons described in Section 2 of General Order 104-A has a material financial interests in any transaction involving the purchase of materials or equipment or the

contracting, arranging, or paying for construction, maintenance work, or service of any kind of which the Company has been a party during the period subsequent to the filing of California American Water's last Annual Report with this Commission or to which California American Water proposed to become a party at the conclusion of the year covered by said Annual Report.

B. Application Correspondence

California American Water requests that copies of all communications and correspondence regarding this Application be sent to:

Sarah E. Leeper
Nicholas A. Subias
Cathy Hongola-Baptista
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
Tel: (415) 863-2960
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Email: sarah.leeper@amwater.com

With copies sent to:

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50 California Street 34th Floor
San Francisco, CA 94111
Tel: (415) 398-3600
Fax: (415) 398-2438
Email: ldolqueist@nossaman.com

VII. SERVICE [RULE 3.2]

California American Water will serve a copy of the Application in accordance with Rule 3.2(b) and upon the attached service list.

In accordance with Rule 3.2(b), and within twenty days of the filing of the Application, California American Water will cause to be published once, in a newspaper of general circulation in the area served, a notice the general terms of the proposed increases. California American Water will submit proof of such publication to the Commission. California American Water has provided draft customer notices, included as Exhibit D to the Application, to the Public Advisor's Office. California American Water will send notice of the Application to its customers in accordance with Rule 3.2(d).

VIII. SUPPORT FOR APPLICATION

In support of its requests, California American Water will rely on the Application and exhibits to the Application. California American Water will also provide written and oral direct and rebuttal testimony in support of its requests.

Exhibits

Attached to this Application are the exhibits listed below.

- Exhibit A: Summary of Impact of Requested Revenue Increase and Tables
- Exhibit B: Minimum Data Requirement Information
- Exhibit C: Balance Sheet and Income Statement
- Exhibit D: Proposed Customer Notice

Testimony

California American Water will serve and upload as supporting documents (but not file) the following direct testimony exhibits in support of this application.

- Direct Testimony of Jeffrey T. Linam
- Direct Testimony Stephen (Wes) Owens
- Direct Testimony of Dr. Bente Villadsen

IX. CONCLUSION

As demonstrated by this Application, the exhibits and supporting testimony, California American Water's requests in this Application are reasonable and necessary. Therefore, California American Water respectfully requests that the Commission grant it the relief requested in this Application.

May 3, 2021

Respectfully submitted,

By: */s/ Sarah E. Leeper*
Sarah E. Leeper

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Attorneys for Applicant
California-American Water Company

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 3, 2021 at San Diego, California

EXHIBIT A

EXHIBIT A
CHAPTER 1 - TABLE 1 A (BOOK - ADJUSTED)

CALIFORNIA AMERICAN WATER

REVENUE IMPACTS OF PROPOSED CAPITAL COST INCREASES

2021 COST OF CAPITAL APPLICATION
($1,000)

ESTIMATED REVENUE REQUIREMENT IMPACT

		Debt	Equity
Difference between actual and separate capital costs of California American Water based on the most recent capital cost determination made by the Commission (basis points)	7.61% Current Total	2.51%	5.10%
	7.94% Proposed Total	1.89%	6.05%
	0.33%	-0.62%	0.95%

		Northern Division	Central Division	Monterey Wastewater	Southern Division	Corporate	TOTAL
Rate Base (Proposed 2022)		$230,014	$238,270	$3,351	$241,756	$33,500	$746,891
Increase in capital costs		0.33%	0.33%	0.33%	0.33%	0.33%	
Increase In Operating Income		$758	$786	$11	$797	$110	$2,463
Increased Revenue Requirement Debt (28% Tax Rate)	28%	-$1,027	-$1,064	-$15	-$1,079	-$150	-$3,335
Increased Revenue Requirement Equity(1.4% Gross Up)	1.40	$3,049	$3,159	$44	$3,205	$444	$9,901
Total Increased Revenue Requirement		$2,022	$2,095	$29	$2,126	$294	$6,566

EXHIBIT A
CHAPTER 1 - TABLE 1 B (TIER 1)

CALIFORNIA AMERICAN WATER

REVENUE IMPACTS OF PROPOSED CAPITAL COST INCREASES

2021 COST OF CAPITAL APPLICATION
($1,000)

ESTIMATED REVENUE REQUIREMENT IMPACT

			Debt	Equity
Difference between actual and separate capital costs of California American Water based on the most recent capital cost determination made by the Commission (basis points)	7.61%	Current Total	2.51%	5.10%
	8.00%	Proposed Total	1.87%	6.13%
	0.39%		-0.64%	1.03%

		Northern Division	Central Division	Monterey Wastewater	Southern Division	Corporate	TOTAL
Rate Base (Proposed 2022)		$230,014	$238,270	$3,351	$241,756	$33,500	$746,891
Increase in capital costs		0.39%	0.39%	0.39%	0.39%	0.39%	
Increase In Operating Income		$896	$928	$13	$942	$131	$2,910
Increased Revenue Requirement Debt (28% Tax Rate)	28%	-$1,064	-$1,103	-$16	-$1,119	-$155	-$3,457
Increased Revenue Requirement Equity(1.4% Gross Up)	1.40	$3,314	$3,433	$48	$3,484	$483	$10,762
Total Increased Revenue Requirement		$2,250	$2,330	$32	$2,365	$328	$7,305

EXHIBIT A
CHAPTER 1 - TABLE 2A (BOOK)

CALIFORNIA AMERICAN WATER

POTENTIAL REVENUE IMPACT
2021 COST OF CAPITAL APPLICATION
($1,000)

POTENTIAL REVENUE IMPACT

2022

	Northern Division	Central Division	Monterey Wastewater	Southern Division	Corporate	TOTAL
Revenue Per 2019 GRC Settlement	75,967	75,633	3,650	124,876		280,125
Allocation Percentage	38.36%	21.78%	1.34%	38.52%		
Corporate Spread	113	64	4	113		
Total Increased Revenue Requirement	2,135	2,159	33	2,239	294	6,566
Increased percentage	2.81%	2.85%	0.90%	1.79%		2.34%

EXHIBIT A
CHAPTER 1 - TABLE 2B (BOOK)

CALIFORNIA AMERICAN WATER

PROPOSED BILL IMPACT ATTACHMENT FOR CUSTOMER NOTICE
2021 COST OF CAPITAL APPLICATION
($1,000)

POTENTIAL BILL IMPACTS FOR AVERAGE RESIDENTIAL CUSTOMERS - APPLICATION 21-05-000 **

2022

Sacramento Tariff Area (including service areas in Sacramento County, Geyserville, and Dunnigan)						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	5/8	83.94	$ 63.92	$ 1.99	$ 65.91	3.11%
Commercial	2	503.21	$ 442.28	$ 13.75	$ 456.03	3.11%
Industrial	8	133,083.86	$ 77,081.07	$ 2,396.73	$ 79,477.80	3.11%
Public Authority	2	1,594.23	$ 1,061.46	$ 33.00	$ 1,094.46	3.11%

Larkfield District						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	5/8	64.52	$ 79.61	$ -	$ 79.61	0%
Commercial	5/8	232.36	$ 239.62	$ -	$ 239.62	0%
Public Authority	2	679.04	$ 790.60	$ -	$ 790.60	0%

Meadowbrook Service Area						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	5/8	126.82	$ 62.17	$ 1.93	$ 64.10	3.11%
Commercial	5/8	933.47	$ 311.86	$ 9.70	$ 321.56	3.11%

Fruitridge Service Area						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential - metered	1	99.40	$ 63.95	$ -	$ 63.95	0%
Residential - flat rate	Flat	99.40	$ 56.07	$ -	$ 56.07	0%
Commercial	1-1/2	218.41	$ 130.73	$ -	$ 130.73	0%
Industrial	3	4,002.15	$ 1,138.34	$ -	$ 1,138.34	0%

Hillview Service Area						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	3/4	61.00	$ 67.39	$ 2.10	$ 69.48	3.11%
Commercial	3/4	111.32	$ 91.87	$ 2.86	$ 94.72	3.11%
Industrial	2	908.19	$ 621.25	$ 19.32	$ 640.57	3.11%

Dunnigan Wastewater Service						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	Flat	N/A	$ 37.79	$ 1.17	$ 38.96	3.11%
Commercial	Flat	N/A	$ 37.79	$ 1.17	$ 38.96	3.11%

Monterey Main Tariff Area (including service areas in cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, Seaside, Hidden Hills and Ryan Ranch subdivisions, Bishop subdivision and certain unincorporated areas in the County of Monterey)						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Single Family Residentia	5/8 x 3/4"	38.44	$ 119.60	$ 3.41	$ 123.01	2.85%
Multifamily Residential	5/8 x 3/4"	184.00	$ 973.50	$ 27.79	$ 1,001.29	2.85%
Non-Residential - Divisio	1"	194.00	$ 639.93	$ 18.27	$ 658.20	2.85%
Non-Residential - Divisio	1"	194.00	$ 695.32	$ 19.85	$ 715.17	2.85%
Non-Residential - Divisio	1"	194.00	$ 750.71	$ 21.43	$ 772.14	2.85%
Non-Residential - Divisio	1"	194.00	$ 1,304.68	$ 37.24	$ 1,341.92	2.85%

Central Satellites Tariff Area (including service areas in Ambler, Toro, Ralph Lane, and Garrapata)						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	92.26	$ 122.38	$ 3.49	$ 125.87	2.85%
Commercial	2"	503.69	$ 857.17	$ 24.47	$ 881.64	2.85%
Public Authority	2"	413.92	$ 725.40	$ 20.71	$ 746.11	2.85%

Chualar Tariff Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	146.74	$ 42.59	$ -	$ 42.59	0.00%
Commercial	1"	82.91	$ 33.94	$ -	$ 33.94	0.00%
Public Authority	2"	581.22	$ 64.83	$ -	$ 64.83	0.00%

Monterey Wastewater - Active Sewer Service (including service areas in Las Palmas, Pasadera, Carmel Valley Ranch and Indian Springs)						
CUSTOMER CLASS	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	N/A	N/A	$ 137.35	$ 0.97	$ 138.31	0.70%
Small Commercial	N/A	N/A	$ 137.35	$ 0.97	$ 138.31	0.70%
School	N/A	N/A	$ 693.20	$ 4.88	$ 698.08	0.70%
Small Office Park	N/A	N/A	$ 832.19	$ 5.86	$ 838.05	0.70%
Golf Course	N/A	N/A	$ 554.26	$ 3.90	$ 558.16	0.70%
Hotel	N/A	N/A	$ 20,008.06	$ 140.78	$ 20,148.84	0.70%
SPCA	N/A	N/A	$ 3,472.29	$ 24.43	$ 3,496.72	0.70%

Monterey Wastewater - Passive Sewer Service (including service areas in White Oaks, Spreckels, Village Green and Oak Hills)						
CUSTOMER CLASS	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	N/A	N/A	$ 62.31	$ 0.12	$ 62.43	0.20%
Small Commercial	N/A	N/A	$ 62.31	$ 0.12	$ 62.43	0.20%
School	N/A	N/A	$ 92.81	$ 0.18	$ 93.00	0.20%
Large Commercial	N/A	N/A	$ 123.34	$ 0.25	$ 123.58	0.20%
Industrial	N/A	N/A	$ 367.49	$ 0.73	$ 368.22	0.20%

Los Angeles - Duarte Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	117.82	$ 92.94	$ 1.67	$ 94.61	1.79%
Commercial	2"	673.88	$ 677.37	$ 12.15	$ 689.51	1.79%
Industrial	2"	699.96	$ 698.21	$ 12.52	$ 710.73	1.79%
Public Authority	2"	751.19	$ 739.16	$ 13.25	$ 752.42	1.79%

Los Angeles - Baldwin Hills Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	100.72	$ 85.38	$ 1.53	$ 86.91	1.79%
Commercial	1"	229.35	$ 207.75	$ 3.73	$ 211.47	1.79%
Industrial	4"	4,142.69	$ 3,375.75	$ 60.53	$ 3,436.28	1.79%
Public Authority	2"	890.42	$ 771.97	$ 13.84	$ 785.82	1.79%

Los Angeles - San Marino Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	139.75	$ 106.05	$ 1.90	$ 107.95	1.79%
Commercial	5/8 x 3/4"	409.30	$ 346.15	$ 6.21	$ 352.36	1.79%
Industrial	2"	604.92	$ 622.24	$ 11.16	$ 633.40	1.79%
Public Authority	2"	574.76	$ 598.13	$ 10.73	$ 608.86	1.79%

San Diego Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	65.49	$ 83.89	$ 1.50	$ 85.40	1.79%
Commercial	5/8 x 3/4"	480.52	$ 538.05	$ 9.65	$ 547.70	1.79%
Public Authority	2"	968.34	$ 1,184.74	$ 21.24	$ 1,205.99	1.79%

Ventura Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	120.31	$ 116.59	$ 2.09	$ 118.68	1.79%
Commercial	2"	729.61	$ 801.14	$ 14.37	$ 815.50	1.79%
Industrial	2"	2,148.86	$ 2,089.70	$ 37.47	$ 2,127.18	1.79%
Public Authority	2"	1,251.37	$ 1,274.85	$ 22.86	$ 1,297.71	1.79%

Rio Plaza Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	3/4"	98.66	$ 84.22	$ 1.51	$ 85.73	1.79%
Commercial	1"	1,794.20	$ 1,449.91	$ 26.00	$ 1,475.91	1.79%

EXHIBIT A
CHAPTER 1 - TABLE 2C (TIER 1)

CALIFORNIA AMERICAN WATER

POTENTIAL REVENUE IMPACT
2021 COST OF CAPITAL APPLICATION
($1,000)

POTENTIAL REVENUE IMPACT

2022

	Northern Division	Central Division	Monterey Wastewater	Southern Division	Corporate	TOTAL
Revenue Per 2019 GRC Settlement	75,967	75,633	3,650	124,876		280,125
Allocation Percentage	38.36%	21.78%	1.34%	38.52%		
Corporate Spread	126	71	4	126		
Total Increased Revenue Requirement	2,376	2,401	36	2,491	328	7,305
Increased percentage	3.13%	3.18%	1.00%	2.00%		2.61%

EXHIBIT A
CHAPTER 1 - TABLE 2D (TIER 1)

CALIFORNIA AMERICAN WATER

PROPOSED BILL IMPACT ATTACHMENT FOR CUSTOMER NOTICE
2021 COST OF CAPITAL APPLICATION
($1,000)

POTENTIAL BILL IMPACTS FOR AVERAGE RESIDENTIAL CUSTOMERS - APPLICATION 21-05-000 **

2022

Sacramento Tariff Area (including service areas in Sacramento County, Geyserville, and Dunnigan)						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	5/8	83.94	$ 63.92	$ 2.21	$ 66.13	3.46%
Commercial	2	503.21	$ 442.28	$ 15.30	$ 457.58	3.46%
Industrial	8	133,083.86	$ 77,081.07	$ 2,667.35	$ 79,748.42	3.46%
Public Authority	2	1,594.23	$ 1,061.46	$ 36.73	$ 1,098.19	3.46%

Larkfield District						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	5/8	64.52	$ 79.61	$ -	$ 79.61	0%
Commercial	5/8	232.36	$ 239.62	$ -	$ 239.62	0%
Public Authority	2	679.04	$ 790.60	$ -	$ 790.60	0%

Meadowbrook Service Area						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	5/8	126.82	$ 62.17	$ 2.15	$ 64.32	3.46%
Commercial	5/8	933.47	$ 311.86	$ 10.79	$ 322.66	3.46%

Fruitridge Service Area						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential - metered	1	99.40	$ 63.95	$ -	$ 63.95	0%
Residential - flat rate	Flat	99.40	$ 56.07	$ -	$ 56.07	0%
Commercial	1-1/2	218.41	$ 130.73	$ -	$ 130.73	0%
Industrial	3	4,002.15	$ 1,138.34	$ -	$ 1,138.34	0%

Hillview Service Area						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	3/4	61.00	$ 67.39	$ 2.33	$ 69.72	3.46%
Commercial	3/4	111.32	$ 91.87	$ 3.18	$ 95.05	3.46%
Industrial	2	908.19	$ 621.25	$ 21.50	$ 642.75	3.46%

Dunnigan Wastewater Service						
CUSTOMER CLASS	**Typical Meter Size (inches)**	**Average Monthly Usage (CGL)**	**2022 Projected Bill @ current COC**	**$ Increase**	**2022 Projected Bill @ proposed COC**	**% Increase**
Residential	Flat	N/A	$ 37.79	$ 1.31	$ 39.10	3.46%
Commercial	Flat	N/A	$ 37.79	$ 1.31	$ 39.10	3.46%

Monterey Main Tariff Area (including service areas in cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, Seaside, Hidden Hills and Ryan Ranch subdivisions, Bishop subdivision and certain unincorporated areas in the County of Monterey)						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Single Family Residentia	5/8 x 3/4"	38.44	$ 119.60	$ 3.80	$ 123.40	3.18%
Multifamily Residential	5/8 x 3/4"	184.00	$ 973.50	$ 30.91	$ 1,004.41	3.18%
Non-Residential - Divisio	1"	194.00	$ 639.93	$ 20.32	$ 660.25	3.18%
Non-Residential - Divisio	1"	194.00	$ 695.32	$ 22.08	$ 717.40	3.18%
Non-Residential - Divisio	1"	194.00	$ 750.71	$ 23.84	$ 774.55	3.18%
Non-Residential - Divisio	1"	194.00	$ 1,304.68	$ 41.42	$ 1,346.10	3.18%

Central Satellites Tariff Area (including service areas in Ambler, Toro, Ralph Lane, and Garrapata)						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	92.26	$ 122.38	$ 3.89	$ 126.26	3.18%
Commercial	2"	503.69	$ 857.17	$ 27.22	$ 884.39	3.18%
Public Authority	2"	413.92	$ 725.40	$ 23.03	$ 748.43	3.18%

Chualar Tariff Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	146.74	$ 42.59	$ -	$ 42.59	0.00%
Commercial	1"	82.91	$ 33.94	$ -	$ 33.94	0.00%
Public Authority	2"	581.22	$ 64.83	$ -	$ 64.83	0.00%

Monterey Wastewater - Active Sewer Service (including service areas in Las Palmas, Pasadera, Carmel Valley Ranch and Indian Springs)						
CUSTOMER CLASS	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	N/A	N/A	$ 137.35	$ 1.07	$ 138.41	0.78%
Small Commercial	N/A	N/A	$ 137.35	$ 1.07	$ 138.41	0.78%
School	N/A	N/A	$ 693.20	$ 5.39	$ 698.59	0.78%
Small Office Park	N/A	N/A	$ 832.19	$ 6.47	$ 838.66	0.78%
Golf Course	N/A	N/A	$ 554.26	$ 4.31	$ 558.57	0.78%
Hotel	N/A	N/A	$ 20,008.06	$ 155.55	$ 20,163.61	0.78%
SPCA	N/A	N/A	$ 3,472.29	$ 27.00	$ 3,499.29	0.78%

Monterey Wastewater - Passive Sewer Service (including service areas in White Oaks, Spreckels, Village Green and Oak Hills)						
CUSTOMER CLASS	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	N/A	N/A	$ 62.31	$ 0.14	$ 62.44	0.22%
Small Commercial	N/A	N/A	$ 62.31	$ 0.14	$ 62.44	0.22%
School	N/A	N/A	$ 92.81	$ 0.20	$ 93.01	0.22%
Large Commercial	N/A	N/A	$ 123.34	$ 0.27	$ 123.61	0.22%
Industrial	N/A	N/A	$ 367.49	$ 0.81	$ 368.30	0.22%

Los Angeles - Duarte Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	117.82	$ 92.94	$ 1.85	$ 94.80	2.00%
Commercial	2"	673.88	$ 677.37	$ 13.51	$ 690.88	2.00%
Industrial	2"	699.96	$ 698.21	$ 13.93	$ 712.14	2.00%
Public Authority	2"	751.19	$ 739.16	$ 14.75	$ 753.91	2.00%

Los Angeles - Baldwin Hills Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	100.72	$ 85.38	$ 1.70	$ 87.08	2.00%
Commercial	1"	229.35	$ 207.75	$ 4.14	$ 211.89	2.00%
Industrial	4"	4,142.69	$ 3,375.75	$ 67.35	$ 3,443.09	2.00%
Public Authority	2"	890.42	$ 771.97	$ 15.40	$ 787.37	2.00%

Los Angeles - San Marino Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	139.75	$ 106.05	$ 2.12	$ 108.17	2.00%
Commercial	5/8 x 3/4"	409.30	$ 346.15	$ 6.91	$ 353.05	2.00%
Industrial	2"	604.92	$ 622.24	$ 12.41	$ 634.65	2.00%
Public Authority	2"	574.76	$ 598.13	$ 11.93	$ 610.06	2.00%

San Diego Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	65.49	$ 83.89	$ 1.67	$ 85.57	2.00%
Commercial	5/8 x 3/4"	480.52	$ 538.05	$ 10.73	$ 548.79	2.00%
Public Authority	2"	968.34	$ 1,184.74	$ 23.64	$ 1,208.38	2.00%

Ventura Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	120.31	$ 116.59	$ 2.33	$ 118.91	2.00%
Commercial	2"	729.61	$ 801.14	$ 15.98	$ 817.12	2.00%
Industrial	2"	2,148.86	$ 2,089.70	$ 41.69	$ 2,131.40	2.00%
Public Authority	2"	1,251.37	$ 1,274.85	$ 25.43	$ 1,300.29	2.00%

Rio Plaza Service Area						
Customer Class	Typical Meter Size	Average Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	3/4"	98.66	$ 84.22	$ 1.68	$ 85.90	2.00%
Commercial	1"	1,794.20	$ 1,449.91	$ 28.93	$ 1,478.84	2.00%

EXHIBIT A
CHAPTER 2 - TABLE 1

CALIFORNIA AMERICAN WATER
AUTHORIZED AND RECORDED EQUITY RETURNS

2021 COST OF CAPITAL APPLICATION
($1,000)

AUTHORIZED

Most Recent Authorized Return on Equity	9.20%

Decision: D. 18-03-035

RECORDED

		2016	2017	2018	2019	2020
Beginning Common Stock		$92,478	$92,478	$92,478	$92,478	$92,478
Adjustments						
Ending Common Stock		$92,478	$92,478	$92,478	$92,478	$92,478
Beginning Paid-In Capital		$172,709	$184,431	$194,745	$237,699	$268,155
Adjustments	$	11,722	10314	42954	30456	20711
Ending Paid-In Capital		$184,431	$194,745	$237,699	$268,155	$288,866
Beginning Retained Earnings		$63,955	$73,095	$81,382	$89,580	$105,309
Net Income Available for Common	$	32,487	33194	33267	42367	43696
Dividends	$	(23,347)	-25255	-25069	-26381	-33644
Adjustments			348		-257	
Ending Retained Earnings		$73,095	$81,382	$89,580	$105,309	$115,361
Total Year-End Common Equity		$350,004	$368,605	$419,757	$465,942	$496,705
Total Average Common Equity		$339,573	$359,305	$394,181	$442,850	$481,324
Net Income Available for Common		$32,487	$33,194	$33,267	$42,367	$43,696
Return on Year-End Common Equity		9.28%	9.01%	7.93%	9.09%	8.80%
Return on Average Common Equity		9.57%	9.24%	8.44%	9.57%	9.08%

EXHIBIT A
CHAPTER 2 - TABLE 2
CALIFORNIA AMERICAN WATER
RECORDED REGULATORY RETURNS ON RATE BASE
2021 COST OF CAPITAL APPLICATION

AUTHORIZED

Most Recent Authorized Return on Rate Base	7.61%
Decision Number	D. 18-03-035
Date of Decision	3/27/2018

RECORDED

		Southern Division	Northern Division	Central Division	Monterey Wastewater	Total
2020						
Operating Income	(Estimated - GRC)	$14,510	$15,101	$13,785	$68	$43,465
Rate Base	(Estimated - GRC)	$199,192	$199,185	$222,748	$2,891	$624,017
Return on Rate Base		7.28%	7.58%	6.19%	2.37%	6.97%
2019						
RecordedOperating Income		$15,217	$13,284	$10,594	$120	$39,216
Rate Base		$178,255	$186,243	$210,994	$3,356	$578,849
Return on Rate Base		8.54%	7.13%	5.02%	3.58%	6.77%
2018						
RecordedOperating Income		$10,630	$11,810	$12,547	$343	$35,330
Rate Base		$164,174	$187,491	$166,456	$2,766	$520,887
Return on Rate Base		6.47%	6.30%	7.54%	12.41%	6.78%
2017						
RecordedOperating Income		$6,566	$9,946	$10,307	$210	$27,030
Rate Base		$157,998	$181,720	$168,244	$2,719	$510,680
Return on Rate Base		4.16%	5.47%	6.13%	7.74%	5.29%
2016						
RecordedOperating Income		$4,448	$7,044	$10,231	$51	$21,774
Rate Base		$146,639	$167,391	$162,934	$2,565	$479,528
Return on Rate Base		3.03%	4.21%	6.28%	2.01%	4.54%

EXHIBIT A
CHAPTER 2 - TABLE 3A
CALIFORNIA AMERICAN WATER

RECORDED EMBEDDED COST OF LONG-TERM DEBT AS OF YEAR END
2021 COST OF CAPITAL APPLICATION

2016

Debt Issue	Issued	Due	Principal Amount	Issuance Costs	Bond Discount	Net Proceeds	Annualized Interest	Debt Expense	Amort of Discount	Total	Effective Cost of Debt
9.71%	6/1/1990	6/1/2020	$6,000,000	$176,300		$5,823,700	$582,600	$5,877		588,477	10.10%
9.22%	6/1/1991	6/1/2021	$10,000,000	$168,300		$9,831,700	$922,000	5,610		927,610	9.43%
7.33%	5/1/1996	5/1/2026	$10,000,000	$70,000		$9,930,000	$733,000	2,333		735,333	7.41%
6.76%	12/1/1993	12/1/2023	$10,000,000	$70,000		$9,930,000	$676,000	2,333		678,333	6.83%
6.76%	12/1/1993	12/1/2033	$10,000,000	$70,000		$9,930,000	$676,000	1,750		677,750	6.83%
5.77%	12/21/2006	12/21/2021	$75,700,000	$249,449		$75,450,551	$4,367,890	16,630		4,384,520	5.81%
5.62%	12/21/2006	12/21/2018	$52,300,000	$172,341		$52,127,659	$2,939,260	14,362		2,953,622	5.67%
0.00%	12/1/2013	12/1/2038	$0	$1,179,875		-$1,179,875	$0	47,195		47,195	-4.00%
5.25%	8/18/2010	8/1/2040	$35,000,000	$756,808		$34,243,192	$1,837,500	25,227		1,862,727	5.44%
3.85%	11/20/2013	3/1/2024	$25,000,000	$210,000	$99,750	$24,690,250	$962,500	21,000	$9,975	993,475	4.02%
2.50%	4/1/2013	3/1/2033	$101,650			$101,650	$2,541	0	$0	2,541	2.50%
1.60%	6/27/2014	10/15/2017	$25,000,000	$21,070		$24,978,930	$400,000	7,023		407,023	1.63%
4.30%	8/13/2015	9/1/2045	$30,000,000	$314,674	$398,005	$29,287,321	$1,290,000	10,489	$13,267	1,313,756	4.49%
2.29%	12/7/2016	12/21/2021	$31,500,000			$31,500,000	$721,350	$0	$0	721,350	2.29%
Total			$320,601,650	$3,458,817		$317,142,833	$16,110,641	$159,829	$0	$16,293,713	5.14%
Remove Debt Specific											
2.50%	4/1/2013	3/1/2033	101,650	$0		$101,650	$2,541	0	0	2,541	2.50%
2.29%	12/7/2016	12/21/2021	31,500,000	0		$31,500,000	$721,350	0	0	721,350	2.29%
Total Net of Specific			$ 289,000,000	$ 3,458,817		$ 285,541,183	$ 15,386,750	$ 159,829	$ -	$ 15,569,821	5.45%

2017

Debt Issue	Issued	Due	Principal Amount	Issuance Costs	Bond Discount	Net Proceeds	Annualized Interest	Debt Expense	Amort of Discount	Total	Effective Cost of Debt
9.71%	6/1/1990	6/1/2020	$6,000,000	$176,300		$5,823,700	$582,600	$5,877		588,477	10.10%
9.22%	6/1/1991	6/1/2021	$10,000,000	$168,300		$9,831,700	$922,000	5,610		927,610	9.43%
7.33%	5/1/1996	5/1/2026	$10,000,000	$70,000		$9,930,000	$733,000	2,333		735,333	7.41%
6.76%	12/1/1993	12/1/2023	$10,000,000	$70,000		$9,930,000	$676,000	2,333		678,333	6.83%
6.76%	12/1/1993	12/1/2033	$10,000,000	$70,000		$9,930,000	$676,000	1,750		677,750	6.83%
5.77%	12/21/2006	12/21/2021	$75,700,000	$249,449		$75,450,551	$4,367,890	16,630		4,384,520	5.81%
5.62%	12/21/2006	12/21/2018	$52,300,000	$172,341		$52,127,659	$2,939,260	14,362		2,953,622	5.67%
0.00%	12/1/2013	12/1/2038	$0	$1,179,875		-$1,179,875	$0	47,195		47,195	-4.00%
5.25%	8/18/2010	8/1/2040	$35,000,000	$756,808		$34,243,192	$1,837,500	25,227		1,862,727	5.44%
3.85%	11/20/2013	3/1/2024	$25,000,000	$210,000	$99,750	$24,690,250	$962,500	21,000	$9,975	993,475	4.02%
2.50%	4/1/2013	3/1/2033	$99,559			$99,559	$2,489	0	$0	2,489	2.50%
4.30%	8/13/2015	9/1/2045	$30,000,000	$314,674	$398,005	$29,287,321	$1,290,000	10,489	$13,267	1,313,756	4.49%
2.29%	12/7/2016	12/21/2021	$31,500,000			$31,500,000	$721,350	$0	$0	721,350	2.29%
3.75%	8/10/2017	9/1/2047	30,940,000	$407,136	95,090	$30,437,774	$1,160,250	$13,571	$3,170	1,176,991	3.87%
Total			$326,539,559	$3,844,883		$322,694,676	$16,870,839	$166,377	$26,412	$17,063,628	5.29%
Remove Debt Specific											
2.50%	4/1/2013	3/1/2033	99,559	$0		$99,559	$2,489	0	0	2,541	2.50%
2.29%	12/7/2016	12/21/2021	31,500,000	0		$31,500,000	$721,350	0	0	721,350	2.29%
Total Net of Specific			$ 294,940,000	$ 3,844,883		$ 291,095,117	$ 16,147,000	$ 166,377	$26,412	$ 16,339,737	5.61%

2018

Debt Issue	Issued	Due	Principal Amount	Issuance Costs	Bond Discount	Net Proceeds	Annualized Interest	Debt Expense	Amort of Discount	Total	Effective Cost of Debt
9.71%	6/1/1990	6/1/2020	$6,000,000	$176,300		$5,823,700	$582,600	$5,877		588,477	10.10%
9.22%	6/1/1991	6/1/2021	$10,000,000	$168,300		$9,831,700	$922,000	5,610		927,610	9.43%
7.33%	5/1/1996	5/1/2026	$10,000,000	$70,000		$9,930,000	$733,000	2,333		735,333	7.41%
6.76%	12/1/1993	12/1/2023	$10,000,000	$70,000		$9,930,000	$676,000	2,333		678,333	6.83%
6.76%	12/1/1993	12/1/2033	$10,000,000	$70,000		$9,930,000	$676,000	1,750		677,750	6.83%
5.77%	12/21/2006	12/21/2021	$75,700,000	$249,449		$75,450,551	$4,367,890	16,630		4,384,520	5.81%
0.00%	12/1/2013	12/1/2038	$0	$1,179,875		-$1,179,875	$0	98,323		98,323	-8.33%
5.25%	8/18/2010	8/1/2040	$35,000,000	$756,808		$34,243,192	$1,837,500	30,272		1,867,772	5.45%
3.85%	11/20/2013	3/1/2024	$25,000,000	$210,000	$99,750	$24,690,250	$962,500	21,000	$9,975	993,475	4.02%
2.50%	4/1/2013	3/1/2033	$96,755			$96,755	$2,419	0	$0	2,419	2.50%
4.30%	8/13/2015	9/1/2045	$30,000,000	$314,674	$398,005	$29,287,321	$1,290,000	10,489	$13,267	1,313,756	4.49%
2.29%	12/7/2016	12/21/2021	$31,500,000			$31,500,000	$721,350	$0	$0	721,350	2.29%
3.75%	8/10/2017	9/1/2047	30,940,000	$407,136	95,090	$30,437,774	$1,160,250	$13,571	$3,170	1,176,991	3.87%
4.20%	8/9/2018	9/1/2048	85,000,000	$884,554	45,943	$84,069,503	3,570,000	119,000	$1,531	3,690,531	4.39%
Total			$359,236,755	$4,557,096		$354,040,871	$17,501,509	$327,189	$27,943	$17,856,641	5.04%
Remove Debt Specific											
2.50%	4/1/2013	3/1/2033	96,755	$0		$96,755	$2,419	0	0	2,541	2.50%
2.29%	12/7/2016	12/21/2021	$31,500,000	$0		$31,500,000	$721,350	0	0	721,350	2.29%
Total Net of Specific			$ 327,640,000	$ 4,557,096		$ 322,444,116	$ 16,777,740	$ 316,700	$27,943	$ 17,132,749	5.31%

2019

Debt Issue	Issued	Due	Principal Amount	Issuance Costs	Bond Discount	Net Proceeds	Annualized Interest	Debt Expense	Amort of Discount	Total	Effective Cost of Debt
9.71%	6/1/1990	6/1/2020	$6,000,000	$176,300		$5,823,700	$582,600	$5,877		$588,477	10.10%
9.22%	6/1/1991	6/1/2021	$10,000,000	$168,300		$9,831,700	$922,000	5,610		$927,610	9.43%
7.33%	5/1/1996	5/1/2026	$10,000,000	$70,000		$9,930,000	$733,000	2,333		$735,333	7.41%
6.76%	12/1/1993	12/1/2023	$10,000,000	$70,000		$9,930,000	$676,000	2,333		$678,333	6.83%
6.76%	12/1/1993	12/1/2033	$10,000,000	$70,000		$9,930,000	$676,000	1,750		$677,750	6.83%
5.77%	12/21/2006	12/21/2021	$75,700,000	$249,449		$75,450,551	$4,367,890	16,630		$4,384,520	5.81%
0.00%	12/1/2013	12/1/2038	$0	$1,179,875		-$1,179,875	$0	98,323		$98,323	-8.33%
5.25%	8/18/2010	8/1/2040	$35,000,000	$756,808		$34,243,192	$1,837,500	30,272		$1,867,772	5.45%
3.85%	11/20/2013	3/1/2024	$25,000,000	$210,000	$99,750	$24,690,250	$962,500	21,000	$9,975	$993,475	4.02%
2.50%	4/1/2013	3/1/2033	$93,285			$93,285	$2,332	0	$0	$2,332	2.50%
4.30%	8/13/2015	9/1/2045	$30,000,000	$314,674	$398,005	$29,287,321	$1,290,000	10,489	$13,267	$1,313,756	4.49%
2.29%	12/7/2016	12/21/2021	$31,500,000			$31,500,000	$721,350	$0	$0	$721,350	2.29%
3.75%	8/10/2017	9/1/2047	30,940,000	$407,136	95,090	$30,437,774	$1,160,250	$13,571	$3,170	$1,176,991	3.87%
4.20%	8/9/2018	9/1/2048	85,000,000	$884,554	45,943	$84,069,503	3,570,000	119,000	$1,531	$3,690,531	4.39%
4.15%	5/13/2019	6/1/2049	30,003,000	$312,566	158,753	$29,531,681	1,245,125	10,419	$5,292	$1,260,835	4.27%
Total			$389,236,285	$4,869,662		$383,569,082	$18,746,547	$337,608	$33,235	$19,117,389	4.98%
Remove Debt Specific											
2.50%	4/1/2013	3/1/2033	93,285	$0		$93,285	$2,332	0	0	2,541	2.50%
2.29%	12/7/2016	12/21/2021	31,500,000	0		$31,500,000	$721,350	0	0	721,350	2.29%
Total Net of Specific			$ 357,643,000	$ 4,869,662		$ 351,975,797	$ 18,022,865	$ 337,608	$33,235	$ 18,393,498	5.23%

2020

Debt Issue		Issued	Due	Principal Amount	Issuance Costs	Bond Discount	Net Proceeds	Annualized Interest	Debt Expense	Amort of Discount	Total	Effective Cost of Debt
	9.22%	6/1/1991	6/1/2021	$10,000,000	$168,300		$9,831,700	$922,000	5,610		$927,610	9.43%
	7.33%	5/1/1996	5/1/2026	$10,000,000	$327,863		$9,672,137	$733,000	10,929	$0	$743,929	7.69%
	6.76%	12/1/1993	12/1/2023	$10,000,000	$73,044		$9,926,956	$676,000	2,435	$0	$678,435	6.83%
	6.76%	12/1/1993	12/1/2033	$10,000,000	$72,461		$9,927,539	$676,000	1,812	$0	$677,812	6.83%
	5.77%	12/21/2006	12/21/2021	$75,700,000	$249,449		$75,450,551	$4,367,890	16,630		$4,384,520	5.81%
	0.60%	8/18/2020	9/1/2023	$35,000,000	$1,001,814		$33,998,186	$210,000	333,938	$0	$543,938	1.60%
	3.85%	11/20/2013	3/1/2024	$25,000,000	$210,000	$99,750	$24,690,250	$962,500	21,000	$9,975	$983,500	3.98%
	2.50%	4/1/2013	3/1/2033	$89,194			$89,194	$2,230	0	$0	$2,230	2.50%
	4.30%	8/13/2015	9/1/2045	$30,000,000	$314,674	$398,005	$29,287,321	$1,290,000	10,489	$13,267	$1,300,489	4.44%
	2.29%	12/7/2016	12/21/2021	$31,500,000			$31,500,000	$721,350	$0	$0	$721,350	2.29%
	3.75%	8/10/2017	9/1/2047	30,940,000	$407,136	95,090	$30,437,774	$1,160,250	$13,571	$3,170	$1,173,821	3.86%
	4.20%	8/9/2018	9/1/2048	85,000,000	$884,554	45,943	$84,069,503	3,570,000	119,000	$1,531	$3,689,000	4.39%
	4.15%	5/13/2019	6/1/2049	30,003,000	$312,566	158,753	$29,531,681	1,245,125	10,419	$5,292	$1,255,543	4.25%
	0.00%	2/4/2020	4/1/2027	1,404,432			$1,404,432	0	0	$0	$0	0.00%
	3.45%	4/14/2020	5/1/2050	15,000,000	$158,945	30,852	$14,810,203	517,500	5,298	$1,028	$522,798	3.53%
	0.00%	6/24/2020	1/1/2038	2,167,079			$2,167,079	0	0	$0	$0	0.00%
											$0	
Total				$401,803,705	$4,180,806		$396,794,506	$17,053,844	$551,130	$34,263	$17,604,975	4.44%
Remove Debt Specific												
	2.50%	4/1/2013	3/1/2033	89,194	$0		$89,194	$2,230	0	0	2,541	2.85%
	2.29%	12/7/2016	12/21/2021	$31,500,000	$0		$31,500,000	$721,350	0	0	721,350	2.29%
	0.00%	2/4/2020	4/1/2027	1,404,432	$0		1,404,432	0	0		$0	0.00%
	0.00%	6/24/2020	1/1/2038	2,167,079	$0		2,167,079	0	0		$0	0.00%
Total Net of Specific				$ 366,643,000	$ 4,180,806		$ 361,633,801	$ 16,330,265	$ 551,130	$34,263	$ 16,881,084	4.67%

EXHIBIT A
CHAPTER 2 - TABLE 3B

CALIFORNIA AMERICAN WATER

RECORDED AVERAGE ANNUAL EFFECTIVE INTEREST RATE ON DEBT

2021 COST OF CAPITAL APPLICATION
($1,000)

Year	Principal At 12/31	Average Annual	Net Proceeds At 12/31	Net Proceeds Average Annual	Annual Charges At 12/31	Annual Charges Annual Average	Average Effective Rate
2016	$ 289,000	$ 294,000	$ 285,541	$ 290,525	$ 15,570	$ 15,847	5.45%
2017	$ 294,940	$ 291,970	$ 291,095	$ 288,318	$ 16,340	$ 15,955	5.53%
2018	$ 327,640	$ 311,290	$ 322,444	$ 306,770	$ 17,133	$ 16,736	5.46%
2019	$ 357,643	$ 342,642	$ 351,976	$ 337,210	$ 18,393	$ 17,763	5.27%
2020	$ 366,643	$ 362,143	$ 361,634	$ 356,805	$ 16,881	$ 17,637	4.94%

EXHIBIT A
CHAPTER 2 - TABLE 4

CALIFORNIA AMERICAN WATER

WEIGHTED AVERAGE RETURN ON CAPITAL

2021 COST OF CAPITAL APPLICATION
($1,000)

2016

Capital Source	Amount	Ratio	Cost of Capital	Weighted Average Return
Debt	$290,525	46.11%	5.45%	2.52%
Equity	339,573	53.89%	9.24%	4.98%
	$630,098	100.00%		7.50%

2017

Capital Source	Amount	Ratio	Cost of Capital	Weighted Average Return
Debt	$288,318	44.52%	5.53%	2.46%
Equity	359,305	55.48%	9.57%	5.31%
	$647,623	100.00%		7.77%

2018

Capital Source	Amount	Ratio	Cost of Capital	Weighted Average Return
Debt	$306,770	43.76%	5.46%	2.39%
Equity	394,181	56.24%	9.24%	5.20%
	$700,951	100.00%		7.58%

2019

Capital Source	Amount	Ratio	Cost of Capital	Weighted Average Return
Debt	$337,210	43.23%	5.27%	2.28%
Equity	442,850	56.77%	8.44%	4.79%
	$780,059	100.00%		7.07%

2020

Capital Source	Amount	Ratio	Cost of Capital	Weighted Average Return
Debt	$356,805	42.57%	4.94%	2.10%
Equity	481,324	57.43%	9.57%	5.49%
	$838,128	100.00%		7.60%

EXHIBIT A
CHAPTER 3 - TABLE 1 A

CALIFORNIA AMERICAN WATER

PROPOSED CAPITAL STRUCTURE AND RATE OF RETURN (BOOK-ADJUSTED)

2021 COST OF CAPITAL APPLICATION
($1,000)

2021	Capital Component	Capital Structure	Cost	Weighted Cost
Debt	$390,371	42.80%	4.29%	1.84%
Common Equity	521,698	57.20%	10.75%	6.15%
Total	$912,069	100.00%		7.99%

2022	Capital Component	Capital Structure	Cost	Weighted Cost
Debt	$442,913	43.72%	4.32%	1.89%
Common Equity	570,074	56.28%	10.75%	6.05%
Total	$1,012,987	100.00%		7.94%

EXHIBIT A
CHAPTER 3 - TABLE 1 B

CALIFORNIA AMERICAN WATER

PROPOSED CAPITAL STRUCTURE AND RATE OF RETURN (TIER #1)

2021 COST OF CAPITAL APPLICATION
($1,000)

2021	Capital Component	Capital Structure	Cost	Weighted Cost
Debt	$367,042	41.93%	4.41%	1.85%
Common Equity	508,292	58.07%	10.75%	6.24%
Total	$875,334	100.00%		8.09%

2022	Capital Component	Capital Structure	Cost	Weighted Cost
Debt	$419,981	42.96%	4.35%	1.87%
Common Equity	557,725	57.04%	10.75%	6.13%
Total	$977,706	100.00%		8.00%

EXHIBIT A
CHAPTER 3 - TABLE 2
CALIFORNIA AMERICAN WATER
PROPOSED EMBEDDED COST OF LONG-TERM DEBT AS OF YEAR END

2021 COST OF CAPITAL APPLICATION
($1,000)

2021

Debt Issue	Issued	Due	Principal Amount	mortized Issua Costs	amortized Bor Discount	Net Proceeds	Annualized Interest	Amort of Deb Expense	Amort of Discount	Total	Preliminary Cost of Debt
7.33%	5/1/1996	5/1/2026	$10,000,000	$58,290		$9,941,710	$733,000	1,943	$0	734,943	7.39%
6.76%	12/1/1993	12/1/2023	$10,000,000	$7,105		$9,992,895	$676,000	237	$0	676,237	6.77%
6.76%	12/1/1993	12/1/2033	$10,000,000	$23,397		$9,976,603	$676,000	585	$0	676,585	6.78%
0.60%	8/18/2020	9/1/2023	$35,000,000	$911,047		$34,088,953	$210,000	303,682	$0	513,682	1.51%
3.85%	11/20/2013	3/1/2024	$25,000,000	$64,711	$30,753	$24,904,536	$962,500	6,471	$9,703	978,674	3.93%
2.50%	4/1/2013	3/1/2033	$85,000			$85,000	$2,125	0	$0	2,125	2.50%
4.30%	8/13/2015	9/1/2045	$30,000,000	$258,259	$323,215	$29,418,526	$1,290,000	8,609	$13,267	1,311,875	4.46%
3.75%	8/10/2017	9/1/2047	30,940,000	$285,489	84,534	$30,569,977	$1,160,250	$9,516	$3,170	1,172,936	3.84%
4.20%	8/9/2018	9/1/2048	85,000,000	$816,600	42,373	$84,141,027	3,570,000	119,000	$1,531	3,690,531	4.39%
4.15%	5/13/2019	6/1/2049	30,003,000	$295,753	150,389	$29,556,858	1,245,125	9,858	$5,292	1,260,275	4.26%
0.00%	2/4/2020	4/1/2027	1,209,372			$1,209,372	0	0	$0	0	0.00%
3.45%	4/14/2020	5/1/2050	15,000,000	$155,243	30,169	$14,814,588	517,500	5,175	$1,028	523,703	3.54%
0.00%	6/24/2020	1/1/2038	2,043,246			$2,043,246	0	0	$0	0	0.00%
4.14%	5/31/2021	5/31/2051	1,030,000	$13,796	$3,937	$1,012,267	42,642	460	$131	43,233	4.27%
4.14%	5/31/2021	5/31/2051	36,970,000	$495,190	$141,302	$36,333,507	1,530,558	16,506	$4,710	1,551,774	4.27%
4.14%	11/30/2021	11/30/2051	107,200,000	$1,435,877	$409,727	$105,354,395	4,438,080	47,863	$13,658	4,499,600	4.27%
			$429,480,618	$4,820,758	$1,216,399	$423,443,461	$17,053,780	$529,905	$52,490	$17,636,175	4.16%
Remove SRF & Hillview Tax Loan											
2.50%	4/1/2013	3/1/2033	85,000	$0		$85,000	$2,125	0	0	2,125	2.50%
4.14%	5/31/2021	5/31/2051	1,016,115	$13,610	$3,884	$998,621	$42,067	454	$129 0	42,650	4.27%
0.00%	2/4/2020	4/1/2027	1,209,372	$0		1,209,372	0	0		0	0.00%
0.00%	6/24/2020	1/1/2038	2,043,246	$0		2,043,246	0	0		0	0.00%
Total Net of Specific			$ 425,126,885	$ 4,807,148	$ 1,212,516	$ 419,107,222	$ 17,009,587	$ 529,451	$ 52,361	$ 17,591,399	4.20%

2021-24 Debt Issue Information

Formula To Estimate Cost of New Debt Issues	2021	2022	2023	2024
Estimated Cost of New Debt (Ave of A/BBB)	4.14%	4.44%	4.73%	4.83%

Original Issuance Costs	$3,763,057
Related Debts	$280,943,000
Ave issuance costs	1.34%
Original Bond Discount	$825,352
Related Debts	$215,943,000
Ave discount	0.38%

2022

Debt Issue	Issued	Due	Principal Amount	mortized Issua Costs	amortized Bor Discount	Net Proceeds	Annualized Interest	Amort of Deb Expense	Amort of Discount	Total	Effective Cost of Debt
7.33%	5/1/1996	5/1/2026	$10,000,000	$56,347		$9,943,653	$733,000	1,878	$0	734,878	7.39%
6.76%	12/1/1993	12/1/2023	$10,000,000	$6,868		$9,993,132	$676,000	229	$0	676,229	6.77%
6.76%	12/1/1993	12/1/2033	$10,000,000	$22,812		$9,977,188	$676,000	570	$0	676,570	6.78%
0.60%	8/18/2020	9/1/2023	$35,000,000	$607,365		$34,392,635	$210,000	202,455	$0	412,455	1.20%
3.85%	11/20/2013	3/1/2024	$25,000,000	$58,240	$21,050	$24,920,710	$962,500	5,824	$9,703	978,027	3.92%
2.50%	4/1/2013	3/1/2033	$80,500	$0	$0	$80,500	$2,013	0	$0	2,013	2.50%
4.30%	8/13/2015	9/1/2045	$30,000,000	$249,650	$309,948	$29,440,401	$1,290,000	8,322	$13,267	1,311,589	4.46%
3.75%	8/10/2017	9/1/2047	30,940,000	$275,973	$81,364	$30,582,663	$1,160,250	$9,199	$3,170	1,172,619	3.83%
4.20%	8/9/2018	9/1/2048	85,000,000	$697,600	$40,842	$84,261,558	3,570,000	119,000	$1,531	3,690,531	4.38%
4.15%	5/13/2019	6/1/2049	30,003,000	$285,895	$145,097	$29,572,008	1,245,125	9,530	$5,292	1,259,946	4.26%
0.00%	2/4/2020	4/1/2027	1,014,312	$0	$0	$1,014,312	0	0	$0	0	0.00%
3.45%	4/14/2020	5/1/2050	15,000,000	$150,068	$29,141	$14,820,791	517,500	5,002	$1,028	523,531	3.53%
0.00%	6/24/2020	1/1/2038	1,919,413	$0	$0	$1,919,413	0	0	$0	0	0.00%
4.14%	5/31/2021	5/31/2051	1,030,000	$13,336	$3,806	$1,012,858	42,642	445	$127	43,213	4.27%
4.14%	5/31/2021	5/31/2051	36,970,000	$478,684	$136,592	$36,354,724	1,530,558	15,956	$4,553	1,551,067	4.27%
4.14%	11/30/2021	11/30/2051	107,200,000	$1,388,015	$396,070	$105,415,915	4,438,080	46,267	$13,202	4,497,549	4.27%
4.44%	7/1/2022	6/30/2052	47,829,295	$640,644	$182,808	$47,005,844	2,123,621	21,355	$6,094	2,151,069	4.58%
			$476,986,520	$4,931,496	$1,346,717	$470,708,306	$19,177,288	$446,032	$57,967	$19,681,286	4.18%
Remove SRF & Hillview Tax Loan											
2.50%	4/1/2013	3/1/2033	80,500	$0	$0	$80,500	$2,013	0		2,013	2.50%
4.14%	5/31/2021	5/31/2051	991,519	$12,838	$3,663	$975,017	$41,049	428	122	41,599	4.27%
0.00%	2/4/2020	4/1/2027	1,014,312	$0	$0	1,014,312	0	0		0	0.00%
0.00%	6/24/2020	1/1/2038	1,919,413	$0	$0	1,919,413	0	0		0	0.00%
Total Net of Specific			$ 472,980,776	$ 4,918,658	$ 1,343,054	$ 466,719,064	$ 19,134,226	$ 445,604	$ 57,845	$ 19,637,675	4.21%

2023

Debt Issue	Issued	Due	Principal Amount	mortized Issua Costs	amortized Bor Discount	Net Proceeds	Annualized Interest	Amort of Deb Expense	Amort of Discount	Total	Effective Cost of Debt
7.33%	5/1/1996	5/1/2026	$10,000,000	$54,469		$9,945,531	$733,000	1,816	$0	734,816	7.39%
6.76%	12/1/1993	12/1/2033	$10,000,000	$22,242		$9,977,758	$676,000	556	$0	676,556	6.78%
3.85%	11/20/2013	3/1/2024	$25,000,000	$52,416	$11,347	$24,936,237	$962,500	5,242	$9,703	977,445	3.92%
2.50%	4/1/2013	3/1/2033	$76,000	$0	$0	$76,000	$1,900	0	$0	1,900	2.50%
4.30%	8/13/2015	9/1/2045	$30,000,000	$241,329	$296,681	$29,461,990	$1,290,000	8,044	$13,267	1,311,311	4.45%
3.75%	8/10/2017	9/1/2047	30,940,000	$266,774	$78,195	$30,595,032	$1,160,250	$8,892	$3,170	1,172,312	3.83%
4.20%	8/9/2018	9/1/2048	85,000,000	$578,600	$39,310	$84,382,090	3,570,000	119,000	$1,531	3,690,531	4.37%
4.15%	5/13/2019	6/1/2049	30,003,000	$276,365	$139,805	$29,586,830	1,245,125	9,212	$5,292	1,259,628	4.26%
0.00%	2/4/2020	4/1/2027	819,252	$0	$0	$819,252	0	0	$0	0	0.00%
3.45%	4/14/2020	5/1/2050	15,000,000	$145,066	$28,112	$14,826,822	517,500	4,836	$1,028	523,364	3.53%
0.00%	6/24/2020	1/1/2038	1,795,580	$0	$0	$1,795,580	0	0	$0	0	0.00%
4.14%	5/31/2021	5/31/2051	1,030,000	$12,892	$3,679	$1,013,430	42,642	430	$123	43,194	4.26%
4.14%	5/31/2021	5/31/2051	36,970,000	$462,728	$132,039	$36,375,233	1,530,558	15,424	$4,401	1,550,384	4.26%
4.14%	11/30/2021	11/30/2051	107,200,000	$1,341,748	$382,867	$105,475,385	4,438,080	44,725	$12,762	4,495,567	4.26%
4.44%	7/1/2022	6/30/2052	47,829,295	$619,289	$176,714	$47,033,292	2,123,621	20,643	$5,890	2,150,154	4.57%
4.73%	7/1/2023	6/30/2053	101,942,000	$1,365,450	389,631	$100,186,919	4,821,857	45,515	$12,988	4,880,359	4.87%
			$533,605,127	$5,439,365	$1,678,381	$526,487,381	$23,113,032	$284,335	$70,155	$23,467,522	4.46%
Remove SRF & Hillview Tax Loan											
2.50%	4/1/2013	3/1/2033	76,000	$0	$0	$76,000	$1,900	0		1,900	2.50%
4.14%	5/31/2021	5/31/2051	965,885	$12,255	$3,450	$950,181	39,988	403	115	40,506	4.26%
0.00%	2/4/2020	4/1/2027	819,252	$0	$0	819,252	0	0		0	0.00%
0.00%	6/24/2020	1/1/2038	1,795,580	$0	$0	1,795,580	0	0		0	0.00%
Total Net of Specific			$ 530,914,295	$ 5,439,365	$ 1,678,381	$ 523,796,549	$23,111,132	$ 284,335	$ 70,155	$ 23,465,622	4.48%

2024

Debt Issue	Issued	Due	Principal Amount	mortized Issua Costs	amortized Bor Discount	Net Proceeds	Annualized Interest	Amort of Deb Expense	Amort of Discount	Total	Effective Cost of Debt
7.33%	5/1/1996	5/1/2026	$10,000,000	$52,653		$9,947,347	$733,000	1,755	$0	734,755	7.39%
6.76%	12/1/1993	12/1/2033	$10,000,000	$21,686		$9,978,314	$676,000	542	$0	676,542	6.78%
2.50%	4/1/2013	3/1/2033	$71,500	$0		$71,500	$1,788	0	$0	1,788	2.50%
4.30%	8/13/2015	9/1/2045	$30,000,000	$233,284	$283,415	$29,483,301	$1,290,000	7,776	$13,267	1,311,043	4.45%
3.75%	8/10/2017	9/1/2047	30,940,000	$257,881	$75,025	$30,607,094	$1,160,250	$8,596	$3,170	1,172,016	3.83%
4.20%	8/9/2018	9/1/2048	85,000,000	$459,600	$37,779	$84,502,621	3,570,000	119,000	$1,531	3,690,531	4.37%
4.15%	5/13/2019	6/1/2049	30,003,000	$267,153	$134,514	$29,601,334	1,245,125	8,905	$5,292	1,259,321	4.25%
0.00%	2/4/2020	4/1/2027	624,192	$0	$0	$624,192	0	0	$0	0	0.00%
3.45%	4/14/2020	5/1/2050	15,000,000	$140,230	$27,084	$14,832,686	517,500	4,674	$1,028	523,203	3.53%
0.00%	6/24/2020	1/1/2038	1,671,747	$0	$0	$1,671,747	0	0	$0	0	0.00%
4.14%	5/31/2021	5/31/2051	1,030,000	$12,462	$3,556	$1,013,982	42,642	415	$119	43,176	4.26%
4.14%	5/31/2021	5/31/2051	36,970,000	$447,303	$127,638	$36,395,059	1,530,558	14,910	$4,255	1,549,723	4.26%
4.14%	11/30/2021	11/30/2051	107,200,000	$1,297,023	$370,105	$105,532,872	4,438,080	43,234	$12,337	4,493,651	4.26%
4.44%	7/1/2022	6/30/2052	47,829,295	$598,646	$170,823	$47,059,826	2,123,621	19,955	$5,694	2,149,270	4.57%
4.73%	7/1/2023	6/30/2053	101,942,000	$1,319,935	$376,643	$100,245,422	4,821,857	43,998	$12,555	4,878,409	4.87%
4.83%	7/1/2024	6/30/2054	79,004,000	$1,058,210	$301,960	$77,643,831	3,815,893	35,274	$10,065	3,861,232	4.97%
			$587,285,734	$6,166,066	$1,908,541	$579,211,126	$25,966,312	$309,035	$69,312	$26,344,660	4.55%
Remove SRF & Hillview Tax Loan											
2.50%	4/1/2013	3/1/2033	71,500	$0	$0	$71,500	$1,788	0		1,788	2.50%
4.14%	5/31/2021	5/31/2051	939,170	$11,363	$3,242	$924,564	$38,882	379	108	39,368	4.26%
0.00%	2/4/2020	4/1/2027	624,192	$0	$0	624,192	0	0		0	0.00%
0.00%	6/24/2020	1/1/2038	1,671,747	$0	$0	1,671,747	0	0		0	0.00%
Total Net of Specific			$ 583,979,125	$ 6,154,703	$ 1,905,299	$ 575,919,123	$25,925,643	$ 308,656	$ 69,204	$ 26,303,504	4.57%

EXHIBIT A
CHAPTER 3 - TABLE 3

CALIFORNIA AMERICAN WATER

RECORDED AVERAGE ANNUAL EFFECTIVE INTEREST RATE ON DEBT

2021 COST OF CAPITAL APPLICATION
($1,000)

BOOK

Year	Principal At 12/31	Average Annual	Net Proceeds At 12/31	Net Proceeds Average Annual	Annual Charges At 12/31	Annual Charges Annual Average	Average Effective Rate
2020	$ 401,804	$ 395,520	$ 396,795	$ 390,182	$ 17,605	$ 18,345	4.70%
2021	$ 429,481	$ 415,642	$ 423,443	$ 410,119	$ 17,584	$ 17,594	4.29%
2022	$ 476,987	$ 453,234	$ 470,708	$ 447,076	$ 19,623	$ 18,604	4.16%
2023	$ 533,605	$ 505,296	$ 526,487	$ 498,598	$ 23,397	$ 21,510	4.31%
2024	$ 587,286	$ 560,445	$ 579,211	$ 552,849	$ 26,275	$ 24,836	4.49%

BOOK NET OF SPECIFIC

Year	Principal At 12/31	Average Annual	Net Proceeds At 12/31	Net Proceeds Average Annual	Annual Charges At 12/31	Annual Charges Annual Average	Average Effective Rate
2020	$ 366,643	$ 362,143	$ 361,634	$ 356,805	$ 16,881	$ 17,621	4.94%
2021	$ 425,127	$ 395,885	$ 419,107	$ 390,371	$ 17,539	$ 17,210	4.41%
2022	$ 472,981	$ 449,054	$ 466,719	$ 442,913	$ 19,580	$ 18,559	4.19%
2023	$ 530,914	$ 501,948	$ 523,797	$ 495,258	$ 23,395	$ 21,488	4.34%
2024	$ 583,979	$ 557,447	$ 575,919	$ 549,858	$ 26,234	$ 24,815	4.51%

EXHIBIT A
CHAPTER 3 - TABLE 4

CALIFORNIA AMERICAN WATER
AUTHORIZED AND RECORDED EQUITY RETURNS

2021 COST OF CAPITAL APPLICATION
($1,000)

AUTHORIZED
Most Recent Authorized Return on Equity

Decision: D. 18-03-035

	Recorded 2020	Forecast 2021	Forecast 2022
Beginning Common Stock	$92,478	$92,478	$92,478
Adjustments	$0		
Ending Common Stock	$92,478	$92,478	$92,478
Beginning Paid-In Capital	$268,155	$288,866	$323,147
Adjustments	$20,711	$34,281	$36,115
Ending Paid-In Capital	$288,866	$323,147	$359,262
Beginning Retained Earnings	$105,309	$115,361	$131,066
Net Income Available for Common	$43,696		
Dividends	-$33,644		
Adjustments	$0	$15,705	$10,651
Ending Retained Earnings	$115,361	$131,066	$141,717
Total Year-End Common Equity	$496,705	$546,691	$593,457
Total Average Common Equity	$481,324	$521,698	$570,074
Net Income Available for Common	$43,696		
Return on Year-End Common Equity	8.80%		
Return on Average Common Equity	9.08%		

EXHIBIT A
CHAPTER 3 - TABLE 5 A (2020)

CALIFORNIA AMERICAN WATER
BOOK TO RATEMAKING CAPITAL STRUCTURE ADJUSTMENTS

2021 COST OF CAPITAL APPLICATION
($1,000)

Tier 1 Adjustments Average 2020	Recorded Less Specific	CITIZENS ACQUISITION ADJUSTMENTS Premium	Adv/Cont	Adjusted	Debt/Equity Ratio
LT Debt	$ 356,805	$23,693		$333,112.30	41.68%
ST Debt	$ 27,388				
Equity	$ 481,324	$12,758	$2,530	$466,036.20	58.32%
TOTAL	$ 865,516	$ 36,450	$2,530	$799,148	100.00%

EXHIBIT A
CHAPTER 3 - TABLE 5 B (2021)

CALIFORNIA AMERICAN WATER
BOOK TO RATEMAKING CAPITAL STRUCTURE ADJUSTMENTS

2021 COST OF CAPITAL APPLICATION
($1,000)

Tier 1 Adjustments

Average 2021	Estimated Less Specific	CITIZENS ACQUISITION ADJUSTMENTS Premium	Adv/Cont		Adjusted	Debt/Equity Ratio
LT Debt	$ 390,371	$23,329	$0		$367,042	41.93%
ST Debt	$ 52,838					
Equity	$ 521,698	$12,562	$844		$508,292	58.07%
TOTAL	$ 964,907	$ 35,890	$844	$ -	$875,334	100.00%

EXHIBIT A
CHAPTER 3 - TABLE 5 C (2022)

CALIFORNIA AMERICAN WATER
BOOK TO RATEMAKING CAPITAL STRUCTURE ADJUSTMENTS

2021 COST OF CAPITAL APPLICATION
($1,000)

Tier 1 Adjustments

Average 2022	Estimated Less Specific	CITIZENS ACQUISITION ADJUSTMENTS Premium	Adv/Cont		Adjusted	Debt/Equity Ratio
LT Debt	$ 442,913	$22,932	$0		$419,981.14	42.96%
ST Debt	$ 46,996					
Equity	$ 570,074	$12,348	$1	0	$557,725.25	57.04%
TOTAL	$ 1,059,983	$ 35,280	$1	$ -	$977,706	100.00%

EXHIBIT A
CHAPTER 4 - TABLE 1

CALIFORNIA AMERICAN WATER
AUTHORIZED AND PROJECTED RATE BASE INFORMATION - BY DISTRICT (000's OMMITTED)

2021 COST OF CAPITAL APPLICATION

		Southern Division	Northern Division	Central Division	Monterey Waste	General Office	Total
MOST RECENT AUTHORIZED RATE BASE	(Year 2020)	$ 200,832	$ 191,999	$ 216,135	$ 2,232	$ 19,262	$630,460
PROJECTED RATE BASE FROM 2019 GRC	(Year 2022)	$ 241,756	$ 230,014	$ 238,270	$ 3,351	$ 33,500	$746,891

EXHIBIT B

California American Water
2021 Cost of Capital Application

Minimum Data Requirements for Utility
Cost of Capital Application and Testimony

Testimony served concurrently with the cost of capital application must include data responsive to the specific topics and questions listed below, among other information necessary to support the request. The application and testimony need not respond to the Minimum Data Requirements in the order presented below, but must include a cross reference that identifies where each topic and question is addressed in the testimony. Provide responses both on a company aggregate and individual district basis as appropriate.

Description of Requirement	Reference
A. List most recent authorized return on equity and rate of return on rate base, with reference to decision number.	Exhibit A Chapter 2 Table 2
B. Report actual return on equity and rate of return on rate base annually for the past five years.	Exhibit A Chapter 2 Tables 1 and 2
C. Describe the proposed capital structure and rate of return.	Testimony of Stephen (Wes) Owens - Section IV
Identify and explain all significant changes from last adopted capital structure and cost of capital.	Application Section IV and V
Report cost of capital information in summary table as set out below:	Exhibit A Chapter 3 Table 1
D. Regarding long-term debt:	All in Exhibit A
1. List the sinking fund amounts for each issue, by issue, by year.	Chapter 2 Table 3A
2. List the retirements by issue, for the current year.	Chapter 2 Table 3A
3. List the interest rates for each issue, by issue.	Chapter 2 Table 3A
4. List the terms of each issue, by issue, with issue date and date due.	Chapter 2 Table 3A
5. List the cost of issuance for each issue, by issue.	Chapter 2 Table 3A
6. List name of lender for each issue, by issue.	Chapter 2 Table 3A
7. Provide the formula used to determine the cost of new issues of long- term debt (Example: 30-year Treasury Bond + 100 basis points), as well as the reason for using the particular rate and basis point premium.	Testimony of Stephen (Wes) Owens - Section V
8. If company or affiliate is rated by S&P, provide rating. If not rated, what would be rating based on forecast cost of new debt?	California American Water is not rated. American Water Works is rated A by Standard & Poors and Baa1 by Moody's
E. Are company stocks, bonds, or company as a whole rated or commented on by any organization or agency?	California American Water is not rated.
a) If so, provide name(s) and phone number(s) of rating/commenting organization(s) and the ratings/comments received in the past 12 months.	N/A
b) Provide this information on an ongoing basis.	N/A
F. List actual rate base for the past five years, by year, by district.	Chapter 2 Table 2
G. Workpapers are served but not part of the application and should include:	
1. Copies of all publications, articles, book references, regulations, and decisions, referenced in testimony.	
2. Supporting documentation for all models used to determine return on equity.	

EXHIBIT C

California-American Water Company

(a wholly-owned subsidiary of American Water Works Company, Inc.) Financial Statements

March 31, 2021

(Unaudited)

CALIFORNIA-AMERICAN WATER COMPANY
Statement of Operation (Unaudited)
Three Months ended March 31, 2021

(Dollars in thousands)

	Three Months Ended Mar 31 2021 Actual
Operating revenues	$ 51,353
Operating expenses	
Operation and maintenance	34,936
Depreciation	7,585
Amortization	1,227
General taxes	2,390
Gain on disposition of property	-
Impairment charges	-
Total operating expenses	46,138
Operating income	5,215
Other deductions(income)	
Interest on long-term debt	4,271
Interest on short-term debt to affiliate	79
Other interest, net	(54)
Nonoperating benefit costs, net	(493)
AFUDC	(2,847)
Amortization of debt expense	132
Other (income)/deductions, net	909
Total other net deductions	1,997
Income before income taxes	3,218
Income tax provision	(115)
Net income	$ 3,333

CALIFORNIA-AMERICAN WATER COMPANY
Balance Sheets (Unaudited)
As of March 31, 2021
(Dollars in thousands)

		Actuals
Assets		
	Utility Plant in Service	1,184,470
	Construction Work in Progress	241,073
	Utility Plant Accumulated Depreciation/Amortization	(363,365)
	Total Utility Plant Adjustments	2,871
	Utility property net of accumulatd depreciation	1,065,049
	Nonutility property net of accumulatd depreciation	1,814
	Total Property Plant and Equipment	1,066,864
	Cash and Cash Equivalents	337
	Restricted funds-current	78
	Accounts receivable net	17,642
	Unbilled Revenues	9,568
	Materials and supplies	1,157
	Prepaid other	0
	Assets of discontinued operations	0
	Other Current Assets	6,141
	Total Current Assets	34,923
	Regulatory assets	212,334
	Operating lease right-of-use-assets	20,105
	Other investments	0
	Restricted Funds - Long-term	363
	Goodwill	7,135
	Intangible assets	0
	Other Long Term Assets	338
	Total Regulatory & Other L/T Assets	240,275
Total Assets		1,342,062

CALIFORNIA-AMERICAN WATER COMPANY
Balance Sheets (Unaudited)
As of March 31, 2021
(Dollars in thousands)

	Actuals
Capital & Liabilities	
Common Stock	92,478
Paid in Capital	289,007
Retained Earnings	111,002
Accumulated other comprehensive income	0
Treasury stock	0
Total Stockholders' equity	492,487
Preferred Stock without mandatory redemption requiremer	0
Noncontrolling Interest	0
Total Equity	492,487
Long term debt	283,533
Redeemable preferred stock at redemption value	0
Total Long-term debt	283,533
Total Capitalization	776,020
Short Term Debt	70,483
Current Portion of Long-term Debt	117,552
Current portion of redeemable stock at redemptic	0
Accounts Payable	6,439
Accrued Liabilities	27,233
Taxes Accrued	16,013
Interest Accrued	3,707
Liabilities of Discontinued Operations	0
Other current liabilities	5,595
Total Current Liabilities	247,022
Customer Advances for Construction	21,151
Deferred Income Taxes	97,994
Deferred Investment tax credits	148
Regulatory liability	101,550
Accrued Pension	(3,506)
Accrued postretirement benefit expense	(1,930)
Operating lease liabilities	11,154
Other Deferred Credits	3,281
Regulatory & Other Long Term Liabilities	229,843
Contributions in aid of construction	89,177
Total Capital and Liabilities	1,342,062

California-American Water Company

(A wholly-owned subsidiary of
American Water Works Company, Inc.)

Financial Statements

As of and for the years ended December 31, 2020 and 2019

CALIFORNIA-AMERICAN WATER COMPANY
Balance Sheets
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

Assets

	2020	2019
Property, plant and equipment, net		
Utility plant, net	$ 1,047,774	$ 932,767
Utility plant acquisition adjustments	3,043	3,152
Non-utility property, net	1,815	1,821
Total property, plant and equipment	1,052,632	937,740
Current assets		
Cash and cash equivalents	506	1,949
Restricted funds	109	—
Accounts receivable	24,643	17,699
Allowance for uncollectible accounts	(3,395)	(1,801)
Unbilled revenues	9,568	8,023
Receivable from affiliated company	26	566
Federal income tax receivable - affiliated company	—	1,280
Prepaid Expenses	4,447	2,956
Other	2,548	1,896
Total current assets	38,452	32,568
Regulatory and other long-term assets		
Regulatory assets	217,271	245,692
Operating lease right of use assets	19,246	20,364
Goodwill	7,135	2,048
Prepaid pension expense	2,869	1,837
Other	717	3,352
Total regulatory and other long-term assets	247,238	273,293
Total assets	$ 1,338,322	$ 1,243,601

The accompanying notes are an integral part of these financial statements

CALIFORNIA-AMERICAN WATER COMPANY
Balance Sheets
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

Capitalization and Liabilities

	2020	2019
Capitalization		
Common stockholder's equity	$ 496,705	$ 465,942
Long-term debt, excluding current portion	283,591	382,568
Total capitalization	780,296	848,510
Current liabilities		
Notes payable - affiliated company	49,185	5,591
Current portion long-term debt	117,551	6,004
Accounts payable	14,944	15,531
Accounts payable - affiliated company	6,120	14,163
Income taxes payable - affiliated company	14,190	5,639
Accrued water purchases	6,699	4,160
Other	24,694	24,096
Total current liabilities	233,383	75,184
Regulatory and other long-term liabilities		
Advances for construction	20,666	20,385
Deferred income taxes, net	99,107	107,419
Deferred investment tax credits	161	214
Regulatory liabilities	103,707	101,309
Operating lease liability	10,114	11,766
Other	1,780	3,913
Total regulatory and other long-term liabilities	235,535	245,006
Contributions in aid of construction	89,108	74,901
Commitments and contingencies (see Note 17)	—	—
Total capitalization and liabilities	$ 1,338,322	$ 1,243,601

The accompanying notes are an integral part of these financial statements

CALIFORNIA-AMERICAN WATER COMPANY
Statements of Income
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
Operating revenues	$ 250,507	$ 231,765
Operating expenses (income)		
Operation and maintenance	146,795	132,341
Depreciation	23,989	21,462
Amortization	8,268	7,428
General taxes	9,638	7,647
Gain on asset dispositions	(545)	—
Total operating expenses, net	188,145	168,878
Operating income	62,362	62,887
Other income (expenses)		
Interest, net	(17,569)	(16,076)
Interest on short-term debt - affiliated company	(620)	(1,057)
Allowance for other funds used during construction	8,366	8,248
Allowance for borrowed funds used during construction	2,925	3,208
Amortization of debt expense	(629)	(537)
Non-operating benefit costs, net	1,210	498
Other, net	(911)	(793)
Total other expenses	(7,228)	(6,509)
Income before income taxes	55,134	56,378
Provision for income taxes	11,438	14,011
Net income	$ 43,696	$ 42,367

The accompanying notes are an integral part of these financial statements

CALIFORNIA-AMERICAN WATER COMPANY
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
Cash flows from operating activities		
Net income	$ 43,696	$ 42,367
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	32,257	28,890
Amortization of debt expense	629	537
Provision for deferred income taxes	(13,818)	10,676
Amortization of deferred investment tax credits	(53)	(63)
Provision for losses on accounts receivable	892	349
Allowance for other funds used during construction	(8,366)	(8,248)
Gain on asset dispositions	(545)	—
Pension and non-pension postretirement benefits	(352)	1,553
WRAM/MCBA balance	25,758	19,181
Interim revenue reserve	(119)	(10,504)
Conservation surcharge	3,173	1,762
Other, net	5,151	3,802
Changes in assets and liabilities:		
Accounts receivable and unbilled revenues	(8,099)	(830)
Federal income tax - affiliated company	1,093	(1,280)
State income taxes - affiliated company	9,347	6,827
Other current assets	352	(3,270)
Pension and non-pension postretirement benefit contributions	(1,942)	(1,444)
Accounts payable	(1,800)	1,021
Accounts payable - affiliated company	(7,141)	5,978
Other current liabilities	1,178	(6,690)
Net cash provided by operating activities	81,291	90,614
Cash flows from investing activities		
Capital expenditures	(90,156)	(76,384)
Acquisitions	(27,267)	(1,764)
Removal costs from property, plant and equipment retirements, net of salvage	(2,414)	(5,485)
Proceeds from the disposition of property, plant and equipment	511	—
Net cash used in investing activities	(119,326)	(83,633)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	15,000	30,003
Repayment of long-term debt	(9,697)	(4)
Net borrowings (repayments) of notes payable - affiliated company	43,594	(42,141)
Debt issuance costs	(722)	(472)
Advances and contributions, net of refunds of $1,364 and $734 in 2020 and 2019, respectively	2,515	3,176
Capital contributions by stockholder	20,000	30,000
Dividends paid	(33,644)	(26,381)
Net cash provided by financing activities	37,046	(5,819)
Net (decrease) increase in cash and restricted funds	(989)	1,162
Cash and restricted funds at beginning of year	1,966	804
Cash and restricted funds at end of year	$ 977	$ 1,966
Cash paid (received) during the year for:		
Interest, net of capitalized amount	$ 19,275	$ 15,196
Income taxes	$ 9,755	$ (8,973)
Non-cash investing activity		
Capital expenditures acquired on account but unpaid as of year end	$ 9,175	$ 7,661
Non-cash financing activity		
Capital contributions by stockholder	$ 711	$ 456

The accompanying notes are an integral part of these financial statements

CALIFORNIA-AMERICAN WATER COMPANY
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	Common Stock		Paid-in	Retained	
	Shares	Par Value	Capital	Earnings	Total
Balance at December 31, 2018	619,136	$ 92,478	$ 237,699	$ 89,580	$ 419,757
Net income	—	—	—	42,367	42,367
Capital contributions	—	—	30,456	—	30,456
Cumulative effect of change in accounting principle	—	—	—	(257)	(257)
Dividends declared	—	—	—	(26,381)	(26,381)
Balance at December 31, 2019	619,136	$ 92,478	$ 268,155	$ 105,309	$ 465,942
Net income	—	—	—	43,696	43,696
Capital contributions	—	—	20,711	—	20,711
Dividends declared	—	—	—	(33,644)	(33,644)
Balance at December 31, 2020	619,136	$ 92,478	$ 288,866	$ 115,361	$ 496,705

The accompanying notes are an integral part of these financial statements

SAFETY TRUST RELIABILITY

2021 PROXY STATEMENT

AMERICAN WATER

WE ARE THE LARGEST AND MOST
GEOGRAPHICALLY DIVERSE PUBLICLY
TRADED WATER AND WASTEWATER
UTILITY COMPANY IN THE U.S.

AMERICAN WATER

AMERICAN WATER WORKS COMPANY, INC.

March 30, 2021

Dear American Water Shareholder:

I am pleased to again welcome you to American Water's Annual Meeting of Shareholders on Wednesday, May 12, 2021. As we did last year, we will hold the annual meeting virtually, rather than in-person. This decision represents the careful balancing of our desire to meet and communicate directly with our shareholders with the current status of the COVID-19 pandemic and guidance from national, state and local health authorities. Safety is both a value and a strategy at American Water, and while we would prefer to be able to meet each of you in person, our continued use of a virtual meeting will allow our shareholders to safely and securely attend and vote at the annual meeting.

This year's proxy statement continues to reflect American Water's transparency and openness with our shareholders. Our proxy statement reflects a continued commitment to provide you with clear and readable proxy materials. We also continued our leadership in integrating environmental, social, and governance (ESG) principles directly into our business. In response to significant shareholder interest, we expanded our disclosures regarding human capital management and diversity. Also, our ESG leadership continues to be recognized through our top rankings in a number of key indices and ESG assessment ratings, which are highlighted in the proxy statement and on the inside back cover.

As part of our commitment to investors and consistent with our support of good corporate governance practices, our Board, along with management, continues to seek constructive and open dialogue with our shareholders that leads to positive outcomes. Our 2020 outreach efforts included holding engagement meetings with more than 300 of our investors throughout the year and supporting our off-season engagement program, now in its seventh consecutive year. This engagement has resulted in significant wins for our shareholders — as evidenced by our implementation in 2021 of expanded lobbying expenditure disclosures and related governance, as well as our adoption of a standard form of proxy access bylaw in December 2020. These efforts are also being noted externally. For the second year in a row, the independent Center for Political Accountability ranked American Water among the best in the S&P 500 for its political contribution governance and disclosures. We encourage you to learn more by reading the proxy statement and visiting our Investor Relations website at *ir.amwater.com*.

It is important that your shares be represented and voted at the annual meeting regardless of how many shares you own, and even if you do not or cannot attend the virtual annual meeting. In that regard, we encourage you to vote your shares in advance of the annual meeting by using one of the methods described in the accompanying materials. Thank you for your support and continued ownership of American Water.

Sincerely,

Karl F. Kurz
Chairman of the Board

AMERICAN WATER

AMERICAN WATER WORKS COMPANY, INC.

1 Water Street
Camden, New Jersey 08102-1658

NOTICE OF VIRTUAL 2021 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 12, 2021

www.virtualshareholdermeeting.com/AWK2021

The virtual 2021 Annual Meeting of Shareholders of American Water Works Company, Inc. (the "Company") will be held virtually (and not at a physical location) on Wednesday, May 12, 2021, at 10:00 a.m., Eastern time, to consider and take action on the following:

1. election to the Company's board of directors of the eleven (11) nominees named in the accompanying proxy statement, each to serve until the date of the 2022 Annual Meeting of Shareholders or until his or her successor has been duly elected and qualified;
2. approval, on an advisory basis, of the compensation of the Company's named executive officers;
3. ratification of the appointment, by the Audit, Finance and Risk Committee of the board of directors, of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2021; and
4. such other business, if any, as may properly be brought before the meeting or any adjournment or postponement of the meeting.

In light of the public health and safety concerns associated with the ongoing coronavirus (COVID-19) pandemic, American Water will hold its 2021 annual meeting virtually, rather than at a physical location. You will not be able to attend the annual meeting in person. Please see pages 1 and 2 of the accompanying proxy statement for more information on attending the virtual 2021 annual meeting.

To be admitted to the annual meeting, please access the virtual meeting platform on the Internet at *www.virtualshareholdermeeting.com/AWK2021*. **Shareholders or their legal proxies must log on to the platform by entering the 16-digit control number included on the proxy card, Notice of Internet Availability of Proxy Materials or voting instruction form**. Online access to the annual meeting will open approximately 15 minutes prior to the start of the virtual meeting.

In order to attend the virtual annual meeting, it is very important that you retain your proxy card, Notice of Availability, or voting instruction form, and all related materials, including your assigned 16-digit control number, through the date of the meeting.

The Company's board of directors has no knowledge of any other business to be transacted at the virtual annual meeting. Only holders of record of shares of the Company's outstanding common stock as of the close of business on March 17, 2021 are entitled to notice of, and to vote at, the virtual annual meeting.

By Order of the Board of Directors,

Jeffrey M. Taylor
Vice President and Secretary

March 30, 2021
Camden, New Jersey

Your vote is very important, and you have several options on how to vote your shares. Whether or not you plan to attend the virtual 2021 Annual Meeting of Shareholders, you should read this proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to your proxy card, voting instruction form or instructions on the Notice of Internet Availability of Proxy Materials you received.

Proxy Statement Summary

This summary highlights information generally contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting your shares. For more complete information regarding the Company's 2020 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2020, which we refer to in this proxy statement as the 2020 Form 10-K.

Annual Meeting Information

Wednesday, May 12, 2021 10:00 a.m., Eastern time (online access will open at 9:45 a.m., Eastern time)	The Annual Meeting will be held virtually only (and not at a physical location) at *www.virtualshareholdermeeting.com/AWK2021*	Record holders as of March 17, 2021 are entitled to notice of, and to vote at, the Annual Meeting

Summary of Matters to be Voted Upon at the Annual Meeting

The following table summarizes the items that will be brought for a vote of our shareholders at the meeting, along with the Board's voting recommendations and the required vote for approval.

Proposal No.	Description of Proposal	Required Vote for Approval	Board's Recommendation
1	To elect 11 director nominees *For more information, see beginning on page 19.*	For each director, majority of votes cast	**FOR** Each Nominee
2	To approve, on an advisory basis, the compensation of our named executive officers *For more information, see beginning on page 38.*	Majority of shares present and entitled to vote	**FOR**
3	To ratify the appointment of our independent registered public accounting firm for 2021 *For more information, see beginning on page 76.*	Majority of shares present and entitled to vote	**FOR**

Our Commitment to Environmental and Social Responsibility

We consider environmental and social responsibility to include: environmental leadership and sustainability; operational excellence; employee engagement, safety, inclusion and diversity; active community engagement; civic and charitable involvement; and transparency. We integrate environmental and social responsibility policies and practices into our daily operations as part of our belief of conducting business responsibly, and that "how" a company operates is just as important as "what" a company does. We derive this focus from our core values of safety, trust, environmental leadership, teamwork and high performance. Our vision and values drive our company strategy, which is centered on five themes:

Safety

- Our number one focus is the safety of our employees and customers.
- Safety is both a value and a strategy.

People

- We seek to maintain an environment that is open, transparent, diverse and inclusive, and where our people feel valued, included and accountable.
- We strive to develop each employee to the employee's fullest potential.

Growth

- We believe that when companies grow, they can invest more in creating stable jobs, training, benefits, infrastructure and their communities.
- Our growth benefits all our stakeholders, including our shareholders.

Customers

- Our customers are at the center of everything we do, helping us to shape our strategic priorities.

Operational Excellence

- Our operational excellence strategy helps us to find better and more efficient ways to do business and provide safe, clean and affordable water services for our customers.

In September 2019, we issued our fifth biennial Sustainability Report, covering our sustainability performance for calendar years 2017 and 2018. This report was prepared in accordance with the Global Reporting Index, or GRI, Standards: Core Option, as well as standards from the Sustainability Accounting Standards Board and Edison Electric Institute. Our first report was issued in 2011, making us the first large water services company to measure its performance against the Global Reporting Index. During 2020, we completed a goal-setting process resulting in the establishment of two new environmental, social and governance, or ESG, goals and the clarification of our existing energy and emissions goal. Our Sustainability Report and our new and clarified ESG goals can be reviewed on our Investor Relations website at *ir.amwater.com*.

Our sustainability practices and efforts have been supported by our inclusion in a number of key indices and on various assessment ranking lists. Notable recognitions include:

- being ranked ninth on the Corporate Knights' 2021 Global 100 Most Sustainable Corporations in the World index, which made us the the top-ranked U.S. company and the top-ranked water utility globally, and being ranked 92nd on the Corporate Knights' 2021 Clean 200, an index of companies viewed as leading the way to a clean-energy future;
- for the fourth year in a row, being named as one of Barron's 100 Most Sustainable Companies, improving to 15th in 2021 from 22nd in 2020, and remaining the highest ranking utility in that index;
- inclusion among 380 companies across 50 industries and 44 countries and regions in the 2021 Bloomberg Gender-Equality Index;
- being listed for the second consecutive year as a top-scoring company (among approximately 247 businesses) for our inclusive and diverse culture on the Disability Equality Index, a comprehensive disability inclusion assessment tool designed and embraced by both business leaders and disability advocates, and listed among its "Best Places to Work for Disability Inclusion"; and
- earning the 2021 Military Friendly® Gold Employer designation, as well as the 2021 Military Friendly Spouse designation, by VIQTORY, a service-disabled, veteran-owned small business that connects the military community to civilian employment, educational and entrepreneurial opportunities through its G.I. Jobs® and Military Friendly brands.

Highlights of our environmental and social policies and practices include:

INVESTING $10.3 TO $10.5 BILLION FROM 2021-2025

REDUCED GREENHOUSE GAS EMISSIONS 32% SINCE 2007

OVER 100,000 HOURS OF SAFETY TRAINING IN 2020

MORE THAN $500,000 DONATED IN 2020 TO COVID-19 RELATED RELIEF AND RECOVERY EFFORTS

Environmental Responsibility

- Expect to spend between $10.3 billion and $10.5 billion from 2021 to 2025 and between $22 billion and $25 billion from 2021 to 2030 on capital investments in our regulated businesses
- Intend to dedicate approximately eight percent of our total projected capital investment over the next five years to resiliency, with another eight percent allocated to water quality
- Invested $1.8 billion in 2020 and expect to spend an additional $1.6 billion in 2021 on regulated asset infrastructure improvements and replacements
- Clarified our existing energy and emissions goal to reduce greenhouse gas, or GHG, emissions by more than 40 percent by 2025, from a 2007 baseline as an absolute measurement of direct (Scope 1) and indirect (Scope 2) emissions, and GHG emissions reduced through 2019 by approximately 32 percent since our base year of 2007
- Utilized a uniform water resiliency metric, the Utility Resilience Index, or URI, to track enhancements in our ability to prepare for, respond to, remediate and effectively manage incidents impacting our operations
- Continuing to build the Monterey Peninsula Water Supply Project, with the water storage, recycling and reuse segments nearing completion, and using marine life friendly slant wells for the proposed desalination plant
- Conducted over 10 million water quality and turbidity tests in 2020 at our laboratory facilities and plant operations, including continuous online instrumentations
- Scientists, researchers and public health professionals dedicated to research and partnering with water research foundations on water quality and technology-water source monitoring
- Collaboration and partnerships with federal and state agencies to support effective environmental, health and safety and water quality standards and regulations

Social Responsibility

- During 2020, we provided over 100,000 hours of safety training to our employees
- As a result of our continued focus on safety, we have made significant progress towards our zero injuries goal, reducing workplace injuries by 67 percent since 2015
- Through 2020, we reduced our Occupational Health and Safety Administration, or OSHA, recordable injury rate to 0.99, approximately 81 percent better than the industry average
- During 2020, approximately 84 percent of our job requisitions had a diverse candidate pool, based on voluntarily self-identified gender, minority, disability or veteran/military status
- For 2020, approximately 59 percent of transfers or promotions filled with individuals voluntarily self-identifying as minority, female, veteran, military spouse, disabled or a member of the LGBTQ+ community
- For 2020, we achieved a customer satisfaction rating in the top quartile among our industry peer group
- During 2020, we established a Chief Inclusion Officer position and function, along with a Director, Inclusion and Diversity position, and organized women and Black/African-American employee business resource groups
- American Water's Inclusion and Diversity Advisory Council, comprised of three executives and 10 cross-functional employees, supports leaders to lead through inclusion
- We sponsored workplace giving campaigns with the United Way and Water For People, with over $6.5 million donated over the past 10 years by our employees
- Over $500,000 was donated in 2020 to COVID-19-related relief and recovery efforts through our corporate giving and the American Water Charitable Foundation

Director Nominees

The following table presents summary information about each of our 11 director nominees, as well as their standing committee memberships and positions as of the date of this proxy statement. The table below also discloses the Board's determination as to the independence of each nominee under the listing standards of the New York Stock Exchange, or the NYSE, relevant rules of the Securities and Exchange Commission, or the SEC, and the Board's categorical standards for director independence. Each director is elected annually.

Name	Age	Director Since	Occupation	Independent?	Standing Committee Memberships/Position
Jeffrey N. Edwards	60	2018	Chief Operating Officer, New Vernon Capital	Yes	• Audit, Finance and Risk • Nominating/Corporate Governance
Martha Clark Goss	71	2003	Retired Chief Operating Officer and Chief Financial Officer of Amwell Holdings/Hopewell Holdings LLC	Yes	• **Audit, Finance and Risk (Chair)** • Executive Development and Compensation
Veronica M. Hagen	75	2016	Retired Chief Executive Officer of Polymer Group, Inc. (now known as AVINTIV Specialty Materials Inc.)	Yes	• **Safety, Environmental, Technology and Operations, or SETO (Chair)** • Executive Development and Compensation • Nominating/Corporate Governance
Kimberly J. Harris	56	2019	Retired President and Chief Executive Officer of Puget Energy, Inc. and Puget Sound Energy, Inc.	Yes	• Executive Development and Compensation • SETO
Julia L. Johnson	58	2008	President of Net Communications, LLC	Yes	• **Executive Development and Compensation (Chair)** • Nominating/Corporate Governance
Patricia L. Kampling	61	2019	Retired Chairman and Chief Executive Officer of Alliant Energy Corporation	Yes	• Audit, Finance and Risk • SETO
Karl F. Kurz	59	2015	Private investor and Retired Chief Operating Officer, Anadarko Petroleum Corporation	Yes	• Non-Executive Chairman of the Board
Walter J. Lynch	58	2020	President and Chief Executive Officer of American Water	No	None
George MacKenzie	72	2003	Retired Vice Chairman and Chief Financial Officer of Hercules Incorporated	Yes	• **Nominating/Corporate Governance (Chair)** • Audit, Finance and Risk
Admiral James G. Stavridis	66	2018	Operating Executive, The Carlyle Group	Yes	• Nominating/Corporate Governance • SETO
Lloyd M. Yates	60	2019	Retired Executive Vice President, Duke Energy and President of Duke Energy's Carolinas Region	Yes	• Audit, Finance and Risk • SETO

Director Qualifications, Experience and Diversity

The figure below illustrates some of the key skills, qualifications and diversity that our current directors bring to the Board:

72.7% OVERALL BOARD DIVERSITY INCLUDES FEMALE, VETERAN AND RACIALLY DIVERSE DIRECTORS

Board of Directors Highlights – By the Numbers

10 OUT OF 11 INDEPENDENT DIRECTORS

DIRECTOR NOMINEES' **AVERAGE TENURE IS 6.5 YEARS**

DIRECTOR NOMINEES' **AVERAGE AGE IS 63 YEARS**

WOMEN MAKE UP 45.5% OF OUR BOARD

American Water Corporate Governance and Board Highlights

Below are a number of our corporate governance and Board highlights, including policies implemented and other governance achievements:

Corporate Governance Highlights

- All directors elected annually
- Majority voting for directors in uncontested elections
- Holders of at least 15 percent of our common stock may call a special meeting of shareholders without material restrictions
- No supermajority voting provisions
- Disclosure Committee consisting of members of senior management and other key employees who are actively involved in the review and discussion of our SEC filings
- Robust Political Contribution Policy provides Board oversight of our limited political contributions and requires disclosure of political expenditures on our corporate website
- Engaged with more than 300 investors during 2020, and conducted a shareholder outreach program focused on corporate governance, executive compensation and disclosure and related issues
- Adopted a standard proxy access bylaw in December 2020 resulting from constructive shareholder engagement program
- For 2021, implementing Board oversight on lobbying activities and website disclosures of lobbying expenditures, as defined under applicable law and reported to federal and state election commissions, also resulting from our shareholder outreach efforts
- Executive stock ownership guidelines support stock retention and seek to align executives' interests with shareholders' interests
- Insider trading policy prohibits short selling, hedging, pledging and margin transactions involving American Water securities by all directors, executive officers and employees
- Led by the Audit, Finance and Risk and SETO Committees, the Board is broadly focused on risk assessment, management and mitigation
- Longstanding commitment to safety, sustainability, environmental leadership and diversity
- SETO Committee oversees key safety, environmental, technology and operational functions, as well as physical security and cybersecurity

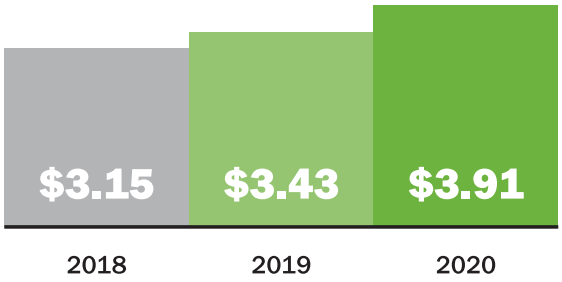
Board of Directors Highlights

- Appropriately sized Board (11 members for election in 2021)
- Average tenure of director nominees is approximately 6.5 years
- Average age of director nominees is approximately 63 years
- Diversity of Board - 45.5 percent of Board nominees voluntarily self-identified as female and 72.7 percent voluntarily self-identified as diverse based on gender, race or military veteran status
- Board is led by an independent, non-executive chairman
- Ten out of 11 director nominees, and all standing committee members, are independent
- Demonstrated continued refreshment of the Board, with six out of 11 Board nominees having served for less than four years
- Robust and active director succession and nomination process serves to identify talented and diverse Board members
- Engaged and focused Board and Nominating/ Corporate Governance Committee met 13 and six times, respectively, in 2020
- Annual succession planning activities encompass directors, CEO and senior executive roles, and were instrumental in effecting transitions of both the CEO and CFO roles within the past two years
- Annual self-assessments and individual peer evaluations conducted by Board and each committee
- Director education program with dedicated funding supports ongoing director development
- Stock ownership policy for directors of five times annual cash retainer by fifth anniversary of service
- History of deep engagement with our personnel through off-site Board meetings, external stakeholder reception, in-depth reviews of cultural survey results and meetings with "high potential" leaders

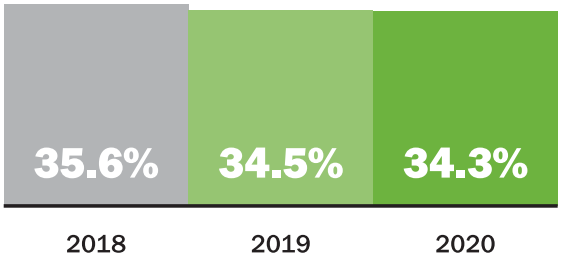
American Water 2020 Operating Performance Highlights

The charts below provide a summary of some of our key operating performance highlights for 2020:

DILUTED EARNINGS PER SHARE

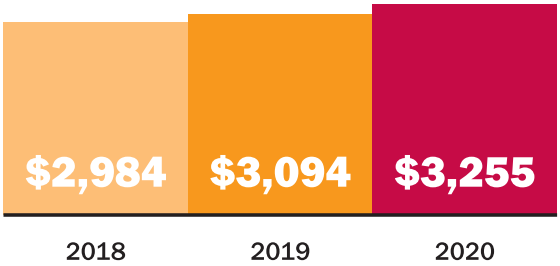


ADJUSTED O&M EFFICIENCY RATIO*

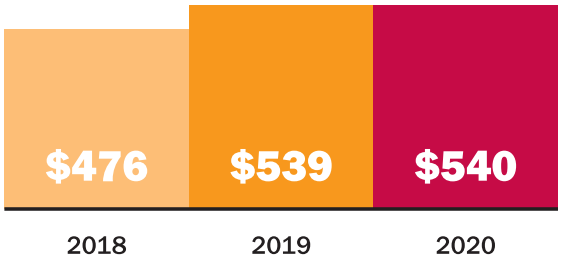


*A lower percentage signifies more efficient operations. Adjusted O&M efficiency ratio is a non-GAAP measure. See Appendix A for a reconciliation of the components used to compute this measure and more information.

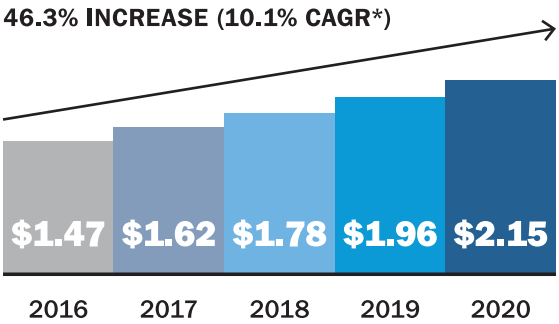
REGULATED BUSINESSES OPERATING REVENUES ($ IN MILLIONS)



MARKET-BASED BUSINESSES OPERATING REVENUES ($ IN MILLIONS)

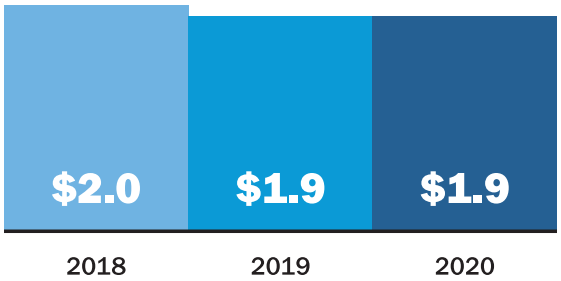


ANNUAL DIVIDENDS PAID



*CAGR is anchored off 2015 dividends paid.

AWK CAPITAL INVESTMENTS ($ IN BILLIONS)



American Water Executive Compensation Highlights

We have summarized below key named executive officer compensation highlights for 2020:

- Compensation program is highly correlated to performance and focused on long-term value creation
- Executive equity compensation is weighted significantly toward performance stock units
- Considerable portion of pay is variable, rather than fixed, and is earned solely based on performance without incentivizing excessive risk-taking
- Perquisites and other personal benefits to named executive officers are limited principally to executive physicals, Company-paid life insurance benefits and relocation benefits
- Formal CEO goal-setting and performance assessment process utilized throughout each year
- Double-trigger change-in-control provision in the 2017 Omnibus Equity Compensation Plan, or the 2017 Omnibus Plan, complements existing provision in Executive Severance Policy
- Long-term performance plan does not include stock options
- Compensation Committee was advised by independent compensation consultant throughout 2020
- Representative, relevant peer group used for total shareholder return, or TSR, performance and compensation benchmarking, and is evaluated annually
- Shareholders expressed support for our compensation program, with a 97.2 percent average “FOR” advisory vote on executive compensation since 2011, the first year we offered a say-on-pay proposal
- Clawback policies in place for cash performance-based awards and equity awards
- Named executive officers have reasonable severance arrangements
- Executive stock ownership guidelines and retention requirements support alignment with shareholders’ interests by encouraging long-term retention of equity ownership
- Vote, on an advisory basis, on executive compensation conducted annually, and management adopted shareholders’ recommendation in 2017 to continue this practice
- Our annual performance plan includes both safety and environmental-related metrics, highlighting our commitment to ESG principles
- CEO transition compensation decisions in 2020 and 2021 were recommended by the Compensation Committee on advice of its independent compensation consultant, were aligned to our performance and the competitive range of the benchmarking data, and further strengthened the alignment between our CEO’s pay and our long-term performance

American Water Works Company, Inc.
2021 Proxy Statement

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THE AMERICAN WATER ANNUAL MEETING

Information about this Proxy Statement

Our Board is furnishing this proxy statement in connection with the solicitation of proxies to vote on matters to be submitted at our 2021 Annual Meeting of Shareholders and at any adjournment or postponement of the meeting. The Notice of Annual Meeting, this proxy statement, the accompanying proxy card and our 2020 Annual Report to Shareholders, or the 2020 Annual Report, were first sent or given on or about March 30, 2021 to shareholders of record as of March 17, 2021, which is referred to as the record date.

Throughout this proxy statement, unless the context otherwise requires:

- references to the "Board" or the "Board of Directors" mean the Board of Directors of American Water Works Company, Inc.;
- references to "common stock" mean the common stock, par value $0.01 per share, of American Water Works Company, Inc.;
- the terms the "meeting," the "virtual meeting" or the "annual meeting" refer to the virtual 2021 Annual Meeting of Shareholders of American Water Works Company, Inc.; and
- references to "we," "us," "our," the "Company" or "American Water" are to American Water Works Company, Inc., without its subsidiaries.

Date and Time of the Virtual Annual Meeting

The meeting will be held at 10:00 a.m., Eastern time, on Wednesday, May 12, 2021. The meeting will be held solely in a virtual audio-only format accessible through the virtual meeting website, at *www.virtualshareholdermeeting.com/AWK2021*.

You will need the 16-digit control number set forth on your proxy card, Notice of Availability or voting instruction form, as applicable, to vote or submit an appropriate question during the virtual annual meeting. **Therefore, it is very important that you retain your proxy card, Notice of Availability or voting instruction form, and the related materials, including your assigned 16-digit control number, through the date of the annual meeting.**

If you lose or misplace your 16-digit control number, please contact our Investor Relations team, at (856) 566-4005. All members of the public, including shareholders who have lost or misplaced their control number, will be able to access the meeting via the virtual meeting site as a guest; however, guest attendees will not be able to vote their shares on the virtual meeting platform or submit appropriate questions.

An audio webcast will be archived and available for 30 days after the meeting on our Investor Relations website at *ir.amwater.com*.

Attending the Virtual Annual Meeting

The health and safety of our shareholders, directors, officers, employees, other attendees, and the public at large, is American Water's most important concern. In light of the public health and safety concerns associated with the current COVID-19 pandemic, and following guidance provided by the U.S. Centers for Disease Control and Prevention and state and local health authorities, we are holding the meeting solely via remote communications, also known as a "virtual meeting," rather than at a physical location. You will not be able to attend the meeting in person. However, this virtual meeting format will provide shareholders with a substantially similar opportunity to participate in the meeting as they would at an in-person meeting.

To be admitted to the meeting as a shareholder, please visit *www.virtualshareholdermeeting.com/AWK2021*. Shareholders or their legal proxies must enter the 16-digit control number found on the shareholder's proxy card, voting instruction form or other proxy materials. Online access to the meeting will open approximately 15 minutes prior to the start of the meeting to permit you time to access and log into the virtual meeting platform. Attendance is subject to potential capacity limits set by the virtual meeting platform provider.

Once admitted to the meeting as a shareholder, attendees may:

- listen to and participate in the meeting
- submit appropriate questions germane to the matters to be voted on at the meeting
- submit a vote or change a previously submitted vote
- during the meeting, view a list of shareholders of record as of the record date.

Instructions on how to attend and participate in the virtual meeting, as well as how to obtain technical and general support on the day of the meeting, will be available at *www.virtualshareholdermeeting.com/AWK2021*. You will need a computer, or a web-enabled phone, tablet or other device, together with appropriate Internet access and your 16-digit control number, to access the virtual meeting as a shareholder.

Members of the public, including shareholders who do not have their 16-digit control number, will be able to access the meeting in listen-only mode by visiting *www.virtualshareholdermeeting.com/AWK2021*. Shareholders and other persons without a 16-digit control number will not be able to otherwise participate in, vote at, or submit appropriate questions at, the meeting.

No recording of the meeting will be permitted.

Shares Entitled to Vote

All shareholders of record as of the record date are entitled to vote at the meeting. As of the close of business on the record date, 181,467,257 shares of our common stock were outstanding. Each outstanding share of common stock entitles the holder of record to one vote on each matter submitted to the vote of shareholders at the meeting. Holders of our options, unvested restricted stock units, or RSUs, and unvested performance stock units, or PSUs, as well as holders of awards as to which the receipt of underlying common stock has been deferred, are not entitled to vote any shares of common stock underlying those awards at the meeting.

Under our Amended and Restated Bylaws, the holders of a majority of the outstanding shares of our common stock at the close of business on the record date must be present at the meeting, either virtually or by proxy, to constitute a quorum and to transact business at the meeting. Abstentions and broker non-votes are included in the determination of shares present at the meeting for quorum purposes. See "—How to Vote Shares Held in Street Name" on page 4 of this proxy statement for more information on "broker non-votes."

Matters to be Voted on at the Annual Meeting

The following table describes the items to be brought for a vote of our shareholders at the meeting, the treatment of abstentions and broker non-votes for each matter, and the Board's voting recommendation as to each matter:

Proposal No.	Brief Description of Proposal	Vote Required	Treatment of Abstentions	Treatment of Broker Non-Votes	Board's Recommendation
1	Election of 11 director nominees	Each director is elected by a majority of the votes cast "**FOR**" election	Not taken into account	Not taken into account	**"FOR"** each director nominee
2	Approval, on an advisory basis, of the compensation of our named executive officers	A majority of the shares of common stock present and entitled to vote at the annual meeting must be voted "**FOR**" approval	Counted as an "**AGAINST**" vote	Not taken into account	**"FOR"**
3	Ratification of the appointment of our independent registered public accounting firm for 2021	A majority of the shares of common stock present and entitled to vote at the annual meeting must be voted "**FOR**" approval	Counted as an "**AGAINST**" vote	Not applicable, as this is considered to be a "routine" matter	"**FOR**"

How to Vote Shares Registered in Your Own Name

If you own shares that are registered on our books and records in your own name, you can vote your shares in any of the following ways:

You can vote via the Internet at *http://www.proxyvote.com*. If you received printed proxy materials, follow the instructions for Internet voting printed on your proxy card. If you received a Notice of Availability, follow the instructions provided in the Notice of Availability.	Call toll-free 1-800-690-6903. You also can vote by telephone using the instructions provided on the internet voting site, or, if you received printed proxy materials, by following the instructions provided on your proxy card.	If we mailed you a printed copy of this proxy statement and a paper proxy card, you can vote by completing, signing and dating the proxy card, and returning it in the provided postage-paid envelope.	Attend the virtual meeting to vote. See "—Attending the Virtual Annual Meeting" beginning on page 1 of this proxy statement.

The internet and telephone voting facilities for shareholders of record will close at 11:59 p.m., Eastern time, on Tuesday, May 11, 2021.

Your signed proxy card, or the proxy you grant via the Internet or by telephone, will be voted in accordance with your instructions. If you return a signed proxy card or grant a proxy via the Internet or by telephone, but do not indicate how you wish your shares to be voted, your shares will be voted:

- "**FOR**" the election of each of the Board's 11 director nominees;
- "**FOR**" the approval, on an advisory basis, of the compensation of our named executive officers; and
- "**FOR**" the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2021.

In the absence of instructions to the contrary, proxies will be voted in accordance with the judgment and discretion of the person exercising the proxy on any other matter properly presented at the meeting and any adjournment or postponement thereof.

If you wish to vote your shares virtually at the meeting, you may vote online during the meeting at *www.virtualshareholdermeeting.com/AWK2021*, entering your 16-digit control number, and following the on-screen instructions. Online access to the virtual meeting platform will open approximately 15 minutes prior to the start of the meeting to allow time for you to enter the virtual meeting.

If you received more than one proxy card or Notice of Availability, your shares are likely registered in different names or with different addresses, or are held in more than one account. You must separately vote the shares shown on each proxy card or Notice of Availability that you receive in order for all of your shares to be voted at the meeting. For more information regarding the Notice of Availability, please see "Communications, Shareholder Proposals and Company Information—Delivering Proxy Materials Through Electronic Means" on page 82 of this proxy statement.

How to Vote Shares Held in Street Name

If you hold shares through a brokerage firm, trustee, bank, or other financial intermediary or nominee, which is known as holding shares in "street name," you will receive a voting instruction form from that broker, trustee, bank or other financial intermediary or nominee, each of which we refer to as an "intermediary." The form will explain how to direct the voting of your shares through the intermediary, which may include the ability to provide voting instructions via the Internet or by telephone.

If your shares are held in street name and you want to vote on any of Proposals 1 or 2, you MUST indicate how you wish your shares to be voted. The broker will vote shares held by you in street name in accordance with your voting instructions, as indicated on your signed voting instruction form or by the instructions you provide via the Internet or by telephone. Absent such instructions, NYSE rules prohibit a broker from exercising discretion to cast a vote with respect to your shares. In that case, a proxy submitted by the broker with respect to your shares would indicate that the broker is unable to cast a vote with respect to the matter, which is commonly referred to as a "broker non-vote."

Under NYSE rules, Proposal 3 is considered a "routine matter," and thus a broker would be permitted in its discretion to cast a vote on that proposal as to your shares in the event that you do not provide the broker with voting instructions. Accordingly, if your shares are held in street name, it is important that you provide voting instructions to the intermediary so that your vote will be counted.

If you received more than one voting instruction form or Notice of Availability, your shares are likely registered in different names or with different addresses or are in more than one account. You must separately follow the foregoing voting procedures for each voting instruction form or Notice of Availability that you receive in order for all of your shares to be voted at the meeting.

If you hold shares in street name and wish to vote your shares virtually at the meeting, you may vote online during the meeting by visiting *www.virtualshareholdermeeting.com/AWK2021*, entering your 16-digit control number, and following the on-screen instructions. The availability of online voting may depend on your intermediary's voting procedures. Online access to the virtual meeting platform will open approximately 15 minutes prior to the start of the meeting to allow time for you to enter the virtual meeting.

Revoking or Changing a Proxy

If you own shares in your own name (including shares you may hold through American Water Stock Direct, our dividend reinvestment and direct stock purchase plan), you may revoke any prior proxy, regardless of how your proxy was originally submitted, by:

- sending a written statement to that effect to our Secretary, which must be received by us before the meeting;
- submitting a properly signed proxy card dated a later date;
- submitting a later dated proxy via the Internet or by telephone; or
- attending the meeting virtually and voting your shares at the meeting.

Please see "Communications, Shareholder Proposals and Company Information—Contacting Us or Our Transfer Agent" on page 83 of this proxy statement for more information on providing our Secretary with written notice and "—Attending the Virtual Annual Meeting" beginning on page 1 of this proxy statement regarding the requirements for attending the virtual meeting.

If you hold shares in street name, you should follow the instructions provided on the voting instruction form you received from the intermediary or contact the intermediary for instructions on how to change your vote.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors

As of the date of this proxy statement, the Board is comprised of 11 members, consisting of ten independent directors and Walter J. Lynch, our President and Chief Executive Officer.

The Board held 13 meetings during 2020. During the period in 2020 for which each director served as such, each director attended at least 75 percent of the combined number of Board meetings and meetings of the Board committees on which he or she served. The average attendance for all Board members was 92.6 percent.

The Board has adopted an attendance policy, set forth in our Corporate Governance Guidelines, under which attendance, whether in person or by remote communication, is expected at all Board and committee meetings, except for absences previously excused by the Chairman of the Board or the Chairman of the Nominating/Corporate Governance Committee, or the Nominating Committee, due to extraordinary circumstances. All members of the Board are expected to attend the annual meeting of shareholders, except for absences due to unavoidable or extenuating circumstances. All of the directors then on the Board virtually attended the 2020 annual meeting of shareholders.

At most regularly scheduled meetings, the Board meets in executive session, without members of management present. Our independent, non-executive Chairman of the Board presides over these sessions.

Board Committees

As of the date of this proxy statement, the Board has four separately designated standing committees:

- the Audit, Finance and Risk Committee;
- the Executive Development and Compensation Committee, or the Compensation Committee;
- the Nominating/ Corporate Governance, or Nominating, Committee; and
- the Safety, Environmental, Technology and Operations, or SETO, Committee.

4 SEPARATELY DESIGNATED STANDING COMMITTEES

Each standing committee has a charter that governs its operations and sets forth each such committee's duties and responsibilities. A copy of each such committee's charter is available on our Investor Relations website at *ir.amwater.com* and can also be obtained by sending us a written request. See "Communications, Shareholder Proposals and Company Information—Contacting Us or Our Transfer Agent" on page 83 of this proxy statement.

As needed, each standing committee sets a time to meet in executive session without management personnel present. The Compensation Committee meets regularly with its independent compensation consultant in an executive session. The Audit, Finance and Risk Committee meets regularly in separate executive sessions with, among others:

- our Vice President of Internal Audit;
- our Executive Vice President and General Counsel together with our Chief Compliance Officer; and
- representatives of our independent registered public accounting firm.

Also, each standing committee has the authority to retain outside advisors, including legal counsel or other experts, as it deems appropriate in its sole discretion and to approve the fees and expenses associated with such advisors.

The membership of each of the standing Board committees as of the date of this proxy statement, including the number of committee meetings held during 2020, are set forth in the table below:

Director	Age	Director Since	Independent?	Audit, Finance and Risk Committee	Compensation Committee	SETO Committee	Nominating Committee
Jeffrey N. Edwards*	60	2018	✔	✔			✔
Martha Clark Goss*	71	2003	✔	✔✔	✔		
Veronica M. Hagen	75	2016	✔		✔	✔✔	✔
Kimberly J. Harris	56	2019	✔		✔	✔	
Julia L. Johnson	58	2008	✔		✔✔		✔
Patricia L. Kampling*	61	2019	✔	✔		✔	
Karl F. Kurz	59	2015	✔				
Walter J. Lynch	58	2020	✗				
George MacKenzie*	72	2003	✔	✔			✔✔
Admiral James G. Stavridis	66	2018	✔			✔	✔
Lloyd M. Yates*	60	2019	✔	✔		✔	
Meetings held in 2020				**6**	**7**	**4**	**6**

✓ Committee Member	✓✓ Committee Chair	* Audit Committee Financial Expert

A description of each of our standing committees as of the date of this proxy statement, together with its primary responsibilities, is provided below.

Audit, Finance and Risk Committee

- Coordinates oversight of financial planning and reporting
- Discusses with management, at least annually, our policies with respect to risk assessment and risk management, our major financial risk exposures and the steps management has taken to monitor and control these exposures
- Represents and assists the Board in fulfilling its responsibility to oversee:
  - the quality and integrity of our financial statements;
  - the adequacy and effectiveness of our system of internal controls;
  - our compliance with legal and regulatory requirements;
  - our independent auditor's qualifications and independence;
  - the performance of our internal audit function and that of our independent auditor;
  - issues regarding accounting principles, including changes in accounting and auditing principles and practices;
  - our risk assessment and risk management strategy; and
  - our financial policies and significant financial decisions
- Has sole authority and responsibility to appoint, compensate, retain, terminate and oversee our independent auditor
- Monitors, reviews and evaluates our:
  - financial forecasts, financial condition and anticipated financing requirements;
  - capital structure, including new issuances, purchases or redemptions of debt and equity securities, and the impact of these on our credit ratings;
  - capital expenditure plan and strategies;
  - dividend payment policy;
  - investment performance of the assets held under our employee benefit plans and related investment guidelines;
  - cash management plans and strategies; and
  - long-term debt issuances and any related guarantees, support obligations or security related to such issuances
- Coordinates oversight of operational risk management with the other committees and the Board

	• Reviews internal controls with respect to information and technology systems, security management systems and cybersecurity that could have a significant impact on our financial statements • Recommends to the Board actions with respect to our directors' and officers' liability insurance programs
Executive Development and Compensation Committee	• Establishes and reviews our overall compensation philosophy • Reviews and recommends to the Board the compensation and performance of the CEO, as well as goals and objectives relevant to the CEO's compensation • Approves, after receiving the recommendations of, and consulting with, the CEO, the compensation of Section 16 executive officers other than the CEO • Reviews and makes recommendations to the Board regarding our equity-based compensation plans, and takes such actions as required by these plans or specifically delegated to the Compensation Committee • Reviews and approves performance-based cash compensation plans in which the CEO and the CEO's direct reports participate, or which provide more than $100,000 in compensation to any other employee in any calendar year • Reviews periodically the operations of our executive compensation programs to determine whether they are properly coordinated and implemented and achieving their intended purpose • Reviews and recommends to the Board contracts and compensatory transactions, including consulting arrangements, employment contracts and severance agreements, with the CEO, COO and CFO, and approves such contracts and transactions with respect to other current or certain former executive officers • Reviews and monitors employee retirement and other benefit plans, including plan design, features and funding • In consultation with management, oversees regulatory compliance with respect to compensation matters • Reviews a compensation-related risk assessment of our compensation policies and practices and makes appropriate recommendations to the Board • With input from the Board, oversees the process for executive succession planning, other than the CEO • Reviews and recommends to the Board the form and amount of director and chairman compensation at least every two years
Safety, Environmental, Technology and Operations Committee	• Represents and assists the Board in overseeing and reviewing: ▪ our employee and public safety policies and practices; ▪ our environmental policies and practices, including water quality and contaminants of emerging concern; ▪ our technology policy, strategy and governance, including physical security and cybersecurity issues; and ▪ operational performance and risk exposure and mitigation strategies not covered by another committee of the Board • Reviews physical security and cybersecurity threat assessments, emerging issues and related initiatives • Coordinates with the Audit, Finance and Risk Committee on matters related to cybersecurity risk
Nominating/Corporate Governance Committee	• Establishes criteria for the selection of new director candidates to serve on the Board • Identifies qualified director nominees (including new candidates as well as existing directors) and recommends their election to the Board • Conducts appropriate inquiries into the backgrounds and qualifications of director nominees • Reviews and makes recommendations on the composition and size of the Board to ensure its membership is sufficiently diverse and independent • Recommends directors to serve as chairman and members of the Board committees • Establishes, monitors and recommends the structure and operations of each committee of the Board, including the qualifications and criteria for committee members, and makes recommendations regarding appropriate changes to the committee chairs and members • Makes recommendations as to the creation or elimination of Board committees

- Oversees the annual evaluation of each director and the Board as a whole
- Develops and recommends to the Board amendments to its Corporate Governance Guidelines, and annually assesses their adequacy
- Considers and makes recommendations on questions of director independence
- Reviews the adequacy of our certificate of incorporation and bylaws
- Oversees our continuing director education program
- Oversees, with input from the Chairman of the Board and the current CEO, the process of CEO succession planning

On March 19, 2020, the Board designated an Emergency Executive Committee comprised of Messrs. Edwards and Kurz and Mses. Goss and Kampling, with Mr. Kurz as Chair, to provide for Board action in the event of an emergency or other time-sensitive matter, as determined by the Board. The Emergency Executive Committee is authorized to act on behalf of the Board as to any matter, except as to matters that cannot be delegated to a committee under Delaware law. The Board has determined that the COVID-19 pandemic constitutes an "emergency" as defined under the Emergency Executive Committee's charter. During 2020, the Emergency Executive Committee met one time.

Board Review of Related Person Transactions

The Board has adopted the Related Person Transaction Policy for reviewing, approving and ratifying transactions involving related persons to ensure compliance with our Code of Ethics and applicable law. Subject to certain exceptions, this written policy covers transactions, relationships or arrangements in which American Water or any subsidiary was or is to be a participant and a related person had or will have a direct or indirect material interest. For purposes of this policy, a "related person" is any person who:

- is a current executive officer or director of the Company or any subsidiary;
- was a former executive officer or director of the Company or any subsidiary during the current or prior fiscal year;
- is or was a Company or subsidiary director nominee during the current or prior fiscal year;
- at the time the related person transaction occurred or existed, is or was a current employee (other than an executive officer) of the Company or any subsidiary;
- at the time the related person transaction occurred or existed, was a beneficial owner of more than five percent of our common stock; or
- is or was a specified immediate family member, or any other person sharing the household of such person (other than a tenant or employee) of, any of the foregoing.

Permission for a related person transaction may only be granted in writing in advance by the following:

- the disinterested members of the Audit, Finance and Risk Committee or the Board, in the case of transactions involving corporate officers, directors or other employees in specified senior grade levels; and
- our Compliance and Ethics Committee, which is comprised of members of management, in the case of all other employees.

Further, as permitted by the policy, the Compliance and Ethics Committee may, in its discretion, delegate to our Chief Compliance Officer the authority to review and approve related person transactions that are within its authority where the amount involved is less than $5,000. Transactions involving the compensation of our directors or executive officers are not subject to this policy if they are reviewed and properly approved by the Compensation Committee or the independent members of the Board as specified in the Compensation Committee's charter.

Before any related person transaction is approved, the following factors are to be considered:

- the related person's interest in the transaction;
- the dollar value of the amount involved in the transaction;
- the dollar value of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction is to be undertaken in the ordinary course of business of American Water;
- whether the transaction with the related person is proposed to be entered into on terms more favorable to American Water than terms that could have been reached with an unrelated third party;
- the purpose, and the potential benefits to American Water, of the transaction; and
- any other information regarding the transaction or the related person that is material in light of the circumstances of the particular transaction.

Approval of a related person transaction under the policy will be granted only if it is determined that, under all of the circumstances, the transaction is in the best interests of American Water and only so long as those interests outweigh any negative effects that may arise from permitting the transaction to occur.

Board Leadership Structure

Since April 1, 2020, Mr. Lynch has served as our President and Chief Executive Officer. Mr. Kurz has served as our Chairman of the Board since May 11, 2018.

In accordance with our Corporate Governance Guidelines, the Chairman of the Board is an independent director. We believe that the oversight function of a board of directors is enhanced when an independent director, serving as chairman of the board, is in a position to set the agenda for, and preside over, meetings of the board of directors. We also believe that our leadership structure enhances the active participation of our independent directors.

The Chairman of the Board is responsible for:

- setting the agenda for meetings of the Board, and presiding over Board meetings at which the Chairman of the Board is present;
- coordinating the work of the Board committees;
- overseeing the distribution of materials by our Secretary to the members of the Board;
- serving as the independent director primarily responsible for Board consultations and communications between the Board and shareholders; and
- performing such other duties as the Board may, from time to time, require to assist it in the fulfillment of its duties.

If the Chairman of the Board ceases to be an independent director, the Board shall select another Chairman of the Board from among the members of the Board who are determined by the Board at that time to be independent directors. The Chairman of the Board is selected, and may be removed from that position at any time, by a majority of the members of the Board.

Board Role in Risk Oversight

One of the responsibilities of the Board is the oversight of our risk management activities, which is discharged by the Board as well as through the Audit, Finance and Risk Committee, the Compensation Committee and the SETO Committee. In discharging this responsibility, the Board and these committees, with the assistance of management, monitor and evaluate our major enterprise risks and oversee and monitor the design and implementation of guidelines and programs to manage these risks.

Our management has overall responsibility for conducting risk assessments and risk management strategy and programs. Our Enterprise Risk Management Committee, consisting of various Company executives, as well as functional and business unit employees, manages and oversees day-to-day enterprise risk management responsibilities. The Enterprise Risk Management Committee meets at least six times a year. The Enterprise Risk Management Committee's areas of focus include competitive, economic, operational (including physical security and cybersecurity), financial (including accounting, internal audit, credit, liquidity and tax), legal, compliance, regulatory, health, safety and environmental, political and reputational risks.

Audit, Finance and Risk Committee Role

The Audit, Finance and Risk Committee is responsible for assisting the Board in overseeing the Company's accounting and disclosure controls, the design and performance of the internal audit, ethics and compliance functions, and the enterprise risk management process, including risk assessments and risk management strategy. The Audit, Finance and Risk Committee also has direct authority over the Company's independent registered public accounting firm.

In performing these responsibilities, the Audit, Finance and Risk Committee reviews, at least annually, with management our major financial and operational risk exposures, including any risk concentrations and risk interrelationships, the magnitude and the likelihood of occurrence of risk, and management's activities to monitor and control these exposures. This committee also reviews our major financial risks, including credit, liquidity, market

and funding risks. The Audit, Finance and Risk Committee coordinates oversight of operational risk management with the SETO Committee. The Audit, Finance and Risk Committee also oversees our insurance risk management policies and programs and makes recommendations to the Board regarding the structure and renewal of our directors' and officers' liability insurance program.

Compensation Committee Role

The Compensation Committee assesses potential risks related to our compensation policies and practices. Management conducts and presents to the Compensation Committee for its review an annual risk assessment of our executive compensation, with a particular focus on performance-based compensation. This risk assessment is reviewed with both our internal audit function as well as with the Enterprise Risk Management Committee. In February 2021, an update of this risk assessment, which included our 2020 short-term and long-term performance-based executive compensation, was reviewed with the Compensation Committee. This assessment sought to identify whether features of our compensation policies and practices could potentially encourage excessive risk-taking and whether our risk management objectives are being met with respect to incentivizing our employees.

The risk assessment conducted by management found that our existing short-term and long-term compensation is coupled with compensation design elements and other controls that discourage decision-making focused solely on compensatory consequences. These design elements and controls include, among other things:

- base salaries that are a sufficient component of total compensation to discourage excessive short-term risk taking;
- cash performance-based awards with a maximum payout that is limited to 200 percent of target;
- the use of long-term performance awards that mitigate against the taking of short-term risks;
- the implementation of an annual independent audit of our Annual Performance Plan, or APP, targets and award process conducted by our internal audit function;
- the ability of the Compensation Committee to review progress against APP goals and to exercise discretion in determining the amount of cash performance-based compensation awarded;
- Company-wide and individual performance targets which are dispersed among a variety of financial and non-financial metrics, as well as among short-term and long-term goals;
- policies and procedures implemented to provide for meaningful checks and balances regarding significant business decisions that may have a compensatory benefit, including the use of a robust vetting process for new business development opportunities and limiting the delegated authority of executives to approve transactions;
- a compensation recovery policy that would require repayment of incentive compensation in the event of a material restatement of our financial statements under specific circumstances;
- the use of overlapping vesting and performance periods through annual long-term performance award grants;
- our long-term performance plan does not include stock options, thereby discouraging behavior focused on short-term increases in stock prices; and
- stock ownership guidelines and retention requirements that are applicable to executives and employees of the Company at a specified minimum salary grade (generally vice president) level.

On the basis of its review of our executive compensation programs, management concluded, and advised the Compensation Committee, that the risks of these compensation programs are mitigated and are not reasonably likely to have a material adverse effect on American Water.

SETO Committee Role

The SETO Committee reviews and monitors operational risk exposure and risk mitigation strategies with the Audit, Finance and Risk Committee and the Board. In performing these responsibilities, the SETO Committee reviews management's processes for assessing business continuity risks and developing related contingency planning. The SETO Committee also reviews physical and cybersecurity threat assessments, is updated on emerging issues and our related responses and initiatives, and coordinates with the Audit, Finance and Risk Committee and the Board on matters related to cybersecurity risk.

Board Role in Succession Planning

The Corporate Governance Guidelines provide that a primary responsibility of the Board is planning for the succession of our CEO and other executive officers. The goal of our succession planning process is to identify executive talent at the Company and provide for continuity of effective leadership that can fulfill the long-term requirements of our business. The Corporate Governance Guidelines contemplate a collaborative effort between the Board (and certain of its committees) and the CEO; however, the Board retains full responsibility for the selection of the CEO.

Specifically, the Corporate Governance Guidelines provide that the CEO annually submits to the Board for its review a succession plan for the CEO and other executive officers. The succession plan includes a determination of key competencies and desired experiences for the particular role, an identification and assessment of internal candidates, development plans for internal candidates and, as appropriate, identification of external candidates. The criteria used to assess potential CEO candidates are formulated by the Board based on the Company's business strategies, and include the candidates' experience, as well as strategic and leadership qualities. The CEO must also submit to the Board annually an emergency succession plan to prepare for any unforeseen event that may prevent the CEO from continuing to serve. The Board may review executive development and succession planning more frequently as it deems appropriate.

Consistent with its responsibilities as described in this section, the Board has delegated the day-to-day responsibility for the process of providing a slate of CEO succession candidates for consideration by the Board to the Nominating Committee, with input from the Chairman of the Board and the current CEO. The Board also has delegated authority to the Compensation Committee to collaborate with the CEO to ensure that processes are in place for succession planning and development with respect to other executive officers.

As a practical matter, consideration of executive succession planning (especially for the CEO role) occurs throughout the year at Board meetings and involves regular interaction between and among the Board, the President and Chief Executive Officer, the Senior Vice President, Chief Human Resources Officer, and other members of management, as appropriate.

The succession by Mr. Lynch as our President and Chief Executive Officer effective April 1, 2020 was implemented in accordance with the foregoing process.

Limitations on Additional Board Service

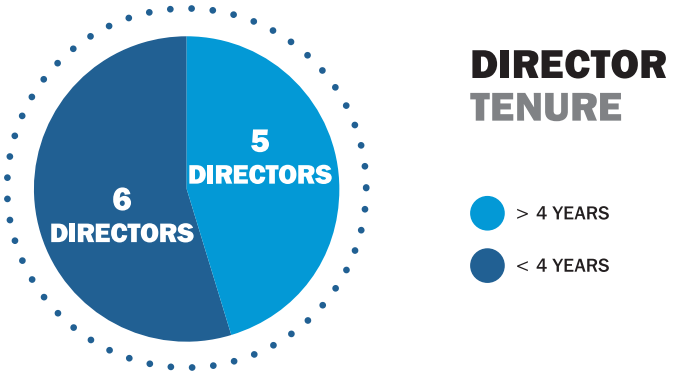
In 2020, the Board amended its Corporate Governance Guidelines related to service of Board members as directors of other public companies. Commonly referred to as "overboarding" provisions, the primary purpose of these limitations is to permit each director to devote sufficient time to perform his or her duties as a member of the Board.

Under these provisions, no director may serve on the board of directors of more than three other public companies, and a director who is an executive officer of a public company, including American Water, may not serve on the board of directors of more than two public companies. No director may serve on the audit committee of more than two other public companies without the prior approval of the Nominating Committee.

Also, for any potential board service not prohibited by these limitations, directors are required to advise and obtain the approval of the Nominating Committee chair in advance of accepting an invitation to serve on a for-profit board. Prior to approving such service, the Nominating Committee chair will review the proposed relationship for potential conflicts of interest and time demands, taking into account such facts as the chair deems relevant, including industry or operations of the other company and whether service on a greater number of boards would impair the director's ability to serve effectively on the Board.

Board Refreshment and Director Tenure

The following graph depicts our Board tenure as of the date of this proxy statement:



As represented by the director tenure graph above and evidenced by our actual Board refreshment over the past few years, we seek to maintain a continual balance of historical and institutional knowledge and experience coupled with new directors who have more recently joined the Board. While we believe the current size and composition of the Board is appropriate, the Board continually devotes substantive attention and focus on Board succession planning and activities to meet the Board's future needs.

Our Corporate Governance Guidelines do not impose term limits on the service of our directors. The Board believes that term limits could result in the loss of directors who have been able to develop, over a period of time, increasing insight into our business and operations, and an institutional memory that benefits the entire membership of the Board as well as management. Instead, the Nominating Committee reviews annually each director's continuation on the Board, which allows each director the opportunity to confirm his or her desire to continue as a director and provides the Board an opportunity to replace directors who no longer wish to remain on the Board.

Our Corporate Governance Guidelines generally restrict a non-employee director who has reached his or her 75th birthday prior to the date of our annual meeting of shareholders from being nominated for re-election to the Board. However, the Board may, in special circumstances and where deemed in the best interests of the Company, grant an exception to this policy on an annual basis. The Board must determine to make a special exception prior to each ensuing term of a director for which the special exception will be applicable.

In December 2020, the Board considered the nomination of Ms. Hagen, who turned 75 prior to the meeting. The Board considered the findings of the Nominating Committee, including:

- the need for continuity on the Board given recent refreshment during the past several years;
- her exhibited leadership on the Board and knowledge and experience in safety and operational matters;
- her service on several Board committees, including as Chair of the SETO Committee;
- her knowledge and prior experience as a chief executive officer and senior executive of several public companies; and
- the fact that Ms. Hagen is not a long-tenured director.

Based on the findings and recommendations of the Nominating Committee, the Board determined that special circumstances existed to warrant Ms. Hagen's nomination in 2021 as a director for election to the Board at the annual meeting.

Shareholder Outreach

During 2020, our Investor Relations team, together with key executives and management, engaged with over 300 investors. In addition, our Corporate Secretary function and the Investor Relations team jointly led a shareholder outreach program focused on corporate governance, executive compensation, ESG and sustainability issues, shareholder disclosure and related topics. Through this outreach program, now in its seventh consecutive year and held both during and after proxy season, we contacted shareholders who beneficially owned, in the aggregate, more than 52 percent of our common stock, as well as a leading

proxy advisory firm. The purpose of this outreach program is to better identify and understand the relevant issues that were most important to our shareholders. Through these sessions, we:

- discussed topics of interest to our shareholders;
- solicited investor viewpoints;
- conveyed our views on those topics; and
- gained a better understanding of areas of mutual consensus.

We received overall positive feedback regarding our corporate governance framework, our Board composition, our proxy statement disclosures, our compensation practices and our Political Contribution Policy, related disclosures and Board oversight. Also, shareholders expressed appreciation for our willingness to seek their views, and more importantly, the desire to establish an ongoing dialogue. The input and insight gleaned from our 2020 shareholder outreach program was shared with management and our Board.

Further, as part of our shareholder outreach efforts, we engaged in a constructive dialogue with one of our shareholders regarding its view that we should adopt a bylaw permitting proxy access. As a result of these efforts, on December 10, 2020, the Board adopted a standard proxy access bylaw. See "—Proxy Access" for more information. Also, we committed to another shareholder that we would adopt, on or before June 30, 2021, disclosure and governance enhancements with respect to our lobbying expenditures. See "—Lobbying Expenditures" for more information.

We intend to continue to engage regularly with shareholders and proxy advisory firms to solicit their input, and we give careful consideration to the feedback we receive. As was evidenced by our 2020 engagement, we use this outreach to consider meaningful avenues to respond to appropriate suggestions for further enhancement to our corporate governance standards and practices.

Governance Policies and Procedures

Our Code of Ethics applies to our directors, officers and employees and is designed to promote, among other things:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest in personal and professional relationships, and deter wrongdoing or even perceptions of wrongdoing;
- full, fair, accurate, timely and understandable disclosures in periodic reports we are required to file;
- accountability for adhering to the Code of Ethics; and
- compliance with applicable governmental laws, rules and regulations.

Our Code of Ethics provides for the prompt internal reporting of violations to an array of appropriate persons and confidential treatment of the reporting person during a compliance investigation to the extent possible. We intend to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision of the Code of Ethics that applies to our principal executive officer, principal financial officer, or principal accounting officer or controller (or persons performing similar functions) by making disclosures concerning such matters available on the Investor Relations page of our website.

On December 10, 2020, upon the recommendation of the Audit Committee, the Board approved and adopted a new Code of Ethics that served to make it more relatable to all employees and to update and clarify topics previously addressed in the prior Code of Ethics and other policy documents. For example, the new Code of Ethics includes updated sections related to environmental leadership, corruption and bribery, use of social media and expectations of managers. The adoption by the Board of the new Code of Ethics did not result in any explicit or implicit waiver with respect to any director, officer or employee of the Company from any provision of the prior Code of Ethics. The new Code of Ethics is focused on our values, and the general ethical principles underlying the prior Code of Ethics remain substantively unchanged.

Our Corporate Governance Guidelines set out principles by which the Board will operate and execute its responsibilities in accordance with our Restated Certificate of Incorporation, our Amended and Restated Bylaws, the listing standards of the NYSE, and applicable laws.

Current copies of our Code of Ethics and Corporate Governance Guidelines are available on our Investor Relations website at *ir.amwater.com* and can also be obtained by sending us a written request. See "Communications, Shareholder Proposals and Company Information—Contacting Us or Our Transfer Agent" on page 83 of this proxy statement.

Proxy Access

On December 10, 2020, upon the recommendation of the Nominating Committee, the Board approved amendments to our Amended and Restated Bylaws to adopt a proxy access bylaw. Under this bylaw, any eligible shareholder, or eligible group of up to 20 shareholders, owning three percent or more of our common stock continuously for a three-year period and through the date of the next annual meeting of shareholders may, subject to certain limitations and conditions, nominate and include in our proxy materials for that annual meeting of shareholders, a number of director nominees not to exceed the greater of (a) two directors or (b) 20 percent of the directors then serving on the Board (rounded down to the nearest whole number).

The proxy access bylaw took effect upon adoption and will be first available to shareholders beginning with our 2022 annual meeting of shareholders.

Political Contribution Policy

As a company whose regulated operations can be significantly impacted by public policies, we participate responsibly in the political process and make reasonable political contributions consistent with all applicable laws and reporting requirements. We also hold memberships in a variety of industry, trade and business associations, which enable us to understand the views of others and obtain feedback on our positions.

As part of our commitment to good governance principles and transparency, we have adopted a Political Contribution Policy that requires that our political contributions, which we define as direct contributions or expenditures (in cash or in kind) to a political party, a candidate for an elected office or his or her political campaign, or a political action committee ("PAC") (subject to the exclusions referenced below) be made only:

- by the American Water Works Company, Inc. Employee Federal PAC, referred to as the "Federal PAC"; or
- to, or through, a PAC sponsored by or associated with one of our subsidiaries or lines of business, referred to as a Subsidiary PAC.

All political contributions by the Company must be approved in advance by our CEO. Political contributions by the Company's subsidiaries must first be approved by the subsidiary's or line of business's president, or similar officer. This pre-approval requirement does not apply to contributions by the Federal PAC or a Subsidiary PAC, which are governed by the PAC's own charter, policies and procedures. Our Political Contribution Policy does not regulate or apply to our employees' own political contributions.

Since 2019, we have disclosed annually on our website, within 180 days after the end of the preceding fiscal year, the following information regarding our political contributions:

- the payor, recipient, date and amount of each direct political contribution we made, and the title of the person approving it;
- the payor, recipient, date and amount of each political contribution made by the Federal PAC and each Subsidiary PAC; and
- the payor, recipient and amount of each payment made to a trade association or tax-exempt organization during the last fiscal year, which, individually or in the aggregate, exceeded $50,000, if the association or organization provided a written statement that some or all of our payments were used for non-deductible political, electioneering or lobbying purposes, as well as the amount reported by the association or organization as attributable to these non-deductible activities.

Our governance and disclosure efforts regarding political contributions continue to be recognized by the Center for Political Accountability's 2020 CPA-Zicklin Index, which placed us in the top quartile among all of the S&P 500 companies for the second year in a row.

Political contributions, as defined under this policy, do not include amounts spent in connection with a core business function, such as a water or wastewater system acquisition, defense of a condemnation action filed against us, or other activities that impact or affect the operation of our business, unless made to support a political party, a candidate for an elected office or his

or her political campaign. Also, a payment to a trade association or tax-exempt organization (other than a PAC, a Section 527 organization, or a similar entity) is not a political contribution under this policy, even if any portion of the payment is used for political purposes.

The Board will review this policy at least annually and will also review and approve in advance the public disclosures required by the policy. Shareholders may view the policy and our political contribution disclosures through our Investor Relations website at *ir.amwater.com*.

Lobbying Expenditures

We value our relationships with government officials and our interactions with them comply with applicable federal, state and local laws, regulations and rules. These rules are often complex and vary from state to state. However, we believe it is an important and necessary part of our mission to provide safe, clean and affordable water and wastewater services to our customers to engage in the public policy arena. For these reasons, we do, from time to time, engage in lobbying activities, which we define generally as communications with government officials, legislators, regulators, executive branch officials or members of their staff.

Following constructive shareholder engagement as part of our outreach activities in 2020, we agreed with a shareholder that we would, beginning in 2021, provide greater transparency and adopt additional oversight mechanisms with respect to our lobbying activities. Specifically, we agreed to publicly disclose on our website, within 180 days after the end of each fiscal year (beginning with the 2020 fiscal year), the amount of aggregate lobbying expenditures (as defined under applicable state or federal law and to the extent disclosed to applicable election commissions). We also have agreed to have senior management provide an annual report to the Board on our lobbying activities and, beginning this year, we have disclosed all of these enhancements in our proxy statement. Finally, we agreed to include the shareholder in our annual outreach program.

Information About Our Executive Officers

The table below presents the name, age, offices held and business experience, as of the date of this proxy statement, for each of our executive officers.

Name	Age	Office and Experience
Walter J. Lynch	58	**President and Chief Executive Officer.** Mr. Lynch has over 25 years of experience in both the regulated and market-based water and wastewater industry. Mr. Lynch has served as our President and Chief Executive Officer and a director since April 1, 2020. Mr. Lynch served as our Executive Vice President and Chief Operating Officer from January 2016 to March 31, 2020, and as our President and Chief Operating Officer, Regulated Operations from February 2010 through December 2015. Prior to that, Mr. Lynch served as President of Regulated Operations from July 2008 to February 2010. Mr. Lynch also had previously served as Executive Vice President of our then Eastern Division and as President of our New Jersey and New York subsidiaries, as well as President of our Market-Based Businesses. Mr. Lynch joined the Company in 2001. Mr. Lynch is a member of the Board of Directors of the National Association of Water Companies and serves as a member of its Executive Committee.
Maureen Duffy	51	**Senior Vice President, Communications and External Affairs**. Ms. Duffy has served as Senior Vice President, Communications and External Affairs since January 1, 2020 and has been an executive officer since June 1, 2020. Prior to that, Ms. Duffy served as Vice President, Corporate Communications and Federal Affairs from May 2017 to December 31, 2019 and Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. From July 2006 to September 2011, Ms. Duffy held various positions of increasing responsibility in our internal and external corporate communications function. From November 1999 to July 2006, she held various positions with our New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.

Name	Age	Office and Experience
M. Susan Hardwick	58	**Executive Vice President and Chief Financial Officer**. Ms. Hardwick joined American Water on June 3, 2019 as our Executive Vice President—Finance and became Executive Vice President and Chief Financial Officer on July 1, 2019. Ms. Hardwick previously served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co., leaving there as a senior manager to join Cinergy Corp. Ms. Hardwick is a Certified Public Accountant. On August 13, 2020, Ms. Hardwick was elected to the Board of Directors of New Jersey Resources Corporation (NYSE: NJR), a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, serves as a member of its Audit Committee.
Melanie M. Kennedy	47	**Senior Vice President, Chief Human Resources Officer.** Ms. Kennedy was appointed as the Company's Senior Vice President, Chief Human Resources Officer, effective December 10, 2020. Previously, Ms. Kennedy had served as the Company's Senior Vice President, Human Resources since March 2017. From August 2014 through February 2017, Ms. Kennedy served as Vice President, Human Resources of the Company, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
James S. Merante	46	**Vice President and Treasurer**. Mr. Merante was appointed as our Vice President and Treasurer in February 2019. Prior to that, Mr. Merante was Vice President, Internal Audit from February 2018 to February 2019, and served as Divisional Chief Financial Officer for our Mid-Atlantic Division from July 2014 until February 2018. Mr. Merante is licensed as Certified Public Accountant in Pennsylvania.
Adam Noble	55	**Chief Technology and Innovation Officer**. Mr. Noble joined American Water effective August 31, 2020 as our Chief Technology and Innovation Officer. Prior to joining us, Mr. Noble served as Senior Vice President and Chief Information Officer of Veritiv Corporation, a North American business-to-business distributor of packaging and facility solutions, since June 2019. Previously, Mr. Noble served as Senior Vice President and Global Chief Information Officer at GAF Materials Corporation, a global manufacturing company, from May 2010 to March 2019, and as its Vice President and Chief Information Officer from May 2006 to April 2010. Mr. Noble has over 30 years of collective experience in the information technology sector.
Cheryl Norton	56	**Executive Vice President and Chief Operating Officer**. Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has served as the Company's Executive Vice President and Chief Operating Officer since March 1, 2021. Prior to that, she served as Senior Vice President, Chief Environmental Officer from March 1, 2020 to March 1, 2021. She was also appointed as the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary in March 2019 and continues to serve as New Jersey' President. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.
Michael A. Sgro	62	**Executive Vice President and General Counsel**. Mr. Sgro has over 25 years of experience in the water and wastewater industry. He has served as the Company's Executive Vice President and General Counsel since January 2016 and as its Secretary from January 2015 to February 17, 2021. He served as the Company's Senior Vice President and General Counsel from February 2015 until January 2016, as its Interim General Counsel from January 2015 until February 2015, and as Vice President, General Counsel and Secretary of the Company's Northeast Division from 2002 to 2015.

Name	Age	Office and Experience
William Varley	63	**Chief Growth Officer**. Mr. Varley was appointed as the Company's Chief Growth Officer and an executive officer effective June 1, 2020. Following a brief retirement from the Company in April 2019 after approximately 19 years of employment, Mr. Varley served as a consultant to the Company's New York subsidiary for approximately three months beginning in March 2020. Prior to that, Mr. Varley held the Deputy Chief Operating Officer role from April 2018 until April 2019, where he developed and mentored the Company's divisional leads and state presidents and led the customer service organization. Prior to that, from February 2017 to April 2018, Mr. Varley served as Senior Vice President of the Company's Midwest Division. From January 2014 to February 2017, Mr. Varley served as Senior Vice President of the Company's Northeast Division and President of its New Jersey subsidiary. Mr. Varley had also been President of the Company's New York subsidiary, a position he held from 2007 until his transition to the Northeast Division.
Melissa K. Wikle	56	**Vice President and Controller**. Ms. Wikle joined American Water in July 2016 as its Vice President and Controller, and assumed the duties of our principal accounting officer in August 2016. Prior to joining us, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly-traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.

PROPOSAL 1

ELECTION OF DIRECTORS

Explanation of the Proposal

In accordance with our Restated Certificate of Incorporation and Amended and Restated Bylaws, the number of directors is fixed from time to time by the Board. There are currently 11 directors on the Board.

On the recommendation of the Nominating Committee, the Board has nominated for election to the Board the following persons:

- Jeffrey N. Edwards
- Martha Clark Goss
- Veronica M. Hagen
- Kimberly J. Harris
- Julia L. Johnson
- Patricia L. Kampling
- Karl F. Kurz
- Walter J. Lynch
- George MacKenzie
- James G. Stavridis
- Lloyd M. Yates

Each of these nominees is currently a member of the Board. If elected, each nominee would hold office until the date of the 2022 annual meeting of shareholders, or until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal. Proxies may not be voted with respect to more than these 11 nominees.

Each director nominee identified in this proxy statement has confirmed that he or she is willing and able to serve as a director, if elected. Should any of the nominees, prior to the meeting, become unavailable to serve as a director for any reason, the Board may either reduce the number of directors to be elected or select another nominee recommended by the Nominating Committee. If another nominee is selected, all proxies will be voted for the substitute nominee.

In accordance with our Amended and Restated Bylaws and our Corporate Governance Guidelines, prior to the meeting, each incumbent director nominee will submit a contingent resignation in writing to the Chairman of the Board or the Secretary of American Water. The resignation becomes effective only if the director fails to receive a sufficient number of votes for re-election at the meeting, assuming a quorum is present and the Board accepts the resignation. In an uncontested election of directors, if any incumbent director nominated for re-election does not receive the affirmative vote of at least the majority of the votes cast at any meeting for the election of directors at which a quorum is present, the Nominating Committee will make a recommendation to the Board on whether to accept or reject such tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Nominating Committee's recommendation, and publicly disclose, by a press release, a filing with the SEC, or other broadly disseminated means of communication, its decision regarding the tendered resignation and the rationale behind the decision of the Board within 90 days from the date of the certification of the election results.

With respect to a tendered resignation, each of the Nominating Committee, in making its recommendation, and the Board, in making its decision, may consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Nominating Committee or the decision of the Board with respect to his or her resignation. If a director's resignation is not accepted by the Board, such director will continue to serve until the 2022 annual meeting of shareholders and until his or her successor is duly elected, or his or her earlier death, resignation or removal. If a director's resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board.

Director Criteria, Qualifications, Experience and Diversity

We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will enable the Board to fulfill its responsibilities. Therefore, the Nominating Committee considers diversity in identifying nominees for directors. In this

regard, the Nominating Committee views diversity in a broad sense, including, without limitation, on the basis of skills, experience, age, race, gender and ethnicity. The Board believes in balancing the value that longevity of director service can bring with the value of new ideas and insights that can come through new members. In addition, our Corporate Governance Guidelines provide that directors must be persons of good character and thus must possess all of the following personal characteristics:

- *Integrity:* Directors must demonstrate high ethical standards and integrity in their personal and professional dealings.
- *Accountability:* Directors must be willing to be accountable for their decisions as directors.
- *Judgment:* Directors must possess the ability to provide wise and thoughtful counsel on a broad range of issues.
- *Responsibility:* Directors must interact with each other in a manner which encourages responsible, open, challenging and informed discussion.
- *High Performance Standards:* Directors must have a history of achievement which reflects high standards for themselves and others.
- *Commitment and Enthusiasm:* Directors must be committed to, and enthusiastic about, their performance for American Water as directors, both in absolute terms and relative to their peers.
- *Courage:* Directors must possess the courage to express views openly, even in the face of opposition.

The Board strives to have members with knowledge, experience and skills in the following core competencies:

- accounting and finance
- business judgment
- management
- crisis response
- industry knowledge
- utility regulation
- leadership, including in other public companies
- strategy/vision
- technology

In this regard, in evaluating a candidate's experience and skills, the Nominating Committee will consider qualities such as an understanding of the water industry, utilities, marketing, finance, customer service, utility and environmental regulation, cybersecurity and public policy issues. The Nominating Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. In addition, the Board is committed to having directors who add tangible value to American Water with a diversity of ideas, approaches and experiences and the interpersonal capacity to foster effective communication within the Board and with management.

Annually, the Nominating Committee reviews the profile, engagement and performance of each director to determine whether he or she should be renominated for Board service. The Nominating Committee also considers whether, in light of our strategy or trends in our market environment, new skill sets or experiences would benefit us and our shareholders.

The process followed by the Nominating Committee to identify and evaluate candidates includes requests to members of the Board and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Nominating Committee and other members of the Board. The Nominating Committee may engage a third party to assist in the search for director candidates or to assist in gathering information regarding a director candidate's background and experience. If the Nominating Committee engages a third party, that committee would approve the fee that American Water pays for these services.

When evaluating the recommendations of the Nominating Committee, the Board should take into account all factors it considers appropriate, which may include:

- whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards;
- whether the candidate has special skills, expertise and background that would complement the attributes of the existing directors, taking into consideration the communities and geographies in which the Company operates;
- whether the candidate has achieved prominence in his or her business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make;
- whether the candidate will effectively, consistently and appropriately take into account and balance

the legitimate interests and concerns of all of our shareholders and our other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency;
- whether the candidate possesses a willingness to challenge management while working constructively as part of a team in an environment of collegiality and trust; and
- whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

The following is a description of the specific skill sets and areas of expertise that the Board believes are relevant to the current members of the Board:

- *Financial Services and Capital Markets*: The capital-intensive nature of our regulated operations requires Board members with knowledge and experience in financial services and the capital markets.
- *Utilities and Customer Service*: Because the significant majority of our operations consists of providing water and wastewater utility services to customers, knowledge and understanding of the utility industry and related customer service issues are critical to the Board's oversight role.
- *Cybersecurity*: Because cybersecurity threats pose a key risk for us, we have sought to have expertise in this area on our Board.
- *Public Company CEO and Board Membership*: We believe that Board members should be very familiar with public company leadership structures and handling issues relevant to public companies.
- *U.S. Military*: One of our market-based businesses provides water and wastewater services to U.S. military bases and their residents under long-term contracts; thus, having Board experience, knowledge and contacts with all branches of the U.S. military directly supports this business.
- *Global Operations*: While we operate exclusively within the United States, we believe that directors with global operational experience offer additional breadth and depth of knowledge and experience.

Among our nominees for election to the Board, five, or 45.5 percent, voluntarily self-identified as female, two, or 18.2 percent, as racially diverse, and two, or 18.2 percent, as military veterans. Based on voluntary self-identification in the categories of gender, race and military veteran status, American Water's overall Board diversity is 72.7 percent.

Director Nominees

We have provided below for each of our 11 director nominees a summary of biographical and committee information as of the date of this proxy statement.

Jeffrey N. Edwards

Independent Director

Age: 60

Director Since: 2018

Committees:
Audit, Finance and Risk
Nominating

Other Current Public Company Boards:

- Raymond James Financial, Inc. (NYSE: RJF), a diversified financial services company, since 2014

Past Public Company Boards:

- The NASDAQ Stock Market, Inc., 2004 to 2006

Business Experience:

- Chief Operating Officer, New Vernon Capital, since 2009
- Various senior executive positions over 22 years at Merrill Lynch & Co., including:
  - Vice Chairman, from 2007 to 2009
  - Chief Financial Officer, from 2005 to 2007
  - Head of Origination, Americas, from 2004 to 2005
  - Head of Global Capital Markets, from 2003 to 2004
  - Co-Head of Global Equity, from 2001 to 2003

Other Positions:

- Director, Medusind Solutions India Private Limited and Medusind Solutions, Inc., from 2012 to 2019
- Chairman, Board of Trustees, The Pingry School

Education:

- Bachelor of Science, with Honors, Haverford College
- Master in Business Administration, The Harvard Business School

Experience and Qualifications to Serve on the Board:

- Mr. Edwards' current executive leadership position with an investment advisory firm demonstrates focus on growth and strategic planning.
- Longstanding executive experience with a leading global capital markets and financial services firm provides Mr. Edwards with a substantive understanding of many issues confronting our business, including capital markets needs, strategic planning, growth opportunities and a variety of operational matters.

Martha Clark Goss

Independent Director

Age: 71

Director Since: 2003

Committees:
Audit, Finance and Risk (Chair)
Compensation

Other Current Public Company Boards:

- Neuberger Berman Mutual Funds, since 2007
- Allianz Life Insurance Company of New York, since 2005

Past Public Company Boards:

- Dexter Corporation
- Claire's Stores Inc.
- Ocwen Financial Corporation
- Foster Wheeler Corporation

Business Experience:

- Chief Operating Officer and Chief Financial Officer of Amwell Holdings/ Hopewell Holdings LLC, a holding company and investment vehicle for investments in healthcare related companies, from 2003 until 2014
- Chief Financial Officer of The Capital Markets Company, from 1999 until 2001
- Chief Financial Officer of Booz Allen Hamilton Holding Corporation (formerly Booz-Allen Hamilton Inc.), a consulting firm, from 1995 to 1999
- Various senior executive positions at Prudential Insurance Company, or Prudential, from 1981 until 1995, including President of Prudential Power Funding Associates, the investment arm of Prudential responsible for electric and gas utilities and alternative energy projects, Senior Vice President, Enterprise Risk Management and President, Prudential Asset Management Company, and Treasurer of Prudential
- Vice President, The Chase Manhattan Bank, from 1971 to 1976 and from 1978 to 1981

Other Positions:

- Trustee Emerita, Brown University, since 1987
- Trustee and Treasurer, Brown University, from 1987 to 1998
- Member of the Board of the Museum for American Finance, since 2013
- Member and Past President, director and audit committee chair of the Financial Women's Association of New York, from 1987 to 2018
- Member of the Committee of 200, a women's professional organization
- Member of the President's Advisory Council for the Economics Department, Brown University, since 2018

Education:

- Bachelor of Arts, Brown University
- Master in Business Administration, The Harvard Business School

Experience and Qualifications to Serve on the Board:

- Ms. Goss' extensive financial, investment, and governance experience provides valuable insights to the Board and its committees.
- Experience as President of an investment subsidiary of Prudential, responsible for substantial investments in electric and gas public utilities and alternative energy projects, enables Ms. Goss to share with the Board her considerable knowledge regarding public utilities.
- Experience as Senior Vice President, Enterprise Risk Management, at Prudential enables Ms. Goss to provide expertise in risk management.

Veronica M. Hagen

Independent Director

Age: 75

Director Since: 2016

Committees:
SETO (Chair)
Compensation
Nominating

Other Current Public Company Boards:

- Newmont Corporation (NYSE: NEM), a producer of gold, since 2005
- Stericycle, Inc. (Nasdaq: SRCL), a multinational business-to-business services provider, since June 2018

Past Public Company Boards:

- Southern Company, from 2008 to 2019 (Lead Independent Director from 2014 to 2016)
- Polymer Group, Inc., from 2007 to 2015
- Jacuzzi Brands, Inc., from 2004 to 2007

Business Experience:

- Chief Executive Officer of Polymer Group, Inc. (now known as AVINTIV Specialty Materials Inc.), a global manufacturer of specialty materials, from April 2007 to August 2013
- President and Chief Executive Officer of Sappi Fine Paper North America, a division of a South African-based pulp and paper company, from 2004 to 2007
- Various executive positions with Alcoa, Inc., including as Vice President and Chief Customer Officer and President, Alcoa Engineered Products, from 1998 to 2004

Education:

- Bachelor of Arts, University of Southern California
- Bachelor of Science, University of Southern California

Experience and Qualifications to Serve on the Board:

- Ms. Hagen has over 35 years of executive experience in global operational management and commercial business leadership, including serving as the chief executive officer of two successful public companies.
- Ms. Hagen has extensive experience and past service as a public company board member.
- Ms. Hagen also has significant leadership in the areas of employee engagement, customer service, strategic planning and business growth.

Kimberly J. Harris

Independent Director

Age: 56

Director Since: 2019

Committees:
Compensation
SETO

Other Current Public Company Boards:

- U.S. Bancorp (NYSE: USB), a bank holding company, since 2014

Past Public Company Boards:

- Puget Energy, Inc. and Puget Sound Energy, Inc. from March 2011 to January 2020

Business Experience:

- Chief Executive Officer of Puget Energy, Inc. and Puget Sound Energy, Inc., Washington state's largest utility, from March 2011 until January 2020. She held various senior executive positions, including:
  - President of Puget Energy, Inc. and Puget Sound Energy, Inc. from July 2010 to August 2019
  - Executive Vice President and Chief Resource Officer from May 2007 until July 2010
  - Senior Vice President Regulatory Policy and Energy Efficiency from 2005 to May 2007

Education:

- Bachelor of Arts, San Diego State University
- Juris Doctor, Arizona State University

Experience and Qualifications to Serve on the Board:

- Ms. Harris' significant background and experience as a chief executive officer provides valuable leadership perspective to our Board.
- Ms. Harris' focus on safety in her executive leadership role corresponds with our zero incidents and injuries safety program goal.
- Ms. Harris' leadership role in the day-to-day operations of a regulated utility provides critical oversight and experience relevant to our regulated operations.
- Ms. Harris' experience in environmental stewardship and customer perspectives focused on the utility industry provides the Board with valuable expertise in these core strategic areas.

Julia L. Johnson

Independent Director

Age: 58

Director Since: 2008

Committees:
Compensation (Chair)
Nominating

Other Current Public Company Boards:

- MasTec, Inc. (NYSE: MTZ), a utility infrastructure contractor, since 2002
- NorthWestern Corporation (Nasdaq: NWE), a transporter and producer of energy, since 2004
- FirstEnergy Corp. (NYSE: FE), a transporter and producer of energy, since 2011

Past Public Company Boards:

- Allegheny Energy, Inc., from 2003 until its merger with FirstEnergy Corp. in 2011

Business Experience:

- President of Net Communications, LLC, a strategy consulting firm specializing in the communications, energy and information technology public policy arenas, since 2001

Other Positions:

- Florida Public Service Commission, from January 1992 until November 1999, including chairwoman from January 1997 to January 1999
- Chair, Florida's Information Service Technology Development Task Force, from November 1999 to July 2001
- Chair, Emerging Issues Policy Forum
- Chair, Women's Energy & Innovation Network, Inc.
- Member, Foundation for Florida's Future
- Officer, Innovative Energy Solutions

Education:

- Bachelor of Science in Business Administration, University of Florida
- Juris Doctor, University of Florida College of Law

Experience and Qualifications to Serve on the Board:

- Ms. Johnson's service on a state public service commission with regulatory oversight over Florida's electric, telecommunications and water and wastewater industries, as well as her current leadership of a firm specializing in regulatory analysis and legal strategy, enables her to provide valuable perspectives on regulatory and public policy matters affecting our operations.
- Ms. Johnson's current and past public company board experience enables her to share with the Board relevant and experiential insights on a variety of public company matters.

Patricia L. Kampling

Independent Director

Age: 61

Director Since: 2019

Committees:
Audit, Finance and Risk
SETO

Other Current Public Company Boards:

- Xcel Energy Inc. (Nasdaq: XEL), a utility holding company based in Minneapolis, Minnesota, since August 2020
- Board of Trustees, Fidelity's Equity and High Income Funds, since May 2020, and Advisory Board Member, from February 2020 to May 2020

Past Public Company Boards:

- Briggs and Stratton Corporation, a producer of gasoline engines for outdoor power equipment, from January 2011 to January 2021
- Alliant Energy Corporation, an investor-owned public utility holding company, from April 2012 to June 2019

Business Experience:

- Chief Executive Officer and Chairman of the Board, Alliant Energy Corporation, from April 2012 to June 2019. Ms. Kampling held various positions with Alliant Energy Corporation including:
  - President, from February 2012 to December 2017
  - President and Chief Operating Officer, from February 2011 to March 2012
  - Executive Vice President and Chief Financial Officer, from 2010 to 2011
  - Vice President, Chief Financial Officer and Treasurer, from 2009 to 2010
  - Vice President of Finance, from 2005 to 2009
- Twenty years at Exelon Corporation, where she began her career as an engineer with Philadelphia Electric Company (PECO) and ultimately served as Treasurer of Commonwealth Edison and as Senior Vice President and Chief Financial Officer of Exelon Enterprises

Other Board Positions:

- American Transmission Company, a privately held electricity transmission and distribution utility company, from June 2011 to June 2019

Education:

- Bachelor of Arts, Economics, and Bachelor of Science, Engineering, Swarthmore College
- Master of Business Administration, Finance, University of Chicago Booth School

Experience and Qualifications to Serve on the Board:

- Ms. Kampling's experience in strategic leadership, operations, customer perspective, legal and regulatory, human resources/executive compensation, risk management and environmental and safety matters allows her to contribute significantly to the Board's oversight on these core strategic functions.
- Ms. Kampling's advocacy for workforce development, diversity and community vitality provides the Board with valuable insights on our focus on people, social responsibility and operational excellence.

Karl F. Kurz

Chairman
Independent Director

Age: 59

Director Since: 2015
Chairman Since: 2018

Other Current Public Company Boards:

- Devon Energy Corporation (NYSE: DVN), a U.S. energy producer, since January 2021

Past Public Company Boards:

- SemGroup Corporation, from 2009 to 2019
- Global Geophysical Services, Inc., from 2011 to 2015
- Western Gas Partners, from 2007 to 2009
- WPX Energy, Inc., from 2014 until its merger of equals with Devon Energy Corporation in January 2021

Business Experience:

- Mr. Kurz is a private investor in the energy industry
- Chairman of Siluria Technologies Inc., a private energy technology company, from 2013 to 2018
- Managing Director, Co-Head of Energy, and a Member of the Investment Committee of CCMP Capital Advisors LLC, a leading global private equity firm, from 2009 to 2012
- Various executive and management positions with Anadarko Petroleum Corporation, including most recently Chief Operating Officer, from 2000 to 2009
- Former General Manager, Midstream and Marketing, Vastar Resources, Inc.
- Formerly held various management positions at ARCO Oil and Gas Company, in reservoir engineering, production operations, and financial trading
- Operating Advisor, Ares Capital Corporation

Education:

- Bachelor of Science, *magna cum laude*, Petroleum Engineering, Texas A&M University
- Advanced Management Program graduate, The Harvard Business School

Experience and Qualifications to Serve on the Board:

- Mr. Kurz's long history of working in the oil and gas industry is invaluable as we continue pursuing potential opportunities and solutions with respect to the national water-energy nexus discussion, smart water grid development and water supply issues.
- His experience in finance and capital markets brings additional insights to us and the Board regarding our operations, including with respect to liquidity and capital resources.

Walter J. Lynch

President and Chief Executive Officer and Director

Age: 58

Director Since: 2020

Business Experience:

- President and Chief Executive Officer of the Company, since April 1, 2020
- Executive Vice President and Chief Operating Officer of the Company, from January 2016 to March 31, 2020
- President and Chief Operating Officer, Regulated Operations, from February 2010 through December 2015
- President of Regulated Operations, July 2008 to February 2010
- Formerly Executive Vice President, Eastern Division and President of our New Jersey and New York subsidiaries, as well as President of our Market-Based Businesses
- Mr. Lynch joined the Company in 2001

Other Positions:

- Member of the Board of Directors and Executive Committee, and former President, National Association of Water Companies

Education:

- Bachelor of Science, General Engineering, U.S. Military Academy at West Point, attaining the rank of Captain before his departure from the U.S. Army in 1990
- Advanced Management Program, University of Pennsylvania's Wharton School of Business
- International Institute for Management Development, Lausanne, Switzerland
- Post-Graduate Training, Oxford University, England

Experience and Qualifications to Serve on the Board:

- Mr. Lynch's intimate knowledge regarding our business and industry, by virtue of his approximately 25 years of service in the regulated and market-based water and wastewater industry, enables him to provide valuable insights regarding our strategies, operations, finance, administration and personnel matters.
- Mr. Lynch has held a variety of operational leadership roles within the Company for both its regulated and market-based businesses, which provides the Board with important perspectives on our operational and strategic functions across the Company's footprint.
- Through Mr. Lynch's prior military service with the U.S. Army, he exhibits superior leadership qualities and skills, and his relationships and knowledge of the military also directly support the operations of our Military Services Group.

George MacKenzie

Independent Director

Age: 72

Director Since: 2003
Former Chairman: 2006 to 2018

Committees:
Nominating (Chair)
Audit, Finance and Risk

Other Current Public Company Boards:

- Tractor Supply Company (Nasdaq: TSCO), a U.S. retailer, since May 2007

Past Public Company Boards:

- Safeguard Scientifics, Inc., from February 2003 to June 2018
- C&D Technologies, Inc., from March 1999 to December 2010
- traffic.com, from December 2005 to March 2007
- Central Vermont Public Service Corp., from May 2001 to May 2006
- Hercules Incorporated, Vice Chairman of the Board of Directors, from April 2000 to June 2001

Business Experience:

- Executive Vice President and Chief Financial Officer of P.H. Glatfelter Company, a specialty paper manufacturer, from September 2001 to June 2002
- Various senior management positions, including most recently President, Chemical Specialties and Chief Financial Officer, Hercules Incorporated, a global manufacturer of specialty chemicals, from 1979 to 2001

Other Positions:

- Member, American and the Pennsylvania Institutes of Certified Public Accountants
- Member, Financial Executives Institute and Institute of Management Accountants

Education:

- Bachelor of Science, Business-Finance and Economics, University of Delaware
- Master of Business Administration, University of Chicago

Experience and Qualifications to Serve on the Board:

- Mr. MacKenzie's extensive service on public company boards of directors enables him to provide valuable insights into our corporate governance.
- His lengthy experience in operational and financial management enables him to provide useful insights on executive management considerations.
- His financial executive experience, coupled with his public accounting background, gives him an intimate knowledge of financial matters.

James G. Stavridis

Independent Director

Age: 66

Director Since: 2018

Committees:
Nominating
SETO

Other Current Public Company Boards:

- Neuberger Berman Mutual Funds, since 2015

Business and Military Experience:

- Operating Executive, The Carlyle Group
- Chairman, Board of Advisors, McLarty Associates
- Dean, Tufts University, Fletcher School of Law and Diplomacy, from 2013 to 2018
- Admiral, U.S. Navy (Ret.), from 2006 to 2013
  - Supreme Allied Commander, NATO, and Commander, U.S. European Command, from 2009 to 2013
  - Commander, U.S. Southern Command, from 2006 to 2009

Other Director Positions:

- Director, NFP Corp., since 2017
- Director, Michael Baker International, LLC, since 2013
- Director, White Field Capital LLC, since January 2020
- Director, Vigor/MHI Shipyard
- Director, The HOW Institute for Society
- Director, The Rockefeller Foundation
- Director, Onassis Foundation

Education:

- Bachelor of Science, U.S. Naval Academy
- Master of Arts and Ph.D., Tufts University, Fletcher School of Law and Diplomacy

Experience and Qualifications to Serve on the Board:

- Admiral Stavridis' academic and practical knowledge in cybersecurity, critical infrastructure, innovation and leadership offers skill sets that are critical to the oversight of our regulated and market-based operations.
- Admiral Stavridis' long-standing service in a wide range of senior commands with the U.S. Navy exhibits superior leadership qualities and skills, and also serves to directly support our Military Services Group market-based business.
- Admiral Stavridis has significant experience serving on public and private boards of directors in a wide variety of industries, including insurance brokerage, mutual funds, construction and software.

Lloyd M. Yates

Independent Director

Age: 60

Director Since: 2019

Committees:
Audit, Finance and Risk
SETO

Other Current Public Company Boards:

- NiSource Inc. (NYSE: NI), an energy holding company, since March 2020
- Sonoco Products Company (NYSE: SON), a global diversified packaging company, since October 2019
- Marsh & McLennan Companies, Inc. (NYSE: MMC), since 2011

Business Experience:

- Executive Vice President, Duke Energy Corporation, and President of Duke Energy's Carolinas Region, from July 2012 to September 2019
- President and Chief Executive Officer for Progress Energy Carolinas, which was acquired by Duke Energy in July 2012, from July 2007 to July 2012
- Senior Vice President - Energy Delivery, Progress Energy Carolinas, from 2005 to 2007
- Vice President - Transmission, Progress Energy Carolinas, from 2003 to 2005
- Vice President of Fossil Generation of Progress Energy's predecessor, Carolina Power & Light, from 1998 to 2003
- Several line operations and management positions over his 16 years with Philadelphia Electric Company (PECO)

Other Positions:

- Director, Big Brothers Big Sisters
- Director, Trees Charlotte
- Director, Charlotte City Center Partners

Education:

- Bachelor of Science, Mechanical Engineering, University of Pittsburgh
- Master of Business Administration, St. Joseph's University
- Advanced Management Program, University of Pennsylvania Wharton School
- Executive Management Program, Harvard Business School

Experience and Qualifications to Serve on the Board:

- Mr. Yates has 35 years of experience in the energy industry, including the areas of energy generation and delivery, which enables him to provide valuable perspectives on regulatory and utility transmission and distribution issues.
- Mr. Yates has significant leadership in the areas of customer and energy delivery operations, strategic planning and business growth, which allows him to provide valuable insights as to these matters to our Board.

Director Independence

The NYSE's listing standards require that:

- a majority of our directors and all of the members of the Nominating Committee satisfy the NYSE's independence standards applicable to all directors;
- all of the members of the Audit, Finance and Risk Committee satisfy the NYSE's independence standards applicable to audit committee members; and
- all of the members of the Compensation Committee satisfy the NYSE's independence standards applicable to compensation committee members.

Applying these standards, the Board has determined that ten of the 11 directors serving on the Board, consisting of Mses. Goss, Hagen, Harris, Johnson and Kampling, Admiral Stavridis, and Messrs. Edwards, Kurz, MacKenzie and Yates, qualify as independent. Due to his employment positions with the Company, the Board determined that Mr. Lynch does not qualify as independent.

The Board also has determined that each of Mses. Goss and Kampling, and Messrs. Edwards, MacKenzie and Yates, satisfies the NYSE's independence standards for audit committee members, and that each of Mses. Goss, Hagen, Harris and Johnson satisfies the NYSE's independence standards for compensation committee members.

For a director to be considered independent under the NYSE listing standards, a director cannot have any of the disqualifying relationships enumerated by those standards. Furthermore, the NYSE listing standards state that a director is not independent unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). In making this determination, the Board considers all relevant facts and circumstances when assessing the materiality of any relationship of a director with the Company, not only from the standpoint of the director but also from that of persons or organizations with which the director has an affiliation. Material relationships can include, for example, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

To assist the Board in considering whether a director has a material relationship with us, the Board has adopted categorical standards of material director relationships. Under these standards, which are based in part on the disqualifying relationships enumerated by the NYSE's listing standards, a director will not be deemed independent if any of the following relationships exist:

Type of Relationship (1)	Description of Relationship (1)(2)
Employee or executive officer of American Water	The director is, or has been within the last three years, an employee of American Water, or an immediate family member of the director is, or has been within the last three years, an executive officer of American Water. However, employment as an interim chief executive officer or other officer will not disqualify a director from being considered independent following that employment.
Relationships with internal or external auditor	Any of the following relationships exist: • the director is a current partner or employee of American Water's internal or external auditor • the director has an immediate family member who is a current partner of the internal or external auditor • the director has an immediate family member who: ▪ is a current employee of the external auditor and ▪ personally works on the Company's audit • the director or an immediate family member of the director was, within the last three years: ▪ a partner or employee of the internal or external auditor and ▪ personally worked on the Company's audit within that time
Compensation Committee interlocks	The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

Type of Relationship (1)	Description of Relationship (1)(2)
Receipt of direct compensation from American Water	The director or an immediate family member of the director received, during any 12-month period within the last three years, more than $120,000 in direct compensation from American Water, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as an interim chief executive officer or other executive officer need not be considered in determining independence under this standard. Compensation received by an immediate family member for service as an employee of American Water (other than as an executive officer) need not be considered in determining independence under this standard.
Receipt of indirect compensation from American Water	The director is a current employee or holder of more than 10 percent of the equity of another company, or an immediate family member of the director is a current executive officer or holder of more than 10 percent of the equity of another company, that has made payments to, or received payments from, American Water or any subsidiary in any of the other company's last three fiscal years, that exceeds the greater of $1 million or two percent of such other company's consolidated gross revenues.
Charitable contributions by American Water	The director is a current executive officer of a charitable organization to which American Water or any subsidiary has made charitable contributions in any of the charitable organization's last three fiscal years that exceed the greater of $1 million or two percent of that charitable organization's consolidated gross revenues.

(1) A person's immediate family includes a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone (other than domestic employees) who shares such person's home.

(2) The term "executive officer" is defined to mean the following officers of American Water: President; Chief Financial Officer; Controller; any Vice President in charge of a principal business unit, division or function; and any other officer who performs similar policy-making functions for American Water. The term also includes any other person who performs similar policy-making functions for American Water. An officer of a subsidiary of American Water would be deemed to be an "executive officer" for purposes of this standard if he or she performs such policy-making functions for American Water. The names, ages and background of American Water's executive officers, as defined above, as of the date of this proxy statement, are included beginning on page 16 of this proxy statement.

Director Evaluations and Assessments

Each year, directors complete a targeted questionnaire to assess the performance of the Board and each of the standing committees. The questionnaire elicits quantitative and qualitative ratings in key areas of Board operation and function and seeks subjective comments from each director. Each committee member completes questions to evaluate how well the committees on which he or she serves are functioning and to provide suggestions for improvement.

Since 2017, the Board utilized a peer review process by which each director was asked to provide feedback on a number of characteristics of each of the other directors, including background, leadership, preparation, focus on shareholder interests, participation and independence.

In addition, annually, members of our executive leadership team, comprised of senior executives of the Company who regularly interact with the Board and the committees, are solicited to provide their input and perspective on the operation of the Board and how the Board might improve its effectiveness.

Finally, our Chairman also interviews each director individually to obtain his or her assessment of director performance, Board dynamics and the effectiveness of the Board and its committees, and to discuss the results of the peer review process and his or her responses to these questions.

A summary of the responses to the questionnaires and the responses received from senior

management's feedback is reviewed by the Chairman. The summary and related responses with respect to the Board and each committee is ultimately discussed in executive session in meetings of the Board and each respective committee.

Director Compensation

As described in the table below, during 2020, our non-employee directors received annual cash retainers, paid in quarterly installments, for their service on the Board. Additionally, each non-employee director received an annual grant of approximately $135,000 in equity compensation ($197,500 for the Chairman of the Board). As our President and Chief Executive Officer, Mr. Lynch does not receive any additional compensation for serving as a director.

Our non-employee director cash compensation as of the date of this proxy statement is as follows:

Director	Annual Cash Retainer
Chairman of the Board	$ 162,500
Audit, Finance and Risk Committee Chair	$ 125,000
Compensation Committee, Nominating Committee and SETO Committee Chairs	$ 120,000
Other Non-Employee Directors	$ 100,000

We do not pay our directors a separate fee for attendance at Board or committee meetings.

For calendar year 2020, Semler Brossy Consulting Group LLC, or Semler Brossy, the Compensation Committee's independent compensation consultant, reviewed American Water's non-employee director pay program for market competitiveness. There were no changes made to the director compensation program with respect to 2020.

Equity compensation for our non-employee directors is paid in the form of stock units under our 2017 Omnibus Plan. The actual number of stock units granted is based on the closing price of our common stock on the date of grant, which is typically the date the director is elected to the Board. The stock units vest on the date of grant and the shares underlying the stock units are distributed to the directors approximately 15 months after the date of grant, subject to earlier distribution in the event of a change in control or the termination of the director's service on the Board, or in accordance with the director's irrevocable election to defer distribution of all of his or her shares of common stock to a later time.

To the extent that a dividend is paid on our common stock prior to the time that shares of common stock may be distributed, the value of the dividend that would have been paid if the stock units had been outstanding shares of common stock is credited to an account for the director. Such dividend equivalents are payable to the director in a lump sum, in cash and without interest, and are paid when shares of common stock are distributed to the director.

Non-employee directors are reimbursed for expenses incurred in attending Board and committee meetings and expenses incurred for attending up to one director continuing education program each year.

Director Compensation Table

The following table presents information regarding compensation earned or paid in 2020 as to each person who served as a non-employee member of the Board during that year. The table does not include amounts paid for reimbursement of travel expenses related to attending Board and committee meetings or any reimbursement of director educational expenses, and does not include compensation earned or paid as to Mr. Lynch. See "Executive Compensation" beginning on page 58 of this proxy statement for information relating to Mr. Lynch's compensation.

Name	Fee Earned or Paid in Cash ($)	Stock Unit Awards ($)(1)	All Other Compensation ($)(2)	Total ($)
Jeffrey N. Edwards	$ 100,000	$ 135,035	$ 3,866	$ 238,901
Martha Clark Goss	$ 125,000	$ 135,035	$ 3,866	$ 263,901
Veronica M. Hagen	$ 120,000	$ 135,035 (4)	$ 3,866	$ 258,901
Kimberly J. Harris	$ 100,000	$ 135,035	$ 2,447	$ 237,482
Julia L. Johnson	$ 120,000	$ 135,035	$ 14,463	$ 269,498
Patricia L. Kampling	$ 100,000	$ 135,035	$ 2,447	$ 237,482
Karl F. Kurz	$ 162,500 (3)	$ 197,484	$ 5,654	$ 365,638
George MacKenzie	$ 120,000	$ 135,035	$ 3,866	$ 258,901
James G. Stavridis	$ 100,000	$ 135,035	$ 3,866	$ 238,901
Lloyd M. Yates	$ 100,000	$ 135,035 (4)	$ 2,447	$ 237,482

(1) The amounts shown in this column reflect the grant date fair value of the stock units granted to the directors as part of their annual retainer. The grant date fair value was computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation—Stock Compensation,* or ASC 718. See Note 11—Stock Based Compensation, in the Notes to Consolidated Financial Statements included in the 2020 Form 10-K for the assumptions used in determining grant date fair value.

(2) Represents dividend equivalents paid in cash in 2020 at the time of the distribution of shares underlying stock unit awards.

(3) Mr. Kurz elected to defer the receipt of his 2020 annual retainer fees.

(4) Ms. Hagen and Mr. Yates elected to defer the receipt of shares underlying this stock unit award beyond August 13, 2021.

The following table shows the aggregate number of stock units held by each person who served as a non-employee director as of December 31, 2020:

Name	Stock Units (#)
Jeffrey N. Edwards	1,159
Martha Clark Goss	2,535
Veronica M. Hagen	5,437
Kimberly J. Harris	1,159
Julia L. Johnson	7,802
Patricia L. Kampling	1,159
Karl F. Kurz	3,100
George MacKenzie	1,159
James G. Stavridis	1,159
Lloyd M. Yates	1,159

We did not grant stock options to non-employee directors in 2020 and none of the non-employee directors held any Company stock options as of December 31, 2020.

Non-Employee Director Stock Ownership Requirements

To align the interests of our directors and shareholders, we have a stock ownership policy for non-employee directors under which each such director is required to hold shares equaling five times the director's annual cash retainer by the fifth anniversary of the commencement of service as a director. Each of our non-employee directors satisfied the stock ownership requirement as of December 31, 2020, except for Mses. Harris and Kampling, who are currently within their five-year compliance periods.

Recommendation of the Board

The Board unanimously recommends a vote "**FOR**" the election of each of the 11 director nominees as named in this proxy statement.

PROPOSAL 2

VOTE TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Background of the Proposal

Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires that our shareholders receive the opportunity to vote, on an advisory (non-binding) basis, the compensation of our named executive officers, or NEOs, as disclosed in this proxy statement in accordance with the SEC's rules. The disclosures related to compensation of our NEOs consist of the Compensation Discussion and Analysis, or CD&A, the 2020 Summary Compensation Table, and the other required executive compensation tables and related narrative disclosures in this proxy statement. In accordance with the advisory vote of our shareholders at our 2017 annual meeting of shareholders, we are providing to our shareholders the opportunity to vote annually to approve, on an advisory basis, the compensation of our NEOs.

Our executive compensation philosophy and programs are designed to create a positive correlation of pay to performance and reward our NEOs for delivering results. We seek to attract, motivate and retain high-caliber executives and to align the interests of those executives with the interests of our shareholders in order to build long-term, sustainable value for our shareholders. Accordingly, the Board recommends that our shareholders vote "**FOR**" the following resolution:

> **RESOLVED**, that the shareholders of American Water Works Company, Inc. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, including the Compensation Discussion and Analysis, the executive compensation tables and the related narrative discussion in the Company's proxy statement for the 2021 annual meeting of shareholders.

While the vote is not binding on us, our Compensation Committee values the opinions expressed by our shareholders and will carefully consider the outcome of the vote when making future compensation decisions for our NEOs. Unless the Board modifies its policy on the frequency of holding this vote, the advisory vote is currently held every year, and the next vote on the frequency of the advisory vote is expected to occur at the 2023 annual meeting of shareholders.

Recommendation of the Board

The Board unanimously recommends a vote "**FOR**" the approval, on an advisory basis, of the compensation of our NEOs.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with our management the Compensation Discussion and Analysis, or CD&A, required by Item 402(b) of Regulation S-K. Based on this review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this proxy statement.

Respectfully submitted,

Julia L. Johnson (Chair)
Martha Clark Goss
Veronica M. Hagen
Kimberly J. Harris

COMPENSATION DISCUSSION AND ANALYSIS

In this CD&A, we address our compensation philosophy and programs, the key decisions of our Compensation Committee with respect to these programs and the reasons for those decisions, principally with respect to our NEOs, who, for 2020, were:

- Walter J. Lynch, our current President and Chief Executive Officer effective April 1, 2020;
- Susan N. Story, our President and Chief Executive Officer until her retirement on April 1, 2020;
- M. Susan Hardwick, our Executive Vice President and Chief Financial Officer;
- Michael A. Sgro, our Executive Vice President and General Counsel;
- Loyd A. Warnock, who retired on January 2, 2021 as our Senior Vice President, Chief Advisor—Regulatory and External Affairs;
- Bruce A. Hauk, who as of March 1, 2020 was our President, Regulated Operations and Military Services Group and served as our Deputy Chief Operating Officer until his resignation on March 12, 2021; and
- Brian Chin, who served as our Senior Vice President, Strategic Financial Planning, until his departure on November 5, 2020.

Executive Summary

Compensation Philosophy

Our executive compensation program is designed to:

- reward our NEOs for delivering results without taking excessive risks;
- correlate actual pay realized by our NEOs to our short- and long-term performance;
- align the interests of our shareholders and NEOs; and
- attract, motivate and retain high-caliber executives by providing compensation that is comparable to and competitive with other companies we compete with for executive talent.

Our focus on paying our NEOs for positive performance is demonstrated by the way we structure the principal elements of our executive compensation:

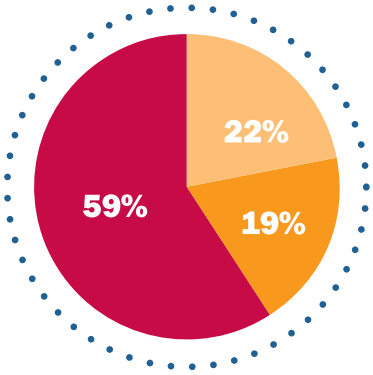
- annual base salary;
- our APP, which is our annual cash-based performance plan; and
- our Long-Term Performance Plan, or LTPP, which is our long-term equity compensation program.

In addition, from time to time we provide limited cash bonuses for targeted purposes, including to attract new executives, promote existing executives and recognize performance on specific projects, and we continued this practice during 2020. We also offer our executives various employee retirement and health and welfare benefit plans, as well as benefits under our Executive Severance Policy. Finally, we offer limited and customary perquisites, primarily consisting of executive physicals, Company-paid life insurance benefits, and, as applicable, graduated relocation benefits based on salary grade.

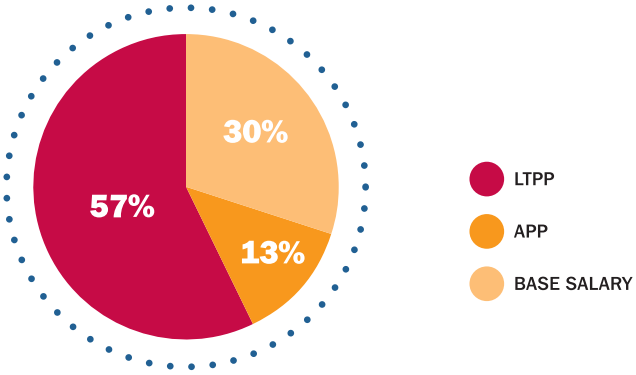
The allocation of compensation among these elements ties NEO compensation levels and payouts to our performance, providing for an appropriate level of risk and generally seeking to align our levels of compensation to market pay — which we define to be within the competitive range of the median of our various benchmarking data for a NEO's position.

The following graphs depict 2020 compensation mix for our current CEO and, on an average basis, for all of our other NEOs as a group, assuming annual and long-term incentive awards are paid at target levels:

CEO TOTAL DIRECT COMPENSATION MIX



NEOs AVERAGE TOTAL DIRECT COMPENSATION MIX



Our Operating Performance in 2020

Our operating performance in 2020 demonstrated our continued commitment to shareholders and our focus on our five strategic themes in 2020: safety, customers, people, operational excellence and growth. By focusing on keeping our employees safe, delivering outstanding customer service, effectively managing costs, investing capital where needed, maintaining constructive regulatory relationships and growing strategically, we continue to create value for our shareholders. Operating performance highlights for 2020 include the following:

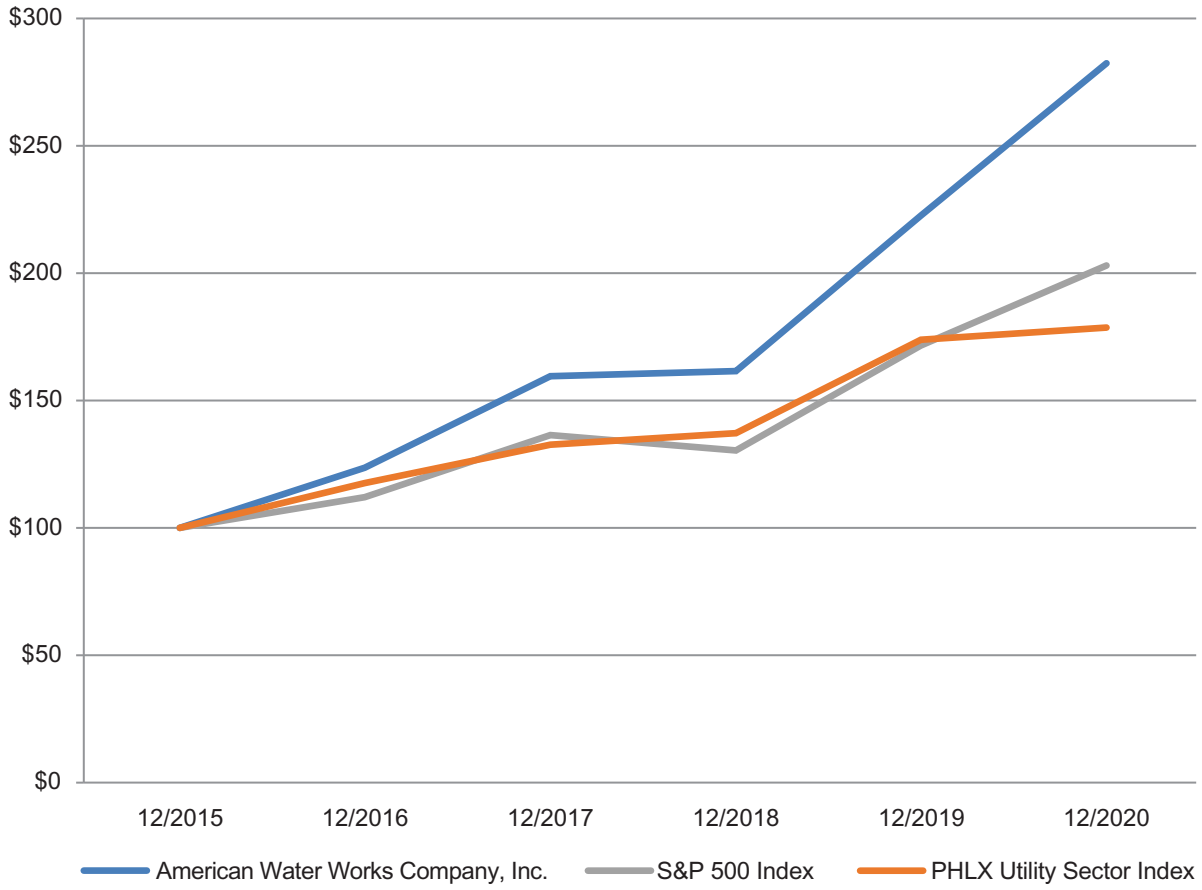
Total Shareholder Return, or TSR	▲	Our TSR for the five years ended December 31, 2020 was 182.4 percent, compared to 103.0 percent for the S&P 500 Index and 78.6 percent for the PHLX Utility Sector Index over that same five-year period
Annual Dividends	▲	10.1 percent overall five-year compound annual growth rate of annual dividend payments anchored off 2015 dividends paid, and seven years in a row of nearly 10 percent or more annual dividend increases
Diluted earnings per share, or EPS	▲	14.0 percent increase in 2020 diluted EPS compared to 2019 diluted EPS, primarily due to continued growth in our regulated businesses from infrastructure investment, acquisitions and organic growth, and growth in our Military Services Group, as well as a loss in 2019 on the sale of our former Keystone Clearwater Solutions operations
Adjusted O&M Efficiency Ratio - Regulated Businesses (1) (2)	▲	Adjusted operation and maintenance, or O&M, efficiency ratio for the regulated businesses during 2020 was 34.3 percent in 2020, compared to 34.5 percent during 2019
Regulated Businesses Growth	▲	Approximately 37,800 new customers added in 2020 through regulated acquisitions and approximately 14,500 new regulated customers added in 2020 through organic growth
Market-Based Businesses Growth	▲	0.2 percent increase in operating revenues and a 97.8 percent increase in net income in 2020 compared to 2019 in our market-based businesses, largely resulting from the loss in 2019 on the sale of our former Keystone Clearwater Solutions operations.
OSHA Recordable Incident Rate, or ORIR	▲	Reduced our ORIR to 0.99 in 2020 from 1.13 in 2019

(1) A non-GAAP financial measure; see Appendix A for a calculation of this ratio, a reconciliation of each component of the ratio to its most directly comparable GAAP measure, and other information.

(2) A decrease in our adjusted O&M efficiency ratio from period to period reflected an increase in the operating efficiency of our regulated businesses.

Return to Shareholders

We have returned significant value to our shareholders over the past five years. The following stock performance graph shows how a $100.00 investment in our common stock on December 31, 2015 would have grown to $282.40 on December 31, 2020, assuming quarterly dividend reinvestment. This return compares favorably to the return that would have been obtained through the same investment in the Standard & Poor's 500 Index and the PHLX Utility Sector Index, assuming dividend reinvestment, during the same period.



	12/31/2015	12/30/2016	12/29/2017	12/31/2018	12/31/2019	12/31/2020
American Water Works Company, Inc.	$ 100.00	$ 123.59	$ 159.46	$ 161.54	$ 222.57	$ 282.40
PHLX Utility Sector Index	$ 100.00	$ 117.40	$ 132.45	$ 137.11	$ 173.87	$ 178.61
S&P 500 Index	$ 100.00	$ 111.95	$ 136.38	$ 130.39	$ 171.44	$ 202.96

Summary of Executive Compensation Practices

The table below summarizes compensation practices that we do and do not follow:

• Considerable portion of pay is variable, rather than fixed, and is earned solely based on performance without incentivizing excessive risk-taking	• No established single-trigger change in control payment requirements
• Equity compensation is weighted significantly toward performance stock units	• No excise tax gross-ups
• Executive stock ownership guidelines and retention requirements encourage equity ownership and retention	• No repricing of underwater stock options
• Compensation Committee oversees annual compensation program risk assessment	• If executive stock ownership guidelines are not met, sales or transfers of stock, subject to certain exceptions, are prohibited
• A representative, relevant peer group is used for TSR performance and compensation benchmarking and is evaluated annually	• No supplemental executive retirement plans open to new participants
• Reasonable and customary severance arrangements are provided to our NEOs	• No hedging, pledging or short selling common stock by employees, officers and directors
• Compensation Committee retained and used an independent consultant throughout 2020	• No individual employment or change of control agreements with our current NEOs, other than customary employment offer letters
• Double-trigger change in control provision in 2017 Omnibus Plan	• Prohibition on buying our common stock on margin
• Limited and customary perquisites and other personal benefits	• No distribution of cash dividend equivalents on equity awards unless and until they vest
• Cash performance-based awards and equity awards subject to clawback policy	

Highlights of 2020 Compensation Actions

The table below highlights significant compensation actions taken by the Compensation Committee with respect to 2020 regarding our primary elements of executive compensation. For more information on the Compensation Committee's use of various benchmarking data, see "—Compensation Determinations and Pay Competitiveness in 2020."

Compensation Element	NEO	Action Taken	Rationale
Base Salary	Mr. Lynch	• Increased annual base salary to $925,000 as of April 2020 in connection with his promotion to CEO	• Part of compensation adjustments in connection with Mr. Lynch's succession to the CEO role
	Ms. Hardwick	• Increased annual base salary for 2020 by 3.0 percent from 2019	• Reflected positive achievements as CFO, and brought her annual base salary closer to the median of the companies in the peer group data for her position

Compensation Element	NEO	Action Taken	Rationale
	Mr. Sgro Mr. Warnock	• Increased annual base salaries for 2020 by 5.7 percent and 5.9 percent, respectively, from 2019	• For Mr. Sgro, brought his annual base salary closer to the median of the peer group data for his position • Annual base salary was adjusted based on Mr. Warnock's performance during 2019
	Mr. Hauk	• Increased annual base salary to $375,000 as of March 2020	• Set as part of his transition in 2020 to his role as President, Regulated Operations and Military Services Group
	Mr. Chin	• Increased annual base salary for 2020 by 2.0 percent, from 2019	• Reflected standard merit adjustment consistent with those provided to other executives
APP	Mr. Lynch	• Increased initial APP payout opportunity from 75 percent to 100 percent in April 2020	• Part of compensation adjustments in connection with Mr. Lynch's succession to the CEO role and consistent with CEO transitions during the past four years
	Mr. Warnock	• Increased APP payout opportunity from 50 percent to 65 percent in December 2019	• Became directly responsible for our Homeowner Services Group, or HOS, business unit
LTPP	Mr. Lynch	• Increased 2020 award opportunity from 165 percent to 275 percent of base salary	• Part of compensation adjustments in connection with Mr. Lynch's succession to the CEO role and consistent with CEO transitions during the past four years
	Ms. Hardwick	• Increased 2020 award opportunity from 150 percent to 165 percent of base salary	• Brought total direct compensation within the competitive ranges of the benchmarking data
	Mr. Sgro	• Increased 2020 award opportunity from 125 percent to 135 percent of base salary	• Maintained total direct compensation within the competitive ranges of the benchmarking data

Shareholder Advisory Votes

At our 2020 annual meeting of shareholders, the shareholders approved, on an advisory basis, the compensation paid to our NEOs in 2019, as disclosed under the compensation disclosure rules of the SEC, including the CD&A, the executive compensation tables and the related narrative discussion in the proxy statement for the 2020 annual meeting of shareholders. Often referred to as the "say-on-pay vote," the shareholder vote in favor of NEO compensation was approximately 96.2 percent of the shares deemed present virtually or by proxy and eligible to vote at the meeting. Since 2011, the first year of our say-on-pay vote, the shareholder vote in favor of NEO compensation has averaged 97.2 percent.

We consider this vote to be a strong endorsement of our executive compensation program, practices and policies. Based upon this support, the Compensation Committee did not believe that any corresponding action or change in our compensation program was needed for 2020.

At our annual meeting, we will again hold our say-on-pay vote. In making executive compensation decisions, the Compensation Committee will consider the results of this advisory vote, as well as feedback obtained from shareholders throughout the course of the year.

Compensation Determinations and Pay Competitiveness in 2020

For 2020, the Compensation Committee reviewed and approved all compensation paid to our NEOs, and made recommendations to the independent members of the Board with respect to compensation paid to the CEO. The independent members of the Board, after considering the recommendations of the Compensation Committee, approved our CEO compensation for 2020. The CEO did not participate in the Compensation Committee's recommendations regarding his or her own compensation and was excused from those portions of the Compensation Committee and Board meetings during which his or her compensation was deliberated upon and determined.

The Compensation Committee considered the CEO's assessments of the performance of the other NEOs, as well as the CEO's compensation recommendations regarding each such NEO's base salary and their APP and LTPP award opportunities. The Compensation Committee, with the CEO's participation, discussed the performance of each NEO other than the CEO, and, after discussion and deliberation held in executive session, approved compensation determinations for such NEOs.

During 2020, for decisions made with respect to the compensation of our NEOs, the Compensation Committee engaged Semler Brossy as its independent compensation consultant. In making these executive compensation determinations, the Compensation Committee reviewed, among other things, data provided by Semler Brossy to gauge the comparability of our executive compensation to the compensation paid to executives in other companies with generally corresponding responsibilities.

Through its review of relevant benchmarking data, the Compensation Committee is able to assess competitive market compensation practices. Two of the primary ways the Compensation Committee evaluates and benchmarks our executive compensation arrangements and practices is to review them against market data in a Willis Towers Watson study comprised of 60 percent weighting on utility and energy industry companies and 40 percent weighting on general industry companies, as well as to similar data on companies in our 2020 compensation peer group, as described below. During 2020, the market survey methodology was refined in two ways to better reflect our business and operations. First, the utility and energy industry companies were narrowed to include only public utilities, which more closely resemble our business and operations. Second, the regression methodology used on the public utility data set was adjusted to better reflect the characteristics of water and wastewater utilities given the different economic characteristics of non-water utilities.

As to the compensation peer group, the Compensation Committee believes there is a strong likelihood that an executive officer's skills will be transferable among these companies, and thus we would expect to compete with these companies and others for executive officer talent. This peer group is also used to compute the three-year relative total shareholder return for our PSUs with vesting tied to this metric. The Compensation Committee referred to all of this benchmarking data as part of its review of general compensation practices and trends of the utility industry and our 2020 peer group.

The composition of our peer group is reviewed by Semler Brossy and is reassessed annually by the Compensation Committee to consider structural and methodology changes to the peer group, as well as corporate transactions or other events that may affect the comparability of one or more of the constituent companies. In reviewing the appropriateness of companies, the Compensation Committee considers factors most relevant to us as a utility, including, in decreasing order of relevance, consolidated total assets, market capitalization, number of employees, consolidated revenues, and the proportion of revenue received from our regulated businesses. For the January 2020 reassessment, consolidated total assets was the Compensation Committee's primary relevant factor, which reflects our primary business of owning water and wastewater utilities subject to economic regulation by state utility commissions or similar entities. Based on the data provided by Semler Brossy in conducting this reassessment, we were positioned near the mid-range of our peer group in terms of total assets, near the top quartile in terms of market capitalization, and nearer the bottom quartile in terms of consolidated revenues. We believe this positioning is appropriate and reflective of a group that is most comparable to us in terms of size and complexity, particularly given the different business economics of non-water utilities.

The peer group that was used in 2020 to calculate the three-year total shareholder return for our PSU awards granted during the year and by the Compensation Committee to make compensation decisions with respect to our NEOs was comprised of the companies listed below, which is collectively referred to as the 2020 peer group.

2020 American Water Compensation Peer Group

Alliant Energy Corporation	Entergy Corporation	OGE Energy Corp.
Ameren Corporation	Evergy, Inc.	Pinnacle West Capital Corporation
Atmos Energy Corporation	Eversource Energy	PPL Corporation
CenterPoint Energy, Inc.	MDU Resources Group, Inc.	UGI Corporation
CMS Energy Corporation	NiSource Inc.	WEC Energy Group, Inc.

In January 2021, the Compensation Committee received an update on the status of companies in the 2020 peer group, but determined that going forward it would conduct its usual annual review, assessment and approval of the peer group during its July meeting, so that changes to the peer group would begin to apply to the following year's compensation decisions and awards. Thus, the review and approval of the 2021 peer group will take place in July 2021.

New or Amended Executive Compensation Arrangements in 2020

Walter J. Lynch

In February 2020, in advance of his succession to the CEO role, we entered into an employment offer letter with Mr. Lynch effective April 1, 2020. This employment offer letter described the initial terms of his compensation as CEO, was consistent in form and content with employment offer letters we have historically provided to our NEOs, and was approved by the independent members of the Board upon the recommendation of the Compensation Committee and the advice of Semler Brossy. See "—CEO Transition" for more information on the decisions related to Mr. Lynch's compensation determinations for 2020. For additional information regarding the terms of Mr. Lynch's employment offer letter, see "Executive Compensation—2020 Summary Compensation Table—Employment and Separation Agreements—Walter J. Lynch" beginning on page 60 of this proxy statement.

Loyd A. Warnock

In May 2020, we announced the retirement of Mr. Warnock, effective January 2, 2021. On May 13, 2020, we entered into a separation agreement with Mr. Warnock, pursuant to which Mr. Warnock agreed to remain employed with us at his then annual base salary until his retirement date. Because he retired prior to the APP payment date, Mr. Warnock was ineligible to receive a 2020 APP payment. However, we agreed to provide him with a substantially similar, or "APP-like," cash payment, subject to all of the terms and performance criteria for his previously-approved 2020 APP award opportunity except that his employment could terminate on January 2, 2021. See "Executive Compensation—2020 Summary Compensation Table—Employment and Separation Agreements—Loyd A. Warnock" on page 61 of this proxy statement.

Bruce A. Hauk

In connection with his transition to his role as President, Regulated Operations and Military Services Group effective March 1, 2020, we entered into a customary employment offer letter with Mr. Hauk outlining his compensation and benefits, which was approved by the Compensation Committee in accordance with its charter.

Brian Chin

In November 2020, we entered into a separation agreement with Mr. Chin providing him with substantially similar benefits as those afforded to him under our Executive Severance Policy with respect to a termination of employment without cause.

2020 Compensation

Compensation Philosophy and Objectives

Our executive compensation program is designed to reward our NEOs for delivering results and building long-term sustainable value for our shareholders. We believe our program's performance measures align the interests of our shareholders and NEOs by correlating pay to our short- and long-term performance.

We focused on the following objectives in making compensation decisions with respect to our NEOs in 2020:

- incentivize our executives to achieve superior financial and non-financial performance relating to safety, customers, environmental leadership, operational excellence and growth, all of which lead to long-term financial strength, while encouraging practices that avoid taking excessive risks;
- focus pay on an appropriate mix of short- and long-term performance, with a proportionately greater emphasis on at-risk and long-term compensation, based upon criteria recognized among our peer companies and those in the water and utility industry generally;
- build long-term, sustainable value for shareholders by emphasizing compensation that rewards such value, including long-term performance- and equity-based compensation, and de-emphasizing short-term, cash-based compensation;
- provide compensation to our NEOs that reflects their responsibilities and contributions, and that is aligned to market pay — meaning within a competitive range of the median of compensation reflected in our benchmarking data — to attract, motivate and retain high-caliber executives; and
- align NEO and shareholder interests as an incentive to increase shareholder value by requiring consistent, meaningful equity ownership.

Base Salaries

For 2020, we made the following annual base salary determinations for our NEOs:

- Effective April 1, 2020, Mr. Lynch's base salary for 2020 was set at $925,000 in connection with his succession to CEO and as part of the Board's overall internal transitional compensation setting plan for the CEO position.
- Ms. Hardwick's base salary for 2020 was increased by 3.0 percent to $566,500, reflecting a merit adjustment for her positive achievements as CFO, and bringing her base salary closer to the median of the companies in the peer group data for her position.
- Mr. Sgro's base salary reflected a 2.8 percent market adjustment to 2019, effective January 1, 2020, to bring his base salary closer to the median of the peer group survey data for his position, and a 2.9 percent merit adjustment to the January 1, 2020 rate, effective March 9, 2020, to $475,784, or an aggregate increase of 5.7 percent.
- Mr. Warnock's base salary reflected a 3.8 percent market adjustment to 2019, effective January 1, 2020, and a 2.0 percent merit adjustment to the January 1, 2020 rate, effective March 9, 2020, to $484,500, or an aggregate increase of 5.9 percent.
- Mr. Hauk's base salary was set at $375,000, effective March 1, 2020, which reflected his transition to his role as President, Regulated Operations and Military Services Group.
- Mr. Chin's base salary was increased by 2.0 percent, effective March 9, 2020, to $367,710, reflecting our standard merit adjustment.

Bonus

During 2020, Mr. Chin received a one-time cash bonus of $50,000. This amount has been shown in the "Bonus" column of the Summary Compensation Table.

2020 Annual Performance Plan

The APP is designed to provide a portion of a NEO's at-risk compensation to be paid upon the achievement of our annual business objectives. The APP provides an opportunity for NEOs to earn cash payouts tied to the satisfaction of both corporate and, to the extent deemed appropriate, individual performance goals.

The 2020 target award opportunity for each NEO is equal to a percentage of each NEO's base salary, based on the individual's position with American Water. An APP award opportunity percentage is set by the Compensation Committee, together with the NEO's other elements of compensation, in an effort to align the NEO's annual total direct compensation generally with market pay for his or her position. No incumbent NEO received an increase in his or her APP target award opportunity as a percentage of salary for 2020, except for Messrs. Lynch and Warnock, as noted below. Information used to calculate the 2020 APP award payouts for each NEO is included in the table below.

Named Executive Officer	Percentage of Base Salary	2020 APP Target	2020 APP Payout Percentage	2020 APP Award
Walter J. Lynch (1)	100%	$ 813,310	118.5%	$ 963,772
M. Susan Hardwick	75%	$ 424,875	118.5%	$ 503,477
Michael A. Sgro	75%	$ 356,838	118.5%	$ 422,853
Loyd A. Warnock (2)	65%	$ 314,925	118.5%	$ 373,186
Bruce A. Hauk	50%	$ 182,855	119.5%	$ 218,435
Brian Chin (3)	50%	$ 156,227	118.5%	$ 185,128

(1) Mr. Lynch's APP award was increased in February 2020 to 100% of his base salary effective April 1, 2020 in connection with his succession to the CEO role.

(2) Although Mr. Warnock was not eligible to receive a payment under the APP for 2020 due to his retirement on January 2, 2021, we agreed that, if we made APP payments to other employees for 2020, he would be entitled under the terms of his separation agreement to receive an "APP-like" payment upon satisfaction of identical performance criteria and other conditions as his APP award opportunity, except that his employment could terminate on January 2, 2021. See "Executive Compensation—2020 Summary Compensation Table—Employment and Separation Agreements—Loyd A. Warnock" on page 61 of this proxy statement for more information.

(3) Pursuant to the terms of his November 2020 separation agreement, Mr. Chin was entitled to receive a prorated APP award for 2020, payable at the same time as awards to other APP participants.

For 2020, Mr. Lynch initially received an APP award opportunity of 75 percent in his role as Chief Operating Officer. In connection with his succession to the CEO role, he received an increased award opportunity of 100 percent effective April 1, 2020, and his ultimate payout for 2020 was prorated between the two award opportunities based on length of time he was in each role. The APP award opportunity percentage for each other NEO was the same as in 2019, except for Mr. Warnock, whose APP award opportunity in December 2019 increased from 50 percent to 65 percent after becoming directly responsible for our HOS business unit, and Ms. Story, who did not participate in the APP in 2020 due to her announced retirement.

As in prior years, no payouts would be made under the 2020 APP if EPS is less than 90 percent of target. The APP performance measures selected for 2020 represent our primary objective for financial performance and are aligned with our 2020 core business strategies of safety, customers, people, operational excellence and growth. As was the case in 2019, the ORIR and DART goals represented the safety and people elements, and the safety and people goals would not be earned in a year in which there was a preventable employee fatality.

The operational excellence strategy is represented by the operational efficiency improvement goal together with environmental leadership. For 2020, the Compensation Committee approved splitting the environmental leadership goal into two equally weighted parts to reflect our strategic focus on both environmental compliance and drinking water quality.

The Compensation Committee determines the payout for APP awards using a corporate performance factor. The final percentage for each measure used to determine the corporate performance factor was dependent on actual performance with regard to that measure as determined by the Compensation Committee as soon as reasonably practicable after the end of the year. The corporate performance factor is then computed by adding the resulting weighted results achieved for each performance measure.

The Compensation Committee has adopted guidelines to permit management to make non-GAAP negative or positive adjustments to EPS results for purposes of computing APP payouts if commensurate with our historical non-GAAP adjustments and greater

than $0.02 per share. The Compensation Committee retains authority to approve other non-GAAP adjustments not covered by this authorization; however, no such adjustments were made in 2020.

The following table presents information regarding each of the performance measures used to determine the corporate performance factor, including the threshold, target and maximum performance requirements for each measure. The table also indicates the percentage that would be included in the corporate performance factor for threshold, target and maximum performance. If the threshold performance requirement for a performance measure is not met, no additional percentage would be added to the corporate performance factor.

Performance Measure	Percentage Included in the Corporate Performance Factor	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	Actual Performance (Percentage Earned)	How We Calculate the Performance Measure	Why We Use this Measure
EPS (1)	50.0%	$3.60 (0.0%)	$3.84 (50.0%)	$3.89 (75.0%)	$3.91 (75.0%)	EPS is diluted EPS calculated in accordance with GAAP as reported in the Company's audited consolidated financial statements.	EPS is a key measure of our financial and operational success, and achieving our earnings and strategic goals creates long-term shareholder value and provides greater total return to our shareholders.
Customer Satisfaction	15.0%	Fourth Quartile (0.0%)	Second Quartile (15.0%)	First Quartile (22.5%)	Top Half (16.5%)	A quarterly survey is conducted by a third-party firm of random regulated water and wastewater customers, and the results are aggregated and weighted for each individual state.	Our service quality and ability to satisfy our customers are a focus of state public utility commissions in evaluating rate cases.
ORIR (2)	7.5%	1.14 (0.0%)	0.91 (7.5%)	0.86 (11.25%)	0.99 (4.6%)	ORIR is a measure of injuries and illnesses requiring treatment beyond first aid for every 200,000 hours worked.	To continue our momentum toward becoming an industry leader with respect to the safety and well-being of our workforce.
DART Injury Rate (2)	7.5%	0.78 (0.0%)	0.62 (7.5%)	0.59 (11.25%)	0.63 (11.25%)	DART injury rate measures the number of OSHA defined recordable injuries that resulted in days away from work, work restrictions, or job duty/position transfers in the calendar year per 100 employees.	DART reflects serious incidents that result in the employee being placed in restricted duty or time away from work. This aligns to both our safety and people strategies as we believe that our employees should return home in the same or better condition than when they arrived to work.
Environmental Leadership: Drinking Water Program Compliance	5.0%	10x (0.0%)	20x (5.0%)	25x (7.5%)	14x (2.0%)	This environmental leadership metric is determined by comparing our overall number of drinking water notices of violation as reported in an EPA database, to the national drinking water industry average, and assessing how many times better we perform.	We are committed to protecting the environment and maintaining our history of materially complying with, and in many cases, surpassing, minimum standards required by applicable laws and regulations.

Performance Measure	Percentage Included in the Corporate Performance Factor	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	Actual Performance (Percentage Earned)	How We Calculate the Performance Measure	Why We Use this Measure
Environmental Leadership: Drinking Water Quality	5.0%	6x (0.0%)	10x (5.0%)	45x (7.5%)	8x (2.5%)	This environmental leadership metric is determined by comparing our overall number of drinking water notices of violation for maximum containment load exceedances as reported in an EPA database, to the national drinking water industry average, and assessing how many times better we perform.	We are committed to excellent water quality and maintaining our history of materially complying with, and in many cases, surpassing, minimum standards required by applicable laws and regulations.
Operational Efficiency Improvement (3)	10.0%	34.5% (0.0%)	34.2% (10.0%)	33.9% (15.0%)	34.3% (6.7%)	Based on our 2020 adjusted O&M efficiency ratio, which is the ratio of adjusted regulated O&M expenses to adjusted regulated operating revenues, each as set forth on Appendix A, for the year ended December 31, 2020.	We want to focus management on improving the overall cost structure of our regulated businesses and improving our return on equity.

(1) No APP awards may be earned if 2020 EPS is less than 90 percent of the target amount.

(2) This goal may not be earned in the event of a preventable employee fatality during the year.

(3) Adjusted O&M efficiency ratio is a non-GAAP measure. This information is derived from information contained in our audited consolidated financial statements. See Appendix A for the calculation of this ratio, a reconciliation of each of the components used to compute this measure to its most directly comparable GAAP measure, and additional information.

Actual payouts may be lower or higher than the target award opportunity depending on corporate and business performance and, in instances where warranted, individual NEO performance against specific goals. Cash awards under the APP are generally distributed to participants by March 15 of the year following the performance year.

While the NEOs are subject to individual performance goals as well as the corporate goals comprising the corporate performance factor, the 2020 APP awards reflect, for all NEOs, other than Mr. Hauk, the NEO's target award multiplied by the corporate performance factor, as outlined below. The Compensation Committee utilized this convention based on the CEO's recommendation that NEOs should assume principal responsibility for, and their awards generally should be based upon, performance of the entire organization, except with respect to executives who during 2020 led (in whole or in part) a major profit center, such as Mr. Hauk, in which case performance of the relevant business unit also should be reflected. Furthermore, in 2020, there were no significant factors that caused the independent Board members, in the case of the CEO, and the Compensation Committee, in the case of all other NEOs (based on the CEO's recommendations), to apply an upward or downward adjustment based on his or her individual performance.

Based upon our performance with regard to the financial and non-financial performance measures described above, the Compensation Committee certified a corporate performance factor of 118.5 percent. The APP awards for Ms. Hardwick and Messrs. Lynch, Sgro and Chin (as well as Mr. Warnock's "APP-like" payment), were computed using this factor.

With respect to Mr. Hauk, who oversaw our Midwest Division for a portion of 2020, a portion of his APP award was based on a performance calculation of our Midwest Division with respect to the measures shown in the table above, in proportion to the time he led that division during 2020. For 2020, this amounted to a performance factor of 124.3 for Mr. Hauk. When combined with the corporate performance factor of 118.5, Mr. Hauk's APP award percentage was ultimately determined to be 119.5 percent.

We have included the amount of the APP awards paid to our NEOs with respect to 2020 under the Non-Equity Incentive Plan Compensation column of the 2020 Summary Compensation Table on page 58 of this proxy statement.

2020 Long-Term Performance Plan

The LTPP is designed to incentivize eligible participants to achieve our long-term business objectives by providing an opportunity to earn equity awards tied to our long-term goals and continued employment with the Company. LTPP awards are generally granted by the Compensation Committee in February of each year and allocated 30 percent to RSUs and 70 percent to PSUs. PSU awards for 2020 were allocated equally between shares earned based on total shareholder return relative to the 2020 peer group and shares earned based on the rate of compounded EPS growth. Stock options are not granted as part of the LTPP.

Generally, our RSU awards vest ratably over an approximate three-year period while a participant remains employed with us. PSU awards generally are earned ratably over a three-year performance period while employed, and the vesting of each PSU award is determined by the Compensation Committee following the end of the three-year performance period based on the satisfaction of pre-determined performance goals. To the extent an RSU award is unvested or a PSU award has not been earned, it is generally forfeited once a participant ceases to be employed with us. However, certain of our NEOs have received LTPP awards with alternative vesting or forfeiture provisions. For more information, please see "—Ongoing and Post-Employment Arrangements and Benefit Plans—Terms of Outstanding Equity Grants" beginning on page 55 of this proxy statement.

The Compensation Committee has adopted guidelines to permit management to make non-GAAP adjustments for purposes of LTPP performance goals based on EPS with respect to LTPP awards granted beginning in 2020, if commensurate with our historical non-GAAP adjustments and greater than $0.02 per share. The Compensation Committee retained authority to approve other non-GAAP adjustments not covered by this authorization.

We based the aggregate target value of LTPP awards on a percentage of each NEO's salary. The following table presents a summary of the grant date fair value of LTPP awards granted in 2020 to each NEO. Information regarding the number of shares underlying these awards is found in "Executive Compensation—2020 Grants of Plan-Based Awards" on page 62 of this proxy statement.

Named Executive Officer	LTPP Target Award as a Percentage of a Base Salary	Aggregate Grant Date Fair Value of LTPP Target Awards	Aggregate Grant Date Fair Value of RSUs	Aggregate Grant Date Fair Value of PSUs (TSR)	Aggregate Grant Date Fair Value of PSUs (EPS)
Walter J. Lynch	275%(1)	$ 2,543,912	$ 763,160	$ 890,339	$ 890,413
Susan N. Story	350%	$ 3,499,895	$ 1,049,968	$ 1,224,965	$ 1,224,962
M. Susan Hardwick	165%(2)	$ 907,601	$ 272,304	$ 317,654	$ 317,643
Michael A. Sgro	135%(2)	$ 624,177	$ 187,311	$ 218,427	$ 218,439
Loyd A. Warnock	100%	$ 474,988	$ 142,513	$ 166,277	$ 166,198
Bruce A. Hauk	100%	$ 374,706	$ 112,407	$ 131,157	$ 131,142
Brian Chin	75%	$ 270,302	$ 81,069	$ 94,630	$ 94,603

(1) In December 2019, Mr. Lynch's LTPP award target was initially set at 165 percent of his then base salary in connection with his Chief Operating Officer role, but was increased to 275 percent effective April 1, 2020 in connection with his succession to the CEO role. In February 2021, Mr. Lynch's LTPP award target for 2021 as a percentage of base salary was increased to 400 percent as discussed below in "—CEO Transition."

(2) In December 2020, Ms. Hardwick's and Mr. Sgro's LTPP award targets for 2021 as a percentage of base salary were increased to 190 percent and 150 percent, respectively.

In December 2019, Ms. Hardwick's LTPP award target for 2020 was increased to 165 percent from 150 percent. This increase brought Ms. Hardwick's total direct compensation within the competitive ranges of the benchmarking data for her position.

Mr. Sgro's 2020 LTPP award target was increased from 125 percent to 135 percent. The Compensation Committee awarded this increase to keep his total direct compensation within the competitive ranges of the benchmarking data for his position.

The following table presents information regarding the performance measures related to the PSUs granted in 2020.

Performance Measure	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	How We Calculate the Performance Measure	Why We Use this Performance Measure
Relative Total Shareholder Return	25th percentile (25%)	50th percentile (100%)	90th percentile (200%)	Based on American Water's total shareholder return compared to the total shareholder return performance of the companies in the 2020 peer group, during the three-year performance period from January 1, 2020 through December 31, 2022, assuming reinvestment of dividends during the performance period.	To encourage performance that not only increases shareholder value, but increases it to an extent that compares favorably relative to the companies in the 2020 peer group.
Compounded EPS Growth Rate	6.0% (0%)	8.0% (100%)	10.0% (200%)	Based on the rate of EPS growth, compounded annually over the three-year period from January 1, 2020 through December 31, 2022, over our 2019 adjusted EPS.	EPS is a key measure of our financial and operational success, and achieving our earnings and strategic goals creates long-term shareholder value and provides greater total return to our shareholders.

Performance Vesting of PSUs Granted in 2018

In 2018, we granted two equally-weighted types of PSUs to our NEOs: one with a three-year performance measure based on total shareholder return relative to companies in our 2018 peer group, and the other with a three-year performance measure based on the annual rate of compounded adjusted EPS growth. The payouts of the two types of PSUs are summarized in the table below:

Performance Measure	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	Actual Performance	Percentage of Target Award Earned
Relative Total Shareholder Return	25th percentile (25%)	50th percentile (100%)	100th percentile (200%)	100th percentile	200.00%
Compounded Adjusted EPS Growth Rate	6.0% (25%)	7.84% (100%)	12.0% (200%)	8.92%	137.50%

The Compensation Committee certified the achievement of the requisite PSU performance measures on January 22, 2021.

Perquisites and Other Benefits

We provide limited perquisites to our NEOs, consisting principally of reimbursement for executive physicals, Company-paid life insurance benefits, and, where applicable, relocation assistance.

Because we invest significant time and resources in developing the skills and experiences of our leadership, we believe that providing executives with periodic physicals, which can potentially detect medical conditions before they become serious, is an important investment in our current and future success. Offering Company-paid life insurance provides executives with the opportunity to provide cost-efficient protection to their families in the event of their death while employed by us. Finally, to attract qualified executive candidates and provide geographic diversity among our candidate pools, we offer executives who must relocate a variety of graduated assistance benefits based on their salary grade under our standard relocation plan.

Our NEOs are eligible for benefits that are generally available to all other salaried, non-union employees, including participation in our qualified 401(k) savings plan with an employer matching contribution (and, for participants hired or rehired after January 1, 2006, 5.25 percent defined contribution account employer contributions), medical insurance coverage, term life insurance coverage, and short-term and long-term disability insurance coverage.

CEO Transition

In December 2019, we announced that, as part of the Board's existing succession plan for the CEO position, the Board appointed Mr. Lynch to serve as the Company's President and CEO, effective April 1, 2020. Mr. Lynch joined the Company in 2001 and, most recently prior to his succession to the CEO position, served as Executive Vice President and Chief Operating Officer from January 1, 2016 until April 1, 2020.

This section summarizes the compensatory decisions for 2020 and 2021 that were made to effectuate this CEO transition. These decisions were approved by the independent members of the Board, upon the recommendation of the Compensation Committee and the advice of Semler Brossy.

Mr. Lynch's CEO Compensation for 2020 and 2021

In February 2020, the independent members of the Board determined Mr. Lynch's compensation as President and Chief Executive Officer, effective April 1, 2020, to be as follows:

- Annual base salary: $925,000
- 2020 APP award opportunity: 100 percent of annual base salary
- 2020 LTPP award opportunity: 275 percent of annual base salary

In establishing Mr. Lynch's target total direct compensation, the Compensation Committee took into account several factors, including where his compensation falls relative to the external market data and our prior CEO's compensation. Based on data provided by Semler Brossy and Willis Towers Watson, the independent members of the Board agreed that Mr. Lynch's total direct compensation as approved above was aligned with benchmarking data on total compensation related to CEO transitions during the past four years and was viewed to have a substantially similar pay mix as compared to his predecessor.

For 2021, the independent members of the Board approved the following compensation for Mr. Lynch, effective February 16, 2021, as follows:

- Annual base salary: $1,000,000
- 2021 APP award opportunity: 110 percent of annual base salary
- 2021 LTPP award opportunity: 400 percent of annual base salary

In providing for a meaningful upward adjustment to Mr. Lynch's target total direct compensation, the Compensation Committee took into account several factors, including where his compensation falls relative to the external benchmarking data and our philosophy of providing market median compensation opportunities. Also, based on data provided by Semler Brossy and Willis Towers Watson, the independent members of the Board agreed that Mr. Lynch's total direct compensation as approved above was aligned to both our company performance in 2020 as well as with the competitive range of the benchmarking data on total compensation related to the CEO position. Finally, the Compensation Committee provided a significant portion of Mr. Lynch's upward adjustment in the form of his LTPP opportunity to further strengthen the alignment between his pay and our long-term performance.

Ms. Story's CEO Compensation for 2020

In February 2020, the independent members of the Board, based on the recommendation and advice of the Compensation Committee and the advice of Semler Brossy, also evaluated Ms. Story's performance and approved her compensation for 2020. The independent Board members did not increase any of the components of Ms. Story's compensation, and she did not receive an APP award opportunity for 2020 given her announced retirement effective April 1, 2020. The independent Board granted 2020 LTPP awards to Ms. Story using her then-current salary and award opportunity percentage, consistent with our historical pay-for-performance compensation philosophy.

Executive Stock Ownership Guidelines and Stock Retention Requirements

The Board has adopted executive stock ownership guidelines and complementary stock retention requirements that further emphasize the importance of linking the financial interests of our executives with those of our shareholders. The stock ownership guidelines, which are expressed as a multiple of annual base salary, require executives to hold a specified amount of common stock (including certain equivalents) based on the executive's position, as follows:

Officer Level	Multiple of Annual Base Salary
Chief Executive Officer	6 times
Chief Operating Officer	3 times
Executive Vice Presidents	3 times
Senior Vice Presidents	3 times
President, Homeowner Services Group	1 time
Vice Presidents and State Utility President Equivalents	1 time

For purposes of the executive stock ownership guidelines, shares of common stock, shares underlying vested and unvested RSUs and shares underlying earned PSUs count toward satisfying the ownership guidelines. Shares underlying vested or unvested stock options and unearned PSUs do not count.

Under our executive stock ownership guidelines, to sell or transfer shares of common stock, and subject to certain exceptions, each executive must be in compliance with the stock ownership guidelines to effect such a transfer. Sales or transfers will be permitted only to the extent it does not cause the executive's total ownership to fall below the required threshold.

Each executive covered by the stock ownership guidelines on March 4, 2015, the date the guidelines first became effective, including Messrs. Lynch and Sgro, had until March 4, 2020 to achieve compliance. Each executive who becomes subject to the stock ownership guidelines thereafter will have five years to comply. All of our NEOs currently covered by the stock ownership guidelines are in compliance as of the record date, except for Ms. Hardwick, who is currently within her five-year compliance period.

The stock ownership guidelines provide that in the event of a promotion that increases an executive's multiple of base salary, a new five-year compliance period will begin to run for that executive as of the effective date of the promotion. Given his succession during 2020, Mr. Lynch's new five-year compliance period ends in 2025, although Mr. Lynch is currently in compliance with this requirement.

Our Hedging Policy

Our insider trading policy prohibits all directors, officers (including our current NEOs) and employees, including their immediate family members and controlled entities, from engaging in any transaction entered into for the purpose of reducing or eliminating the market price risk associated with the ownership of our securities, including any of our equity securities we grant to a covered person as compensation or that may otherwise be held directly or indirectly by the covered person. These types of transactions are commonly known as "hedging" transactions. For more information on this policy, see "Executive Compensation—Policies Prohibiting Hedging, Pledging, Margining and Short Selling" beginning on page 73 of this proxy statement.

Ongoing and Post-Employment Arrangements and Benefit Plans

We have several agreements, plans and arrangements that enable our NEOs to accrue retirement benefits as they continue to work for us, provide severance benefits upon certain types of termination of employment, or provide other forms of deferred compensation. Not all of these plans apply to each NEO, as indicated in the discussion below. None of our executives participating in any of these plans is entitled to receive excise tax gross-up payments thereunder.

American Water Savings Plan

The Savings Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, or the Savings Plan, is a tax-qualified 401(k) defined contribution plan available to employees of American Water, including our currently employed NEOs, and certain subsidiaries.

Under the Savings Plan, an employee may contribute, subject to limitations imposed by the Internal Revenue Code of 1986, or the Code, up to 50 percent of his or her base salary and 100 percent of his or her APP awards (the amount of such contributions are referred to as "basic contributions"), up to limits determined under the Code.

For any NEO participant hired before January 1, 2006 who continues to be employed by us (for 2020, Messrs. Lynch and Sgro), the matching contribution formula was 50 percent of a participant's basic contributions to the Savings Plan for the plan year, up to a maximum of five percent of the participant's base salary.

For NEO participants hired or rehired after January 1, 2006, the matching contribution formula was (a) 100 percent of a participant's basic contributions to the Savings Plan for the plan year up to the first three percent of the participant's base salary plus APP awards, and (b) 50 percent of a participant's basic contributions up to the next two percent of the participant's base salary plus APP awards contributed to the Savings Plan for the plan year. In addition, for NEO participants hired or rehired after January 1, 2006, we made additional annual contributions equal to 5.25 percent of the participant's base salary, subject to limitations imposed under the Code. We provide more generous contributions to participants hired after January 1, 2006 because they are ineligible to participate in the defined benefit pension plans described below.

Amounts credited to an employee's account may be invested among a number of funds, and the value of a participant's account will increase or decrease to reflect the performance of selected investments.

Pension Plan and Executive Retirement Plan

The Pension Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, or the AWWPP, is a tax-qualified defined benefit pension plan that is generally available to eligible employees who commenced employment with us prior to January 1, 2006. The AWWPP provides an annual retirement benefit based on an employee's earnings and years of service. For executives hired prior to July 1, 2001, a grandfathered benefit is provided. Each of Messrs. Lynch and Sgro participates in the AWWPP.

The American Water Works Company, Inc. Executive Retirement Plan, or the ERP, is a nonqualified defined benefit pension plan that provides pension benefits under the same formula as the AWWPP, but without the pay and benefit limitations that are applicable to the AWWPP under the Code. The ERP also provides a minimum benefit in accordance with provisions of former executive retirement plans. Each of Messrs. Lynch and Sgro participates in the ERP. We closed the AWWPP (subject to certain exceptions) and the ERP to new employees on December 31, 2005 and replaced those plans with defined contribution plans. This action was taken for a number of reasons, including to allow us to incur fixed costs for retirement benefits on an ongoing basis. In contrast, we are subject to variable costs in connection with our defined benefit plans based on the performance of the plans' investment portfolios. For further information on these plans, see "Executive Compensation—Pension Benefits at December 31, 2020" and "Executive Compensation—Description of Pension and Other Retirement Plans" beginning on page 65 of this proxy statement.

Nonqualified Deferred Compensation Plan

The Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, or the Employee Deferred Compensation Plan, enables participants to defer base salary and APP awards and provides benefits in excess of the maximum benefits that may be provided under the Savings Plan as a result of limits imposed by the Code. We refer to compensation in excess of those limits as "excess compensation." Each of our currently employed NEOs is eligible to participate in the Employee Deferred Compensation Plan.

Generally, under the Employee Deferred Compensation Plan, a participant may elect to defer up to 20 percent of salary and up to 100 percent of the award paid under the APP. We provided matching contributions that differ depending on whether the participant was hired by us on or after January 1, 2006. For participants hired after January 1, 2006, we provided the matching contribution we would have made for the participant under the Savings Plan with respect to the participant's excess compensation if the excess compensation had been taken into account. In addition, for these participants, we made a

defined contribution that is generally equal to 5.25 percent of the sum of base salary that constitutes excess compensation and the award payable under the APP for the relevant plan year.

For participants hired prior to January 1, 2006 (Messrs. Lynch and Sgro), our matching contribution was equal to 50 percent of salary deferrals up to a maximum of five percent of base salary; our contributions are more limited for these participants due to their eligibility to participate in the AWWPP.

Each participant may allocate amounts credited to his or her account among several notional investments, and the value of the account will be increased or decreased to reflect returns under the selected notional investments. The participant may elect to receive payment of deferred amounts in a lump sum or in annual installments, on or beginning at separation from service or a specified distribution date. See "Executive Compensation—Description of the Employee Deferred Compensation Plan" beginning on page 67 of this proxy statement for additional information.

Executive Severance Policy

Under our Executive Severance Policy, we provide severance benefits to our currently employed NEOs. Our policy is designed to provide a clear statement of the rights of our executive officers if they are involuntarily terminated without cause (as defined under the policy). Among other things, the policy provides for 18 months and 12 months of salary continuation for our CEO and each of such other currently employed NEOs, respectively, and a pro rata APP award for the year in which the termination date occurs to the extent a payment is earned under the terms of the APP. See "Executive Compensation—Potential Payments on Termination or Change in Control" beginning on page 68 of this proxy statement for further information.

Terms of Outstanding Equity Grants

2017 Omnibus Plan Grants — Continued Vesting Provisions

Acknowledging that executives serving in our CEO, CFO and COO positions consistently make decisions that are both in our short- and long-term interests, in 2018, the Compensation Committee approved the granting of long-term equity awards under the 2017 Omnibus Plan to persons serving in these roles to provide for continued vesting after retirement under certain circumstances as discussed in more detail below. This action applies to awards granted on and after February 14, 2018 to persons serving in these roles and does not impact the terms of any prior equity award.

Except as contemplated in these limited circumstances, we do not provide for continued vesting of long-term equity awards granted under the 2017 Omnibus Plan in the event of retirement. For an executive serving in the CEO, CFO or COO role with at least three years of consecutive service in one or more of these positions, an equity award will continue to vest over the normal vesting schedule following a separation of service based upon either normal retirement or early retirement, as follows:

- in the event of a normal retirement, defined as having attained age 60 and five years of service, 100 percent of the award will continue to vest; and
- in the event of an early retirement, defined as having attained age 55 and five years of service, 75 percent of the award will continue to vest.

All CEO LTPP award grants beginning in February 2018 included these continued vesting provisions. With respect to Ms. Hardwick, we agreed in her employment offer letter that she would be deemed to meet the five years of service requirement if, having achieved the required age, she retires after at least three years of continuous service in the CFO role and uses good faith efforts (as determined by the CEO) to identify and develop a successor that is ultimately approved by the CEO and the Board.

In connection with the foregoing, PSUs will continue to vest and shall be paid at the end of the three-year performance period based on actual performance.

Any stock option granted to an executive serving in the CEO, CFO and COO roles will remain exercisable for a period of two years after the retirement date. No stock option granted to any of our executives in these roles is eligible for this benefit.

2017 Omnibus Plan Grants — Non-Standard Vesting Provisions

Mr. Sgro's employment offer letter, as amended, provides that, for LTPP awards granted to him by the Compensation Committee in 2020 or 2021, the awards have the following vesting schedule:

LTPP Plan Year	Vesting Requirements
2020	33 1/3% on January 31, 2021 66 2/3% on January 31, 2022
2021	100% on January 31, 2022

Mr. Sgro's PSUs for each plan year will vest in accordance with the schedule set forth above and shall be paid at the end of the three-year performance period based on actual performance.

This vesting schedule serves to encourage Mr. Sgro to remain with the Company through at least January 31, 2022 for succession planning purposes and given his eligibility to receive fully-vested benefits under the AWWPP.

Amendments to Mr. Warnock's amended and restated employment offer letter provided that his 2018, 2019 and 2020 LTPP awards cliff-vested in full on January 1, 2021, subject to continued employment through that date. Mr. Warnock retired from the Company effective January 2, 2021.

Change in Control Provisions in Equity Plans

Most of our compensation plans and policies do not contain change in control provisions affecting the compensation of our NEOs. However, under the terms of award agreements for awards granted under our predecessor equity plan, the 2007 Omnibus Equity Compensation Plan, or the 2007 Omnibus Plan, these equity awards generally would vest upon a change in control of American Water.

Upon a change of control in which American Water is not the surviving entity, the 2017 Omnibus Plan requires all unexercised options and other grants of awards thereunder to be assumed by or converted to similar awards of the acquiring company. The vesting of such assumed or converted awards will be accelerated only if the participant's employment is terminated other than (i) for cause or (ii) due to death or disability, within 12 months after the change in control. To the extent any such awards are not assumed or converted, option awards will become fully exercisable, all restrictions upon awards will lapse and all stock units will fully vest, upon the change in control. See "Executive Compensation—Potential Payments on Termination or Change in Control—Equity Awards—2017 Omnibus Plan" beginning on page 69 of this proxy statement for further information.

Recovery of Incentive Compensation

In 2010, we instituted a policy governing the recovery of incentive compensation in the event of a material restatement of our financial results under specified circumstances. In addition, the terms of the APP and the 2017 Omnibus Plan specifically require that grants under those plans be subject to this "clawback," or recoupment, policy. As a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which requires the SEC to direct stock exchanges to implement an executive compensation "clawback" requirement on public companies, we will amend the policy if and when final implementing rules of the SEC and the NYSE are adopted and are effective to comply with these executive compensation recovery requirements.

Tax and Accounting Considerations

Tax Considerations

Prior to January 1, 2018, under Section 162(m) of the Code, a public company was prohibited from deducting for federal income tax purposes compensation in excess of $1.0 million paid to that company's principal executive officer and its three highest compensated executive officers (other than the principal financial officer), except that this prohibition did not generally apply to options or compensation that qualified as "performance-based compensation" as had been defined in regulations adopted under Section 162(m).

Effective January 1, 2018, the Tax Cuts and Jobs Act, or the TCJA, repealed the performance-based compensation exemption from Section 162(m)'s deduction limit, among other changes, such that

compensation paid to certain executive officers (including our chief financial officer) in excess of $1.0 million will not be deductible in future years, unless it qualifies for transition relief applicable to certain performance-based compensation arrangements that were in effect as of November 2, 2017 and are not materially modified thereafter.

For 2020, the payment of shares of common stock upon the vesting of PSUs granted in 2017 under the 2007 Omnibus Plan, if determined solely by reference to the achievement of performance objectives established in awards granted prior to November 2, 2017, were structured to qualify as performance-based compensation under Section 162(m) as amended by the TCJA. RSU awards that vested in 2020 were not structured to qualify as performance-based compensation because the awards vested on the basis of continued employment, rather than pre-established performance objectives. In addition, awards paid under the APP with respect to 2020 are subject to Section 162(m)'s deduction limit because, while performance-based, the award opportunities were granted after November 2, 2017.

The elimination of the performance-based compensation exemption from Section 162(m)'s deduction limit has not altered the Compensation Committee's commitment to a pay-for-performance executive compensation program. The Compensation Committee believes that the Section 162(m) related tax deduction is only one of several relevant considerations in setting compensation. The Compensation Committee also believes that the Section 162(m) tax deduction limitation should not be permitted to compromise the Company's ability to design and maintain executive compensation arrangements that, among other things, are intended to attract, retain and motivate talented, high-performing executives.

Section 409A of the Code provides that amounts deferred under nonqualified deferred compensation plans are includible in an employee's income when vested unless certain requirements are met. If these requirements are not met, employees may be subject to additional taxes, interest and penalties. Our nonqualified deferred compensation arrangements are intended to satisfy the requirements of Section 409A.

Accounting Considerations

RSU and PSU awards are accounted for based on their grant date fair value, as determined under ASC 718, which is recognized over the service or vesting period applicable to the grant. Forfeitures are estimated, and the compensation cost of awards will be reversed if the employee does not remain employed by us throughout the service or vesting period.

EXECUTIVE COMPENSATION

2020 Summary Compensation Table

The following table sets forth information regarding the compensation of each of our NEOs for 2020.

Name and Principal Position	Year	Salary ($) (1)	Bonus ($)	Stock Awards ($) (2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($) (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (4)	All Other Compensation ($) (5)	Total ($)
Walter J. Lynch President and Chief Executive Officer (6)	2020	$870,378	$ —	$2,543,912	$ —	$ 963,772	$1,191,466	$ 106,305	$5,675,833
	2019	$612,053	$ —	$ 989,955	$ —	$ 560,861	$ 784,169	$ 76,117	$3,023,155
	2018	$581,448	$ —	$ 873,222	$ —	$ 419,930	$ 88,951	$ 74,567	$2,038,118
Susan N. Story Retired President and Chief Executive Officer (7)	2020	$323,077	$ —	$3,499,895	$ —	$ —	$ —	$ 249,350	$4,072,322
	2019	$988,462	$ —	$3,325,025	$ —	$1,334,300	$ —	$ 270,668	$5,918,455
	2018	$944,229	$ —	$2,837,113	$ —	$ 938,600	$ —	$ 263,172	$4,983,114
M. Susan Hardwick Executive Vice President and Chief Financial Officer (8)	2020	$584,486	$ —	$ 907,601	$ —	$ 503,477	$ —	$ 101,728	$2,097,292
	2019	$296,150	$120,000	$ 479,169	$ —	$ 290,622	$ —	$ 151,036	$1,336,977
Michael A. Sgro Executive Vice President, General Counsel and Secretary (9)	2020	$490,987	$ —	$ 624,177	$ —	$ 422,853	$1,005,918	$ 39,796	$2,583,731
	2019	$458,974	$ —	$ 562,463	$ —	$ 420,646	$1,614,493	$ 31,616	$3,088,192
	2018	$434,158	$ —	$ 499,746	$ —	$ 323,743	$ 487,102	$ 27,010	$1,771,759
Loyd A. Warnock Senior Vice President, Chief Advisor—Regulatory and External Affairs (10)	2020	$499,590	$ —	$ 474,988	$ —	$ 373,186	$ —	$ 78,342	$1,426,106
	2019	$454,093	$ —	$ 445,051	$ —	$ 277,450	$ —	$ 97,122	$1,273,716
	2018	$431,534	$ —	$ 434,575	$ —	$ 214,149	$ —	$ 85,733	$1,165,991
Bruce A. Hauk President, Regulated Operations and Military Services Group (11)	2020	$377,887	$ —	$ 374,706	$ —	$ 218,435	$ 9,889	$ 228,382	$1,209,299
Brian Chin Former Senior Vice President, Strategic Financial Planning (12)	2020	$359,854	$ 50,000	$ 270,302	$ —	$ 185,128	$ —	$ 396,384	$1,261,668

(1) In 2020, the following NEOs deferred a portion of their base salary under the Employee Deferred Compensation Plan: Mr. Lynch—$87,038; Ms. Hardwick—$28,167; and Mr. Warnock—$24,979.

(2) The amounts shown in this column reflect the aggregate grant date fair value of PSUs and RSUs granted to the NEOs. The grant date fair value of PSUs and RSUs granted in 2020 is as follows:

Name	PSUs	RSUs
Walter J. Lynch	$ 1,780,752	$ 763,160
Susan N. Story	$ 2,449,927	$ 1,049,968
M. Susan Hardwick	$ 635,297	$ 272,304
Michael A. Sgro	$ 436,866	$ 187,311
Loyd A. Warnock	$ 332,475	$ 142,513
Bruce A. Hauk	$ 262,299	$ 112,407
Brian Chin	$ 189,233	$ 81,069

With respect to the PSUs, the amounts disclosed in the table above represent the grant date fair value based upon the target outcome of the performance conditions, determined at the grant date in accordance with ASC 718. See Note 11—Stock Based Compensation in the Notes to Consolidated Financial Statements in the 2020 Form 10-K for the assumptions that were made in determining grant date fair values of the PSU and RSU awards.

The following table shows the fair value of the PSU awards at the grant date, assuming the highest level of performance was achieved:

Name	Grant Date Fair Value 2020	2019	2018
Walter J. Lynch	$ 3,561,504	$ 1,385,906	$ 1,234,010
Susan N. Story	$ 4,899,855	$ 4,655,064	$ 4,009,244
M. Susan Hardwick	$ 1,270,594	$ 670,906	$ —
Michael A. Sgro	$ 873,731	$ 787,468	$ 706,224
Loyd A. Warnock	$ 664,949	$ 623,053	$ 614,108
Bruce A. Hauk	$ 524,598	$ —	$ —
Brian Chin	$ 378,466	$ —	$ —

(3) The amounts shown in this column constitute payments under the APP with respect to each performance year, which are generally paid in March of the next calendar year, except with respect to Mr. Warnock, who was ineligible to receive an APP payout due to his retirement on January 2, 2021. We agreed under the terms of our separation agreement with Mr. Warnock to make an "APP-like" payment to Mr. Warnock, subject to the satisfaction of the same performance goals and other terms and conditions, other than continued employment, in his 2020 APP award opportunity. The following NEOs deferred a portion of their APP payment with respect to 2020 under the Employee Deferred Compensation Plan: Mr. Lynch—$289,132 and Ms. Hardwick—$25,174.

(4) The amounts shown in this column reflect the aggregate changes in the actuarial present values of accumulated benefits under our defined benefit pension plans. For further information on these pension plans, see "—Pension Benefits at December 31, 2020." None of the NEOs received "above-market" or "preferential" earnings (as defined by SEC regulation) under the Employee Deferred Compensation Plan.

(5) The totals shown in this column for 2020 consist of:

Name	Savings Plan Company Match	Savings Plan Company Defined Contribution Account (a)	Company Contributions to Employee Deferred Compensation Plan (b)	Executive Physical	Dividend Equivalents (c)	Company-Paid Life Insurance	Severance Payments	Relocation Benefits (d)	Total All Other Compensation
Walter J. Lynch	$ 7,125	$ —	$ 14,634	$ 3,775	$ 80,310	$ 461	$ —	$ —	$ 106,305
Susan N. Story	$11,400	$ 14,963	$ 1,999	$ —	$ 220,846	$ 142	$ —	$ —	$ 249,350
M. Susan Hardwick	$11,400	$ 14,963	$ 74,274	$ —	$ 630	$ 461	$ —	$ —	$ 101,728
Michael A. Sgro	$ 178	$ —	$ —	$ —	$ 39,157	$ 461	$ —	$ —	$ 39,796
Loyd A. Warnock	$10,487	$ 14,963	$ 19,850	$ 2,100	$ 30,481	$ 461	$ —	$ —	$ 78,342
Bruce A. Hauk	$11,231	$ 14,963	$ 16,344	$ —	$ 11,581	$ 461	$ —	$ 173,802	$ 228,382
Brian Chin	$10,796	$ 14,963	$ —	$ —	$ 2,491	$ 425	$ 367,709	$ —	$ 396,384

(a) The Defined Contribution Account is an account in the Savings Plan to which American Water contributes 5.25 percent of each eligible employee's total cash compensation (which includes annual base salary and APP payouts), subject to Code limits on compensation that may be taken into account. Generally, only employees hired on or after January 1, 2006 are eligible for this contribution.

(b) The amounts in this column represent matching contributions with respect to 2020 made by the Company to the NEOs' accounts in the Employee Deferred Compensation Plan. These contributions are generally paid in the second quarter of the next calendar year. For further information on this plan, see "—2020 Nonqualified Deferred Compensation."

(c) Dividend equivalents are paid in cash with respect to PSUs and RSUs at such time, if ever, as the PSUs or RSUs are converted to common stock. Amounts in this column reflect PSU and RSU dividend equivalents that were paid out in 2020.

(d) Includes a $41,443 adjustment made under the applicable Company relocation plan to compensate Mr. Hauk for the effect of his relocation payments under the Code and similar applicable state law.

(6) Mr. Lynch served as our Executive Vice President and Chief Operating Officer until April 1, 2020, when he became our President and Chief Executive Officer.

(7) Ms. Story served as our President and Chief Executive Officer until April 1, 2020 when she retired from the Company.

(8) Ms. Hardwick joined the Company as Executive Vice President—Finance on June 3, 2019 and has served as our Executive Vice President and Chief Financial Officer since July 1, 2019.

(9) Mr. Sgro's title was changed to Executive Vice President and General Counsel on February 17, 2021.

(10) Mr. Warnock served as our Senior Vice President, External Affairs and Business Development from August 2017 until January 1, 2020. From January 1, 2020 to June 1, 2020, Mr. Warnock's title was Senior Vice President, Chief External Affairs and Corporate Business Development Officer. Mr. Warnock retired on January 2, 2021.

(11) Mr. Hauk was previously Senior Vice President, Midwest Division and on March 1, 2020, became President, Regulated Operations and Military Services Group and an executive officer for the first time, and thus no compensation information relating to 2019 or 2018 is included. Mr. Hauk served as our Deputy Chief Operating Officer effective March 1, 2021 until his resignation effective March 12, 2021 and ceased to be an executive officer as of that appointment date.

(12) Mr. Chin departed from the Company on November 5, 2020, and was not a NEO prior to 2020; thus, no compensation information relating to 2019 or 2018 is included.

Comparison of Key Elements of Total Compensation

The following table presents a comparison of the key elements of total compensation for 2020 for each NEO, including the percentage of salary and bonus compared to total compensation. This section uses information contained in the 2020 Summary Compensation Table.

	Percentage of Total Compensation			
Name	Total Salary and Bonus	Incentive Compensation	Change in Pension Value	Other
Walter J. Lynch	15.3%	61.8%	21.0%	1.9%
Susan N. Story	7.9%	86.0%	—%	6.1%
M. Susan Hardwick	27.9%	67.3%	—%	4.8%
Michael A. Sgro	19.0%	40.5%	39.0%	1.5%
Loyd A. Warnock	35.0%	59.5%	—%	5.5%
Bruce A. Hauk	31.3%	49.0%	0.8%	18.9%
Brian Chin	32.5%	36.1%	—%	31.4%

Employment and Separation Agreements

Historically, we have entered into employment offer letters with our named executive officers that provide for the initial terms of their compensation. During 2020, we also entered into separation agreements with each of Messrs. Warnock and Chin. We provide below a summary of the key terms of these employment offer letters and the separation agreement with Mr. Warnock. The separation agreement with Mr. Chin provided substantially the same benefits as he was entitled to receive under our Executive Severance Policy in connection with a termination of employment by the Company without cause.

Walter J. Lynch

To provide for Mr. Lynch's compensation in his role as our President and Chief Executive Officer, we entered into an employment offer letter, dated February 12, 2020 and effective April 1, 2020, which was unanimously approved by the independent members of the Board upon the unanimous recommendation of the Compensation Committee and Semler Brossy. The employment offer letter provides for the following terms:

- Mr. Lynch's annual base salary for 2020 was set at $925,000.

- Mr. Lynch received a 2020 APP award opportunity, with a target of 100 percent of his annual base salary, prorated to reflect the portions of 2020 during which he served as COO and as CEO.
- Mr. Lynch was granted LTPP awards in February and April 2020 to provide him with, in the aggregate, a target award opportunity of approximately 275 percent of his then annual base salary, with typical vesting conditions including the post-retirement continued vesting provisions applicable to the Company's executives serving in the CEO, CFO and COO roles.
- Mr. Lynch continues to participate in the Executive Severance Policy, the Employee Nonqualified Deferred Compensation Plan and the Savings Plan, and to be eligible to receive benefits under the AWWPP and the ERP.
- Mr. Lynch continues to be subject to our executive stock ownership guidelines, and is required to own common stock with a value of at least six times his annual base salary.

M. Susan Hardwick

Effective June 3, 2019, we entered into an employment offer letter with Ms. Hardwick, which provided the initial terms of Ms. Hardwick's compensation, including annual base salary, and 2019 APP and LTPP award opportunities, each prorated based on her hire date. Ms. Hardwick received LTPP awards with the continued vesting provisions applicable to an executive serving in the CFO role, except that if Ms. Hardwick were to retire before she has attained five years of service but has remained in the CFO role for a minimum of three consecutive years and has achieved the required age, she will remain eligible for the continued vesting provisions, so long as she has used reasonable good faith efforts to identify a successor for her position that is approved by the CEO and the Board.

Michael A. Sgro

Mr. Sgro's February 2015 employment offer letter, as amended in December 2018, provides for accelerated vesting of LTPP awards granted to him in 2020 and 2021. See "Compensation Discussion and Analysis—Ongoing and Post-Employment Arrangements and Benefit Plans—Terms of Outstanding Equity Grants—2017 Omnibus Plan Grants — Non-Standard Vesting Provisions" on page 56 of this proxy statement for more information.

Bruce A. Hauk

Effective March 1, 2020, we entered into an employment offer letter with Mr. Hauk, which provided the terms of his compensation as our President, Regulated Operations and Military Services Group, including annual base salary, an APP award opportunity, and an LTPP award opportunity for 2020 that was based on a target of 100 percent of his annual base salary.

Loyd A. Warnock

In May 2020, we entered into a separation agreement with Mr. Warnock pursuant to which we continued to employ him beginning on June 1, 2020 and ending on January 2, 2021 at his annual base salary of $484,500. Mr. Warnock was eligible to receive a cash payment to be calculated substantially similar to his APP award opportunity for 2020, subject to the determination by the Compensation Committee to make 2020 APP payments and based on the certified amount of the 2020 APP corporate performance factor.

2020 Grants of Plan-Based Awards

The following table presents certain information regarding plan-based awards granted to our NEOs during the fiscal year ended December 31, 2020:

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)		Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock Awards
Name	Grant Date	Approval Date	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)(3)	($)(4)
Walter J. Lynch									
APP	2/11/2020	2/11/2020	$813,310	$1,626,620	—	—	—	—	—
RSU	2/11/2020	2/11/2020	—	—	—	—	—	2,255	$ 305,192
RSU	4/1/2020	2/11/2020	—	—	—	—	—	4,060	$ 457,968
PSU	2/11/2020	2/11/2020	—	—	562	2,246	4,492	—	$ 356,013
PSU	2/11/2020	2/11/2020	—	—	658	2,631	5,262	—	$ 356,080
PSU	4/1/2020	2/11/2020	—	—	777	3,106	6,212	—	$ 534,325
PSU	4/1/2020	2/11/2020	—	—	1,184	4,737	9,474	—	$ 534,334
Susan N. Story									
APP	2/11/2020	2/11/2020	—	—	—	—	—	—	—
RSU	2/11/2020	2/11/2020	—	—	—	—	—	7,758	$1,049,968
PSU	2/11/2020	2/11/2020	—	—	1,932	7,728	15,456	—	$1,224,965
PSU	2/11/2020	2/11/2020	—	—	2,263	9,051	18,102	—	$1,224,962
M. Susan Hardwick									
APP	2/11/2020	2/11/2020	$424,875	$ 849,750	—	—	—	—	—
RSU	2/11/2020	2/11/2020	—	—	—	—	—	2,012	$ 272,304
PSU	2/11/2020	2/11/2020	—	—	501	2,004	4,008	—	$ 317,654
PSU	2/11/2020	2/11/2020	—	—	587	2,347	4,694	—	$ 317,643
Michael A. Sgro									
APP	2/11/2020	2/11/2020	$356,838	$ 713,676	—	—	—	—	—
RSU	2/11/2020	2/11/2020	—	—	—	—	—	1,384	$ 187,311
PSU	2/11/2020	2/11/2020	—	—	345	1,378	2,756	—	$ 218,427
PSU	2/11/2020	2/11/2020	—	—	404	1,614	3,228	—	$ 218,439
Loyd A. Warnock									
APP	2/11/2020	2/11/2020	$314,925	$ 629,850	—	—	—	—	—
RSU	2/11/2020	2/11/2020	—	—	—	—	—	1,053	$ 142,513
PSU	2/11/2020	2/11/2020	—	—	262	1,049	2,098	—	$ 166,277
PSU	2/11/2020	2/11/2020	—	—	307	1,228	2,456	—	$ 166,198
Bruce A. Hauk									
APP	2/11/2020	2/11/2020	$182,855	$ 365,710	—	—	—	—	—
RSU	2/11/2020	2/11/2020	—	—	—	—	—	540	$ 73,084
RSU	3/1/2020	2/11/2020	—	—	—	—	—	318	$ 39,324
PSU	2/11/2020	2/11/2020	—	—	135	538	1,076	—	$ 85,278
PSU	2/11/2020	2/11/2020	—	—	158	630	1,260	—	$ 85,264
PSU	3/1/2020	2/11/2020	—	—	74	295	590	—	$ 45,878
PSU	3/1/2020	2/11/2020	—	—	93	371	742	—	$ 45,878
Brian Chin									
APP	2/11/2020	2/11/2020	$156,227	$ 312,454	—	—	—	—	—
RSU	2/11/2020	2/11/2020	—	—	—	—	—	599	$ 81,069
PSU	2/11/2020	2/11/2020	—	—	149	597	1,194	—	$ 94,630
PSU	2/11/2020	2/11/2020	—	—	175	699	1,398	—	$ 94,603

(1) These columns present target and maximum APP payout opportunities. The actual payments that were made under the APP for 2020 performance are shown in the 2020 Summary Compensation Table. There is no specified minimum award for participants in the APP, and therefore we did not include a column in the table for the threshold amount of such award. For further information on the APP, see "Compensation Discussion and Analysis—2020 Compensation—2020 Annual Performance Plan" beginning on page 46 of this proxy statement.

(2) These columns present threshold, target and maximum payout opportunities under the LTPP with respect to our PSUs. For further information on the LTPP, under which the PSUs were granted, see "Compensation Discussion and Analysis—2020 Compensation—2020 Long-Term Performance Plan" beginning on page 50 of this proxy statement.

(3) This column reflects grants of RSUs. For further information on the LTPP, under which the RSUs were granted, see "Compensation Discussion and Analysis—2020 Compensation—2020 Long-Term Performance Plan" beginning on page 50 of this proxy statement.

(4) This column represents the grant date fair values of the PSUs and RSUs, determined in accordance with ASC 718. See footnote (2) to the 2020 Summary Compensation Table for additional information.

Outstanding Equity Awards at 2020 Fiscal Year-End

The following table presents information regarding equity awards held by our NEOs at December 31, 2020.

		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options: Exercisable (#)(1)	Number of Securities Underlying Unexercised Options: Unexercisable (#)(1)	Option Exercise Price ($/sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
Walter J. Lynch									
	2/16/2016	24,617	—	$65.15	12/31/2022	—	$ —	—	$ —
	2/14/2018	—	—	—	—	1,091	$ 167,436	15,754	$2,417,766
	2/14/2019	—	—	—	—	2,037	$ 312,618	13,404	$2,057,112
	2/11/2020	—	—	—	—	2,255	$ 346,075	9,754	$1,496,946
	4/1/2020	—	—	—	—	4,060	$ 623,088	15,686	$2,407,330
Susan N. Story									
	2/14/2018	—	—	—	—	3,543	$ 543,744	51,184	$7,855,208
	2/14/2019	—	—	—	—	6,839	$1,049,581	45,022	$6,909,526
	2/11/2020	—	—	—	—	7,758	$1,190,620	33,558	$5,150,146
M. Susan Hardwick									
	6/3/2019	—	—	—	—	840	$ 128,915	4,802	$ 736,963
	2/11/2020	—	—	—	—	2,012	$ 308,782	8,702	$1,335,496
Michael A. Sgro									
	2/14/2018	—	—	—	—	624	$ 95,765	9,016	$1,383,686
	2/14/2019	—	—	—	—	1,157	$ 177,565	7,616	$1,168,828
	2/11/2020	—	—	—	—	1,384	$ 212,402	5,984	$ 918,364
Loyd A. Warnock									
	2/14/2018	—	—	—	—	1,628	$ 249,849	7,840	$1,203,205
	2/14/2019	—	—	—	—	1,373	$ 210,714	6,026	$ 924,810
	2/11/2020	—	—	—	—	1,053	$ 161,604	4,554	$ 698,902
Bruce A. Hauk									
	2/16/2016	615	—	$65.15	12/31/2022	—	—	—	—
	2/14/2018	—	—	—	—	157	$ 24,095	2,258	$ 346,535
	2/14/2019	—	—	—	—	432	$ 66,299	2,844	$ 436,469
	2/11/2020	—	—	—	—	540	$ 82,874	2,336	$ 358,506
	3/1/2020	—	—	—	—	318	$ 48,803	1,332	$ 204,422
Brian Chin									
	2/14/2018	—	—	—	—	—	—	2,766	$ 424,498
	2/14/2019	—	—	—	—	—	—	1,218	$ 186,926

(1) In December 2016, the Compensation Committee approved a change to the LTPP to eliminate the issuance of stock options. The options granted in 2016 vest in equal increments on January 1 of each of the three years next following the year in which the options were granted.

(2) This column reflects RSUs that are not subject to performance conditions and will vest in equal increments on January 1 or January 31 of each of the three years following the year in which the RSUs were granted, and subject to continued employment through each vesting date, except that (a) all of Mr. Warnock's RSUs cliff-vested in full on January 1, 2021, and (b) one-third of Mr. Sgro's RSUs granted in 2020 vested on January 31, 2021 and the remainder will cliff-vest on January 31, 2022.

(3) The market value of the RSUs and PSUs is based on the $153.47 closing price of a share of our common stock on December 31, 2020, as reported by the NYSE.

(4) This column reflects PSUs that are subject to performance conditions and time-vest in three equal annual increments on January 1 of each year for the PSUs that were granted in 2018 and on January 31 of each year for the PSUs that were granted in 2019 and 2020, subject to continued employment through each such time-vesting date, except that (a) all of Mr. Warnock's PSUs time-vested in full on January 1, 2021, and (b) one-third of Mr. Sgro's PSUs granted in 2020 time-vested on January 31, 2021 and the remainder will time-vest on January 31, 2022. In accordance with applicable SEC regulations, the number of shares disclosed in this column represents the number of shares that would vest if maximum performance is achieved.

2020 Option Exercises and Stock Vested

The following table presents information regarding the exercise of stock options and vesting of RSUs and PSUs held by our NEOs, each during 2020.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
Walter J. Lynch	8,454	$ 814,627	15,973	$ 2,118,358
Susan N. Story	144,627	$ 10,271,205	44,483	$ 5,895,994
M. Susan Hardwick	—	$ —	420	$ 57,204
Michael A. Sgro	—	$ —	7,868	$ 1,042,811
Loyd A. Warnock	—	$ —	5,692	$ 757,760
Bruce A. Hauk	—	$ —	2,347	$ 311,507
Brian Chin	—	$ —	1,003	$ 122,528

(1) Based on the difference between the closing price of a share of common stock on the date of exercise and the exercise price of the options.

(2) Represents the aggregate market value of the shares realized on vesting, calculated by multiplying the vested number of shares by the closing price of a share of common stock on the date the applicable RSUs or PSUs vested (or on the last trading day prior thereto when the vesting occurs on a non-trading day).

Pension Benefits at December 31, 2020

The following table presents certain information regarding pension benefits for each of our NEOs at December 31, 2020.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
Walter J. Lynch (2)	ERP	16	$ 3,563,702	N/A
	AWWPP	16	$ 1,014,613	N/A
Susan N. Story	N/A (3)	N/A	N/A	N/A
M. Susan Hardwick	N/A (3)	N/A	N/A	N/A
Michael A. Sgro (2)	ERP	27	$ 4,591,974	N/A
	AWWPP	27	$ 2,167,929	N/A
Loyd A. Warnock	N/A (3)	N/A	N/A	N/A
Bruce A. Hauk (4)	AWWPP	10	$ 63,762	N/A
Brian Chin	N/A (3)	N/A	N/A	N/A

(1) Amounts shown reflect the present value of the accumulated benefit as of December 31, 2020. All amounts for the AWWPP and the ERP were determined using the same interest and mortality assumptions as those used for financial reporting purposes. The following assumptions were used to calculate pension values at the following measurement dates:

- In 2020, for discounting annuity payments, we used a discount rate of 2.74 percent and mortality table of Pri-2012 projected forward using generational Scale MP-2020, and for calculating lump sums, we used an interest rate of 2.74 percent and the IRS Prescribed Table for Lump Sums for 2021 for payments expected in 2021 and IRS Prescribed Table for 2022 for payments thereafter.
- In 2019, for discounting annuity payments, we used a discount rate of 3.44 percent and mortality table of RP2014 projected using Scale MP-2018 generational, and for calculating lump sums, we used an interest rate of 3.44 percent and the IRS Prescribed Table for Lump Sums for 2020 for payments expected in 2020 and IRS Prescribed Table for 2021 for payments thereafter.

(2) Messrs. Lynch and Sgro are eligible for a subsidized early retirement benefit payable in the form of an annuity under the provisions of the AWWPP and the ERP.

(3) Since Mses. Story and Hardwick and Messrs. Warnock and Chin were hired after January 1, 2006, they are not eligible to participate in the AWWPP or the ERP.

(4) Mr. Hauk was previously an active participant in the AWWPP but then left employment at American Water and returned after the AWWPP was closed. Therefore, he has a frozen benefit in the AWWPP and does not participate in the ERP.

For further information on American Water's defined benefit pension plans, see "—Description of Pension and Other Retirement Plans" below and "—Potential Payments on Termination or Change in Control—AWWPP and ERP."

Description of Pension and Other Retirement Plans

AWWPP

The AWWPP is a qualified pension plan that is generally available to eligible employees who commenced employment with us prior to January 1, 2006. The AWWPP generally provides participants who became eligible for the plan on or after July 1, 2001 but before January 1, 2006, such as Mr. Lynch, with a pension benefit equal to 1.6 percent of final average pay multiplied by years of service.

For participants hired prior to July 1, 2001, including Mr. Sgro, the AWWPP provides a grandfathered benefit. For years of service beginning prior to July 1, 2001, the grandfathered benefit is calculated to be:

- 1.85 percent of the final average pay up to the Social Security average wage base multiplied by years of service (up to a maximum of 25), plus

- 2.1 percent of final average pay in excess of the Social Security average wage base multiplied by years of service (up to a maximum of 25), plus
- 0.7 percent of final average pay multiplied by years of service in excess of 25.

For participants hired on or after July 1, 2001, the grandfathered benefit is calculated to be:

- 1.6 percent of final average pay up to the Social Security average wage base multiplied by years of service (up to a maximum of 25), plus
- 2.1 percent of final average pay in excess of the Social Security average wage base multiplied by years of service (up to a maximum of 25), plus
- 1.6 percent of final average pay multiplied by years of service in excess of 25.

Final average pay is defined for purposes of the plan as the average sum of base pay plus APP payout for the highest 60 consecutive months out of the final 120 months of employment. Normal retirement is defined as age 65, and early retirement eligibility is satisfied when an employee's age is at least 55 and the employee has attained a service requirement that varies based on whether the employee is in a grandfathered group and, if so, the location of such group. Benefits vest in the AWWPP upon completion of five years of service.

Messrs. Lynch and Sgro are vested in their pension benefits and Mr. Hauk has a frozen, vested benefit in the AWWPP. The normal form of payment is a single life annuity for single participants and a 50 percent joint and survivor annuity for married participants. The 50 percent joint and survivor annuity benefit amount is determined to be actuarially equivalent to the single life annuity amount. Effective on January 1, 2020, participants, including Messrs. Lynch and Sgro, may opt to receive a lump sum payment at retirement.

The plan provisions include a reduction in benefits for early retirement for participants other than those who retire at age 62 or older with specified service levels, such as 20 years of service for someone who is age 62. As of January 1, 2020, the plan provides that non-NEO participants will receive a benefit that is guaranteed to be not less than their age 62 early retirement benefit, regardless of changes in compensation or status.

ERP

The ERP is a nonqualified defined benefit pension plan that is available to eligible employees who commenced employment with us prior to January 1, 2006. The ERP provides benefits under a restoration formula that mirrors the benefit formulas under the AWWPP, but without the pay and benefit payment limitations that are applicable to the AWWPP under the Code and including deferred compensation in calculating final average pay. The ERP also provides a minimum benefit in accordance with provisions of former executive retirement plans. Messrs. Lynch and Sgro participate in this nonqualified pension plan and are entitled to the greater of the benefits determined pursuant to the restoration formula under the ERP and the benefits determined pursuant to their prior nonqualified plan formulas (if applicable). Messrs. Lynch and Sgro are vested in this nonqualified pension benefit. Upon retirement, nonqualified plan benefits are payable as a lump sum unless the participant has elected an alternate form of payment pursuant to regulations under Section 409A of the Code. Each of Messrs. Lynch and Sgro will receive his benefits as an annuity. Upon voluntary termination of employment prior to eligibility for early or normal retirement, nonqualified benefits are payable as deferred (to age 65) annuities or lump sum equivalents of such deferred annuities. All nonqualified plan lump sums are calculated as the present value of deferred or immediate single life annuities.

2020 Nonqualified Deferred Compensation

The following table presents certain information regarding the nonqualified deferred compensation benefits of each of our NEOs for 2020.

Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions in Last Fiscal Year ($)	Aggregate Balance at Last Fiscal Year-End ($)(3)
Walter J. Lynch	$ 376,170	$ 14,634	$ 381,013	$ (64,812)	$ 2,482,659
Susan N. Story	$ —	$ 1,999	$ 1,071,132	$ —	$ 7,486,949
M. Susan Hardwick	$ 53,340	$ 74,274	$ 4,008	$ —	$ 131,622
Michael A. Sgro	$ —	$ —	$ —	$ —	$ —
Loyd A. Warnock	$ 24,980	$ 19,850	$ 72,560	$ —	$ 446,641
Bruce A. Hauk	$ —	$ 16,344	$ 158	$ —	$ 50,453
Brian Chin	$ —	$ —	$ —	$ —	$ —

(1) The following amounts in this column are also reported as compensation to the NEOs in the 2020 Summary Compensation Table in the columns indicated:

Name	Salary	Non-Equity Incentive Plan Compensation
Walter J. Lynch	$ 87,038	$ 289,132
Susan N. Story	$ —	$ —
M. Susan Hardwick	$ 28,167	$ 25,174
Michael A. Sgro	$ —	$ —
Loyd A. Warnock	$ 24,979	$ —
Bruce A. Hauk	$ —	$ —
Brian Chin	$ —	$ —

(2) The amounts in this column are also reported as compensation to the NEOs in the 2020 Summary Compensation Table in the "All Other Compensation" column.

(3) The following amounts were reported in the Summary Compensation Table in previous years as compensation to the listed NEOs: Mr. Lynch—$1,333,636; Ms. Story—$4,756,467; and Mr. Warnock—$288,471.

Description of the Employee Deferred Compensation Plan

For our NEOs, the Employee Deferred Compensation Plan permits the deferral of up to 20 percent of a participant's base salary and up to 100 percent of a participant's bonus each year on a tax-advantaged basis. It also provides for annual matching contributions determined by the following formula for our current NEOs hired or rehired on or after January 1, 2006, namely Mses. Story and Hardwick, and Mr. Warnock:

- the sum of:
  - 100 percent of a participant's voluntary deferrals for the year, up to a maximum of three percent of the sum of the participant's base salary and bonus; and
  - 50 percent of a participant's voluntary deferrals for the year, up to a maximum of the next two percent of the sum of the participant's base salary and bonus, less
- the maximum amount of matching contributions that the participant is eligible to receive under the Savings Plan for the year.

In addition, we make annual contributions for our NEOs hired or rehired on or after January 1, 2006, equal to the sum of:

- 5.25 percent of the NEO's base salary in excess of the dollar limitation in effect under Section 401(a)(17) of the Code with respect to the year; and

- 5.25 percent of the NEO's bonus.

For our NEOs hired before January 1, 2006, namely Messrs. Lynch and Sgro, the matching contribution formula is:

- 50 percent of a participant's base salary deferrals for the year, up to a maximum of five percent of the participant's base salary, less
- the maximum amount of matching contributions that the participant is eligible to receive under the Savings Plan for the year.

NEOs hired before January 1, 2006 are not eligible to receive the 5.25 percent annual contributions described above. A participant's deferred compensation accounts are credited with returns in accordance with the deemed investment options, consistent with those offered under the Savings Plan, as elected by the participant from time to time at the participant's discretion. For 2020, these deemed investment options experienced annual rates of returns of between 0.45 percent and 54.56 percent.

Participants are immediately vested in all contributions to the Employee Deferred Compensation Plan, except for our 5.25 percent annual contributions, which vest, unless otherwise determined by the Compensation Committee, at the earliest of:

- completion of five years of service;
- attainment of age 65;
- death; or
- a change in control.

Participants may elect to receive a distribution of their account balances upon a separation from service or a specified distribution date. Distributions are paid in the form of a lump sum or in annual installments over a period of between two and 10 years.

Potential Payments on Termination or Change in Control

This section describes the plans and arrangements that provide for payments to the NEOs in connection with certain events involving termination of employment, a change in control of American Water or a material change in employment responsibilities.

Executive Severance Policy

Our Executive Severance Policy provides severance benefits to executives whose employment are involuntarily terminated by American Water for reasons other than cause.

The determination of whether an executive's employment is terminated for cause will be made at the sole discretion of the Board. Under the policy, our CEO will receive 18 months, and other NEOs will receive 12 months, base salary continuation and a pro rata APP award for the year in which the termination occurs to the extent a payment is earned under the terms of the APP.

Eligible executives are entitled to continued health, dental and vision coverage based on their years of service, in the amount of: eight weeks of coverage for less than five years of service; 12 weeks of coverage for at least five years but less than 10 years of service; and 16 weeks of coverage for 10 or more years of service. They are also entitled to life insurance coverage and continued participation in the employee assistance plan for the number of months of their severance benefits, as well as 12 months of outplacement services. Executives also receive credit for their severance period for purposes of vesting under the ERP. In order to receive severance benefits under the Executive Severance Policy, an executive must sign a release and waiver of any claims against American Water and agree to certain restrictive covenants. Severance benefits payable under the Executive Severance Policy will be offset and reduced by any other severance benefits payable under any employment agreement or otherwise.

Employee Deferred Compensation Plan

A summary of the terms of the Employee Deferred Compensation Plan is provided above under "—Description of the Employee Deferred Compensation Plan." This section describes the payments that would be made under that plan upon various types of termination. NEOs are immediately vested in all their contributions to the Employee Deferred Compensation Plan, and unless otherwise determined by the Compensation Committee, become vested in our 5.25 percent annual contributions at the earliest of completion of five years of service, attainment of age 65, a change of control or death. A participant who is terminated for other than cause will receive the participant's vested portion of his or her account balance. Upon a termination for cause, all employer contributions to this plan would be forfeited by the participant, but the participant would still be entitled to his or her elective deferrals and related

income. Payments of vested amounts will be made at the time and in the form elected by the participant, except that a lump-sum distribution of vested amounts will be paid upon death. The tables below under "—Quantification of Potential Payments on Termination or Change in Control" in this section reflect the amounts each NEO would have been entitled to receive given a termination on December 31, 2020.

AWWPP and ERP

Our retirement plans are described above under "—Pension Benefits at December 31, 2020." This section describes the payments that would be made under the retirement plans upon various types of termination of employment.

Voluntary and involuntary terminations of employment—Each of Messrs. Lynch and Sgro would have been entitled to benefits from the AWWPP and the ERP upon voluntary or involuntary termination of employment at December 31, 2020. Mr. Lynch's annual AWWPP benefit, payable as a 50 percent joint and survivor annuity beginning at age 59, is $43,424. Mr. Lynch would also have received an annual ERP benefit of $138,395 as of December 31, 2020. Mr. Sgro's annual AWWPP benefit, payable as a 50 percent joint and survivor annuity beginning at age 63, was $128,227 as of December 31, 2020. Mr. Sgro would also have received an annual ERP benefit of $262,415 as of December 31, 2020. As of December 31, 2020, Mr. Hauk was not eligible for immediate retirement, but was eligible for an annual AWWPP benefit of $5,429 payable as of age 65 as a single life annuity.

Retirement—At December 31, 2020, Messrs. Lynch and Sgro were eligible for early retirement benefits under the AWWPP and the ERP and Mr. Hauk was not eligible for early retirement benefits under the AWWPP as described in the previous section.

Disability—Benefits payable upon a termination of employment as a result of a disability are determined under the AWWPP and the ERP in the same manner as benefits payable upon early retirement, except that disability benefits are payable immediately and without reduction for early commencement. AWWPP benefits are payable as annuities; ERP disability benefits are payable as lump sums unless the participant has elected an alternate form of payment. Messrs. Lynch, Sgro and Hauk have each completed the required 10 years of service to qualify for disability benefits of their respective plans.

Death—If Messrs. Lynch, Sgro or Hauk had died on December 31, 2020, his surviving spouse or named beneficiary would have received benefits under the AWWPP and/or the ERP (as applicable) calculated as if he had immediately elected a 100 percent joint and survivor annuity. The benefit under the AWWPP for each of them would have been equivalent to that payable to him as an immediate annuity based on his current age early retirement factor, in the form of a 100 percent joint and survivor factor based on his and his survivors' current age. The benefit under the ERP for Messrs. Lynch and Sgro would have been paid as the immediate lump-sum equivalent of an annuity determined in the same manner as under the AWWPP.

For purposes of reporting these benefits in the termination tables below, we assumed that each of Messrs. Lynch and Sgro is married and we used his spouse's actual age. We assumed that Mr. Hauk is married to a spouse three years younger than him.

Equity Awards

2017 Omnibus Plan

In the event of a change of control in which American Water is not the surviving entity, the 2017 Omnibus Plan requires that all unexercised options and other grants of awards thereunder be assumed by or converted to similar options or awards of the acquirer company. To the extent any such options or awards are not assumed or converted, then all such options become fully exercisable, all restrictions upon awards will lapse and all stock units will fully vest, upon the change of control.

If a grant is assumed in connection with a change of control, and if, within the 12-month period following the occurrence of such change in control, the participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) on account of:

- a termination of such participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than due to cause (as defined in the 2017 Omnibus Plan), death or disability (as defined in the 2017 Omnibus Plan), or

- a termination of employment or service by the participant for good reason (as defined in the 2017 Omnibus Plan),

then as of the date of such termination of employment or service:

- all awards will be accelerated;
- all restrictions and conditions upon awards will lapse; and
- all stock units will be fully vested.

Notwithstanding the foregoing, in the event of a change of control, the Compensation Committee may take any of the following actions with respect to any outstanding grants:

- accelerate all outstanding options;
- lapse all restrictions and conditions on outstanding stock awards;
- vest all outstanding stock units;
- require participants to surrender their outstanding options in exchange for payment;
- terminate any unexercised options after giving participants an opportunity to exercise their options; and
- determine that participants receive a payment in settlement of outstanding stock awards, stock units, dividend equivalents or other stock-based awards.

On February 14, 2018, the Compensation Committee approved the granting of long-term equity awards under the 2017 Omnibus Plan to persons serving in the CEO, CFO and COO roles to provide for continued vesting of these equity awards after retirement under certain circumstances. This action applies to long-term equity awards granted on and after that date and does not impact the terms of any prior equity award. For further information, see "Compensation Discussion and Analysis—Ongoing and Post-Employment Arrangements and Benefit Plans—Terms of Outstanding Equity Grants—2017 Omnibus Plan Grants — Continued Vesting Provisions" on page 55 of this proxy statement.

2007 Omnibus Plan

Vesting of our PSU and RSU awards under the 2007 Omnibus Plan will be accelerated or forfeited upon certain events as follows:

- Upon a change of control, RSUs will vest in full and PSUs will performance-vest with respect to the portions of awards that have already time-vested, based upon the assumption that target performance is achieved.
- Upon death or disability, PSUs will ultimately performance-vest with respect to the portions of awards that already have time-vested, based upon actual performance as determined at the end of the performance period.
- All unvested RSUs for NEOs will be immediately forfeited upon death or disability.

Quantification of Potential Payments on Termination or Change in Control

The following tables quantify the potential payments and benefits to which the NEOs would have been entitled to receive if one of several different termination of employment or change in control events occurred on December 31, 2020, except that, in accordance with SEC rules, with respect to (i) Ms. Story, we have quantified her benefit upon retirement, which occurred effective April 1, 2020, and (ii) Mr. Chin, we have quantified his benefits under his separation, which occurred on November 5, 2020. Accordingly, the amounts shown for Ms. Story and Mr. Chin represent the amounts actually received in connection with her retirement and his separation.

The amounts shown in the tables do not include certain payments and benefits to the extent they are provided on a non-discriminatory basis to non-union employees generally upon a termination of employment, including accrued salary and vacation pay, Savings Plan benefits, continued health and welfare coverage following an involuntary termination of employment and coverage under COBRA. All employees are also entitled to life insurance benefits of up to 1.5 times base salary, up to a maximum amount of $200,000, if death occurs while actively employed, which benefit is also not included in the tables below.

With regard to all RSUs subject to time-based vesting at December 31, 2020, the assumed values of the awards are shown in the table in the applicable columns. With regard to PSUs that remain subject to performance-based vesting following the acceleration of time-based vesting, we have assumed that shares will be issued in respect of the PSUs based on target performance, and that dividend equivalents will continue to accrue through the duration of the applicable performance period. For RSUs and PSUs, the values shown in the tables are based on the number of RSUs or PSUs multiplied by $153.47, the closing price of our common stock as reported on the NYSE on December 31, 2020. In addition, the value

of accumulated dividends (and, for awards that remain subject to performance conditions through the end of the performance period, expected dividends for the remainder of the performance period) is included.

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death
Walter J. Lynch	Cash Severance	$ —	$ —	$ 2,200,810	$ —	$ —	$ 2,200,810	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ —	$ —	$ —
	Deferred Compensation Benefits	$ 2,193,526	$ 2,193,526	$ 2,193,526	$ 2,193,526	$ —	$ 2,193,526	$ 2,193,526	$ 2,193,526
	Nonqualified Pension Benefits	$ 2,795,916	$ 2,795,916	$ 2,795,916	$ 2,795,916	$ 2,795,916	$ 2,795,916	$ 4,160,589	$ 2,675,949
	Qualified Pension Benefits	$ 872,824	$ 872,824	$ 872,824	$ 872,824	$ 872,824	$ 872,824	$ 1,247,881	$ 839,299
	Life Insurance and Employee Assistance Program	$ —	$ —	$ 713	$ —	$ —	$ 713	$ —	$ —
	RSUs and PSUs	$ —	$ 4,411,888	$ —	$ —	$ —	$ 5,768,371	$ 4,710,364	$ 4,710,364
	Total	$ 5,862,266	$ 10,274,154	$ 8,078,789	$ 5,862,266	$ 3,668,740	$ 13,832,160	$ 12,312,360	$ 10,419,138

Name	Benefit	Early/ Normal Retirement
Susan N. Story	Deferred Compensation Benefits	$ 7,486,949
	RSUs and PSUs	$ 13,276,315
	Total	$ 20,763,264

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death
M. Susan Hardwick	Cash Severance	$ —	$ —	$ 991,375	$ —	$ —	$ 991,375	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ —	$ —	$ —
	Deferred Compensation Benefits	$ 32,714	$ 32,174	$ 32,174	$ 32,174	$ —	$ 59,876	$ 32,174	$ 59,876
	Life Insurance and Employee Assistance Program	$ —	$ —	$ 475	$ —	$ —	$ 475	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 1,500,911	$ 127,948	$ 127,948
	Total	$ 32,714	$ 32,174	$ 1,039,024	$ 32,174	$ —	$ 2,552,637	$ 160,122	$ 187,824

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death
Michael A. Sgro	Cash Severance	$ —	$ —	$ 832,622	$ —	$ —	$ 832,622	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ —	$ —	$ —
	Nonqualified Pension Benefits	$ 4,591,974	$ 4,591,974	$ 4,591,974	$ 4,591,974	$ 4,591,974	$ 4,591,974	$4,591,974	$4,098,971
	Qualified Pension Benefits	$ 2,167,929	$ 2,167,929	$ 2,167,929	$ 2,167,929	$ 2,167,929	$ 2,167,929	$2,243,833	$2,037,788
	Life Insurance and Employee Assistance Program	$ —	$ —	$ 475	$ —	$ —	$ 475	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 2,281,163	$ 681,818	$ 681,818
	Total	$ 6,759,903	$ 6,759,903	$ 7,608,000	$ 6,759,903	$ 6,759,903	$ 9,874,163	$7,517,625	$6,818,577

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death
Loyd A. Warnock	Cash Severance	$ —	$ —	$ 799,425	$ —	$ —	$ 799,425	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ —	$ —	$ —
	Deferred Compensation Benefits	$ 446,640	$ 446,640	$ 446,640	$ 446,640	$ —	$ 446,640	$ 446,640	$ 446,640
	Life Insurance and Employee Assistance Program	$ —	$ —	$ 475	$ —	$ —	$ 475	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 2,093,439	$ —	$ —
	Total	$ 446,640	$ 446,640	$ 1,261,540	$ 446,640	$ —	$ 3,339,979	$ 446,640	$ 446,640

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death
Bruce A. Hauk	Cash Severance	$ —	$ —	$ 557,855	$ —	$ —	$ 557,855	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ —	$ —	$ —
	Deferred Compensation Benefits	$ 38,985	$ 38,985	$ 38,985	$ 38,985	$ —	$ 38,985	$ 38,985	$ 38,985
	Qualified Pension Benefits	$ 60,853	$ 60,853	$ 60,853	$ 60,853	$ 60,853	$ 60,853	$ 113,354	$ 31,700
	Life Insurance and Employee Assistance Program	$ —	$ —	$ 475	$ —	$ —	$ 475	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 916,003	$ 195,803	$ 195,803
	Total	$ 99,838	$ 99,838	$ 673,168	$ 99,838	$ 60,853	$ 1,574,171	$ 348,142	$ 266,488

Name	Benefit	Involuntary Termination without Cause
Brian Chin	Cash Severance	$ 523,936
	Outplacement Services	$ 15,000
	Life Insurance and Employee Assistance Program	$ 475
	RSUs and PSUs	$ 179,391
	Total	$ 718,802

CEO Pay Ratio

The Compensation Committee reviewed a comparison of our current CEO total compensation for fiscal year 2020 as reported in the Summary Compensation Table of this proxy statement to the median annual total compensation of our U.S. employees for the same period. Our identification of our median employee and our current CEO to median employee pay ratio were calculated in a manner we believe to be consistent with Item 402(u) of Regulation S-K. In this regard:

- We identified the median employee in 2020 by examining the 2020 W-2 earnings for all individuals, excluding our CEO, located in the United States who were employed by us on December 31, 2020. We believe the use of W-2 earnings represents an objective, easily understood and consistently applied measure of compensation paid across our entire employee base.
- We included 7,037 employees located in the United States as of December 31, 2020, which includes full-time, part-time, seasonal and temporary employees. We did not have any employees located outside of the United States as of December 31, 2020.
- We did not include leased employees or independent contractors.
- We did not make any assumptions, adjustments (such as cost-of-living adjustments) or estimates with respect to W-2 income other than annualizing the compensation of permanent employees that were employed as of December 31, 2020 but were employed for less than the full year.

After identifying the median employee, we calculated that employee's annual total compensation using the same methodology we use for our NEOs in the 2020 Summary Compensation Table. The annual total compensation for fiscal year 2020 for our current CEO and for the median employee was $5,675,833 and $90,790, respectively. The resulting ratio of our current CEO's pay to the pay of our median employee for fiscal year 2020 is 63 to 1.

As contemplated by Item 402(u) of Regulation S-K and related interpretations, we relied on methods and assumptions that we determined to be reasonable and appropriate for this calculation. Other public companies may use different methods and assumptions. It may therefore be difficult, for this and other reasons, to compare our reported ratio to those reported by other companies.

Policies Prohibiting Hedging, Pledging, Margining and Short Selling

Our insider trading policy prohibits all directors, officers (including our current NEOs) and employees (among others), including their immediate family members and controlled entities, from engaging in any hedging transaction. Under our insider trading policy, no covered person may:

- enter into any hedging transaction, as described in the insider trading policy;
- buy or sell any security that derives its value from the price of any of our securities; or
- enter into any other transaction of a similar nature that has the effect of reducing or eliminating the investment risk associated with any of our securities owned by such covered person.

The above restrictions are intended to prohibit transactions in financial instruments involving our securities, including prepaid variable forward contracts, equity swaps, collars and exchange funds, as well as transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of our equity and debt securities.

These prohibitions do not apply to the receipt of securities under any of our equity compensation plans or "cashless" exercises of our options in compliance with the 2017 Omnibus Plan or its predecessor plan; however, buying or selling a derivative security with respect to any of these securities is expressly prohibited.

Also, our insider trading policy prohibits covered persons from pledging our securities to a lender as collateral for a loan, from using them in a margin account as collateral for any obligation incurred in connection with a purchase of securities, or for entering into any other similar transaction that has the effect of using our securities as collateral or security for a loan or any other obligation.

Moreover, our insider trading policy also prohibits covered persons from selling our securities short, which is the practice of selling securities that are not owned by the seller. This prohibition includes "short sales against the box," where the seller actually owns the securities being sold but fails to deliver them to the purchaser within a specified time period after the sale.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mses. Goss, Harris, Hagen and Johnson served as members of the Compensation Committee during fiscal year 2020. With respect to interlocks and insider participation involving members of our Compensation Committee during fiscal year 2020:

- None of these individuals were an officer or employee of us or any of our subsidiaries during fiscal year 2020 or any prior fiscal year.
- None of these individuals had any relationship with us or any of our subsidiaries during 2020 pursuant to which disclosure would be required under applicable rules of the SEC pertaining to the disclosure of transactions with related persons.
- None of our executive officers served on the board of directors or compensation committee of any other entity that has or had one or more executive officers who served as a member of the Board or the Compensation Committee during fiscal year 2020.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, warrants and rights, and the number of securities available for future issuance under equity compensation plans as of December 31, 2020.

	[a]	[b]	[c]
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a])
Equity compensation plans approved by security holders	449,762(1)	$ 63.18(2)	8,355,840(3)
Equity compensation plans not approved by security holders	—	—	—
Total	449,762(1)	$ 63.18(2)	8,355,840

(1) Represents the number of shares of common stock subject to outstanding awards under the 2007 Omnibus Plan and the 2017 Omnibus Plan, including RSU awards and the target number of shares issuable under PSU awards, as of December 31, 2020.

(2) Represents the weighted-average exercise price as to options issued under the 2007 Omnibus Plan to purchase in the aggregate 64,272 shares of common stock. Since RSU and PSU awards under the 2007 Omnibus Plan or the 2017 Omnibus Plan do not have an exercise price, the weighted-average exercise price in column (b) does not take these awards into account.

(3) As of December 31, 2020, approximately 6.7 million shares were available for issuance under the 2017 Omnibus Plan and approximately 1.7 million shares were issuable under the current American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, or the ESPP. During the purchase period beginning December 1, 2020 and ending February 28, 2021, 23,700 shares available for issuance through the ESPP were subject to purchase, which shares have not been deducted from this amount.

AUDIT, FINANCE AND RISK COMMITTEE REPORT

The Audit, Finance and Risk Committee assists the Board in its oversight of the integrity of American Water's financial statements, compliance with legal and regulatory requirements, oversight of risk management, review of the Company's capital and financing plans and the performance of the internal audit function. Management is responsible for American Water's internal controls, financial reporting process and compliance with legal and regulatory requirements. PricewaterhouseCoopers LLP, American Water's independent registered public accounting firm, is responsible for performing an independent audit of American Water's consolidated financial statements and for issuing a report on these financial statements and on the effectiveness of American Water's internal control over financial reporting.

In this context, the Audit, Finance and Risk Committee hereby reports as follows:

1. The Audit, Finance and Risk Committee has reviewed and discussed with management and PricewaterhouseCoopers LLP the audited financial statements for the fiscal year ended December 31, 2020.
2. The Audit, Finance and Risk Committee has reviewed and discussed with management and PricewaterhouseCoopers LLP our system of internal control over financial reporting.
3. The Audit, Finance and Risk Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard 1301, "Communications with Audit Committees."
4. The Audit, Finance and Risk Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the Audit, Finance and Risk Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP that firm's independence.

Based on the review and discussion referred to above, the Audit, Finance and Risk Committee recommended to the Board that the audited financial statements be included in American Water's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, for filing with the SEC.

Respectfully submitted,

Martha Clark Goss (Chair)
Jeffrey N. Edwards
Patricia L. Kampling
George MacKenzie
Lloyd M. Yates

PROPOSAL 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit, Finance and Risk Committee is directly responsible for the appointment, compensation, retention, evaluation and oversight of the Company's independent registered public accounting firm. As part of this responsibility, the Audit, Finance and Risk Committee annually evaluates the independent registered public accounting firm's qualifications, performance and independence and assesses whether to continue to retain the firm or select a different firm.

The Audit, Finance and Risk Committee has appointed the firm of PricewaterhouseCoopers LLP to serve as the independent registered public accounting firm for American Water during the fiscal year ending December 31, 2021. PricewaterhouseCoopers LLP has served as our auditor since 1948. The Audit, Finance and Risk Committee and the Board have recommended that the shareholders ratify this appointment.

The Audit, Finance and Risk Committee and its Chair are also involved in and approve the selection of the lead audit partner, who is limited to no more than five consecutive years in that role before the position must be rotated in accordance with SEC rules. A new audit partner began his five-year rotation in the first quarter of 2018.

The Audit, Finance and Risk Committee and the Board believe that the continued retention of PricewaterhouseCoopers LLP as the Company's independent auditor is in the best interests of the Company and its shareholders. Although shareholder ratification is not required by our organizational documents, or applicable law, the Board believes that it is a sound corporate governance practice to seek shareholder ratification of the appointment of PricewaterhouseCoopers LLP.

If our shareholders fail to ratify this appointment, the Audit, Finance and Risk Committee may reconsider its selection; however, it is under no obligation to engage a different auditing firm. Even if the selection is ratified, the Audit, Finance and Risk Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit, Finance and Risk Committee believes that such a change would be in the best interests of the Company and our shareholders.

A representative of PricewaterhouseCoopers LLP is expected to virtually attend the annual meeting and may respond to appropriate questions from shareholders at the meeting or make a statement, if requested.

Fees Paid to Independent Registered Public Accounting Firm

The following table presents fees paid to PricewaterhouseCoopers LLP for professional services rendered with respect to 2020 and 2019. All of the services described in the footnotes to the table below were approved in advance by the Audit, Finance and Risk Committee (or its predecessor), in accordance with its policy on the pre-approval of services to be provided by our independent registered public accounting firm.

	Fiscal Year 2020	Fiscal Year 2019
Audit Fees (1)	$ 4,253,000	$ 4,178,000
Audit-Related Fees (2)	—	—
Tax Fees (3)	195,000	195,000
All Other Fees (4)	10,000	8,000
Total	$ 4,458,000	$ 4,381,000

(1) Represents fees for professional services rendered in connection with the Company's annual consolidated financial statements, interim financial statements included in our quarterly reports on Form 10-Q, annual subsidiary audits and services in connection with comfort letters, consents and procedures related to documents filed with the SEC.

(2) Represents fees for professional services rendered in connection with the implementation of new accounting standards and attestation services.

(3) Represents fees for professional services in connection with the review of the Company's federal and state tax returns and tax advice related to tax compliance, tax planning and tax refund claims.

(4) Represents fees for software licensing fees for disclosure checklists and accounting research tools.

Pre-Approval of Services Provided by Independent Registered Public Accounting Firm

The Audit, Finance and Risk Committee is required to approve in advance all audit and permitted non-audit services performed by the Company's independent registered public accounting firm. As permitted by the Company's pre-approval policy, the Audit, Finance and Risk Committee has delegated to its Chair the authority to pre-approve audit and permitted non-audit services to be provided by its independent registered public accounting firm and associated fees of up to $250,000 in the aggregate. The Chair of the Audit, Finance and Risk Committee must report any pre-approval of services pursuant to this delegated authority to the full Audit, Finance and Risk Committee at its next regularly scheduled meeting following the pre-approval, which report then resets the authority limit to $250,000.

Recommendation of the Board

The Board unanimously recommends a vote "**FOR**" the ratification of the appointment, by the Audit, Finance and Risk Committee, of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for 2021.

CERTAIN BENEFICIAL OWNERSHIP MATTERS

Security Ownership of Management

The following table sets forth information as of March 17, 2021, regarding the beneficial ownership of common stock by:

- each director;
- each director nominee;
- each NEO included in the 2020 Summary Compensation Table; and
- all of the Company's current directors and executive officers as a group.

As of March 17, 2021, 181,467,257 shares of common stock were issued and outstanding. The number of shares beneficially owned by each shareholder is determined under rules promulgated by the SEC. The information does not necessarily indicate beneficial ownership for any other purpose. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or rights held by that person that are currently exercisable or will become exercisable on or before May 16, 2021 (60 days after March 17, 2021), are deemed to be currently outstanding. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person.

Unless otherwise noted below:

- the address for each beneficial owner in the table below is c/o American Water Works Company, Inc., 1 Water Street, Camden, New Jersey 08102-1658; and
- subject to applicable community property laws, to the Company's knowledge, each person named in the tables below has sole voting and investment power over the shares shown as beneficially owned by that person.

Name	Number of Shares (1)	Vested Options	Total Shares of Common Stock Beneficially Owned (2)	% of Shares Outstanding
Brian Chin (3)	2,259	—	2,259	*
Jeffrey N. Edwards	3,058	—	3,058	*
Martha Clark Goss	29,169	—	29,169	*
Veronica M. Hagen	1,565	—	1,565	*
M. Susan Hardwick	982	—	982	*
Kimberly J. Harris	941	—	941	*
Bruce A. Hauk (4)	5,168	615	5,783	*
Julia L. Johnson	17,322	—	17,322	*
Patricia L. Kampling	941	—	941	*
Karl F. Kurz	8,608	—	8,608	*
Walter J. Lynch	119,846	24,617	144,463	0.1%
George MacKenzie	25,338	—	25,338	*
Michael A. Sgro	13,630	—	13,630	*
James G. Stavridis	3,003	—	3,003	*
Susan N. Story (5)	37,020	—	37,020	*
Loyd A. Warnock (6)	2,031	—	2,031	*
Lloyd M. Yates	4,941	—	4,941	*
All current directors and executive officers as a group (20 persons) (7)	272,801	38,186	310,987	*

* Less than 1% (or, with respect to an NEO, less than 0.1%)

(1) Except as may otherwise be indicated, the amounts in the table above do not include the following interests in our common stock, which interests do not confer voting or investment power:

- shares of common stock underlying RSU, PSU and stock unit awards, granted under the 2007 Omnibus Plan or the 2017 Omnibus Plan, which have not vested as of March 17, 2021 and will not vest on or before May 16, 2021; and

- shares of common stock underlying RSU, PSU and stock unit awards granted under the 2007 Omnibus Plan or the 2017 Omnibus Plan, which have vested as of March 17, 2021 or will vest on or before May 16, 2021, but the settlement of the award and the receipt of common stock thereby is deferred to a date that is later than May 16, 2021.

(2) For each of our NEOs and our directors, the amounts in this column do not include the following interests in our common stock, which interests do not confer voting or investment power:

Name	Number of Unearned RSUs/Stock Units*	Number of Unearned PSUs	Total
Brian Chin	—	609	609
Jeffrey N. Edwards	1,159	—	1,159
Martha Clark Goss	2,535	—	2,535
Veronica M. Hagen	5,437	—	5,437
M. Susan Hardwick	3,879	10,952	14,831
Kimberly J. Harris	1,159	—	1,159
Bruce A. Hauk	1,484	3,256	4,740
Julia L. Johnson	7,802	—	7,802
Patricia L. Kampling	1,159	—	1,159
Karl F. Kurz	3,100	—	3,100
Walter J. Lynch	12,657	34,157	46,814
George MacKenzie	1,159	—	1,159
Michael A. Sgro	2,827	9,429	12,256
James G. Stavridis	1,159	—	1,159
Susan N. Story	8,592	39,290	47,882
Loyd A. Warnock	—	5,290	5,290
Lloyd M. Yates	1,159	—	1,159
Total	55,267	102,983	158,250

* Unearned RSUs and stock units represent shares underlying RSU or stock unit awards, which shares (i) have not been earned, (ii) have vested but have not been delivered, or (iii) have been deferred, in each case in accordance with footnote (1) above.

(3) Mr. Chin's employment with American Water ceased as of November 5, 2020.

(4) Mr. Hauk was no longer an executive officer as of March 1, 2021 and resigned his employment effective March 12, 2021.

(5) Ms. Story retired from American Water effective April 1, 2020.

(6) Mr. Warnock retired from American Water effective January 2, 2021.

(7) Includes 57,026 shares beneficially owned (including 13,569 shares underlying vested options) by executive officers of the Company not named in the table above. Excludes in the aggregate 131,010 shares underlying unvested RSUs and unearned PSUs, as well as unvested or deferred stock units, held by our directors and current executive officers, as referenced in footnote (1) above.

Security Ownership of Certain Beneficial Owners

The table below indicates the persons or entities known to us to be the beneficial holders of more than five percent of our common stock, as of December 31, 2020, with percentages determined as of March 17, 2021.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	% of Shares Outstanding
The Vanguard Group (1) **100 Vanguard Boulevard** **Malvern, PA 19355**	21,180,295	11.7%
BlackRock, Inc. (2) **55 East 52nd Street** **New York, NY 10022**	14,763,098	8.1%
State Street Corporation (3) **State Street Financial Center** **One Lincoln Street** **Boston, MA 02111**	9,391,069	5.2%

(1) The Vanguard Group ("Vanguard"), an investment management company, is the beneficial owner of the 21,180,295 shares of common stock listed in the table. Vanguard holds sole power to dispose of or to direct the disposition of 20,270,937 shares, shared power to vote or direct to vote 414,643 shares, and shared power to dispose or to direct the disposition of 909,358 shares. Vanguard reported that it owns these shares through the following subsidiaries: Vanguard Asset Management, Limited; Vanguard Fiduciary Trust Company; Vanguard Global Advisors, LLC; Vanguard Group (Ireland) Limited; Vanguard Investments Australia Ltd; Vanguard Investments Canada Inc.; Vanguard Investments Hong Kong Limited; and Vanguard Investments UK, Limited, none of which beneficially owns five percent or more of the common stock. This disclosure is derived solely from information contained in a Schedule 13G/A, filed by Vanguard with the SEC on February 10, 2021. The information is as of December 31, 2020, and the number of shares beneficially owned by Vanguard may have changed subsequently.

(2) BlackRock, Inc. ("BlackRock") is the beneficial owner of the 14,763,098 shares of common stock listed in the table. BlackRock is a holding company of subsidiaries that hold the shares, including: BlackRock Life Limited; BlackRock International Limited; BlackRock Advisors, LLC; BlackRock (Netherlands) B.V.; BlackRock Institutional Trust Company, National Association; BlackRock Asset Management Ireland Limited; BlackRock Financial Management, Inc.; BlackRock Japan Co., Ltd.; BlackRock Asset Management Schweiz AG; BlackRock Investment Management, LLC; Future Advisor, Inc.; BlackRock Investment Management (UK) Limited; BlackRock Asset Management Canada Limited; BlackRock (Luxembourg) S.A.; BlackRock Investment Management (Australia) Limited; BlackRock Advisors (UK) Limited; BlackRock Fund Advisors; BlackRock Asset Management North Asia Limited; BlackRock (Singapore) Limited; and BlackRock Fund Managers Ltd, none of which beneficially owns five percent or more of the common stock. BlackRock holds sole voting power with respect to 12,834,144 shares and sole dispositive power with respect to all of the shares listed in the table. This disclosure is derived solely from information contained in a Schedule 13G/A filed by BlackRock with the SEC on January 29, 2021. The information is as of December 31, 2020, and the number of shares beneficially owned by BlackRock may have changed subsequently.

(3) State Street Corporation ("State Street"), an investment advisor, is the beneficial owner of the 9,391,069 shares of common stock listed in the table. State Street is a holding company of direct or indirect subsidiaries that hold the shares, including: SSgA Funds Management, Inc.; State Street Global Advisors Limited (UK); State Street Global Advisors Ltd (Canada); State Street Global Advisors, Australia Limited; State Street Global Advisors (Japan) Co., Ltd; State Street Global Advisors Asia Ltd; State Street Global Advisors Singapore Ltd; State Street Global Advisors GmbH; State Street Global Advisors Ireland Limited; and State Street Global Advisors Trust Company. State Street holds shared power to vote or direct to vote 8,360,517 shares, and shared power to dispose or to direct the disposition of 9,379,162 shares. This disclosure is derived solely from information contained in a Schedule 13G, filed by State Street with the SEC on February 5, 2021. The information is as of December 31, 2020, and the number of shares beneficially owned by State Street may have changed subsequently.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who own more than 10 percent of our common stock to file with the SEC an initial report of beneficial ownership and subsequent reports of changes in beneficial ownership resulting from transactions in our common stock, generally within two business days of a reportable transaction. As a practical matter, we seek to assist our directors and executives by monitoring transactions and completing and filing these reports on their behalf. Based on our review of these reports and representations of our directors and executive officers, we believe that the applicable Section 16(a) reporting requirements were complied with for all transactions that occurred during the fiscal year ended December 31, 2020, except that one transaction on one Form 4 for Mr. Warnock was inadvertently not timely reported.

COMMUNICATIONS, SHAREHOLDER PROPOSALS AND COMPANY INFORMATION

Shareholder Communications to the Board

Shareholders and other interested parties may communicate directly with the Board or individual members of the Board, including those wishing to express concerns relating to accounting, internal controls, audit matters, fraud or unethical behavior, by submitting written correspondence to the Company or via email: *contacttheboard@amwater.com*. The Company's Secretary reviews and provides summaries and/or copies of the communications to the Board and relevant committees. All communications are treated confidentially.

Our "whistleblower" policy prohibits American Water and any of its employees from retaliating or taking any adverse action against anyone for raising a concern in good faith. If an interested party nonetheless prefers to raise his or her concern to the Board in a confidential or anonymous manner, the concern may be directed to our confidential ethics hotline at (877) 207-4888. Such matters raised on the hotline are investigated by the Ethics and Compliance Department and reviewed by the Chair of the Audit, Finance and Risk Committee.

Shareholder Proposals, Proxy Access Deadlines and Director Nominations

Shareholder Proposals

Except as provided below under "—Proxy Access Deadlines," any shareholder who, in accordance with SEC Rule 14a-8, wishes to present a proposal for inclusion in the proxy materials to be distributed in connection with the 2022 annual meeting of shareholders must submit the proposal so that it is received by our Secretary at our principal executive offices on or before November 30, 2021 and must comply in all other respects with applicable SEC rules. If the date of the 2022 annual meeting is changed by more than 30 days from the date of the 2021 annual meeting, then the deadline for receipt of the proposal would be a reasonable time before we begin to print and send our proxy materials. Shareholder proposals must be delivered to our Secretary as described under "—Contacting Us or Our Transfer Agent" on page 83 of this proxy statement.

Any shareholder who wishes to propose any business to be considered by the shareholders at the 2022 annual meeting (other than a proposal for inclusion in the proxy statement pursuant to SEC Rule 14a-8), or to nominate a person for election to the Board at that meeting, must provide timely and proper notice to American Water in writing, including the specified information described in our Amended and Restated Bylaws concerning the proposed business or nominee.

The requirements for such notice are set forth in our Amended and Restated Bylaws, a copy of which can be obtained from the Company upon request. The notice must be received at American Water's principal executive offices no earlier than January 12, 2022 and no later than February 11, 2022. However, if the date of the 2022 annual meeting is more than 30 days before or 60 days after May 12, 2022, other than as a result of any adjournment or postponement thereof, notice must be received not later than 90 days prior to the date of the 2022 annual meeting, or, if later, by the 10th day following the Company's first public

announcement of the date of the 2022 annual meeting. The shareholder must otherwise comply with all applicable procedural and substantive requirements set forth in our Amended and Restated Bylaws.

Proxy Access Deadlines

Beginning with the 2022 annual meeting of shareholders, our Amended and Restated Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in our proxy materials for an annual meeting of shareholders. See "Board of Directors and Corporate Governance—Proxy Access" on page 15 of this proxy statement.

As a condition to the use of the proxy access bylaw, the eligible shareholder or eligible group of shareholders and each director nominee must satisfy all of the procedural and substantive requirements specified in the Amended and Restated Bylaws, including providing advance notice to us and filing certain information with the SEC. With respect to the 2022 annual meeting, the notice must be provided no earlier than October 31, 2021 and no later than November 30, 2021.

Director Nominations

The Nominating Committee will consider qualified director candidate recommendations by shareholders. The recommendation must include the following information:

- the name, age, business address and residence address of the candidate;
- a resume describing the candidate's qualifications;
- other information about the candidate that would be required to be included in a proxy statement under the rules of the SEC;
- a description of all arrangements or understandings relating to the nomination between or among the shareholder, the candidate and any other person or persons;
- the signed consent of the candidate to serve as a director if elected;
- the name and address of the shareholder who is submitting the recommendation;
- evidence of the number of shares of American Water's common stock that the recommending shareholder owns and the length of time the shares have been owned; and
- certain other information required by our Amended and Restated Bylaws.

The Nominating Committee may seek additional information regarding the candidate. The Nominating Committee will consider all potential candidates in the same manner regardless of the source of the recommendation.

Delivering Proxy Materials Through Electronic Means

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 12, 2021

The Notice of 2021 Annual Meeting of Shareholders, 2021 Proxy Statement and 2020 Annual Report are available at *http://www.proxyvote.com.*

Under the "Notice and Access" rules approved by the SEC, we are permitted to deliver this proxy statement and our 2020 Annual Report by providing access to the documents on the Internet instead of mailing printed copies. Accordingly, certain shareholders have received a "Notice of Availability" instead of printed copies of the proxy materials. The Notice of Availability instructs a shareholder on how to access and review all of the proxy materials on the Internet. The Notice of Availability also has instructions on how a shareholder may vote his or her shares. Although the Notice of Availability identifies the items to be voted on at the meeting, you cannot vote your shares merely by marking the Notice of Availability and returning it.

Beginning on the date of mailing of the Notice of Availability, shareholders will be able to access all of the proxy materials on a website referred to in the Notice of Availability. If you received a Notice of Availability and would like to receive free of charge a paper or electronic copy of our proxy materials, you may elect to do so by following the instructions in the Notice of Availability for requesting such materials.

If you previously requested a paper copy of the proxy materials (and you have not revoked that request) or if delivery of printed proxy materials is required by law, you will receive a copy of the proxy materials instead of the Notice of Availability.

To the extent we are not required by law to mail our proxy materials to you in paper form, you can eliminate all such future paper mailings, including mailing of the Notice of Availability, by electing to receive an e-mail that will provide internet links to these documents and the online proxy voting website. Opting to receive all future proxy materials electronically will save us the cost of producing and mailing documents to you and will help us conserve natural resources. Requests for electronic delivery may be made at *http://enroll.icsdelivery.com/awk*.

Householding of Proxy Materials

To reduce the expense of delivering duplicate sets of proxy materials to multiple shareholders sharing the same address, we have adopted a procedure approved by the SEC called "householding." This procedure saves printing costs and postage fees, and conserves natural resources.

Under the householding procedure, certain shareholders of record who have the same address and last name will receive only one copy of the Notice of Availability and/or set of proxy materials, unless one or more of the shareholders at that address has previously elected to receive separate copies.

Under the SEC's householding rules, intermediaries also may deliver a single copy of the proxy materials or Notice of Availability to two or more shareholders that share the same address. If you and other residents at your mailing address own shares of common stock in street name through a broker or bank, you may have received a notice that your household will be sent only one copy of the proxy materials or the Notice of Availability. If you did not provide your broker or bank with notice that you object to this householding, you may have been deemed to have consented to the householding of information. However, upon written or oral request, we will promptly deliver a separate copy of the annual report and/or proxy statement to any shareholder at a shared address to which a single copy of each document was delivered.
To change your householding status with respect to your shares of common stock:

- if you are the registered holder of your shares, please contact American Stock Transfer & Trust Company, LLC, our transfer agent, as noted below in "—Contacting Us or Our Transfer Agent" or
- if you hold your shares in street name, please contact Broadridge Financial Solutions:
  - by telephone, toll-free, at (866) 540-7095 or
  - in writing, at 51 Mercedes Way, Edgewood, New York 11717, Attention: Householding Department.

If you are a shareholder currently sharing an address with another of our shareholders and wish to have your future proxy materials householded, or your materials are currently householded and you would prefer to receive separate materials in the future, please make a request to change your householding status, as indicated above. We encourage shareholders to have all the shares they hold of record registered in the same name and under the same address.

Contacting Us or Our Transfer Agent

How to Contact Us:	*How to Contact our Transfer Agent:*
American Water Works Company, Inc. 1 Water Street Camden, New Jersey 08102-1658 Attention: Secretary contacttheboard@amwater.com	American Stock Transfer & Trust Company, LLC 6201 15th Avenue Brooklyn, New York 11219-9821 (888) 556-0423 (toll-free)

Where to Find More Information

Pursuant to the rules of the SEC, our 2020 Annual Report must accompany this proxy statement. You may view our 2020 Annual Report on the Internet by visiting the Investor Relations page on our website at *ir.amwater.com*. We utilize our website as a recognized channel of distribution to provide important information regarding us and our subsidiaries to investors, including information with respect to the meeting and information that we may wish to disclose publicly for purposes of complying with the federal securities laws. However, information contained on our website is not a part of this proxy statement. Any website references contained in this proxy statement are intended to be made only through inactive hyperlinks.

Portions of the 2020 Form 10-K have been utilized to prepare the 2020 Annual Report. Upon written request:

- we will furnish a copy of the 2020 Form 10-K (without exhibits), including the financial statements and the financial statement schedules contained in such report; and
- we will furnish a copy of any exhibit to the 2020 Form 10-K upon the payment of a fee equal to our reasonable expenses incurred in furnishing such exhibit.

See "—Contacting Us or Our Transfer Agent" for information on how to contact us to request this information. The written request must include a good faith representation that, as of March 17, 2021, the person making the request was a record or beneficial owner of common stock entitled to vote at the meeting.

OTHER MATTERS

Other Matters to Come Before the Annual Meeting

As of the date of this proxy statement, we do not know of any matters to be acted upon at the annual meeting other than those discussed in this proxy statement. If any other items or matters are properly presented before the annual meeting, the proxy holders will vote on such matters in their discretion. A proxy granted by a shareholder will give discretionary authority to the proxy holders to vote on any matters introduced pursuant to these procedures, subject to applicable SEC rules.

Solicitation of Proxies

We will bear the costs of solicitation of proxies, including the reimbursement of banks and brokers for certain costs incurred in forwarding proxy materials to beneficial owners. We have retained D.F. King & Co. in connection with this solicitation, at an anticipated cost to us of approximately $12,500, plus expenses.

In addition to the use of the mails, our officers, directors and employees may solicit proxies personally, by telephone or facsimile or via the Internet. These individuals will not receive any additional compensation for these activities.

Status of Information Included in this Proxy Statement

Our 2020 Form 10-K includes our consolidated balance sheets for each of the years ended December 31, 2020 and 2019, and our consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity for each of the years ended December 31, 2020, 2019 and 2018. In accordance with the rules of the SEC, the 2020 Annual Report, which includes a portion of the information included in the 2020 Form 10-K, accompanies this proxy statement. However, neither the 2020 Annual Report nor the 2020 Form 10-K forms any part of this proxy statement or the material being used for the solicitation of proxies at the meeting.

We are permitted under the Securities Act of 1933, as amended, or the Securities Act, and the Exchange Act to "incorporate by reference" information in whole or in part from certain future filings, including this proxy statement. Information that is "incorporated by reference" into a filing means that it is deemed to be a part of that filing even though the information does not actually appear within it. However, the following information that is part of or accompanies this proxy statement shall not be deemed to be incorporated by reference into any of our filings under either the Securities Act or the Exchange Act, unless we have otherwise specifically provided for it in such filing:

- the Compensation Committee Report;
- the Audit, Finance and Risk Committee Report;
- the 2020 Annual Report that accompanies this proxy statement; and
- the performance graph contained in "Compensation Discussion and Analysis—Executive Summary—Return to Shareholders" and the "Five-Year Performance Graph" contained in the 2020 Annual Report.

As a result, the foregoing information will not be deemed to be "soliciting material" subject to Regulation 14A under the Exchange Act or "filed" with the SEC under Section 18 of the Exchange Act.

Appendix A
Non-GAAP Financial Information

A. Reconciliation of (1) total O&M expenses to adjusted O&M expenses—regulated businesses (a non-GAAP, unaudited measure) and (2) total operating revenues to adjusted operating revenues—regulated businesses (a non-GAAP, unaudited measure), used to calculate adjusted O&M efficiency ratio—regulated businesses (a non-GAAP, unaudited measure):

	For the Years Ended December 31, *(dollars in millions)*		
	2020	2019	2018
Total O&M expenses	$ 1,622	$ 1,544	$ 1,479
Less:			
O&M expenses — Market-Based Businesses	389	393	362
O&M expenses — Other	(25)	(31)	(42)
Total O&M expenses — Regulated Businesses	1,258	1,182	1,159
Less:			
Regulated purchased water expenses	149	135	133
Allocation of non-O&M expenses	41	31	31
Impact of Freedom Industries litigation settlement activities (i)	—	(4)	(20)
Adjusted O&M expenses — Regulated Businesses (a)	$ 1,068	$ 1,020	$ 1,015
Total operating revenues	$ 3,777	$ 3,610	$ 3,440
Less:			
Operating revenues — Market-Based Businesses	540	539	476
Operating revenues — Other	(18)	(23)	(20)
Total operating revenues — Regulated Businesses	3,255	3,094	2,984
Less:			
Regulated purchased water revenues (ii)	149	135	133
Other revenue	(7)	—	—
Adjusted operating revenues — Regulated Businesses (b)	$ 3,113	$ 2,959	$ 2,851
Adjusted O&M efficiency ratio — Regulated Businesses (a)/(b)	34.3%	34.5%	35.6%

(i) Includes the impact of a settlement in 2018 with one of our general liability insurance carriers, and a reduction in the first quarter of 2019 of a liability, each related to the Freedom Industries chemical spill in West Virginia.

(ii) The calculation assumes purchased water revenues approximate purchased water expenses in our regulated businesses.

B. Other Information Regarding Non-GAAP Financial Measures.

Our adjusted O&M efficiency ratio is defined as our O&M expenses from our regulated businesses, divided by the pro forma operating revenues from our regulated businesses, where both O&M expenses and pro forma operating revenues were adjusted to eliminate purchased water expense. Additionally, from operation and maintenance expenses, we excluded the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, that are reflected in our regulated businesses segment as O&M expenses, but for consolidated financial reporting purposes, are categorized within other line items in the accompanying Consolidated Statements of Operations.

In addition to the adjustments discussed above, for period-to-period comparability purposes, we have excluded from O&M expenses the impact of certain Freedom Industries chemical spill settlement activities in 2018 and 2019. We excluded the items discussed above from the calculation as we believe such items are not reflective of management's ability to increase the efficiency of our regulated businesses.

We evaluate our operating performance using this ratio and we believe it is useful to investors because it directly measures improvement in the operating performance and efficiency of our regulated businesses. This information is derived from our consolidated financial information but is not presented in our financial statements prepared in accordance with GAAP. The information supplements and should be read in conjunction with our GAAP disclosures, and should be considered in addition to, and not a substitute for, any GAAP measure. Our adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this proxy statement and the 2020 Form 10-K. Accordingly, this may have significant limitations on its use.

Demonstrating Leadership

SUSTAINABILITY

Ranked #9 on Corporate Knights' Global 100 Most Sustainable Companies

Ranked #15 on Barron's 100 Most Sustainable Companies

S&P Global Ratings ESG Evaluation, 87 out of 100, the highest evaluation score given by S&P in the U.S. and the 2nd highest globally

SUPPLIER DIVERSITY

Named One of America's Top Corporations by the Women's Business Enterprise National Council

DiversityPlus Magazine 2020 Best of the Best Champions of Diversity

Eastern Minority Supplier Development Council—2020 National Corporation of the Year Award

INCLUSION & DIVERSITY

Recognized among the Top 100 Best for Vets Employers by Military Times

Earned 2021 Military Friendly® Gold Employer designation

Earned 2021 Military Friendly® Spouse Employer designation

Included in the Bloomberg Gender Equality Index for the 3rd consecutive year

AMERICAN WATER

SAFETY, TRUST AND RELIABILITY

amwater.com

1 Water Street
Camden, NJ 08102-1658

MIX
Paper from responsible sources
FSC® C132107

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EXHIBIT D

CENTRAL DIVISION

Notice of Application

Para más información en cómo este cambio impactará su factura, llame al 888-237-1333.

NOTICE OF APPLICATION
California American Water's Request to increase its Cost of Capital
APPLICATION [A.XX-XX-XXX]

Why am I receiving this notice?
On May 3, 2021, California American Water filed its Cost of Capital Application (CoC) (A.XX-XX-XXX) with the California Public Utilities Commission (CPUC). In the application, California American Water is requesting an increase to its cost of capital, which is the rate of return the company is authorized to earn on its investments in critical infrastructure to deliver safe and reliable water and/or wastewater service. If approved by the CPUC, California American Water's total revenue requirement will increase by 2.61 percent or $7,305,000 annually.

If the CPUC approves this application, California American Water will recover forecasted costs in rates over a three-year period beginning January 1, 2022. This will impact your bill.

Why is California American Water requesting this increase to its cost of capital?

- Every three years California American Water is required to file a CoC application with the CPUC.
- The CoC application determines the cost of financing infrastructure and determines the allowed return on equity and debt. It also determines the amount of equity and debt used by California American Water.
- California American Water is requesting an increased rate of return on its financing to attract investment in infrastructure used to provide safe reliable water and wastewater service to its customers.

How could this affect my water bill?

If California American Water's proposed COC is approved by the CPUC, the typical bill impacts by customer class are outlined in the tables below for customers in the Central Division.

	AUTHORIZED REVENUE INCREASE	
	AMOUNT ($1,000)	%
Northern Division	$2,376	3.13%
Central Division	$2,401	3.18%
Southern Division	$2,491	2.00%
Monterey Wastewater	$36	1.00%
Total	$7,305	2.61%

Monterey Main Tariff Area (including service areas in cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, Seaside, Hidden Hills and Ryan Ranch subdivisions, Bishop subdivision and certain unincorporated areas in the County of Monterey)						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Single Family Residential	5/8 x 3/4"	38.44	$ 119.60	$ 3.80	$ 123.40	3.18%
Multifamily Residential	5/8 x 3/4"	184.00	$ 973.50	$ 30.91	$ 1,004.41	3.18%
Non-Residential - Division 1	1"	194.00	$ 639.93	$ 20.32	$ 660.25	3.18%
Non-Residential - Division 2	1"	194.00	$ 695.32	$ 22.08	$ 717.40	3.18%
Non-Residential - Division 3	1"	194.00	$ 750.71	$ 23.84	$ 774.55	3.18%
Non-Residential - Division 4	1"	194.00	$ 1,304.68	$ 41.42	$ 1,346.10	3.18%
Central Satellites Tariff Area (including service areas in Ambler, Toro, Ralph Lane, and Garrapata)						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	92.26	$ 122.38	$ 3.89	$ 126.26	3.18%
Commercial	2"	503.69	$ 857.17	$ 27.22	$ 884.39	3.18%
Public Authority	2"	413.92	$ 725.40	$ 23.03	$ 748.43	3.18%
Chualar Tariff Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	146.74	$ 42.59	$ -	$ 42.59	0.00%
Commercial	1"	82.91	$ 33.94	$ -	$ 33.94	0.00%
Public Authority	2"	581.22	$ 64.83	$ -	$ 64.83	0.00%

How does the rest of this process work?

This application will be assigned to a CPUC Administrative Law Judge who will consider proposals and evidence presented during the formal hearing process. The Administrative Law Judge will issue a proposed decision that may adopt California American Water's application, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision with a different outcome. The proposed decision, and any alternate decisions, will be discussed and voted upon by the CPUC Commissioners at a public CPUC Voting Meeting.

Parties to the proceeding are currently reviewing California American Water's application, including the Public Advocates Office, which is an independent consumer advocate within the CPUC that represents customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. For more information, regarding the Public Advocates Office please call 1-415-703-1584, email PublicAdvocatesOffice@cpuc.ca.gov, or visit PublicAdvocates.cpuc.ca.gov.

Where can I get more information?
Contact California American Water

Phone: 888 237-1333
Email: cawc.customeradvocacy@amwater.com
Mail: California American Water, 4701 Beloit Drive, Sacramento, CA 95838
A copy of the Application and any related documents may also be reviewed at https://www.amwater.com/caaw/Customer-Service-Billing/Water-Rates/GRC-Applications-and-Customer-Notifications

Contact CPUC

Please visit **cpuc.ca.gov/XXX** to submit a comment about this proceeding on the CPUC Docket Card. Here you can also view documents and other public comments related to this proceeding.

Your participation by providing your thoughts on California American Water's request can help the CPUC make an informed decision.

If you have questions about CPUC processes, you may contact the CPUC's Public Advisor's Office at:

Phone: **1-866-849-8390** (toll-free) or **1-415-703-2074**
Email: Public.Advisor@cpuc.ca.gov
Mail: CPUC Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Please reference **Application A.XX-XX-XXX** in any communications you have with the CPUC regarding this matter.

MONTEREY WW

Notice of Application

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If the CPUC approves this application, California American Water will recover forecasted costs in rates over a three-year period beginning January 1, 2022. This will impact your bill.

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- The CoC application determines the cost of financing infrastructure and determines the allowed return on equity and debt. It also determines the amount of equity and debt used by California American Water.
- California American Water is requesting an increased rate of return on its financing to attract investment in infrastructure used to provide safe reliable water and wastewater service to its customers.

How could this affect my water bill?

If California American Water's proposed COC is approved by the CPUC, the typical bill impacts by customer class are outlined in the tables below for customers in the Monterey Wastewater Division.

	AUTHORIZED REVENUE INCREASE	
	AMOUNT ($1,000)	%
Northern Division	$2,376	3.13%
Central Division	$2,401	3.18%
Southern Division	$2,491	2.00%
Monterey Wastewater	$36	1.00%
Total	$7,305	2.61%

Monterey Wastewater - Active Sewer Service (including service areas in Las Palmas, Pasadera, Carmel Valley Ranch and Indian Springs)				
CUSTOMER CLASS	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	$ 137.35	$ 1.07	$ 138.41	0.78%
Small Commercial	$ 137.35	$ 1.07	$ 138.41	0.78%
School	$ 693.20	$ 5.39	$ 698.59	0.78%
Small Office Park	$ 832.19	$ 6.47	$ 838.66	0.78%
Golf Course	$ 554.26	$ 4.31	$ 558.57	0.78%
Hotel	$ 20,008.06	$ 155.55	$ 20,163.61	0.78%
SPCA	$ 3,472.29	$ 27.00	$ 3,499.29	0.78%
Monterey Wastewater - Passive Sewer Service (including service areas in White Oaks, Spreckels, Village Green and Oak Hills)				
CUSTOMER CLASS	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	$ 62.31	$ 0.14	$ 62.44	0.22%
Small Commercial	$ 62.31	$ 0.14	$ 62.44	0.22%
School	$ 92.81	$ 0.20	$ 93.01	0.22%
Large Commercial	$ 123.34	$ 0.27	$ 123.61	0.22%
Industrial	$ 367.49	$ 0.81	$ 368.30	0.22%

How does the rest of this process work?

This application will be assigned to a CPUC Administrative Law Judge who will consider proposals and evidence presented during the formal hearing process. The Administrative Law Judge will issue a proposed decision that may adopt California American Water's application, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision with a different outcome. The proposed decision, and any alternate decisions, will be discussed and voted upon by the CPUC Commissioners at a public CPUC Voting Meeting.

Parties to the proceeding are currently reviewing California American Water's application, including the Public Advocates Office, which is an independent consumer advocate within the CPUC that represents customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. For more information, regarding the Public Advocates Office please call 1-415-703-1584, email PublicAdvocatesOffice@cpuc.ca.gov, or visit PublicAdvocates.cpuc.ca.gov.

Where can I get more information?

Contact California American Water

Phone: 888 237-1333

Email: cawc.customeradvocacy@amwater.com

Mail: California American Water, 4701 Beloit Drive, Sacramento, CA 95838

A copy of the Application and any related documents may also be reviewed at https://www.amwater.com/caaw/Customer-Service-Billing/Water-Rates/GRC-Applications-and-Customer-Notifications

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Email: Public.Advisor@cpuc.ca.gov
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505 Van Ness Avenue
San Francisco, CA 94102

Please reference **Application A.XX-XX-XXX** in any communications you have with the CPUC regarding this matter.

NORTHERN DIVISION

Notice of Application

Para más información en cómo este cambio impactará su factura, llame al 888-237-1333.

NOTICE OF APPLICATION
California American Water's Request to increase its Cost of Capital
APPLICATION [A.XX-XX-XXX]

Why am I receiving this notice?
On May 3, 2021, California American Water filed its Cost of Capital Application (CoC) (A.XX-XX-XXX) with the California Public Utilities Commission (CPUC). In the application, California American Water is requesting a increase to its cost of capital, which is the rate of return the company is authorized to earn on its investments in critical infrastructure to deliver safe and reliable water and/or wastewater service. If approved by the CPUC, California American Water's total revenue requirement will increase by 2.61 percent or $7,305,000 annually.

If the CPUC approves this application, California American Water will recover forecasted costs in rates over a three-year period beginning January 1, 2022. This will impact your bill.

Why is California American Water requesting this increase to its cost of capital?

- Every three years California American Water is required to file a CoC application with the CPUC.
- The CoC application determines the cost of financing infrastructure and determines the allowed return on equity and debt. It also determines the amount of equity and debt used by California American Water.
- California American Water is requesting an increased rate of return on its financing to attract investment in infrastructure used to provide safe reliable water and wastewater service to its customers.

How could this affect my water bill?

If California American Water's proposed COC is approved by the CPUC, the typical bill impacts by customer class are outlined in the tables below for customers in the Northern Division.

	AUTHORIZED REVENUE INCREASE	
	AMOUNT ($1,000)	%
Northern Division	$2,376	3.13%
Central Division	$2,401	3.18%
Southern Division	$2,491	2.00%
Monterey Wastewater	$36	1.00%
Total	$7,305	2.61%

Sacramento Tariff Area (including service areas in Sacramento County, Geyserville, and Dunnigan)						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8	83.94	$ 63.92	$ 2.21	$ 66.13	3.45%
Commercial	2	503.21	$ 442.28	$ 15.26	$ 457.54	3.45%
Industrial	8	133,083.86	$ 77,081.07	$ 2,660.18	$ 79,741.25	3.45%
Public Authority	2	1,594.23	$ 1,061.46	$ 36.63	$ 1,098.09	3.45%
Larkfield District						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8	64.52	$ 79.61	$ -	$ 79.61	0%
Commercial	5/8	232.36	$ 239.62	$ -	$ 239.62	0%
Public Authority	2	679.04	$ 790.60	$ -	$ 790.60	0%
Meadowbrook Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8	126.82	$ 62.17	$ 2.15	$ 64.31	3.45%
Commercial	5/8	933.47	$ 311.86	$ 10.76	$ 322.63	3.45%
Fruitridge Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential - metered	1	99.40	$ 63.95	$ -	$ 63.95	0%
Residential - flat rate	Flat	99.40	$ 56.07	$ -	$ 56.07	0%
Commercial	1-1/2	218.41	$ 130.73	$ -	$ 130.73	0%
Industrial	3	4,002.15	$ 1,138.34	$ -	$ 1,138.34	0%
Hillview Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	3/4	61.00	$ 67.39	$ 2.33	$ 69.71	3.45%
Commercial	3/4	111.32	$ 91.87	$ 3.17	$ 95.04	3.45%
Industrial	2	908.19	$ 621.25	$ 21.44	$ 642.69	3.45%
Dunnigan Wastewater Service						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	Flat	N/A	$ 37.79	$ 1.30	$ 39.09	3.45%
Commercial	Flat	N/A	$ 37.79	$ 1.30	$ 39.09	3.45%

How does the rest of this process work?
This application will be assigned to a CPUC Administrative Law Judge who will consider proposals and evidence presented during the formal hearing process. The Administrative Law Judge will issue a proposed decision that may adopt California American Water's application, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision with a different outcome. The proposed decision, and any alternate decisions, will be discussed and voted upon by the CPUC Commissioners at a public CPUC Voting Meeting.

Parties to the proceeding are currently reviewing California American Water's application, including the Public Advocates Office, which is an independent consumer advocate within the CPUC that represents customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. For more information, regarding the Public Advocates Office please call 1-415-703-1584, email PublicAdvocatesOffice@cpuc.ca.gov, or visit PublicAdvocates.cpuc.ca.gov.

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SOUTHERN DIVISION

Notice of Application

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How could this affect my water bill?

If California American Water's proposed COC is approved by the CPUC, the typical bill impacts by customer class are outlined in the tables below for customers in the Southern Division.

	AUTHORIZED REVENUE INCREASE	
	AMOUNT ($1,000)	%
Northern Division	$2,376	3.13%
Central Division	$2,401	3.18%
Southern Division	$2,491	2.00%
Monterey Wastewater	$36	1.00%
Total	$7,305	2.61%

Los Angeles - Duarte Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	117.82	$ 92.94	$ 1.85	$ 94.80	2.00%
Commercial	2"	673.88	$ 677.37	$ 13.51	$ 690.88	2.00%
Industrial	2"	699.96	$ 698.21	$ 13.93	$ 712.14	2.00%
Public Authority	2"	751.19	$ 739.16	$ 14.75	$ 753.91	2.00%
Los Angeles - Baldwin Hills Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	100.72	$ 85.38	$ 1.70	$ 87.08	2.00%
Commercial	1"	229.35	$ 207.75	$ 4.14	$ 211.89	2.00%
Industrial	4"	4,142.69	$ 3,375.75	$ 67.35	$ 3,443.09	2.00%
Public Authority	2"	890.42	$ 771.97	$ 15.40	$ 787.37	2.00%
Los Angeles - San Marino Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	139.75	$ 106.05	$ 2.12	$ 108.17	2.00%
Commercial	5/8 x 3/4"	409.30	$ 346.15	$ 6.91	$ 353.05	2.00%
Industrial	2"	604.92	$ 622.24	$ 12.41	$ 634.65	2.00%
Public Authority	2"	574.76	$ 598.13	$ 11.93	$ 610.06	2.00%
San Diego Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	65.49	$ 83.89	$ 1.67	$ 85.57	2.00%
Commercial	5/8 x 3/4"	480.52	$ 538.05	$ 10.73	$ 548.79	2.00%
Public Authority	2"	968.34	$ 1,184.74	$ 23.64	$ 1,208.38	2.00%
Ventura Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	5/8 x 3/4"	120.31	$ 116.59	$ 2.33	$ 118.91	2.00%
Commercial	2"	729.61	$ 801.14	$ 15.98	$ 817.12	2.00%
Industrial	2"	2,148.86	$ 2,089.70	$ 41.69	$ 2,131.40	2.00%
Public Authority	2"	1,251.37	$ 1,274.85	$ 25.43	$ 1,300.29	2.00%
Rio Plaza Service Area						
CUSTOMER CLASS	Typical Meter Size (inches)	Average Monthly Usage (CGL)	2022 Projected Bill @ current COC	$ Increase	2022 Projected Bill @ proposed COC	% Increase
Residential	3/4"	98.66	$ 84.22	$ 1.68	$ 85.90	2.00%
Commercial	1"	1794.20	$ 1,449.91	$ 28.93	$ 1,478.84	2.00%

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