



## SEC Filings

8-K

American Water Works Company, Inc. filed this Form 8-K on 02/26/09

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 8-K**

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**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): February 20, 2009**

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**American Water Works Company, Inc.**  
(Exact name of registrant as specified in its charter)

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**Commission File Number: 001-34028**

**Delaware**  
(State or other jurisdiction  
of incorporation)

**51-0063696**  
(IRS Employer  
Identification No.)

**1025 Laurel Oak Road**  
**Voorhees, NJ 08043**  
(Address of principal executive offices, including zip code)

**(856) 346-8200**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02(f) Departure of Directors or Principal Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.***Overview*

On February 20, 2009, the board of directors (the “Board”) of American Water Works Company, Inc. (the “Company”) approved payouts under the Company’s 2008 annual incentive plan and the amounts of the first grant of performance-based stock options and restricted stock units granted under the Company’s Omnibus Equity Compensation Plan (the “Omnibus Plan”) in connection with our initial public offering that performance-vested, in each case with respect to each of the Company’s executive officers named in the compensation-related tables for 2008 (collectively, the “named executive officers”) set forth in the Company’s Registration Statement on Form S-1 (Registration No. 333-156747), as amended at the time it became effective on January 30, 2009 (the “Registration Statement”), and the related final prospectus (the “Prospectus”) filed by the Company with the Securities and Exchange Commission on February 2, 2009. Such tables did not reflect such payouts and amounts because, at the time the Registration Statement became effective and the Prospectus was filed (such time, the “Effective Time”), certain 2008 performance results had not yet been determined. Furthermore, the tables in the Registration Statement and Prospectus did not include final values of certain payments and accounting costs that were calculated, in whole or in part, based on 2008 payout levels under the annual incentive plan or performance-vesting results for the first grant of equity awards granted in connection with our initial public offering.

The Board has also approved amendments to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Work Company, Inc. and its Designated Subsidiaries (the “Employee Deferred Compensation Plan”) and the Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc. (the “Director Deferred Compensation Plan”), adopted the Company’s 2009 annual incentive plan and granted equity awards under the Omnibus Plan.

The following is a description of the information relating to the 2008 compensation of our named executive officers that was not available at the Effective Time, as well as the 2009 annual incentive plan, the amendments to the deferred compensation plans and the equity award grants. Capitalized terms used but not defined herein have the meanings ascribed to them in the Registration Statement and Prospectus.

*2008 Annual Incentive Awards*

Payout levels for 2008 performance under the annual incentive plan for the named executive officers were not included in the Registration Statement and Prospectus because the results of the financial, operational and individual components used to determine payouts had not yet been determined as of the Effective Time. The 2008 Company operating income result (as adjusted as described in the Registration Statement and Prospectus) has now been determined to be \$596,106,535 and the 2008 regional operating income results (as adjusted as described in the Registration Statement and Prospectus) have now been determined to be \$416,356,436 for the Eastern Division (on which Walter J. Lynch’s divisional financial component was based), \$119,694,973 for the Central Region (on which 50% of Terry L. Gloriod’s regional/divisional financial component was based) and \$143,073,687 for the Western Division (on which the other 50% of Mr. Gloriod’s regional/financial component was based), producing payouts for these financial components of 81%, 115%, 0% and 0% of target, respectively.

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For the operational component for the 2008 annual incentive plan, the results for the Eastern Division (on which Mr. Lynch's operational component was based) have been determined to be 70%, 82%, 8 and 7.69 for customer satisfaction, customer service quality, environmental and safety, respectively, producing payouts for these components of 0%, 105%, 100% and 120% of target, respectively; the results for the Central Region (on which 50% of Mr. Gloriod's operational component was based) have been determined to be 70%, 84%, 9.22 and 5 for customer satisfaction, customer service quality, environmental and safety, respectively, producing payouts for these components of 0%, 120%, 30% and 120% of target, respectively; and the results for the Western Division (on which the other 50% of Mr. Gloriod's operational component was based) have been determined to be 70%, 84%, 9 and 9.2 for customer satisfaction, customer service quality, environmental and safety, respectively, producing payouts for these components of 0%, 120%, 0% and 110% of target, respectively.

As described in the Registration Statement and Prospectus, Donald C. Correll's four primary individual measures for the annual incentive plan were (1) lead and drive the American Water management team to deliver performance and ensure compliance with the utility construction program budget in accordance with the 2008 business plan, and ensure that non-financial targets are also promoted, communicated and given adequate priority and management attention (weighted at 35%), (2) lead and manage critical activities associated with the RWE Divestiture, including regulatory, financial reporting, financing and public information/relations activities, and work collaboratively with the Chief Financial Officer of RWE and the Chairman of our board of directors to implement appropriate corporate governance for a United States publicly traded corporation (weighted at 25%), (3) reestablish and manage critical relationships with key stakeholders to ensure that the business is well-placed to influence and be regarded as the industry leader by key decision makers and continue to implement a business development and growth culture to ensure long-term investment and growth prospects for the future of the enterprise and to support positioning of the initial public offering (weighted at 20%) and (4) lead and support the American Water management team to investigate and implement (consistent with the framework established for the RWE Divestiture) creative solutions and programs to enable the business to build its competitiveness and to be viewed as an industry leader in the pre- and post-initial public offering business environment (weighted at 20%). Mr. Correll's performance results for the four measures were 95%, 100%, 105% and 105%, respectively, and his overall individual rating was 100%.

Ellen C. Wolf's four primary individual measures were (1) lead and drive successful achievement of the 2008 business plan, ensure that rate cases are accurate and filed in a timely manner, complete the redesign of the tax department, enable successful achievement of growth through business development, conduct a complete audit of the 2007 financial statements of the Company and its subsidiaries and complete all required financial disclosure for filings with the Securities and Exchange Commission (weighted at 30%), (2) achieve the level of compliance required under the Sarbanes-Oxley Act of 2002 with no material weaknesses identified, review current processes and simplify them if appropriate, ensure that monthly financial reporting processes are completed in a timely and accurate manner, redesign information technology processes and enhancements, ensure that all Securities and Exchange Commission reporting requirements are met and enhance the enterprise risk management for the Company (weighted at 30%), (3) ensure that the shared services and information technology departments have appropriate service level agreements with the business, maintain a team atmosphere among management and focus investor relations efforts on the appropriate investor classes to ensure a proper allocation between retail and institutional investors in connection with our initial public offering (weighted at 20%) and (4) continue to develop the finance team in terms of knowledge of the water industry, rate cases and requirements and Securities and Exchange Commission responsibilities, continue to enhance the quality of the information technology department, reassess organizational

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design to ensure compliance with the Sarbanes-Oxley Act of 2002, continue to improve the quality of personnel and continue to implement the review of individual roles and responsibilities (weighted at 20%). Ms. Wolf's performance results for the four measures were 115%, 115%, 95% and 110%, respectively, and her overall individual rating was 110%.

John S. Young's four primary individual measures were (1) meet and exceed 2008 business plan financial commitments and enhance the value of capital expenditures through improved governance, financial controls and project management timing (weighted at 30%), (2) create a framework and culture of performance through business performance reviews, enhance process performance, operational integrity and excellence through continued improvement in capital project delivery, achieve improved efficiencies, value and competitiveness in both our Regulated Businesses and our Non-Regulated Businesses through the development and review of commercial opportunities and performance reviews of major projects (weighted at 20%), (3) enhance and improve the level of customer service and the performance at customer call centers, enhance brand recognition, operational integrity and excellence through continued improvement in environmental management, develop a growth strategy and provide a customer interface to support growth initiatives (weighted at 30%) and (4) act as ambassador and coach for important Company culture change initiatives and be visible and proactive in promoting leadership throughout the Company and enhance operational integrity and excellence through continued improvement in operational risk management (weighted at 20%). Mr. Young's performance results for the four measures were 95%, 100%, 105% and 100%, respectively, and his overall individual rating was 100%.

Mr. Lynch's four primary individual measures were (1) meet and exceed 2008 business plan financial commitments, process rate cases in a timely and effective manner to achieve planned outcomes and enhance the value of capital expenditures through improved governance, financial controls and project management timing (weighted at 30%), (2) create a framework and culture of performance in the Eastern Division through business performance reviews, enhance process performance, operational integrity and excellence through continued improvement in capital project delivery, achieve improved efficiencies, value and competitiveness through the development and review of business development opportunities (weighted at 20%), (3) enhance and improve the level of customer service in the Eastern Division, enhance brand recognition, operational integrity and excellence through continued improvement in environmental management and develop and implement a growth strategy to achieve the business plan growth target (weighted at 30%), and (4) act as ambassador and coach for important Company and Eastern Division culture change initiatives, be visible and proactive in promoting leadership throughout the Company and the Eastern Division and achieve continued improvement in operational risk management (weighted at 20%). Mr. Lynch's performance results for the four measures were 110%, 105%, 110% and 115%, respectively, and his overall individual rating was 110%.

Mr. Gloriod's four primary individual measures were (1) meet and exceed 2008 business plan financial commitments, enhance the value of capital expenditures through improved governance, financial controls and project management timing, and develop a growth strategy and provide customer interface to support growth initiatives (weighted at 30%), (2) create a framework and culture of performance through business performance reviews, enhance process performance, operational integrity and excellence through continued improvement in capital project delivery, achieve improved efficiencies, value and competitiveness in both our Regulated Businesses and our Non-Regulated Businesses through the development and review of commercial opportunities and performance reviews of major projects (weighted at 25%), (3) enhance and improve the level of customer service at the customer call centers and enhance brand recognition, operational integrity and excellence through continued improvement in environment management (weighted at 25%) and (4) act as ambassador and coach for important

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Company culture change initiatives, be visible and proactive in promoting leadership throughout the Company and achieve continued improvement in operational risk management (weighted at 20%). Mr. Gloriod's performance results for the four measures were 73%, 84%, 96% and 90%, respectively, and his overall individual rating was 85%.

The amounts of annual incentive plan payouts for 2008 made to the named executive officers are set forth in the table below entitled "2008 Summary Compensation Table".

*Omnibus Equity Compensation Plan Awards*

Performance-vesting results for the first grant of performance-based stock options and restricted stock units granted under the Omnibus Plan in connection with our initial public offering, and certain accounting costs associated with both the first and second grants of performance-based stock options and restricted stock units granted under the Omnibus Plan in connection with our initial public offering, were not included in the Registration Statement and Prospectus because the Company's 2008 audited net income, on which such results and costs were partly based, had not yet been determined as of the Effective Time. The Company's actual audited net income for 2008 (as adjusted as described in the Registration Statement and Prospectus) has now been determined to be \$194,834,000. Consequently, the sum of the Company's actual audited net income for 2007 (as adjusted as described in the Registration Statement and Prospectus), which was \$140,700,000, and the Company's actual audited net income for 2008 (as adjusted as described in the Registration Statement and Prospectus) is \$335,534,000, which is 97.56% of the sum of the Company's actual audited net income for 2007 (as adjusted as described in the Registration Statement and Prospectus) and the Company's target net income for 2008 (as adjusted as described in the Registration Statement and Prospectus) at the time of the initial public offering, resulting in performance-vesting of 90.85% of each named executive officer's target number of the first grant of stock options and restricted stock units based on the payout curve used for the plan. As described in the Registration Statement and Prospectus, the first grant of awards will remain subject to time-vesting conditions through January 1, 2010. The second grant of awards will performance-vest based on 2008 and 2009 audited net income and will remain subject to time-vesting conditions through January 1, 2011.

The 2008 compensation costs for the option and stock awards held by the named executive officers in 2008 are set forth in the table below entitled "2008 Summary Compensation Table", and the numbers of the first grant of option and stock awards that performance-vested are set forth in the table below entitled "2008 Outstanding Equity Awards at Fiscal Year-End".

*Updates to Tables from the Registration Statement and Prospectus*

The tables set forth below were included in the Registration Statement and Prospectus, but they have been updated to include information that was not calculable as of the Effective Time. New numbers have been indicated by *italics*.

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## 2008 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus \$(6)	Stock Awards \$(7)	Option Awards \$(8)	Non-Equity Incentive Plan Compensation \$(9)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(10)	All Other Compensation \$(11)	Total (\$)
<i>Donald L. Correll</i> President and Chief Executive Officer(1)	2008	\$582,211	\$339,900	\$ 147,480	\$ 230,941	\$ 1,351,092	\$ —	\$ 352,178	\$ 3,003,802
	2007	\$562,059	\$ —	\$ —	\$ —	\$ 457,415	\$ —	\$ 82,843	\$ 1,102,317
<i>Ellen C. Wolf</i> Senior Vice President and Chief Financial Officer(2)	2008	\$475,558	\$278,100	\$ 101,131	\$ 164,537	\$ 910,950	\$ 8,650	\$ 106,403	\$ 2,045,329
	2007	\$459,865	\$ —	\$ —	\$ —	\$ 238,587	\$ —	\$ 66,578	\$ 765,030
<i>John S. Young</i> President, American Water Services and President, American Water Works Service Company(3)	2008	\$422,961	\$247,200	\$ 89,892	\$ 146,256	\$ 769,218	\$ 550,153	\$ 17,481	\$ 2,243,161
	2007	\$408,771	\$ —	\$ 226,486	\$ —	\$ 206,927	\$ 208,700	\$ 26,183	\$ 1,077,067
<i>Walter J. Lynch</i> President of Regulated Operations(4)	2008	\$394,346	\$131,250	\$ 43,228	\$ 63,826	\$ 557,850	\$ 68,437	\$ 15,743	\$ 1,274,680
	2007	\$318,769	\$ —	\$ 209,911	\$ —	\$ 138,698	\$ 22,197	\$ 17,761	\$ 707,336
<i>Terry L. Gloriod</i> President, Missouri American Water Company(5)	2008	\$323,942	\$118,875	\$ 27,062	\$ 44,034	\$ 439,847	\$ 484,907	\$ 16,161	\$ 1,454,828

- (1) Mr. Correll has served as our President and Chief Executive Officer since April 17, 2006.
- (2) Ms. Wolf has served as our Senior Vice President and Chief Financial Officer since March 1, 2006.
- (3) Mr. Young has served as the President of American Water Services since July 28, 2008 and the President of American Water Works Service Company since February 1, 2006 (Mr. Young was our Chief Operating Officer from October 1, 2005 to July 27, 2008).
- (4) Mr. Lynch has served as our President of Regulated Operations since July 28, 2008 (prior to that date Mr. Lynch was Executive Vice President, Eastern Division).
- (5) Mr. Gloriod has served as President of Missouri American Water Company since July 1, 2008 (prior to that date Mr. Gloriod was President of the Central Region).
- (6) The amounts shown in this column represent the discretionary portion of the completion bonus payable to each named executive officer in connection with our initial public offering. This portion was payable at the discretion of RWE, based on each executive's leadership and support in positively marketing the business and preparing for our initial public offering, and therefore is considered a bonus award disclosable in this column pursuant to rules of the Securities and Exchange Commission. The other portion of each named executive officer's completion bonus, which was equal to 50%

of each named executive officer's base salary, was payable based solely on the consummation of the initial public offering, and therefore is considered a plan-based award pursuant to rules of the Securities and Exchange Commission and is disclosed in the "Non-Equity Incentive Plan Compensation" column.

- (7) The amounts shown in the 2007 rows under this column reflect awards granted by RWE to our named executive officers under the Beat program in prior years: 2004 Thames Water/RWE long-term incentive awards and 2005-2007 RWE long-term incentive awards, both of which were payable based on the performance of RWE. The values in the table for the 2004 Thames Water/RWE long-term incentive awards and for the 2005-2007 RWE long-term incentive awards reflect the Company's 2007 compensation cost for such awards computed in accordance with Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment" ("SFAS 123(R)"). The amounts shown in the 2008 rows under this column reflect the performance-based restricted stock unit awards granted to the named executive officers in connection with our initial public offering. The amounts disclosed represent the Company's 2008 compensation cost recorded in our financial statements for such awards in accordance with SFAS 123(R). Compensation cost for stock awards is recorded ratably over the vesting period using the grant-date fair values. In addition, compensation cost for performance-based awards is evaluated at the end of each reporting period and may be adjusted for changes in performance. A portion of the compensation cost related to the restricted stock unit awards was recorded in 2007, in connection with contingent cash awards that would have been payable to the named executive officers in lieu of the restricted stock unit awards had the initial public offering not occurred by December 31, 2009. See Note 4—Stockholders' Equity in the notes to the Company's unaudited consolidated financial statements in the Registration Statement and Prospectus for the assumptions that were made in determining SFAS 123(R) values of the performance-based restricted stock unit awards. Pursuant to Securities and Exchange Commission rules, the amounts disclosed for stock awards must exclude the impact of estimated forfeitures related to service-based vesting conditions. There were no forfeitures of stock awards by the named executive officers during 2007 or 2008. For further information about these awards, see "—Compensation Discussion and Analysis—Omnibus Equity Compensation Plan" in the Registration Statement and Prospectus.

- (8) The amounts shown in the 2008 rows under this column reflect the performance-based stock options granted to the named executive officers in connection with our initial public offering. The amounts disclosed represent the Company's 2008 compensation cost recorded in our financial statements for such awards in accordance with SFAS 123(R). Compensation cost for option awards is recorded ratably over the vesting period using the grant-date fair values as determined by the Black-Scholes Option Pricing model. In addition, compensation cost for performance-based awards is evaluated at the end of each reporting period and may be adjusted for changes in performance. See Note 4—Stockholders' Equity in the notes to the Company's unaudited consolidated financial statements in the Registration Statement and Prospectus for the assumptions that were made in determining SFAS 123(R) values of the performance-based stock options. Pursuant to Securities and Exchange Commission rules, the amounts disclosed for option awards must exclude the impact of estimated forfeitures related to service-based vesting conditions. There were no forfeitures of option awards by the named executive officers during 2008. For further information about these awards, see "—Compensation Discussion and Analysis—Omnibus Equity Compensation Plan" in the Registration Statement and Prospectus.
- (9) The amounts shown in this column for 2007 represent payments for 2007 performance under our annual incentive plan made in March 2008. The amounts shown in this column for 2008 represent (i) the portion of each named executive officer's completion bonus equal to 50% of base salary, which was payable based solely on the consummation of our initial public offering (see footnote (6) above), (ii) retention bonuses paid to the named executive officers in connection with our initial public offering and (iii) payments for 2008 performance under our annual incentive plan to be made in March 2009. For further information on the completion and retention bonuses and the annual incentive plan, see "—Compensation Discussion and Analysis" in the Registration Statement and Prospectus.
- (10) The amounts shown in this column for 2007 and 2008 reflect the aggregate changes in the actuarial present values of the named executive officers' accumulated benefits under our qualified and nonqualified defined benefit pension plans from the pension plan measurement date used for our audited financial statements for 2006 or 2007, respectively, to the pension plan measurement date used for our audited financial statements for 2007 or 2008, respectively. For further information on the pension plans, see "—2008 Pension Benefits" in the Registration Statement and Prospectus. Because there were no above-market earnings on the named executive officers' deferred compensation in 2007 or 2008, no amounts of deferred compensation are required to be shown in this column, pursuant to rules of the Securities and Exchange Commission.
- (11) The following table shows the components of the amounts listed in the 2008 "All Other Compensation" column for each named executive officer:

Name	Company 401(k)		Company	Executive	Gross Up						Total
	Match	401(k) Defined Contribution Account	Contributions to Deferred Compensation Plan	Physicals and Associated Travel	Vehicle Allowance	Housing Allowance	for Taxes on Housing Allowance	Company-Paid Life Insurance Premiums	Other Perquisites		
	(\$)	\$(a)	\$(b)	(\$)	(\$)	(\$)	(\$)	(\$)	\$(c)	(\$)	
Donald L. Correll	\$ 9,200	\$ 12,075	\$ 112,615	\$ 6,587	\$ 18,000	\$ 100,000	\$ 90,000	\$ 480	\$ 3,221	\$ 352,178	
Ellen C. Wolf	\$ 9,200	\$ 12,075	\$ 65,984	\$ 2,557	\$ 14,400	\$ —	\$ —	\$ 480	\$ 1,707	\$ 106,403	
John S. Young	\$ 2,577	\$ —	\$ 4,824	\$ —	\$ 9,600	\$ —	\$ —	\$ 480	\$ —	\$ 17,481	
Walter J. Lynch	\$ 2,154	\$ —	\$ 4,109	\$ —	\$ 9,000	\$ —	\$ —	\$ 480	\$ —	\$ 15,743	
Terry L. Gloriod	\$ 4,932	\$ —	\$ 2,349	\$ —	\$ 8,400	\$ —	\$ —	\$ 480	\$ —	\$ 16,161	

- (a) The Defined Contribution Account is an account in our 401(k) plan to which American Water contributes 5.25% of each eligible employee's total cash compensation (which includes base pay and annual incentive plan payouts), subject to limits on compensation that may be taken into account pursuant to Section 401(a)(17) of the Internal Revenue Code. Only employees hired on or after January 1, 2006 are eligible for this contribution.
- (b) The amounts in this column represent matching and other annual contributions that the Company has made to the named executive officers' accounts in our deferred compensation plan. For further information on this plan, please see "—2008 Nonqualified Deferred Compensation" below.
- (c) The amounts in this column represent costs associated with travel by spouses of the named executive officers to business events. In addition, the Company maintains season tickets for certain sporting events for the purpose of business entertainment. On one occasion in 2008, Mr. Correll's family members made personal use of such tickets at no incremental cost to the Company.

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## 2008 Outstanding Equity Awards at Fiscal Year-End

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)(2)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)(5)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (#)(6)
Donald L. Correll	4/22/08 (first grant)	80,073	—	\$21.50	12/31/13	10,155	\$ 212,036	—	—
	4/22/08 (second grant)	—	120,247	\$21.50	12/31/14	—	—	15,809	\$ 330,092
Ellen C. Wolf	4/22/08 (first grant)	62,785	—	\$21.50	12/31/13	7,963	\$ 166,267	—	—
	4/22/08 (second grant)	—	75,428	\$21.50	12/31/14	—	—	9,917	\$ 207,067
John S. Young	4/22/08 (first grant)	55,809	—	\$21.50	12/31/13	7,078	\$ 147,789	—	—
	4/22/08 (second grant)	—	67,047	\$21.50	12/31/14	—	—	8,815	\$ 184,057
Walter J. Lynch	4/22/08 (first grant)	18,552	—	\$21.50	12/31/13	2,353	\$ 49,131	—	—
	4/22/08 (second grant)	—	39,623	\$21.50	12/31/14	—	—	5,209	\$ 108,764
Terry L. Gloriod	4/22/08 (first grant)	16,803	—	\$21.50	12/31/13	2,131	\$ 44,495	—	—
	4/22/08 (second grant)	—	20,186	\$21.50	12/31/14	—	—	2,654	\$ 55,416

(1) This column represents performance-based stock options granted in connection with our initial public offering that have performance-vested based on the Company's 2007 and 2008 audited net income, as described under "—Compensation Discussion and Analysis—Omnibus Equity Compensation Plan" in the Registration Statement and Prospectus and above. The awards disclosed in this column will time-vest on January 1, 2010, subject to continued employment through such date.

- (2) This column represents performance-based stock options granted in connection with our initial public offering that will performance-vest based on the Company's 2008 and 2009 audited net income, as described under "—Compensation Discussion and Analysis—Omnibus Equity Compensation Plan" in the Registration Statement and Prospectus, and that will time-vest on January 1, 2011, subject to continued employment through such date. Since the performance period for such awards is ongoing, the numbers of shares disclosed represent the target numbers that will vest.
- (3) This column represents performance-based restricted stock units granted in connection with our initial public offering that have performance-vested based on the Company's 2007 and 2008 audited net income, as described under

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“— Compensation Discussion and Analysis—Omnibus Equity Compensation Plan” in the Registration Statement and Prospectus and above. The awards disclosed in this column will time-vest on January 1, 2010, subject to continued employment through such date.

- (4) This column represents the market values of the awards disclosed in the previous column based on the closing price of the Company’s common stock on the NYSE on December 31, 2008, which was \$20.88.
- (5) This column represents performance-based restricted stock units granted in connection with our initial public offering that will performance-vest based on the Company’s 2008 and 2009 audited net income, as described under “— Compensation Discussion and Analysis—Omnibus Equity Compensation Plan” in the Registration Statement and Prospectus, and that will time-vest on January 1, 2011, subject to continued employment through such date. Since the performance period for such awards is ongoing, the numbers of shares disclosed represent the target numbers that will vest.
- (6) This column represents the market values of the awards disclosed in the previous column based on the closing price of the Company’s common stock on the NYSE on December 31, 2008, which was \$20.88.

### 2008 Nonqualified Deferred Compensation(1)

Name	Executive	Registrant	Aggregate	Aggregate
	Contributions	Contributions	Earnings	Balance
	in Last Fiscal	in Last Fiscal	in Last Fiscal	at Last Fiscal
	Year	Year	Year	Year End
	(\$)(2)	(\$)(3)	(\$)	(\$)(4)
Donald L. Correll	\$ 158,002	\$ 112,615	\$ (28,364)	\$ 296,879
Ellen C. Wolf	\$ 34,347	\$ 65,984	\$ 364	\$ 146,814
John S. Young	\$ 20,356	\$ 4,824	\$ (6,894)	\$ 27,662
Walter J. Lynch	\$ 80,208	\$ 4,109	\$ (7,697)	\$ 80,520
Terry L. Gloriod	\$ 142,103	\$ 2,349	\$ (3,981)	\$ 144,962

- (1) All the named executive officers participate in the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries. Different groups of employees participate in different portions of our deferred compensation plan. For the named executive officers, the deferred compensation plan permits the deferral of up to 20% of base salary and up to 100% of bonus each year on a tax-favored basis. It also provides for annual matching contributions determined by the following formula for named executive officers hired on or after January 1, 2006 (Mr. Correll and Ms. Wolf): (a) the sum of (i) 100% of a participant’s voluntary deferrals for the year, up to a maximum of 3% of the sum of the participant’s base salary and bonus and (ii) 50% of a participant’s voluntary deferrals for the year, up to a maximum of the next 2% of the sum of the participant’s base salary and bonus, less (b) the maximum amount of matching contributions that the participant is eligible to receive under the 401(k) plan for the year. For named executive officers hired before January 1, 2006 (Mr. Young, Mr. Lynch and Mr. Gloriod), the matching contribution formula is: (a) 50% of a participant’s base salary deferrals for the year, up to a maximum of 5% of the participant’s base salary, less (b) the maximum amount of matching contributions that the participant is eligible to receive under the 401(k) plan for the year. In addition, the Company makes additional annual contributions for named executive officers hired on or after January 1, 2006, equal to the sum of (a) 5.25% of the participant’s base salary in excess of the dollar limitation in effect under Section 401(a)(17) of the Internal Revenue Code with respect to the year and (b) 5.25% of the participant’s bonus. The Company also made a one-time contribution to the accounts of named executive officers hired on or after January 1, 2006, equal in value to the amount of the Company contribution that would have been contributed to the plan pursuant to the formula in the preceding sentence for the period between the later of January 1, 2006 and the date the officer qualified for the plan, and December 31, 2007, plus an additional amount to reflect an assumed rate of earnings on such contribution. Participants’ deferred compensation accounts are credited with returns in accordance with the deemed investment options elected by the participant. Participants are immediately vested

in all contributions to the plan, except for the 5.25% annual contributions made for Mr. Correll and Ms. Wolf, which vest at the earliest of (i) completion of five years of service, (ii) attainment of age 65, (iii) death, (iv) a change in control and, for Ms. Wolf, (v) termination of employment by the Company without cause or by Ms. Wolf for “good reason,” as described under “Narrative Disclosure to 2008 Summary Compensation Table and 2008 Grants of Plan-Based Awards Table” in the Registration Statement and Prospectus. Participants may elect to receive their account balances at any of the following times: (i) separation from service, (ii) a specified distribution date, (iii) the earlier of separation from service or a specified distribution date or (iv) the later of separation from service or a specified distribution date, and may elect any of the following forms for distribution of their accounts: (i) lump sum or (ii) annual installments paid over a period of between two and 10 years. None of the named executive officers had any withdrawals or distributions from the plan in 2008.

285.305(n)

- (2) The following amounts in this column are also reported as compensation to the named executive officers in the “2008 Summary Compensation Table” in the following columns:

<u>Named Executive Officer</u>	<u>Salary</u>	<u>Non-Equity Incentive Plan Compensation</u>
Mr. Correll	\$56,042	101,959
Ms. Wolf	\$22,887	11,460
Mr. Young	\$20,356	—
Mr. Lynch	\$38,088	42,120
Mr. Gloriod	\$61,131	80,972

- (3) The amounts in this column are also reported as compensation to the named executive officers in the “2008 Summary Compensation Table” in the “All Other Compensation” column.
- (4) The following amounts in this column were reported as compensation to the named executive officers in the “All Other Compensation” column of our “2007 Summary Compensation Table” in the Company’s Registration Statement on Form S-1 (Registration No. 333-145725), as amended at the time it became effective on April 23, 2008, and the related final prospectus filed by the Company with the Securities and Exchange Commission on April 24, 2008.

<u>Named Executive Officer</u>	<u>Amount</u>
Mr. Correll	\$38,109
Ms. Wolf	\$30,885
Mr. Young	\$ 4,594
Mr. Lynch	\$ 2,200

### Potential Payments on Termination or Change in Control

For further information on the amounts in this table, please see “Potential Payments on Termination or Change in Control” in the Registration Statement and Prospectus.

Name	Benefit	Termination							Change in		
		Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination following a Cause	Control	Disability	Death	Control(1)
Donald L. Correll	Cash severance	\$ —	\$ —	\$ 1,352,400	\$ —	\$ —	\$ 1,352,400	\$ —	\$ —	\$ —	\$ —
	Outplacement services	\$ —	\$ —	\$ 25,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Deferred compensation benefits	\$ 94,483	\$ 94,483	\$ 94,483	\$ 94,483	\$ —	\$ 157,195	\$ 94,483	\$ 157,195	\$ 157,195	\$ 157,195
	Life insurance and Employee Assistance Program	\$ —	\$ —	\$ 748	\$ —	\$ —	\$ 748	\$ —	\$ —	\$ —	\$ —

Restricted stock															
units	\$	—	\$	—	\$	—	\$	—	\$	—	\$	504,208	\$ 565,161	\$ 565,161	\$ 504,208
Total	\$	94,483	\$	94,483	\$	1,472,631	\$	94,483	\$	—	\$	2,014,551	\$ 659,644	\$ 722,356	\$ 661,403

285.305(n)

Name	Benefit	Termination					Change in		Change in	
		Voluntary	Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Control	Disability	Death	Control(1)
Ellen C. Wolf	Cash severance	\$ —	\$ —	\$ 720,000	\$ —	\$ —	\$ 720,000	\$ —	\$ —	\$ —
	Outplacement services	\$ —	\$ —	\$ 25,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Deferred compensation benefits	\$ 62,548	\$ 62,548	\$ 62,548	\$ 62,548	\$ —	\$ 114,153	\$ 62,548	\$ 114,153	\$ 114,153
	Qualified pension benefits	\$ 104,710	\$ —	\$ 104,710	\$ 104,710	\$ 104,710	\$ 104,710	\$ —	\$ 43,514	\$ 104,710
	Life insurance and Employee Assistance Program	\$ —	\$ —	\$ 499	\$ —	\$ —	\$ 499	\$ —	\$ —	\$ —
	Restricted stock units	\$ —	\$ —	\$ 388,419	\$ 388,419	\$ —	\$ 350,183	\$ 388,419	\$ 388,419	\$ 350,183
	Total	\$ 167,258	\$ 62,548	\$ 1,301,176	\$ 555,677	\$ 104,710	\$ 1,289,545	\$ 450,967	\$ 546,086	\$ 569,046

Name	Benefit	Involuntary Termination without Cause following a									
		Voluntary Termination	Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Change in Control	Disability	Death	Change in Control (1)	
John S. Young	Cash severance	\$ —	\$ —	\$ 640,500	\$ —	\$ —	\$ 640,500	\$ —	\$ —	\$ —	\$ —
	Outplacement services	\$ —	\$ —	\$ 25,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
	Deferred compensation benefits	\$ 27,662	\$ 27,662	\$ 27,662	\$ 27,662	\$ —	\$ 27,662	\$ 27,662	\$ 27,662	\$ 27,662	
	Nonqualified pension benefits	\$ —	\$ 1,348,762	\$ 1,348,762	\$ 1,348,762	\$ 1,348,762	\$ 1,348,762	\$ 1,847,619	\$ 1,202,740	\$ 1,348,762	
	Qualified pension benefits	\$ —	\$ 1,238,822	\$ 1,238,822	\$ 1,238,822	\$ 1,238,822	\$ 1,238,822	\$ 1,697,016	\$ 1,118,348	\$ 1,238,822	
	Life insurance and Employee Assistance Program	\$ —	\$ —	\$ 499	\$ —	\$ —	\$ 499	\$ —	\$ —	\$ —	
	Restricted stock units	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 311,263	\$ 345,255	\$ 345,255	\$ 311,263	
	<b>Total</b>	\$ 27,662	\$ 2,615,246	\$ 3,281,245	\$ 2,615,246	\$ 2,587,584	\$ 3,567,508	\$ 3,917,552	\$ 2,694,005	\$ 2,926,509	
	Walter J. Lynch	Cash severance	\$ —	\$ —	\$ 675,000	\$ —	\$ —	\$ 675,000	\$ —	\$ —	\$ —
		Outplacement services	\$ —	\$ —	\$ 25,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Deferred compensation benefits		\$ 38,400	\$ 38,400	\$ 38,400	\$ 38,400	\$ —	\$ 38,400	\$ 38,400	\$ 38,400	\$ 38,400	
Nonqualified pension benefits		\$ 53,792	\$ —	\$ 53,792	\$ 53,792	\$ 53,792	\$ 53,792	\$ —	\$ 48,074	\$ 53,792	
Qualified pension benefits		\$ 48,793	\$ —	\$ 48,793	\$ 48,793	\$ 48,793	\$ 48,793	\$ —	\$ 21,453	\$ 48,793	
Life insurance and Employee Assistance Program		\$ —	\$ —	\$ 499	\$ —	\$ —	\$ 499	\$ —	\$ —	\$ —	
Restricted stock units		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 145,002	\$ 165,087	\$ 165,087	\$ 145,002	
<b>Total</b>		\$ 140,985	\$ 38,400	\$ 841,484	\$ 140,985	\$ 102,585	\$ 961,486	\$ 203,487	\$ 273,014	\$ 285,987	
Terry L. Gloriod		Cash severance	\$ —	\$ —	\$ 457,100	\$ —	\$ —	\$ 457,100	\$ —	\$ —	\$ —
Outplacement											

services	\$	—	\$	—	\$	10,500	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Deferred																				
compensation																				
benefits	\$	63,990	\$	63,990	\$	63,990	\$	63,990	\$	—	\$	63,990	\$	63,990	\$	63,990	\$	63,990	\$	63,990
Nonqualified																				
pension benefits	\$	—	\$	2,116,875	\$	2,116,875	\$	2,116,875	\$	2,116,875	\$	2,116,875	\$	2,138,677	\$	2,138,677	\$	2,116,875	\$	2,116,875
Qualified pension																				
benefits	\$	—	\$	1,434,296	\$	1,434,296	\$	1,434,296	\$	1,434,296	\$	1,434,296	\$	1,443,440	\$	1,279,579	\$	1,434,296	\$	1,434,296
Life insurance																				
and Employee																				
Assistance																				
Program	\$	—	\$	—	\$	499	\$	—	\$	—	\$	499	\$	—	\$	—	\$	—	\$	—
Restricted stock																				
units	\$	—	\$	—	\$	—	\$	—	\$	—	\$	93,716	\$	103,948	\$	103,948	\$	93,716	\$	93,716
Total	\$	63,990	\$	3,615,161	\$	4,083,260	\$	3,615,161	\$	3,551,171	\$	4,166,476	\$	3,750,055	\$	3,586,194	\$	3,708,877	\$	3,708,877

(1) Pension and deferred compensation amounts shown in this column assume a termination of employment (other than an involuntary termination for cause) following a change in control. Restricted stock unit amounts shown in this column are payable upon a change in control, without a termination of employment.

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2009 Annual Incentive Plan

The Company adopted the 2009 annual incentive plan, which provides annual incentive compensation to eligible employees, including the named executive officers, based on the achievement of short-term financial and non-financial goals for the Company, as well as individual performance.

Amendments to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Work Company, Inc. and its Designated Subsidiaries and the Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc.

The recent amendment to the Employee Deferred Compensation Plan provided for the one-time 5.25% contributions to the accounts of certain participants, including Mr. Correll and Ms. Wolf, which are described in Footnote 1 to the table entitled “2008 Nonqualified Deferred Compensation” above and are included in the table. In addition, the amendments to both deferred compensation plans eliminated the investment fund based on the Company’s common stock as an investment option under the plans.

Equity Award Grants

The Company granted nonqualified stock options and performance stock units to the named executive officers and other employees pursuant to the attached form award agreements. The awards will vest in three equal annual installments on January 1, 2010, January 1, 2011 and January 1, 2012, subject to continued employment through such dates. Each performance stock unit represents a contingent right to receive one share of the Company’s common stock, which will not be distributed until 2012. The actual number of performance stock units that are earned will be based on the Company’s total stockholder return relative to the performance of the Dow Jones Utility Index over the three-year performance period beginning on January 1, 2009 and ending on December 31, 2011.

The descriptions of the 2009 annual incentive plan, the amendments to the deferred compensation plans and the equity awards set forth in this Item 5.02 are general in nature and are qualified in their entirety by reference to the full text of the plan, the amendments and the form award agreements for the equity awards, respectively, filed as exhibits to this Form 8-K.

**Item 9.01. Financial Statements and Exhibits**

## (d) Exhibits

- 10.1 American Water Works Company, Inc. 2009 Annual Incentive Plan Highlights Brochure.
- 10.2 American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan Performance Stock Unit Grant Form for ML1-ML3B Employees.
- 10.3 American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan Performance Stock Unit Grant Form for ML4-ML5 Employees.
- 10.4 American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan Nonqualified Stock Option Grant Form for ML1-ML3B Employees.
- 10.5 American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan Nonqualified Stock Option Grant Form for ML4-ML5 Employees.

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- 10.6 Amendment 2009-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, effective as of February 6, 2009.
  - 10.7 Amendment 2009-1 to the Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., effective as of February 6, 2009.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 26, 2009

By: /s/ Ellen C. Wolf

Ellen C. Wolf

Senior Vice President and Chief Financial  
Officer

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**Exhibit 10.1**



**2009 Annual Incentive Plan  
Highlights Brochure**

**February 2009**

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## THE 2009 AMERICAN WATER ANNUAL INCENTIVE PLAN

### Your Performance — Your Award

*At American Water, your performance counts. We rely on our employees' knowledge and skills to help the Company achieve its business objectives.*

The American Water 2009 Annual Incentive Plan (AIP) is designed to give eligible exempt employees an annual opportunity to earn a cash award that recognizes and rewards their contributions to the Company's success. We have made significant changes to the AIP design to reinforce the link between Company and individual performance and award payouts. This means that Company and individual performance are both taken into account to determine cash awards under the plan. Starting with the 2009 AIP:

- We are adopting a **new approach to AIP funding** that directly ties the amount of available cash for AIP payouts to Company performance against specific metrics. Additionally, AIP funding for all eligible, exempt employees — regardless of role — will depend on the Company achieving its financial and non-financial goals.
- Your **individual performance will play a greater role in determining the amount of your payout**. Employees who exceed their performance targets could receive significantly higher payouts. Conversely, employees who under-perform and do not meet their performance targets could receive lower payouts or no payout at all. In short, *your* performance directly impacts the amount of *your* award.

The 2009 AIP is designed to challenge and motivate you to perform at your highest level, and promote the creation of shareholder value. Read this brochure to learn about how the 2009 plan works and what it means for you and your AIP award going forward.

## The 2009 AIP

### What's Changing

- Awards are more closely aligned with the Company's ability to fund the award and with individual performance.
- AIP award pool funding is based on overall corporate performance against specific financial and non-financial goals (represented by the Corporate Multiplier), then allocated across organizational groups/functional areas—at senior management's discretion—depending on organizational group/functional area results.
  - AIP funding for all employees—regardless of your role or position in the Company—depends on the Company achieving its financial as well as non-financial goals.
  - Financial metrics updated to reflect IPO (e.g. "Diluted Earnings per Share").
- Individual award payouts will be based on individual performance against specific goals (represented by the Individual Performance Factor) and paid from available organizational group/functional area funding.
- For 2009, the Individual Performance Factor range has been changed from 0%-120% to 0%-200%. Individual payouts will be capped at 200% of AIP target award.

### What's Staying the Same

- Award opportunity (Target Award) is still expressed as a percentage of base salary.
  - Actual payout may be lower or higher than target depending on Company and individual performance against specific goals.
- Individual performance is assessed by your manager and measured against your pre-determined performance goals.
- Your AIP will be distributed as a cash award in March.
  - You must be actively employed with American Water on the date awards are made to receive your 2009 AIP payout.
  - If you are disabled, retire, experience a layoff or die, you or your beneficiary may be eligible to receive an award prorated to reflect your service during the plan year.

### Eligibility

You are eligible for an AIP award opportunity if you are a full-time exempt employee of American Water. Eligible exempt employees who join American Water on or before September 30, 2009 are also eligible to participate in the AIP on a prorated basis.

**Why Change?**

Since the value (as reflected in our share price and our return to shareholders) and success of our business depend on the achievement of annual Company and individual performance goals, American Water recognizes the need to differentiate and reward the performance of employees who enable us to reach these goals. The 2009 AIP is designed to ensure that award payouts are directly tied to measurable contributions — both Company and individual — to American Water's success.

**DETERMINING AIP AWARDS**

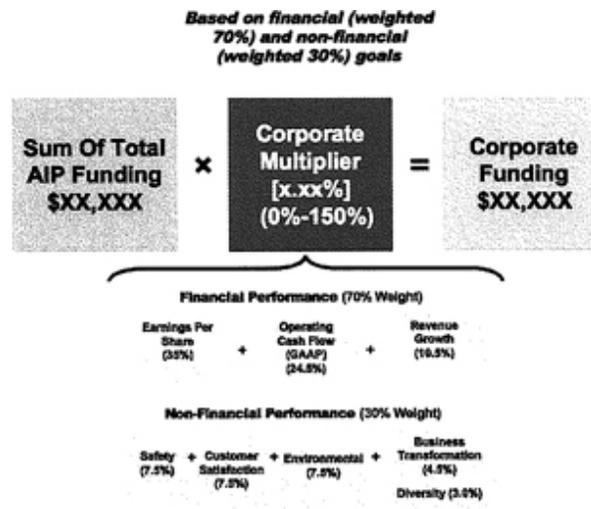
*AIP award payouts depend on individual performance; they also depend on overall corporate performance and organizational group/functional area results (which determine award pool funding).*

AIP awards will be determined according to the following three-step process:

- Step 1: Establish initial award pool based on overall corporate performance**
- Step 2: Allocate overall corporate funding to organizational groups/functional areas, and adjust specific organizational group/functional area funding to reflect results**
- Step 3: Determine AIP award based on individual performance; awards are paid from available organizational group/functional area funding**

**Step 1: Establish initial award pool based on overall corporate performance**

Each year, American Water establishes funding for the AIP award pool. Starting in 2009, the funding will be directly tied to Company performance and represented by the **Corporate Multiplier**. The Corporate Multiplier can range from 0% to 150% depending on how well the Company performed against the financial and non-financial goals described below. Note that a predetermined **threshold** for Company performance (i.e., a Diluted Earnings Per Share (EPS) must be at least 90.9% of target) must be met in order for funding and any award to be provided under the AIP.



- **Financial Metrics (Weighted 70%) (See Attachment A)**

- *Diluted Earnings Per Share (35%)* is a widely tracked measure of financial performance/profitability, and is calculated as follows:

$$\begin{array}{r} \text{Net Income to Common Stockholders} \\ \div \\ \text{Average Outstanding Shares (including dilutive securities such as stock options)} \\ = \\ \text{Diluted Earnings per Share} \end{array}$$

- *Operating Cash Flow (GAAP) (24.5%)* reflects the amount of cash generated from our operations and is used as an additional measure of profitability. Operating cash flow is calculated as follows:

$$\begin{array}{r} \text{Net Income} \\ + \\ \text{Depreciation and Amortization} \\ - \\ \text{Deferred Expenses} \\ +/- \\ \text{Changes in Payables and Receivables} \\ = \\ \text{Operating Cash Flow} \end{array}$$

- *Revenue Growth (10.5%)* is a measure of how quickly our business is growing and reflects the percentage of planned increase in revenues achieved.

- **Non-Financial Metrics (Weighted 30%)\***

- Safety(7.5%)
- Environmental (7.5%)
- Customer Satisfaction (7.5%)
- Business Transformation (4.5%)
- Diversity(3.0%)

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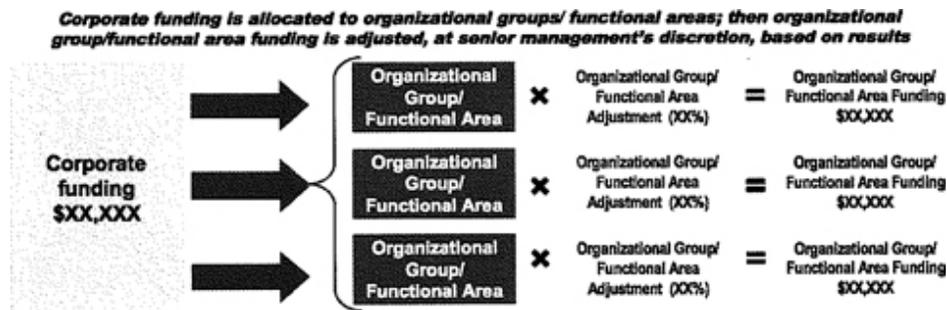
\* *These outcomes are based on a combination of surveys, end-of-year results, data and other annual reports (see Attachment A at the back of this brochure).*

Please note that AIP funding for all employees (regardless of role or position) will depend on how well the Company achieves its financial goals as well as non-financial goals.

The financial and non-financial metrics are added together to determine the Corporate Multiplier. So, even if certain metrics are not achieved, the funding may be reduced, but not eliminated altogether. However, if the Company’s financial performance does not meet the threshold, the Corporate Multiplier will be reduced to zero, which would eliminate your award payout (as indicated in the examples on page 10). The Corporate Multiplier (and thus funding for payouts) may be adjusted to take into account “uncontrollable events” including — but not limited to — severe weather conditions that significantly impact financial results (i.e., hurricanes), impairment charges, dissolution or acquisition of businesses or costs related to public offerings.

**Step 2: Allocate overall corporate funding to organizational groups/ functional areas, and adjust specific organizational groups/functional area funding to reflect results**

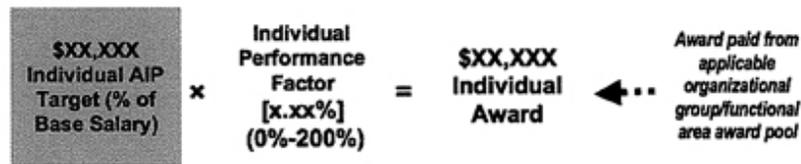
Once the overall corporate funding is determined as described under Step 1, senior management will allocate the Corporate funding to American Water’s organizational groups and functional areas. The funding for each organizational group/functional area may be increased or decreased, at senior management’s discretion, to reflect specific organizational group/functional area results.



**Step 3: Determine individual AIP award based on (a) individual performance, and (b) available organizational group/functional area funding; awards are paid from applicable organizational group/functional area award pool**

Your **AIP target award** (i.e., your award opportunity) is based on your role or position with the Company and is expressed as a percentage of your base salary. Your actual award payout may be higher or lower than target depending on whether individual and Company performance goals have been met, and your organizational group's/functional area's results. Contact your manager for information on your individual AIP Target Award.

***Your individual performance factor is based on: (a) your performance against specific targets, and (b) the amount of organizational group/functional area funding available***



**The sum of individual awards for a specific organizational group/functional area must equal the funding allocated to that organizational group/functional area.**

The **Individual Performance Factor** represents how well you achieve your annual individual performance goals. Your Individual Performance Factor can range from 0% to 200%, depending on your performance for the plan year and the amount of organizational group/functional area funding available. This performance factor will then be multiplied by your Target Award to determine your 2009 AIP award payout. Individual payouts will be capped at 200% of AIP target award.

Individual AIP awards are then paid from the applicable organizational group/functional area award funding. The sum of all individual awards within a given organizational group/functional area may not exceed its allocated pool of dollars.

## WHAT THE 2009 AIP MEANS FOR YOU

### Performance Ratings

The better you perform, the greater your potential award will be under the Plan. It is your responsibility to maximize your award opportunity by achieving or exceeding your goals.

Each year, you and your manager identify four to six high priority and challenging performance targets, which represent where you can directly impact the Company's success. These performance targets and their weightings should be specific, measurable and aligned with the Company's performance targets. During your year-end performance review, you and your manager will discuss how well you performed against the established targets, and rate your performance using one of the following performance ratings:

### 2009 Performance Rating Scale

<u>Rating</u>	<u>Description</u>
<b>Exceptional</b>	Contributions are widely recognized as extraordinary. Results far exceed all defined expectations, producing important and substantial impact on the Company, Division, Operating Company, Line of Business or Function.
<b>Significant</b>	Contributions are recognized as distinguished. Results exceed all or most expectations, producing a tangible and material impact on the Company, Division, Operating Company, Line of Business or Function.
<b>Commendable</b>	Contributions are recognized as meaningful. Results meet, and in some cases exceed expectations, producing a positive and desirable impact on the Company, Division, Operating Company, Line of Business or Function.
<b>Adequate</b>	Contributions are recognized as limited. Results fall slightly short of expectations, producing inconsistent and marginal impact on the Company, Division, Operating Company, Line of Business or Function.
<b>Unacceptable</b>	Contributions are recognized as unsatisfactory. Results fall considerably short of expectations, producing negligible or no impact on the Company, Division, Operating Company, Line of Business or Function.
<b>Too Soon to Rate</b>	Contributions cannot be measured at this time because more time is needed to see a result.

Later, during the AIP process, your manager will use your rating to determine your Individual Performance Factor. Depending on how you performed during the year, you could potentially earn a higher payout than in previous years — or you could earn a lower payout or no payout at all (as the examples on the following page demonstrate). In other words, the new AIP design gives you more power than ever before to impact the size of your award. It also means that you are more accountable than ever before for meeting your goals.

### Award Payout Examples

Let's calculate possible award payouts for a sample AIP participant, under four possible scenarios:

#### AIP Participants Assumptions

<b>Salary level</b>	L07
<b>Annual Base Salary</b>	\$90,000
<b>Individual AIP Target</b>	\$13,500 (15% of Base Salary)
<b>Total of all AIP target</b>	\$20,000,000
<b>Total AIP for Organizational Group</b>	\$2,000,000

	Performance			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
• <b>Company</b>	Above Target	Target	Threshold	Below Threshold
• Financial Performance Factor	1.39	0.94	0.50	0.00
• Non-Financial Performance Factor	0.77	1.12	0.50	0.00
• <b>Individual</b>	Adequate	Significant	Adequate	Commendable
• Individual Performance Factor	0.80	1.50	0.40	1.00

American Water

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	Scenario 1	Scenario 2	Scenario 3	Scenario 4
<b>STEP 1: Establish corporate funding based on overall corporate performance</b>				
<b>Total of AIP Targets (A)</b>	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Financial Performance Factor (i) (70% weight)	1.39 x 0.70 = <b>0.97</b>	0.94 x 0.70 = <b>0.66</b>	0.50 x 0.70 = <b>0.35</b>	0.00 x 0.70 = <b>0.00</b>
Non-Financial Performance Factor (ii) (30% weight)	0.77 x 0.30 = <b>0.23</b>	1.12 x 0.30 = <b>0.34</b>	0.50 x 0.30 = <b>0.15</b>	0.00 x 0.30 = <b>0.00</b>
<b>i + ii = Corporate Multiplier (B)</b>	<b>1.20</b>	<b>1.00</b>	<b>0.50</b>	<b>0.00</b>
<b>A x B = Corporate Funding</b>	\$20,000,000 x 1.20 =\$24,000,000	\$20,000,000 x 1.00 =\$20,000,000	\$20,000,000 x 0.50 =\$10,000,000	\$20,000,000 x 0.00 = \$0
<b>STEP 2: Allocate overall corporate funding to organizational groups/functional areas; adjust specific organizational area funding to reflect results</b>				
<b>Organizational group pool (C) (Allocated from corporate funding)</b>	\$2,400,000	\$2,000,000	\$1,000,000	\$0
<b>Organizational Group Adjustment (D)</b>	1.00 (Target)	.80 (Below Target)	1.20 (Above Target)	1.00 (Target)
<b>C x D = Organizational Group Pool (adjusted based on results)</b>	\$2,400,000 x 1.00 =\$2,400,000	\$2,000,000 x 0.80 =\$1,600,000	\$1,000,000 x 1.20 =\$1,200,000	\$0 x 1.00 = \$0
<b>STEP 3: Determine individual award based on individual performance and available organizational group/functional area funding; awards are paid from applicable organizational group/functional area award pool</b>				
<b>Individual AIP Target (E)</b>	\$13,500	\$13,500	\$13,500	\$13,500
<b>Individual Performance Factor (F)</b> (Range of 0 - 2.00)	0.80 (Adequate)	1.50 (Significant)	0.40 (Adequate)	1.00 (Commendable)
<b>ExF = Individual Award</b>	13,500 x 0.80 = <b>\$10,800</b> (80% of AIP target)	13,500 x 1.50 = <b>\$20,250</b> (150% of AIP target)	13,500 x 0.40 = <b>\$5,400</b> (40% of AIP target)	13,500 x 1.00 = \$13,500 <b>however,</b> <b>payout will be</b> <b>\$0 since award</b> <b>pool = \$0</b>

*As you can see, both company and individual performance can significantly impact your final payout. Also, remember that the sum of individual awards for a specific organizational group/functional area must equal the funding allocated to that organizational group/functional area.*

Please discuss the new AIP process with your manager to ensure you clearly understand how the new formula works and how your performance impacts your potential award payout.

**Receiving Your AIP Award**

Awards will be paid in cash by March 15 of the year following the year in which they are earned. If you're eligible for an award payout, please keep in mind that:

- The payout will be based on your salary as of December 14, 2009 and subject to all federal, state and local income tax withholdings.
- You must be an active employee with American Water on the date the payout is made in order to receive the award. In certain circumstances, such as disability, retirement, layoff or death, an award may be made — prorated to reflect your service during the plan year.
- If you are promoted during the plan year to a position with a *higher* AIP target level, or if you are reclassified to a position with a *lower* AIP target level, your award payout will be based on your new target level as of December 14, 2009.
- The American Water Board, or its Designee, reserves the right to determine whether awards are payable to any individual or group of individuals; the Board may withhold all award payouts in certain circumstances.

*Remember, it's your performance — and your award: The contributions you make to American Water's success throughout the year ultimately impact the size of your payout. Be sure to carefully review this brochure; then speak with your manager about the new AIP and about what you can do to improve your performance and share the financial rewards of American Water's success.*

## FREQUENTLY ASKED QUESTIONS

Question	Answer
<b>Why is American Water making changes to the AIP?</b>	American Water changed the AIP to allow us to differentiate and reward the performance of employees who contribute to the achievement of the Company's goals. The 2009 AIP directly ties award payouts to measurable contributions (Company and individual) to American Water's success.
<b>Who is eligible for the AIP?</b>	All full-time exempt employees are eligible to participate. If you join American Water on or before September 30, 2009, you are also eligible to participate in the plan on a prorated basis.
<b>What do I have to do to receive an AIP award</b>	If you are eligible for an AIP award opportunity, any payout you receive will depend largely on your performance, as well as on Company performance (including financial and non-financial), which determines funding.
<b>How is my AIP target award opportunity determined? How can I find out what it is?</b>	If your performance is rated "Adequate" or higher, you may receive an award payout — but only if threshold Company performance metrics have been met. If your performance or Company performance falls below "Adequate," you may receive a limited payout or no payout at all. To maximize your award opportunity, it's important to meet with your manager to establish meaningful performance goals, then work hard throughout the year to achieve those goals.  Your AIP target award opportunity is based on your role and expressed as a percentage of your base salary. Please see your manager to learn more about your target award opportunity for 2009.
<b>How will my AIP award payout be calculated? How does this differ from the 2008 award calculation?</b>	Your 2009 AIP award payout will be calculated using a formula that <i>multiplies</i> together your AIP target, and an Individual Performance Factor (which represents your performance), as follows: <b>AIP Target Award x Corporate Multiplier x Organizational Group/Functional Area x Individual Performance Factor = AIP payout.</b>  The size of the pool which funds your award is determined based on overall corporate performance, adjusted to reflect specific organizational group/functional area results. AIP funding for all employees, regardless of role or position, will depend on the Company achieving its non-financial as well as financial goals. Once individual awards are calculated, they are paid from the applicable organizational group/functional area funding.

Question	Answer
	<p>Under the 2008 AIP, financial, non-financial and individual results were weighted and the results were <i>added</i> together to determine the final payout. Also, non-financial goals did not apply to all employees in all roles and positions.</p>
	<p>All AIP payout are subject to approval by the American Water Board.</p>
<p><b>What is the minimum and maximum that could be paid under the plan (as a percent of target)?</b></p>	<p>AIP award payouts could range from zero, to a maximum of two times the participant's target award (i.e., Individual Performance Factor of 200%). Payouts are capped at 200% of AIP target award.</p>
<p><b>Will I receive an award payout if I meet my individual performance goals but the Company does not achieve minimum (threshold) performance?</b></p>	<p>No. Award payout will be made only if both the Company and the individual have met the minimum (or threshold) performance goals for the year.</p>
<p><b>What happens if I leave American Water before I receive my award payout?</b></p>	<p>To receive the award payout to which you are entitled, you must be actively employed with American Water on the date the payment is to be made. If you are disabled, retire, experience a layoff or die during the plan year, you or your beneficiary may be eligible to receive an award, prorated to reflect your service during the year.</p>
<p><b>Do the AIP changes for 2009 affect my 2008 award?</b></p>	<p>No. The changes to the AIP for 2009 will be reflected in your March 2010 award payout.</p>
<p><b>What happens if I change job positions within American Water during the plan year?</b></p>	<p>If you are promoted during the plan year to a position with a <i>higher</i> AIP target level, or if you are reclassified to a position with a <i>lower</i> AIP target level, your award payout will be based on your salary and target level percentage as of December 14, 2009.</p>

This brochure provides an overview of the 2009 American Water Annual Incentive Plan. The American Water Board or its Designee, whose decisions will be final and binding, will determine interpretations of the Plan. The Company reserves the right to amend, modify, or discontinue the Plan during the plan year or at any time in the future. Participation in the Plan does not convey any commitment to ongoing employment. If there are any differences between the information contained here and the Plan Document, the Plan Documents will govern.

**Exhibit 10.2**

**FORM FOR 2009 LTIP – FOR ML 1 – ML 3B  
“PSU GRANT”**

AMERICAN WATER WORKS COMPANY, INC.

2007 OMNIBUS EQUITY COMPENSATION PLAN

PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of \_\_\_\_\_ (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to \_\_\_\_\_ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2009 long-term incentive program ("2009 LTIP") pursuant to which designated employees will be granted equity awards (the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of two separate grants, a nonqualified stock option and a performance stock unit grant;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2009 LTIP and to grant the Participant an Equity Award under the 2009 LTIP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2009 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such performance stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant \_\_\_\_\_ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the performance goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the performance goals described in Paragraph 3 below (the "Target Award")
2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

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### 3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals described in subparagraph (b) below for the Performance Period and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") will be compared to the return of the Dow Jones Utility Index (the "Index") over the Performance Period. The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR relative to the performance of the Index, as set forth below. No Performance Units will be earned if the Company's TSR relative to the Index is below the threshold level.

<u>Level of Achievement</u>	<u>Percentile Ranking Relative to Index</u>	<u>Percentage of Target Award Earned</u>
<i>Maximum</i>	75%	150%
<i>Target</i>	50%	100%
<i>Threshold</i>	25%	50%

If actual performance is between measuring points, the number of Performance Units the Participant earns will be interpolated.

(c) TSR represents Company Stock price performance and dividend accumulation over the Performance Period. For purposes of this calculation, the initial Company Stock price and the ending Company Stock price are determined using the 30-day average Company Stock price for the first December 31 and the last December 31 of the Performance Period, as applicable. The 30-day average Company Stock price is the average of the daily closing Company Stock prices for the 15 trading days before and after the applicable December 31. To determine Company Stock price performance, a dividend adjustment factor will be determined. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in Company Stock price by reason of deeming the dividend to be reinvested in the Company Stock. TSR is determined by adjusting the ending Company Stock price as determined above by the dividend adjustment factor and comparing it to the initial Company Stock price. The initial Company Stock price is \$ \_\_\_\_\_ per share.

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(d) At the end of the Performance Period, the Committee will determine whether and to what extent the performance goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the target level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three-year period beginning on January 1, 2009 and ending December 31, 2011.

#### 4. Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the performance goals and the requirements of this Grant are met as of the last day of the Performance Period. The prorated portion will be determined as the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2010, but prior to January 1, 2011; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2011, but prior to January 1, 2012; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2012. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the performance goals. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

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5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned within seventy (70) days following the earlier of (i) January 1, 2012 (the “Distribution Date”) or (ii) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goals will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant and complete the deferral election form provided to the Participant by the Committee, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant’s earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are declared with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “Dividend Equivalent Account”) the value of the dividends that would have been distributed if the Performance Units credited to the Participant’s Performance Unit Account at the time of the declaration of the dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant’s Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant’s Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant’s Dividend Equivalent Account.

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8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Committee with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

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(ii) that 50% of the shares of Company Stock earned by the Participant upon the distribution of the Performance Units pursuant to this Grant shall not be tradable until the Participant terminates employment or service with the Employer.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Committee with respect to this Grant and the Plan.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant shall be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

19. Section 409A of the Code.

(a) As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant constitute deferred compensation subject to the requirements of section 409A of the Code and such amounts are payable to the Participant upon "separation from service" (within the meaning of section 409A(a)(2)(a)(i) of the Code and its corresponding regulations) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer, and any amounts distributable to the Participant after the expiration of such six (6) month period under this Grant shall continue to be distributed to the Participant in accordance with the terms of this Grant. If the Participant dies during such six-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

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[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY,  
INC.

By:

Its:

-9-

Exhibit 10.3

*FORM FOR 2009 LTIP – FOR ML 4 – ML 5  
“PSU GRANT”*

AMERICAN WATER WORKS COMPANY, INC.  
2007 OMNIBUS EQUITY COMPENSATION PLAN

PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of \_\_\_\_\_ (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to \_\_\_\_\_ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2009 long-term incentive program (“2009 LTIP”) pursuant to which designated employees will be granted equity awards (the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of two separate grants, a nonqualified stock option and a performance stock unit grant;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2009 LTIP and to grant the Participant an Equity Award under the 2009 LTIP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2009 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the “Plan”) and the terms and conditions of such performance stock unit shall be memorialized in this grant (the “Grant”).

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant \_\_\_\_\_ performance stock units (the “Performance Units”). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the performance goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of

the performance goals described in Paragraph 3 below (the “Target Award”)

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the “Performance Unit Account”) for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

### 3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals described in subparagraph (b) below for the Performance Period and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") will be compared to the return of the Dow Jones Utility Index (the "Index") over the Performance Period. The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR relative to the performance of the Index, as set forth below. No Performance Units will be earned if the Company's TSR relative to the Index is below the threshold level.

Level of Achievement	Percentile Ranking Relative to Index	Percentage of Target Award Earned
<i>Maximum</i>	75%	150%
<i>Target</i>	50%	100%
<i>Threshold</i>	25%	50%

If actual performance is between measuring points, the number of Performance Units the Participant earns will be interpolated.

(c) TSR represents Company Stock price performance and dividend accumulation over the Performance Period. For purposes of this calculation, the initial Company Stock price and the ending Company Stock price are determined using the 30-day average Company Stock price for the first December 31 and the last December 31 of the Performance Period, as applicable. The 30-day average Company Stock price is the average of the daily closing Company Stock prices for the 15 trading days before and after the applicable December 31. To determine Company Stock price performance, a dividend adjustment factor will be determined. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in Company Stock price by reason of deeming the dividend to be reinvested in the Company Stock. TSR is determined by adjusting the ending Company Stock price as determined above by the dividend adjustment factor and comparing it to the initial Company Stock price. The initial Company Stock price is \$            per share.

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(d) At the end of the Performance Period, the Committee will determine whether and to what extent the performance goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the target level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three-year period beginning on January 1, 2009 and ending December 31, 2011.

#### 4. Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the performance goals and the requirements of this Grant are met as of the last day of the Performance Period. The prorated portion will be determined as the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2010, but prior to January 1, 2011; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2011, but prior to January 1, 2012; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2012. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the performance goals. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

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5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned within seventy (70) days following the earlier of (i) January 1, 2012 (the “Distribution Date”) or (ii) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goals will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant and complete the deferral election form provided to the Participant by the Committee, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant’s earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are declared with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “Dividend Equivalent Account”) the value of the dividends that would have been distributed if the Performance Units credited to the Participant’s Performance Unit Account at the time of the declaration of the dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant’s Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant’s Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant’s Dividend Equivalent Account.

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8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Committee with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this

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Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe this grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Committee with respect to this Grant and the Plan.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant shall be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

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17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

19. Section 409A of the Code.

(a) As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant constitute deferred compensation subject to the requirements of section 409A of the Code and such amounts are payable to the Participant upon "separation from service" (within the meaning of section 409A(a)(2)(a)(i) of the Code and its corresponding regulations) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer, and any amounts distributable to the Participant after the expiration of such six (6) month period under this Grant shall continue to be distributed to the Participant in accordance with the terms of this Grant. If the Participant dies during such six-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY,  
INC.

By:

Its:

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Exhibit 10.4

**FORM FOR 2009 LTIP – FOR ML1 – ML3B  
“OPTION GRANT”**

AMERICAN WATER WORKS COMPANY, INC.

2007 OMNIBUS EQUITY COMPENSATION PLAN

NONQUALIFIED STOCK OPTION GRANT

This STOCK OPTION GRANT, dated as of February , 2009 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2009 long-term incentive program (“2009 LTIP”) pursuant to which designated employees will be granted equity awards (the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of two separate grants, a nonqualified stock option and a performance stock unit grant;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2009 LTIP and to grant the Participant an Equity Award under the 2009 LTIP; and

WHEREAS, the Committee has determined that the nonqualified stock option portion of the Equity Award granted to the Participant pursuant to the 2009 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the “Plan”) and the terms and conditions of such nonqualified stock option shall be memorialized in this grant (the “Grant”).

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Option. Subject to the terms and conditions set forth in this Grant and in the Plan, the Company hereby grants to the Participant a nonqualified stock option (the “Option”) to purchase shares of Company Stock, at an exercise price of \$ per share of Company Stock.

2. Exercisability of Option.

(a) Except as provided in subparagraphs (b) or (c) below, the Option shall become exercisable on the following dates, if the

**285.305(n)**

Participant continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable date:

<u>Date</u>	<u>Shares for Which the Option is Exercisable</u>
January 1, 2010	1/3
January 1, 2011	1/3
January 1, 2012	1/3

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The exercisability of the Option is cumulative, but shall not exceed 100% of the shares of Company Stock subject to the Option. If the foregoing schedule would produce fractional shares of Company Stock, the number of shares of Company Stock for which the Option becomes exercisable shall be rounded down to the nearest whole share of Company Stock. The Option shall become fully exercisable on January 1, 2012, if the Participant is employed by, or providing service to, the Employer on such date.

(b) If at any time prior to the date the Participant's Option becomes exercisable as described in subparagraph (a) above, the Participant's employment or service with the Employer is terminated on account of death or Total Disability (as defined below), the Option shall become fully exercisable on the date of the Participant's termination of employment or service with the Employer on account of death or Total Disability. For purposes of this Grant, the term "Total Disability" shall mean that the Participant has been determined to be totally disabled by the Social Security Administration.

(c) If a Change of Control (as defined in the Plan) occurs while the Participant is employed by or providing service to the Employer, then the Option shall become fully exercisable as of the date of the Change of Control.

### 3. Term of Option.

(a) The Option shall have a term from the Date of Grant through December 31, 2015, and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of this Grant or the Plan.

(b) The Option shall automatically terminate upon the happening of the first of the following events:

(i) If the Participant's employment or service with the Employer terminates on account of death or Total Disability, the expiration of the one year period following the date of the Participant's termination of employment or service on account of death or Total Disability.

(ii) If the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), the expiration of the one year period following the date of the Participant's termination on employment or service on account of Normal Retirement. For purposes of this Grant, the term "Normal Retirement" shall mean, at the time of the Participant's termination of employment or service with the Employer, that the Participant has attained both (A) at least age 55, and (B) total years of employment and service with the Employer equals or exceeds 10.

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(iii) If the Participant's employment or service with the Employer terminates for any reason other than on account of Cause (as defined below), Normal Retirement, death or Total Disability, the expiration of the ninety (90) day period following the date of the Participant's termination of employment or service for any reason other than on account of termination for Cause, death, Total Disability or Normal Retirement.

(iv) The date on which the Participant ceases to be employed by, or provide service to, the Employer for Cause. In addition, notwithstanding the prior provisions of this Paragraph 3, if the Participant engages in conduct that constitutes Cause after the Participant's employment or service terminates, the Option shall immediately terminate. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

Notwithstanding the foregoing, in no event may the Option be exercised after December 31, 2015. Any portion of the Option that is not exercisable at the time the Participant ceases to be employed by, or provide service to, the Employer shall immediately terminate.

#### 4. Exercise Procedures.

(a) Subject to the provisions of Paragraphs 2 and 3 above, the Participant may exercise part or all of the exercisable portion of the Option by giving the Company written notice of intent to exercise in the manner provided in this Grant, specifying the number of shares of Company Stock as to which the Option is to be exercised and the method of payment. Payment of the exercise price shall be made in accordance with procedures established by the Committee from time to time based on the type of payment being made but, in any event, prior to issuance of the shares of Company Stock. The Participant shall pay the exercise price (i) in cash; (ii) with the approval of the Committee, by delivering shares of Company Stock, which shall be valued at their fair market value on the date of delivery, or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a fair market value on the date of exercise equal to the exercise price; (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board; or (iv) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may impose from time to time such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option.

(b) The obligation of the Company to deliver shares of Company Stock upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations. The Company may require that the Participant (or other person exercising the

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Option after the Participant's death) represent that the Participant is purchasing the shares of Company Stock for the Participant's own account and not with a view to or for sale in connection with any distribution of the shares of Company Stock, or such other representation as the Committee deems appropriate.

(c) All obligations of the Company under this Grant shall be subject to the rights of the Company as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable.

5. Change of Control. Except as set forth in Paragraph 2(c) of this Grant, the provisions of the Plan applicable to a Change of Control shall apply to the Option, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan.

6. Restrictions on Exercise. Except as the Committee may otherwise permit pursuant to the Plan, only the Participant may exercise the Option during the Participant's lifetime and, after the Participant's death, the Option shall be exercisable (subject to the limitations specified in the Plan) solely by the legal representatives of the Participant, or by the person who acquires the right to exercise the Option by will or by the laws of descent and distribution, to the extent that the Option is exercisable pursuant to this Agreement.

7. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which is incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The Grant and exercise of the Option are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees to be bound by the terms of the Plan and the Grant and that all decisions and determinations of the Committee with respect to the Grant shall be final and binding on the Participant and the Participant's beneficiaries.

8. Restrictions on Sale or Transfer of Shares.

(a) The Participant agrees that he or she shall not sell, transfer, pledge, donate, assign, mortgage, hypothecate or otherwise encumber the shares of Company Stock underlying the Option unless the shares of Company Stock are registered under the Securities Act of 1933, as amended (the "Securities Act") or the Company is given an opinion of counsel reasonably acceptable to the Company that such registration is not required under the Securities Act.

(b) As a condition to receive any shares of Company Stock upon the exercise of the Option, the Participant agrees:

(i) to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares; and

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(ii) that 50% of the shares of Company Stock obtained by the Participant upon the exercise of the Option shall not be tradeable until the Participant terminates employment or service with the Employer.

9. No Employment or Other Rights. This Grant shall not confer upon the Participant any right to be retained by or in the employ or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

10. No Stockholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to the shares of Company Stock subject to the Option, until certificates for shares of Company Stock have been issued upon the exercise of the Option.

11. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Grant may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or any right hereunder, except as provided for in this Grant, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Option by notice to the Participant, and the Option and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

12. Effect on Other Benefits. The value of shares of Company Stock received upon exercise of the Option shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

13. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

14. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

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[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY,  
INC.

By:

Its:

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**Exhibit 10.5**

***FORM FOR 2009 LTIP – FOR ML4 -ML5  
“OPTION GRANT”***

AMERICAN WATER WORKS COMPANY, INC.

2007 OMNIBUS EQUITY COMPENSATION PLAN

NONQUALIFIED STOCK OPTION GRANT

This STOCK OPTION GRANT, dated as of February , 2009 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan) has adopted a 2009 long-term incentive program (“2009 LTIP”) pursuant to which designated employees will be granted equity awards (the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of two separate grants, a nonqualified stock option and a performance stock unit grant;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2009 LTIP and to grant the Participant an Equity Award under the 2009 LTIP; and

WHEREAS, the Committee has determined that the nonqualified stock option portion of the Equity Award granted to the Participant pursuant to the 2009 LTIP shall be issued under the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the “Plan”) and the terms and conditions of such nonqualified stock option shall be memorialized in this grant (the “Grant”).

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Option. Subject to the terms and conditions set forth in this Grant and in the Plan, the Company hereby grants to the Participant a nonqualified stock option (the “Option”) to purchase shares of Company Stock, at an exercise price of \$ per share of Company Stock.

2. Exercisability of Option.

(a) Except as provided in subparagraphs (b) or (c) below, the Option shall become exercisable on the following dates, if the

**285.305(n)**

Participant continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable date:

<u>Date</u>	<u>Shares for Which the Option is Exercisable</u>
January 1, 2010	1/3
January 1, 2011	1/3
January 1, 2012	1/3

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The exercisability of the Option is cumulative, but shall not exceed 100% of the shares of Company Stock subject to the Option. If the foregoing schedule would produce fractional shares of Company Stock, the number of shares of Company Stock for which the Option becomes exercisable shall be rounded down to the nearest whole share of Company Stock. The Option shall become fully exercisable on January 1, 2012, if the Participant is employed by, or providing service to, the Employer on such date.

(b) If at any time prior to the date the Participant's Option becomes exercisable as described in subparagraph (a) above, the Participant's employment or service with the Employer is terminated on account of death or Total Disability (as defined below), the Option shall become fully exercisable on the date of the Participant's termination of employment or service with the Employer on account of death or Total Disability. For purposes of this Grant, the term "Total Disability" shall mean that the Participant has been determined to be totally disabled by the Social Security Administration.

(c) If a Change of Control (as defined in the Plan) occurs while the Participant is employed by or providing service to the Employer, then the Option shall become fully exercisable as of the date of the Change of Control.

### 3. Term of Option.

(a) The Option shall have a term from the Date of Grant through December 31, 2015, and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of this Grant or the Plan.

(b) The Option shall automatically terminate upon the happening of the first of the following events:

(i) If the Participant's employment or service with the Employer terminates on account of death or Total Disability, the expiration of the one year period following the date of the Participant's termination of employment or service on account of death or Total Disability.

(ii) If the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), the expiration of the one year period following the date of the Participant's termination of employment or service on account of Normal Retirement. For purposes of this Grant, the term "Normal Retirement" shall mean, at the time of the Participant's termination of employment or service with the Employer, that the Participant has attained both (A) at least age 55, and (B) total years of employment and service with the Employer equals or exceeds 10.

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(iii) If the Participant's employment or service with the Employer terminates for any reason other than on account of Cause (as defined below), Normal Retirement, death or Total Disability, the expiration of the ninety (90) day period following the date of the Participant's termination of employment or service for any reason other than on account of termination for Cause, death, Total Disability or Normal Retirement.

(iv) The date on which the Participant ceases to be employed by, or provide service to, the Employer for Cause. In addition, notwithstanding the prior provisions of this Paragraph 3, if the Participant engages in conduct that constitutes Cause after the Participant's employment or service terminates, the Option shall immediately terminate. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

Notwithstanding the foregoing, in no event may the Option be exercised after December 31, 2015. Any portion of the Option that is not exercisable at the time the Participant ceases to be employed by, or provide service to, the Employer shall immediately terminate.

#### 4. Exercise Procedures.

(a) Subject to the provisions of Paragraphs 2 and 3 above, the Participant may exercise part or all of the exercisable portion of the Option by giving the Company written notice of intent to exercise in the manner provided in this Grant, specifying the number of shares of Company Stock as to which the Option is to be exercised and the method of payment. Payment of the exercise price shall be made in accordance with procedures established by the Committee from time to time based on the type of payment being made but, in any event, prior to issuance of the shares of Company Stock. The Participant shall pay the exercise price (i) in cash; (ii) with the approval of the Committee, by delivering shares of Company Stock, which shall be valued at their fair market value on the date of delivery, or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a fair market value on the date of exercise equal to the exercise price; (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board; or (iv) by such other method as the Committee may approve, to the extent permitted by applicable law. The Committee may impose from time to time such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option.

(b) The obligation of the Company to deliver shares of Company Stock upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations. The Company may require that the Participant (or other person exercising the

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Option after the Participant's death) represent that the Participant is purchasing the shares of Company Stock for the Participant's own account and not with a view to or for sale in connection with any distribution of the shares of Company Stock, or such other representation as the Committee deems appropriate.

(c) All obligations of the Company under this Grant shall be subject to the rights of the Company as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable.

5. Change of Control. Except as set forth in Paragraph 2(c) of this Grant, the provisions of the Plan applicable to a Change of Control shall apply to the Option, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan.

6. Restrictions on Exercise. Except as the Committee may otherwise permit pursuant to the Plan, only the Participant may exercise the Option during the Participant's lifetime and, after the Participant's death, the Option shall be exercisable (subject to the limitations specified in the Plan) solely by the legal representatives of the Participant, or by the person who acquires the right to exercise the Option by will or by the laws of descent and distribution, to the extent that the Option is exercisable pursuant to this Agreement.

7. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which is incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The Grant and exercise of the Option are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees to be bound by the terms of the Plan and the Grant and that all decisions and determinations of the Committee with respect to the Grant shall be final and binding on the Participant and the Participant's beneficiaries.

8. Restrictions on Sale or Transfer of Shares.

(a) The Participant agrees that he or she shall not sell, transfer, pledge, donate, assign, mortgage, hypothecate or otherwise encumber the shares of Company Stock underlying the Option unless the shares of Company Stock are registered under the Securities Act of 1933, as amended (the "Securities Act") or the Company is given an opinion of counsel reasonably acceptable to the Company that such registration is not required under the Securities Act.

(b) As a condition to receive any shares of Company Stock upon the exercise of the Option, the Participant agrees to be bound by the Company's policies regarding the limitations on the transfer of such shares, and understands that there may be certain times during the year that the Participant will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares.

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9. No Employment or Other Rights. This Grant shall not confer upon the Participant any right to be retained by or in the employ or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.
10. No Stockholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to the shares of Company Stock subject to the Option, until certificates for shares of Company Stock have been issued upon the exercise of the Option.
11. Assignment and Transfers. Except as the Committee may otherwise permit pursuant to the Plan, the rights and interests of the Participant under this Grant may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option or any right hereunder, except as provided for in this Grant, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Option by notice to the Participant, and the Option and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.
12. Effect on Other Benefits. The value of shares of Company Stock received upon exercise of the Option shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.
13. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.
14. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY,  
INC.

By:

Its:

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Exhibit 10.6

**AMENDMENT 2009-1  
TO THE  
NONQUALIFIED SAVINGS AND  
DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF  
AMERICAN WATER WORKS COMPANY, INC.  
AND ITS DESIGNATED SUBSIDIARIES**

Pursuant to the authority reserved to the American Water Works Company, Inc. Board of Directors (the "Board") under Section 8.01 of the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries (the "Plan"), the Board hereby amends the Plan, effective as of February 6, 2009, as follows:

1. The last sentence of the first paragraph under Article I of the Plan is hereby amended in its entirety to read as follows:

"Lastly, certain Group I Employees and Group III Employees are eligible to receive additional contributions referred to as Special Contributions."

2. Section 2.52 of the Plan is hereby amended in its entirety to read as follows:

"2.52 "**Special Contribution**" means the amount credited to the Plan for a Group I Employee and Group III Employee during the 2008 and 2009 Plan Years by AWW pursuant to Sections 4.01(d) and 4.03(c), respectively. The Group I Employees and Group III Employees who are eligible to receive the Special Contribution are those who are specifically designated as eligible to receive such under the Plan at the time of such Special Contribution. No other Group I Employees or Group III Employees are eligible to receive the Special Contribution."

3. Section 4.01(d) of the Plan is hereby amended in its entirety to read as follows:

"(d) Special Contribution.

(i) During the 2008 Plan Year, AWW credited to the Special Contribution Account certain Special Contributions for the benefit of those Group I Employees who were specifically designated by the Board to receive such Special Contributions, the value of which was determined by the Board at such time. Only those Group I Employees who were specifically designated to receive the Special Contributions were eligible to receive such Special Contributions.

(ii) As soon as administratively practicable on or after February 6, 2009, AWW shall make a Special Contribution to the Special Contribution Account of each Group I Employee who is designated to receive the Special Contribution pursuant to this clause (ii) on the attached Exhibit E; provided, however, that each such specifically designated Group I Employee must be employed by the Employer on February 6, 2009, and qualify as a Group I Employee on such date. The Special Contribution

pursuant to this clause (ii) for each such Group I Employee shall be equivalent in value to the amount set forth for such Group I Employee on the attached Exhibit E. Any Group I Employee who is not listed on the attached Exhibit E shall not be eligible to receive the Special Contribution pursuant to this clause (ii). The Special Contribution provided for in this clause (ii) shall be a one-time contribution.”

4. The last sentence of Section 4.01(e) of the Plan is hereby amended in its entirety to read as follows:

“The Plan Year election that shall apply as to the time of distribution for a Group I Employee’s

Special Contributions shall be the eligible Group I Employee's 2008 Plan Year election for Special Contributions made pursuant to clause 4.01(d)(i), and 2009 Plan Year election for Special Contributions made pursuant to clause 4.01(d)(ii)."

5. The last sentence of Section 4.01(f) of the Plan is hereby amended in its entirety to read as follows:

"The Plan Year election that shall apply as to the form of distribution for a Group I Employee's Special Contribution shall be the eligible Group I Employee's 2008 Plan Year election for Special Contributions made pursuant to clause 4.01(d)(i), and 2009 Plan Year election for Special Contributions made pursuant to clause 4.01(d)(ii)."

6. The first sentence of Section 5.01 of the Plan is hereby amended in its entirety to read as follows:

"The Deemed Investment Options available under the Plan shall consist of those funds that the Committee has designated as the Deemed Investment Options under the Plan; provided, however, the Committee reserves the right, on a prospective basis, to add or delete Deemed Investment Options."

7. The last sentence of Section 5.02 of the Plan is hereby deleted in its entirety from the Plan.

8. A new Exhibit E shall be added to the Plan to read as follows:

**"EXHIBIT E"**

**SPECIAL CONTRIBUTION FOR 2009 PLAN YEAR**

The following sets forth the Group I Employees who shall be eligible to receive the one-time Special Contribution as set forth in Sections 4.01(d)(ii) and the amount of the Special Contribution that each such Group I Employee shall be eligible to receive pursuant to such Section:

<u>Employee Name</u>	<u>Amount of Special Contribution</u>
Correll, Donald L.	\$18,296.59
Monica, Laura L.	\$ 5,058.14
Pape, Kathy L.	\$ 1,796.76
Settelen Jr., John L.	\$ 1,256.87
Twadelle, Andrew S.	\$ 1,466.52
Vallejo, Edward D.	\$ 1,175.74
Wolf, Ellen C.	\$ 9,543.47

9. In all respects not modified by this Amendment 2009-1, the Plan is hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, and as evidence of the adoption of this Amendment 2009-1 to the Plan set forth herein, the Board has caused this instrument to be executed this 21<sup>st</sup> day of February, 2009.

American Water Works Company, Inc.  
Board of Directors

/s/ George W. Patrick

By: George W. Patrick

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**Exhibit 10.7**

**AMENDMENT 2009-1  
TO THE  
NONQUALIFIED DEFERRED COMPENSATION PLAN FOR  
NON-EMPLOYEE DIRECTORS OF  
AMERICAN WATER WORKS COMPANY, INC.**

Pursuant to the authority reserved to the American Water Works Company, Inc. Board of Directors (the “Board”) under Article VIII of the Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc. (the “Plan”), the Board hereby amends the Plan, effective as of February 6, 2009, as follows:

1. The first sentence of Section 5-1(a) of the Plan is hereby amended in its entirety to read as follows:  
“The Deemed Investment Options available under the Plan shall consist of those funds that the Committee has designated as the Deemed Investment Options under the Plan; provided, however, the Committee reserves the right, on a prospective basis, to add or delete Deemed Investment Options.”
2. The last sentence of Section 5-2 of the Plan is hereby deleted in its entirety from the Plan.
3. In all respects not modified by this Amendment 2009-1, the Plan is hereby ratified and confirmed.

**IN WITNESS WHEREOF**, and as evidence of the adoption of this Amendment 2009-1 to the Plan set forth herein, the Board has caused this instrument to be executed this 21<sup>st</sup> day of *February*, 2009.

American Water Works Company, Inc.  
Board of Directors

/s/ George W. Patrick

By: George W. Patrick

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