Note 10: Short-Term Debt

Short-term debt consists of commercial paper borrowings totaling $449,959 (net of discount of $41) and $630,307 (net of discount of $193) at December 31, 2014 and 2013, respectively. At December 31, 2014 there were no borrowings outstanding with maturities greater than three months.

On September 9, 2013, AWCC and its lenders agreed to increase total commitments under AWCC's revolving credit facility from $1,000,000 to $1,250,000. In addition, $1,180,000 of the credit facility was extended from its original termination date of October 2017 to October 2018. Other terms and conditions of the existing facility remained unchanged. The Company incurred $1,126 of issuance costs in connection with the increased lending commitments; these costs will be amortized over the remaining extended life of the credit facility.

At the same time, the Company also announced an increase in the maximum borrowing capability of its commercial paper program from $700,000 to $1,000,000.

AWCC had the following available capacity under its commercial paper program at December 31:

	2014	2013
Commercial paper program	$1,000,000	$1,000,000
Commercial paper program available capacity	550,000	369,500

At December 31, AWCC had the following sub-limits and available capacity under each applicable credit facility:

	2014	2013
Letter of credit sublimit	$150,000	$150,000
Letter of credit available capacity	112,104	108,215

At December 31, 2014 and 2013, the Company had $37,896 and $41,785 of outstanding letters of credit, respectively, all of which were issued under the revolving credit facility noted above.

The following table presents the short-term borrowing activity for AWCC for the years ended December 31, 2014 and 2013:

	2014	2013[1]
Average borrowings	$548,530	$370,420
Maximum borrowings outstanding	745,000	829,250
Weighted average interest rates, computed on daily basis	0.31%	0.43%
Weighted average interest rates, at Dec 31	0.42%	0.36%

(1) 2013 average borrowings, maximum borrowings outstanding, and weighted average interest rates, computed on daily basis have been revised by immaterial amounts.

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio at December 31, 2014 was 0.55 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under the Company's credit facility.

As part of the normal course of business, the Company routinely enters contracts for the purchase and sale of water, energy, fuels and other services. These contracts either contain express provisions or otherwise permit

the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on the Company's net position with the counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed provisions that specify the collateral that must be provided, the obligation to supply the collateral requested will be a function of the facts and circumstances of the Company's situation at the time of the demand. If the Company can reasonably claim that it is willing and financially able to perform its obligations, it may be possible to successfully argue that no collateral should be posted or that only an amount equal to two or three months of future payments should be sufficient. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Note 11: General Taxes

Components of general tax expense from continuing operations for the years ended December 31 are as follows:

	2014	2013	2012
Gross receipts and franchise	$ 96,014	$ 96,044	$ 92,612
Property and capital stock	95,651	94,394	84,448
Payroll	30,698	30,985	32,335
Other general	14,369	12,775	11,363
	$236,732	$234,198	$220,758

Note 12: Income Taxes

Components of income tax expense from continuing operations for the years ended December 31 are as follows:

	2014	2013	2012
State income taxes			
Current	$ 11,055	$ 7,202	$ 26,604
Deferred			
Current	(287)	(405)	(280)
Non-current	30,788	26,821	24,256
	$ 41,556	$ 33,618	$ 50,580
Federal income taxes			
Current	$ 14,767	$(19,995)	$ 31,482
Deferred			
Current	(1,528)	(1,324)	(2,031)
Non-current	226,572	226,295	178,274
Amortization of deferred investment tax credits	(1,394)	(1,501)	(1,518)
	238,417	203,475	206,207
	$279,973	$237,093	$256,787

A reconciliation of income tax expense from continuing operations at the statutory federal income tax rate to actual income tax expense for the years ended December 31 is as follows:

	2014	2013	2012
Income tax at statutory rate	$248,424	$212,777	$220,636
Increases (decreases) resulting from:			
State taxes, net of federal taxes	27,011	21,852	32,877
Change in valuation allowance	(2)	(455)	143
Flow through differences	3,467	3,217	3,032
Amortization of deferred investment tax credits	(1,394)	(1,501)	(1,518)
Subsidiary preferred dividends	532	584	634
Sec 162(m) Adjustment	980	—	—
Other, net	955	619	983
Actual income tax expense	$279,973	$237,093	$256,787

The following table provides the components of the net deferred tax liability from continuing operations at December 31:

	2014	2013
Deferred tax assets:		
Advances and contributions	$ 502,069	$ 510,122
Deferred investment tax credits	9,452	10,027
Other postretirement benefits	104,723	107,773
Tax losses and credits	197,288	265,640
Pension benefits	124,985	122,143
Unamortized debt discount, net	20,249	20,249
Other	32,159	23,001
	990,925	1,058,955
Valuation allowance	(10,379)	(13,555)
	$ 980,546	$ 1,045,400
Deferred tax liabilities:		
Utility plant, principally due to depreciation differences	$ 2,676,574	$ 2,478,617
Income taxes recoverable through rates	75,538	81,135
Deferred business services project expenses	4,584	4,584
Deferred other postretirement benefits	65,157	65,071
Deferred pension benefits	121,317	169,336
Other	71,514	69,632
	3,014,684	2,868,375
	$(2,034,138)	$(1,822,975)

At December 31, 2014 and 2013, the Company recorded federal net operating loss ("NOL") carryforwards of $1,004,705 and $1,182,075, respectively. The 2014 balance does not include $14,325 of windfall tax benefits on stock-based compensation that will not be recorded to equity until the benefit is realized. The Company believes the federal NOL carryforwards are more likely than not to be recovered and require no valuation allowance. The Company evaluated its ability to fully utilize the existing federal NOL carryforwards in light of the RWE divestiture in November 2009. Under Internal Revenue Code ("I.R.C.") Section 382, an ownership change occurs if there is a greater than fifty percent (50%) change in equity ownership of a company over a

three-year period determined by reference to the ownership of persons holding five percent (5%) or more of that company's equity securities. If a company undergoes an ownership change as defined by I.R.C. Section 382, the company's ability to utilize its pre-change NOL carryforwards to offset post-change income may be limited.

The Company believes that the limitation imposed by I.R.C. Section 382 generally should not preclude use of its federal NOL carryforwards, assuming the Company has sufficient taxable income in future carryforward periods to utilize those NOL carryforwards. The Company's federal NOL carryforwards do not begin expiring until 2028.

At December 31, 2014 and 2013, the Company had state NOLs of $542,705 and $628,049, respectively, a portion of which are offset by a valuation allowance because the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards will expire between 2015 and 2033.

At December 31, 2014 and 2013, the Company had Canadian NOL carryforwards of $6,498 and $6,323, respectively. The majority of these carryforwards are offset by a valuation allowance because the Company does not believe these NOLs are more likely than not to be realized. The Canadian NOL carryforwards will expire between 2015 and 2033.

The Company had capital loss carryforwards for federal income tax purposes of $3,844 at December 31, 2014 and 2013. The Company has recognized a full valuation allowance for the capital loss carryforwards because the Company does not believe these losses are more likely than not to be recovered.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years before 2008. For U.S. federal, tax year 2011 is also closed.

The Company has state income tax examinations in progress and does not expect material adjustments to result.

The Patient Protection and Affordable Care Act (the "PPACA") became law on March 23, 2010, and the Health Care and Education Reconciliation Act of 2010 became law on March 30, 2010, which makes various amendments to certain aspects of the PPACA (together, the "Acts"). The PPACA effectively changes the tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. The Acts effectively make the subsidy payments taxable in tax years beginning after December 31, 2012 and as a result, the Company followed its original accounting for the underfunded status of the other postretirement benefits for the Medicare Part D adjustment and recorded a reduction in deferred tax assets and an increase in its regulatory assets amounting to $6,348 and $6,241 at December 31, 2014 and 2013, respectively.

The following table summarizes the changes in the Company's gross liability, excluding interest and penalties, for unrecognized tax benefits:

Balance at January 1, 2013	$180,993
Increases in current period tax positions	27,229
Decreases in prior period measurement of tax positions	(30,275)
Balance at December 31, 2013	$177,947
Increases in current period tax positions	53,818
Decreases in prior period measurement of tax positions	(36,528)
Balance at December 31, 2014	$195,237

The total balance in the table above does not include interest and penalties of $157 and $242 as of December 31, 2014 and 2013, respectively, which is recorded as a component of income tax expense. The

majority of the increased tax position is attributable to temporary differences. The increase in 2014 current period tax positions related primarily to the Company's change in tax accounting method filed in 2008 for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. If the Company sustains all of its positions at December 31, 2014 and 2013, an unrecognized tax benefit of $9,444 and $7,439, respectively, excluding interest and penalties, would impact the Company's effective tax rate.

The following table summarizes the changes in the Company's valuation allowance:

Balance at January 1, 2012	$21,579
Increases in current period tax positions	—
Decreases in current period tax positions	(2,059)
Balance at December 31, 2012	$19,520
Increases in current period tax positions	—
Decreases in current period tax positions	(5,965)
Balance at December 31, 2013	$13,555
Increases in current period tax positions	—
Decreases in current period tax positions	(3,176)
Balance at December 31, 2014	$10,379

Included in 2013 is a discrete tax benefit totaling $2,979 associated with an entity re-organization within the Company's Market-Based Operations segment that allowed for the utilization of state net operating loss carryforwards and the release of an associated valuation allowance.

Note 13: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multiemployer plan.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006. The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension plan assets are invested in a number of actively managed and commingled funds including equity and bond funds, fixed income securities, guaranteed interest contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. (See Note 6)

The Company also has unfunded noncontributory supplemental non-qualified pension plans that provide additional retirement benefits to certain employees.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002.

The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed commingled funds including equity and bond funds and fixed income securities.

The obligations of the pension and postretirement benefit plans are dominated by obligations for active employees. Because the timing of expected benefit payments is so far in the future, the investment strategy is to allocate a significant percentage of assets to equities, which the Company believes will provide the highest return over the long-term period. The fixed income assets are invested in intermediate and long duration debt securities and may be invested in fixed income instruments, such as futures and options, in order to better match the duration of the plan liability.

The Company periodically conducts asset liability studies to ensure the investment strategies are aligned with the profile of the plans' obligations.

None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets.

The investment policy guidelines of the pension plan require that the fixed income portfolio has an overall weighted-average credit rating of A or better by Standard & Poor's.

The investment policies' objectives are focused on reducing the volatility of the plans' funding status over a long term horizon.

The fair values and asset allocations of pension plan assets at December 31, 2014, by asset category, follow:

Asset Category	Target Allocation 2015	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets at December 31, 2014
Cash	—	$ 8,370	$ 8,370	$ —	$ —	—
Equity securities:						
U.S. large cap	24%	342,081	342,081	—	—	24%
U.S. small cap value	8%	116,503	116,503	—	—	8%
International	20%	274,143	—	274,143	—	19%
Fixed income securities:	40%					41%
U.S. Treasury and government bonds	—	140,057	121,351	18,706	—	—
Corporate bonds	—	376,939	—	376,939	—	—
Mortgage-backed securities	—	4,285	—	4,285	—	—
Long duration bond fund	—	6,555	6,555	—	—	—
Guaranteed annuity contracts	—	51,517	—	8,987	42,530	—
Real estate	6%	84,821	—	—	84,821	6%
REITs	2%	22,889	—	22,889	—	2%
Total	100%	$1,428,160	$594,860	$705,949	$127,351	100%

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

	Level 3
Balance, January 1, 2014	$ 43,825
Actual return on assets	7,053
Purchases, issuances and settlements, net	76,473
Balance, December 31, 2014	$127,351

The fair values and asset allocations of pension plan assets at December 31, 2013, by asset category, follow:

Asset Category	Target Allocation 2014	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets at December 31, 2013
Cash	—	$ 12,844	$ 12,844	$ —	$ —	—
Equity securities:						
U.S. large cap	24%	455,068	455,068	—	—	33%
U.S. small cap value	8%	139,571	139,571	—	—	10%
International	20%	295,226	615	294,611	—	21%
Fixed income securities:	40%					35%
U.S. Treasury and government bonds	—	81,200	76,222	4,978	—	—
Corporate bonds	—	209,500	—	209,500	—	—
Mortgage-backed securities	—	116,956	—	116,956	—	—
Long duration bond fund	—	5,177	5,177	—	—	—
Guaranteed annuity contracts	—	52,772	—	8,947	43,825	—
Real estate	6%	—	—	—	—	—
REITs	2%	15,307	—	15,307	—	1%
Total	100%	$1,383,621	$689,497	$650,299	$43,825	100%

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

	Level 3
Balance, January 1, 2013	$ 173,625
Actual return on assets	10,384
Purchases, issuances and settlements, net	(140,184)
Balance, December 31, 2013	$ 43,825

The Company's other postretirement benefit plans are partially funded and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and the risk tolerance of the Company. The Company periodically updates the long-term, strategic asset allocations and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity characteristics, funding requirements, expected rates of return and the distribution of returns.

In June 2012, the Company implemented a de-risking strategy for the medical bargaining trust within the plan to minimize volatility. As part of the de-risking strategy, the Company revised the asset allocations to increase the matching characteristics of assets relative to liabilities. The initial de-risking asset allocation for the plan was 60% return-generating assets and 40% liability-driven assets. The investment strategies and policies for the plan reflect a balance of liability driven and return-generating considerations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset— liability matching, asset diversification and hedging. The fixed income target asset allocation matches the bond-like and long-dated nature of the postretirement liabilities. Assets are broadly diversified within asset classes to achieve risk-adjusted returns that in total lower asset volatility relative to the liabilities. The Company assesses the investment strategy regularly to ensure actual allocations are in line with target allocations as appropriate. Strategies to address the goal of ensuring sufficient assets to pay benefits include target allocations to a broad array of asset classes and, within asset classes strategies are employed to provide adequate returns, diversification and liquidity.

The assets of the Company's other trusts, within the other postretirement benefit plans, have been primarily invested in equities and fixed income funds. The assets under the various other postretirement benefit trusts are invested differently based on the assets and liabilities of each trust. The obligations of the other postretirement benefit plans are dominated by obligations for the medical bargaining trust. Thirty-nine percent and four percent of the total postretirement plan benefit obligations are related to the medical non-bargaining and life insurance trusts, respectively. Because expected benefit payments related to the benefit obligations are so far into the future, and the size of the medical non-bargaining and life insurance trusts' obligations are large compared to each trusts' assets, the investment strategy is to allocate a significant portion of the assets' investment to equities, which the Company believes will provide the highest long-term return and improve the funding ratio.

The Company engages third party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocation, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary.

The fair values and asset allocations of postretirement benefit plan assets at December 31, 2014, by asset category, follow:

Asset Category	Target Allocation 2015	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets at December 31, 2014
Bargain VEBA:						
Cash	—	$ 189	$ 189	$ —	—	—
Equity securities:						
U.S. large cap	9%	34,168	34,168	—	—	9%
U.S. small cap value	—	—	—	—	—	—
International	11%	40,232	40,232	—	—	10%
Fixed income securities:	80%					81%
U.S. Treasury securities and government bonds	—	155,087	155,087	—	—	—
Corporate bonds	—	168,317	—	168,317	—	—
Long duration bond fund	—	3,245	3,245	—	—	—
Future and option contracts (a)	—	387	387	—	—	—
Total bargain VEBA	100%	$401,625	$233,308	$168,317	—	100%
Non-bargain VEBA:						
Cash	—	$ 636	$ 636	$ —	—	—
Equity securities:						
U.S. large cap	21%	21,966	21,966	—	—	21%
U.S. small cap value	21%	21,123	21,122	1	—	21%
International	28%	28,611	28,611	—	—	28%
Fixed income securities:	30%					30%
Core fixed income bond fund	—	30,762	30,762	—	—	—
Total non-bargain VEBA	100%	$103,098	$103,097	$ 1	—	100%
Life VEBA:						
Cash	—	$ 65	$ 65	$ —	—	—
Equity securities:						
U.S. large cap	70%	4,924	4,924	—	—	67%
Fixed income securities:	30%					33%
Core fixed income bond fund	—	2,336	2,336	—	—	—
Total life VEBA	100%	$ 7,325	$ 7,325	$ —	—	100%
Total	100%	$512,048	$343,730	$168,318	—	100%

(a) Includes cash for margin requirements.

The fair values and asset allocations of postretirement benefit plan assets at December 31, 2013, by asset category, follow:

Asset Category	Target Allocation 2014	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets at December 31, 2013
Bargain Veba:						
Cash	—	$ 689	$ 689	$ —	—	—
Equity securities:						
U.S. large cap	18%	72,108	72,108	—	—	19%
U.S. small cap value	7%	26,574	26,574	—	—	7%
International	15%	55,888	55,888	—	—	15%
Fixed income securities:	60%					59%
U.S. Treasury securities and government bonds	—	95,010	91,578	3,432	—	—
Corporate bonds	—	117,843	—	117,843	—	—
Long duration bond fund	—	2,043	2,043	—	—	—
Future and option contracts (a)	—	620	620	—	—	—
Total bargain VEBA	100%	$370,775	$249,500	$121,275	—	100%
Non-bargain VEBA:						
Cash	—	$ 3,451	$ 3,451	$ —	—	—
Equity securities:						
U.S. large cap	21%	41,430	41,430	—	—	43%
U.S. small cap value	21%	—	—	—	—	0%
International	28%	27,739	27,739	—	—	29%
Fixed income securities:	30%					28%
Core fixed income bond fund	—	23,563	23,563	—	—	—
Total non-bargain VEBA	100%	$ 96,183	$ 96,183	$ —	—	100%
Life VEBA:						
Cash	—	$ 27	$ 27	$ —	—	—
Equity securities:						
U.S. large cap	70%	5,527	5,527	—	—	71%
Fixed income securities:	30%					29%
Core fixed income bond fund	—	2,206	2,206	—	—	—
Total Life VEBA	100%	$ 7,760	$ 7,760	$ —	—	100%
Total	100%	$474,718	$353,443	$121,275	—	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Equity securities are valued based on quoted prices in active markets and categorized as Level 1. Certain equities, such as international securities held in the pension plan are invested in commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets that the Company can corroborate. The fair values of corporate bonds, mortgage backed securities, certain government bonds and a guaranteed annuity contract are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, and have been categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Certain other guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. The fund administrator values the fund using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. Since these valuation inputs are not highly observable, these contracts have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in daily variation margins that are settled daily. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is valued using the net asset value based on valuation models of underlying securities which generally include significant unobservable inputs that cannot be corroborated using verifiable observable market data. Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

The following table provides a rollforward of the changes in the benefit obligation and plan assets for the most recent two years for all plans combined:

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Change in benefit obligation				
Benefit obligation at January 1	$1,494,132	$1,621,244	$ 561,923	$ 687,082
Service cost	31,773	37,872	11,058	15,282
Interest cost	76,652	68,096	28,605	28,700
Plan participants' contributions	—	—	2,625	2,514
Actuarial (gain) loss	255,762	(180,688)	123,342	(148,410)
Gross benefits paid	(111,863)	(52,392)	(26,440)	(25,263)
Federal subsidy	—	—	2,159	2,018
Benefit obligation at December 31	$1,746,456	$1,494,132	$ 703,272	$ 561,923
Change in Plan Assets				
Fair value of plan assets at January 1	$1,383,621	$1,157,697	$ 474,718	$ 433,260
Actual return on plan assets	116,363	208,821	48,989	36,202
Employer contributions	40,039	69,495	12,156	28,005
Plan participants' contributions	—	—	2,625	2,514
Benefits paid	(111,863)	(52,392)	(26,440)	(25,263)
Fair value of plan assets at December 31	$1,428,160	$1,383,621	$ 512,048	$ 474,718
Funded status at December 31	$ (318,296)	$ (110,511)	$(191,224)	$ (87,205)
Amounts recognized in the balance sheet consist of:				
Noncurrent asset	$ —	$ —	$ 1,326	$ 1,271
Current liability	(1,928)	(1,969)	(48)	(57)
Noncurrent liability	(316,368)	(108,542)	(192,502)	(88,419)
Net amount recognized	$ (318,296)	$ (110,511)	$(191,224)	$ (87,205)

Benefits paid in 2014 includes $55,579 from a one-time lump sum window offering to retired vested participants.

The following table provides the components of the Company's accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Net actuarial loss	$379,743	$145,376	$119,566	$ 17,632
Prior service cost (credit)	3,694	4,418	(12,330)	(14,519)
Net amount recognized	$383,437	$149,794	$107,236	$ 3,113
Regulatory assets	$248,641	$ 90,380	$107,236	$ 3,113
Accumulated other comprehensive income	134,796	59,414	—	—
	$383,437	$149,794	$107,236	$ 3,113

At December 31, 2014 and 2013, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets were as follows:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2014	2013
Projected benefit obligation	$1,746,000	$1,494,000
Fair value of plan assets	1,428,000	1,384,000

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2014	2013
Accumulated benefit obligation	$1,616,000	$ 43,000
Fair value of plan assets	1,428,000	17,000

The accumulated postretirement benefit obligation exceeds plan assets for all of the Company's other postretirement benefit plans.

In August 2006, the Pension Protection Act ("PPA") was signed into law in the U.S. The PPA replaces the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to the greater of the minimum required contributions or the normal cost in 2015 to the qualified pension plans. The Company plans to contribute to its 2015 other postretirement benefit cost for rate-making purposes.

Information about the expected cash flows for the pension and postretirement benefit plans is as follows:

	Pension Benefits	Other Benefits
2015 expected employer contributions		
To plan trusts	$28,000	$26,500
To plan participants	1,929	104

The Company made 2015 contributions to fund pension benefits and other benefits of $6,100 and $6,632, respectively, through February 2015.

The following table reflects the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2015	$ 63,355	$ 27,897	$ 2,113
2016	69,673	30,672	2,295
2017	75,894	33,518	2,486
2018	82,063	36,502	2,678
2019	88,635	39,172	2,892
2020—2024 .	528,913	226,602	18,220

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's pension and other postretirement benefit plans are as follows:

	Pension Benefits			Other Benefits		
	2014	2013	2012	2014	2013	2012
Weighted-average assumptions used to determine December 31 benefit obligations						
Discount rate	4.24%	5.12%	4.17%	4.24%	5.10%	4.16%
Rate of compensation increase	3.12%	3.15%	3.19%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.75% in 2014 to 5.00% in 2021+	graded from 7.00% in 2013 to 5.00% in 2019+	graded from 7.25% in 2012 to 5.00% in 2019+
Weighted-average assumptions used to determine net periodic cost						
Discount rate	5.12%	4.17%	5.02%	5.10%	4.16%	5.05%
Expected return on plan assets	6.91%	7.49%	7.75%	5.87%	6.99%	7.41%
Rate of compensation increase	3.15%	3.19%	3.25%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2014 to 5.00% in 2019+	graded from 7.25% in 2013 to 5.00% in 2019+	graded from 7.50% in 2012 to 5.00% in 2019+

N/A—Assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. At year-end 2011, the Company began using an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a universe containing the majority of U.S.-issued AA-graded corporate bonds, all of which were non callable (or callable with make-whole provisions). Historically, for each plan, the discount rate was developed as the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns and for the effect of expenses paid from plan assets. The Company's pension expense increases as the expected return on assets decreases.

In the determination of year end 2014 projected benefit plan obligations, the Company adopted a new table based on the Society of Actuaries RP 2014 mortality table including a generational BB-2D projection scale. The adoption resulted in a significant increase to pension and other postretirement benefit plans' projected benefit obligations.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 5,943	$ (4,887)
Effect on other postretirement benefit obligation	$105,967	$(86,179)

The following table provides the components of net periodic benefit costs for the years ended December 31:

	2014	2013	2012
Components of net periodic pension benefit cost			
Service cost	$ 31,773	$ 37,872	$ 34,209
Interest cost	76,652	68,096	70,866
Expected return on plan assets	(94,838)	(88,429)	(79,272)
Amortization of:			
Prior service cost (credit)	724	724	723
Actuarial (gain) loss	(131)	37,170	29,636
Settlement loss	—	—	7,135
Net periodic pension benefit cost	$ 14,180	$ 55,433	$ 63,297
Other changes in plan assets and benefit obligations recognized in other comprehensive income			
Amortization of prior service credit (cost)	$ (166)	$ (174)	$ (176)
Current year actuarial (gain) loss	46,119	(73,472)	26,425
Amortization of actuarial gain (loss)	31	(8,911)	(7,301)
Total recognized in other comprehensive income	$ 45,984	$(82,557)	$ 18,948
Total recognized in net periodic benefit cost and comprehensive income	$ 60,164	$(27,124)	$ 82,245
Components of net periodic other postretirement benefit cost			
Service cost	$ 11,058	$ 15,282	$ 14,207
Interest cost	28,605	28,700	31,570
Expected return on plan assets	(27,500)	(30,285)	(28,711)
Amortization of:			
Prior service cost (credit)	(81)	(2,189)	(1,915)
Actuarial (gain) loss	(2,189)	11,128	9,537
Other	—	—	(696)
Net periodic other postretirement benefit cost	$ 9,893	$ 22,636	$ 23,992

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

The estimated amounts that will be amortized from accumulated other comprehensive income and regulatory assets into net periodic benefit cost in 2015 are as follows:

	Pension Benefits	Other Benefits
Actuarial (gain) loss	$25,108	$ 5,009
Prior service cost (credit)	754	(2,189)
Total	$25,862	$ 2,820

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. Plan expenses totaled $7,595 for 2014, $7,926 for 2013 and $7,990 for 2012. All of the Company's contributions are invested in one or more funds at the direction of the employee.

Note 14: Commitments and Contingencies

Commitments

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $217,082 at December 31, 2014.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Purchased water expenses were approximately $124,334, $114,471 and $115,426 for the years ended December 31, 2014, 2013 and 2012, respectively. Future annual commitments related to minimum quantities of purchased water having non-cancelable terms in excess of one year at December 31, 2014 are $55,141 in 2015, $50,936 in 2016, $44,175 in 2017, $43,034 in 2018, $43,098 in 2019 and $441,206 thereafter.

The Company enters into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. The Company's military services agreements expire between 2051 and 2064 and have remaining performance commitments as measured by estimated remaining contract revenue of $2,543,778 at December 31, 2014. The military contracts are subject to customary termination provisions held by the U.S. Federal Government prior to the agreed upon contract expiration. The Company's Operations and Maintenance agreements with municipalities and other customers expire between 2015 and 2048 and have remaining performance commitments as measured by estimated remaining contract revenue of $865,803 at December 31, 2014. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. At December 31, 2014, the Company has accrued approximately $5,000 as probable costs and it is reasonably possible that additional losses could range up to $30,100 for these matters. For certain matters, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such claims or actions will not have a material adverse effect on the Company's results of operations, financial position or cash flows.

On October 13, 2014, we entered into a settlement agreement with the Utility Workers Union of America ("UWUA") designed to resolve a dispute between our company and the labor unions representing employees in the Regulated Businesses ("the Unions"). Among other things, the settlement agreement provides for a new 2014-2018 National Benefits Agreement that will be in effect generally until July 31, 2018. In addition, we agreed to make a $10 million lump-sum payment, to be distributed in accordance with procedures set forth in the settlement agreement among eligible employees represented by the Unions and affected by implementation of

our last, best and final offer. The majority of the distributions are expected to be used to reimburse employees for medical claims which were incurred during the relevant period and will be funded by the Group Insurance Plan for American Water Works Company, Inc. and Its Designated Subsidiaries and Affiliates – Active Employees VEBA (the "VEBA Trust"), to which we previously have made contributions.

The Unions approved the settlement agreement on October 30, 2014, and the National Labor Relations Board (the "NLRB") approved the settlement agreement on October 31, 2014. The NLRB, UWUA and the Company filed a joint stipulation to dismiss the petition for review. The Seventh Circuit voluntarily dismissed all the parties' appeals on December 16, 2014. The NLRB will dismiss the unfair labor practice charge pending on the national benefits dispute when we have complied with the settlement agreement.

Note 15: Earnings per Common Share

Earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. The Company has participating securities related to restricted stock units, granted under the Company's 2007 Omnibus Equity Compensation Plan, that earn dividend equivalents on an equal basis with common shares. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities.

The following is a reconciliation of the Company's income from continuing operations, loss from discontinued operations and net income and weighted-average common shares outstanding for calculating basic earnings per share:

	Years Ended December 31,		
	2014	2013	2012
Basic			
Income from continuing operations	$429,841	$370,844	$373,602
Loss from discontinued operations, net of tax	(6,733)	(1,580)	(15,532)
Net income	423,108	369,264	358,070
Less: Distributed earnings to common shareholders	217,253	150,038	214,541
Less: Distributed earnings to participating securities	63	60	86
Undistributed earnings	205,792	219,166	143,443
Undistributed earnings allocated to common shareholders	205,735	219,082	143,385
Undistributed earnings allocated to participating securities	57	84	58
Total income from continuing operations available to common shareholders, basic	$429,721	$370,700	$373,458
Total income available to common shareholders, basic	$422,988	$369,120	$357,926
Weighted-average common shares outstanding, basic	178,888	177,814	176,445
Basic earnings per share: (a)			
Income from continuing operations	$ 2.40	$ 2.08	$ 2.12
Loss from discontinued operations, net of tax	$ (0.04)	$ (0.01)	$ (0.09)
Net income	$ 2.36	$ 2.08	$ 2.03

(a) Earnings per share amounts are computed independently for income from continuing operations, loss from discontinued operations and net income. As a result, the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amount for net income.

Diluted earnings per common share is based on the weighted-average number of common shares outstanding adjusted for the dilutive effect of common stock equivalents related to the restricted stock units, stock options, and employee stock purchase plan. The dilutive effect of the common stock equivalents is calculated using the treasury stock method and expected proceeds on vesting of the restricted stock units, exercise of the stock options and purchases under the employee stock purchase plan.

The following is a reconciliation of the Company's income from continuing operations, loss from discontinued operations and net income and weighted-average common shares outstanding for calculating diluted earnings per share:

	Years Ended December 31,		
	2014	2013	2012
Diluted			
Total income from continuing operations available to common shareholders, basic	$429,721	$370,700	$373,458
Loss from discontinued operations, net of tax	(6,733)	(1,580)	(15,532)
Total income available to common shareholders, basic	422,988	369,120	357,926
Undistributed earnings for participating securities	57	84	58
Total income from continuing operations available to common shareholders, diluted	$429,778	$370,784	$373,516
Total income available to common shareholders, diluted	$423,045	$369,204	$357,984
Weighted-average common shares outstanding, basic	178,888	177,814	176,445
Common stock equivalents:			
Restricted stock units	454	510	618
Stock options	463	730	607
Employee stock purchase plan	1	2	1
Weighted-average common shares outstanding, diluted	179,806	179,056	177,671
Diluted earnings per share (a)			
Income from continuing operations	$ 2.39	$ 2.07	$ 2.10
Loss from discontinued operations, net of tax	$ (0.04)	$ (0.01)	$ (0.09)
Net income	$ 2.35	$ 2.06	$ 2.01

(a) Earnings per share amounts are computed independently for income from continuing operations, loss from discontinued operations and net income. As a result, the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amount for net income.

The following potentially dilutive common stock equivalents were not included in the earnings per share calculations for the years ended December 31 because they were anti-dilutive:

	2014	2013	2012
Stock options	323	327	619
Restricted stock units where certain performance conditions were not met	—	20	19

Note 16: Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported in the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs. The fair values of instruments classified as Level 2 and 3 are determined by a valuation model that is based on a conventional discounted cash flow methodology and utilizes assumptions of current market rates. As a majority of the Company's debts do not trade in active markets, the Company calculated a base yield curve using a risk-free rate (a U.S. Treasury securities yield curve) plus a credit spread that is based on the following two factors: an average of the Company's own publicly-traded debt securities and the current market rates for U.S. Utility A- debt securities. The Company used these yield curve assumptions to derive a base yield for the Level 2 and Level 3 securities. Additionally, the Company adjusted the base yield for specific features of the debt securities including call features, coupon tax treatment and collateral for the Level 3 instruments.

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments are as follows:

	Carrying Amount	At Fair Value as of December 31, 2014			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 17,151	$ —	$ —	$ 22,167	$ 22,167
Long-term debt (excluding capital lease obligations)	5,491,341	2,874,622	1,474,708	2,055,058	6,404,388

	Carrying Amount	At Fair Value as of December 31, 2013			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 18,827	$ —	$ —	$ 22,795	$ 22,795
Long-term debt (excluding capital lease obligations)	5,224,492	2,263,355	1,462,404	2,057,506	5,783,265

Fair Value Measurements

To increase consistency and comparability in fair value measurements, FASB guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.
- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.
- Level 3—unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of December 31, 2014 and 2013, respectively:

Recurring Fair Value Measures	At Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$45,182	$ —	$—	$45,182
Rabbi trust investments	—	11,751	—	11,751
Deposits	4,158	—	—	4,158
Mark-to-market derivative asset	—	3,636	—	3,636
Total assets	49,340	15,387	—	64,727
Liabilities:				
Deferred compensation obligation	—	11,765	—	11,765
Mark-to-market derivative liability	—	1,012	—	1,012
Total liabilities	—	12,777	—	12,777
Total net assets	$49,340	$ 2,610	$—	$51,950

Recurring Fair Value Measures	At Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$29,259	$ —	$—	$29,259
Rabbi trust investments	—	444	—	444
Deposits	1,901	—	—	1,901
Mark-to-market derivative asset	—	4,776	—	4,776
Total assets	31,160	5,220	—	36,380
Liabilities:				
Deferred compensation obligation	—	11,928	—	11,928
Mark-to-market derivative liability	—	1,276	—	1,276
Total liabilities	—	13,204	—	13,204
Total net assets (liabilities)	$31,160	$(7,984)	$—	$23,176

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred. Restricted funds expected to be released within twelve months subsequent to year end are classified as current. Also included in the above restricted funds in 2014 is $22,366 of money market funds held in trust for active employee benefits.

Rabbi trust investments—The Company's rabbi trust investments consist primarily of fixed income investments and mutual funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative asset and liability—The Company utilizes fixed-to-floating interest-rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company also employs derivative financial instruments in the form of variable-to-fixed interest rate swaps, classified as economic hedges, in order to fix the interest cost on some of its variable-rate debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

See Note 13 for the Company's fair value of qualified pension and postretirement welfare plans' assets.

Non-recurring Fair Value Measurements

As discussed in Note 7, the Company recognized continuing operations goodwill impairment charges of $0 for each of the years ended December 31, 2014, 2013 and 2012, respectively. The Company's goodwill valuation model includes significant unobservable inputs and falls within Level 3 of the fair value hierarchy.

Note 17: Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were $21,885 for 2014, $23,351 for 2013 and $27,945 for 2012. The operating leases for facilities will expire over the next 20 years and the operating leases for equipment will expire over the next five years. Certain operating leases have renewal options ranging from one to five years.

At December 31, 2014, the minimum annual future rental commitment under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are $14,007 in 2015, $11,898 in 2016, $10,970 in 2017, $9,763 in 2018, $9,457 in 2019 and $81,617 thereafter.

The Company has a series of agreements with various public entities (the "Partners") to establish certain joint ventures, commonly referred to as "public-private partnerships." Under the public-private partnerships, the Company constructed utility plant, financed by the Company and the Partners constructed utility plant (connected to the Company's property), financed by the Partners. The Company agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs"), issued by the Partners under a state Industrial Development Bond and Commercial Development Act. The Company leased back the total facilities, including portions funded by both the Company and the Partners, under leases for a period of 40 years.

The leases related to the portion of the facilities funded by the Company have required payments from the Company to the Partners that approximate the payments required by the terms of the IDBs from the Partners to the Company (as the holder of the IDBs). As the ownership of the portion of the facilities constructed by the Company will revert back to the Company at the end of the lease, the Company has recorded these as capital leases. The lease obligation and the receivable for the principal amount of the IDBs are presented by the Company on a net basis. The gross cost of the facilities funded by the Company recognized as a capital lease asset was $156,819 and $158,115 at December 31, 2014 and 2013, respectively, which is presented within utility plant. The future payments under the lease obligations are equal to and offset by the payments receivable under the IDBs.

At December 31, 2014, the minimum annual future rental commitment under the operating leases for the portion of the facilities funded by the Partners that have initial or remaining non-cancelable lease terms in excess of one year included in the preceding minimum annual rental commitments are $3,755 in 2015 through 2019, and $73,318 thereafter.

Note 18: Segment Information

The Company has two operating segments referred to as the Regulated Businesses and Market-Based Operations segments. The Company's chief operating decision maker regularly reviews the operating results of the Regulated Businesses and Market-Based Operations segments to assess segment performance and allocate resources. The evaluation of segment performance and the allocation of resources are based on several measures. The measure that is most consistent with that used by management is income from continuing operations before income tax.

The Regulated Businesses segment includes the Company's 18 utility subsidiaries in continuing operations that provide water and wastewater services to customers in 16 U.S. states. The Market-Based Operations segment is comprised of market-based businesses that provide a broad range of water and wastewater services and products including homeowner water and sewer line maintenance services and water and wastewater facility operations and maintenance services.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. (See Note 2) The Regulated Businesses and Market-Based Operations segment information includes intercompany costs that are allocated by American Water Works Service Company, Inc. and intercompany interest that is charged by AWCC, which are eliminated to reconcile to the consolidated results of operations. Inter-segment revenues, which are primarily recorded at cost plus mark-up that approximates current market prices, includes leased office space, furniture and equipment provided by the Company's market-based subsidiaries to its regulated subsidiaries. Other includes corporate costs that are not allocated to the Company's subsidiaries, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the Acquisitions that have not been allocated to the segments for evaluation of segment performance and allocation of resource purposes. The adjustments related to the Acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management. The following table includes the Company's summarized segment information:

	As of or for the Year Ended December 31, 2014			
	Regulated Businesses	Market-Based Operations	Other	Consolidated
Net operating revenues	$ 2,674,329	$354,679	$ (17,680)	$ 3,011,328
Depreciation and amortization	394,097	5,790	24,197	424,084
Total operating expenses, net	1,725,651	299,549	(16,448)	2,008,752
Income from continuing operations before income taxes	707,449	57,539	(55,174)	709,814
Total assets	14,342,837	314,253	1,473,866	16,130,956
Capital expenditures	946,306	9,813	—	956,119
Capital expenditures of discontinued operations (included in capital expenditures above)	—	12	—	12

	As of or for the Year Ended December 31, 2013			
	Regulated Businesses	Market-Based Operations	Other	Consolidated
Net operating revenues [1]	$ 2,593,918	$302,541	$ (17,523)	$ 2,878,936
Depreciation and amortization [1]	375,939	6,012	24,766	406,717
Total operating expenses, net [1]	1,700,052	252,302	(21,734)	1,930,620
Income from continuing operations before income taxes [1]	654,834	53,104	(100,001)	607,937
Total assets	13,447,696	286,048	1,354,398	15,088,142
Assets of discontinued operations (included in total assets above)	—	7,761	—	7,761
Capital expenditures	973,301	6,951	—	980,252
Capital expenditures of discontinued operations (included in capital expenditures above)	—	517	—	517

	As of or for the Year Ended December 31, 2012			
	Regulated Businesses	Market-Based Operations	Other	Consolidated
Net operating revenues [1]	$ 2,564,434	$307,366	$ (17,874)	$ 2,853,926
Depreciation and amortization [1]	349,629	5,560	25,213	380,402
Total operating expenses, net [1]	1,685,734	266,005	(21,917)	1,929,822
Income from continuing operations before income taxes [1]	649,117	44,948	(63,676)	630,389
Total assets	12,680,856	260,255	1,777,865	14,718,976
Assets of discontinued operations (included in total assets above)	—	7,646	—	7,646
Capital expenditures	921,500	7,074	—	928,574
Capital expenditures of discontinued operations (included in capital expenditures above)	2,884	705	—	3,589

(1) The information has been restated to reflect the impact of discontinued operations, as applicable. See Note 3 for additional details on the Company's discontinued operations.

Note 19: Unaudited Quarterly Data

The following table sets forth certain supplemental unaudited consolidated quarterly financial data for each of the four quarters in the years ended December 31, 2014 and 2013, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods:

2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Net operating revenues	$679,003	$754,778	$846,169	$731,378
Operating income	187,442	254,788	337,285	223,061
Income from continuing operations	69,113	110,174	156,608	93,946
Net income	68,123	109,299	152,185	93,501
Basic earnings per common share:				
Income from continuing operations	0.39	0.62	0.87	0.52
Net income	0.38	0.61	0.85	0.52
Diluted earnings per common share:				
Income from continuing operations	0.39	0.61	0.87	0.52
Net income	0.38	0.61	0.85	0.52

2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Net operating revenues	$631,939	$718,565	$822,190	$706,242
Operating income	165,324	242,031	323,166	217,795
Income from continuing operations	58,445	101,369	149,909	61,121
Net income	57,643	101,263	150,665	59,693
Basic earnings per common share:				
Income from continuing operations	0.33	0.57	0.84	0.34
Net income	0.32	0.57	0.85	0.33
Diluted earnings per common share:				
Income from continuing operations	0.33	0.57	0.84	0.34
Net income	0.32	0.57	0.84	0.33

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

American Water Works Company, Inc. maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act) as of December 31, 2014 pursuant to Rule15d-15(e) under the Exchange Act.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2014, our disclosure controls and procedures were effective at a reasonable level of assurance. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed by or under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting, as of December 31, 2014, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the framework in Internal Control—Integrated Framework (2013) issued by COSO, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Controls

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

In February 2015, our Board of Directors authorized a common stock repurchase program for the specific purpose of providing a vehicle to minimize share dilution that occurs through its dividend reinvestment, employee stock purchase and executive compensation programs. The program will allow the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time to manage dilution. Under the program, the Company may repurchase its common stock in the open market or through privately negotiated transactions. The Program will be conducted in accordance with Rule 10b-18 of the Exchange Act, as amended, and, to facilitate repurchases, the Company has also entered into with a broker a Rule 10b5-1 share repurchase plan. By having the Program administered through a Rule 10b5-1 plan, the Company will be able to repurchase its shares at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the Rule 10b5-1 parameters at its discretion.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE

The information required by this item and not given below, is incorporated by reference in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Nominees for Election as Directors," "Information Relative to the Board of Directors and Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Code of Ethics and Corporate Governance Guidelines."

We have adopted a Code of Ethics, which applies to directors and employees. The full text of the Code of Ethics is publicly available on our website at *http://www.amwater.com*. We intend to post on our website any amendments to certain provisions of our Code of Ethics and any waivers of such provisions granted to principal officers.

Name	Age	Office and Employment During Last Ten Years
Susan N. Story	55	Ms. Story was elected President and Chief Executive Officer (CEO) on May 9, 2014. Prior to that she served as Senior Vice President and Chief Financial Officer from April 2013 until May 2014. She was previously employed for over 30 years by Southern Company, which owns and operates electric utilities in four states, and also is engaged in electric wholesale generation and telecommunications, including both wireless and wireline, fiber optic communications. Ms. Story was an executive officer of Southern Company from 2003 until she joined the Company. In addition, from January 2011 until she joined the Company, she served as the President and Chief Executive Officer of Southern Company Services, which provides shared services for all of Southern Company's subsidiaries, including information technology and cyber security efforts, human resources, procurement and supply chain management, marketing services, customer research and system transportation functions. From 2003 to December 2010, she was the President and Chief Executive Officer of Gulf Power Company, an electric utility serving the northwestern portion of Florida. Ms. Story is an independent board member of Raymond James Financial and serves on the boards of the Bipartisan Policy Center in Washington, DC and the Moffitt Cancer Center in Tampa, FL.
John R. Bigelow	60	Mr. Bigelow has been our Senior Vice President of Business Services since November 2011 and became the Chair of the Board of Directors for American Water Works Service Company in January 2012. From 2007 until his new appointment in November 2011, Mr. Bigelow was President of New Jersey American Water (NJAWC). Mr. Bigelow joined American Water in 1994 and held a number of senior management positions during his tenure, including American Water's Senior Vice President of Regulatory Programs and Enterprise Risk Management. From December 2003 to February 2006, Mr. Bigelow served as American Water's Chief Financial Officer, Vice President and Treasurer of NJAWC, and Director, Vice President and Treasurer of New Jersey American Resources Co. Mr. Bigelow began his career with GPU System Companies, where he spent 18 years in various leadership roles in the finance area.

Name	Age	Office and Employment During Last Ten Years
Sharon Cameron	58	Ms. Cameron has been President of American Water Enterprises, our Market-Based Operations, since September 2010. She also serves as President of American Water Resources, Inc., a business she has been leading since 2002. Prior to joining American Water, Ms. Cameron was Principal of Marketing Solutions, a marketing consulting firm she launched in 1998, and was a consultant to American Water on the Homeowner Services business. Previously, Ms. Cameron served as Vice President of Marketing and Sales at Comcast Corporation (New Jersey), Senior Marketing Manager at Menley & James Laboratories, and Marketing Manager at Campbell Soup Company.
Mark Chesla	55	Mr. Chesla has been our Vice President and Controller since November 2007. From 2001 to November 2007, Mr. Chesla was Vice President and Controller of Oglethorpe Power Corporation, in Atlanta, Georgia, where he served as that company's chief accounting officer. In this capacity he was responsible for all aspects of the accounting, internal financial management, regulatory and SEC reporting functions. Mr. Chesla was Vice President, Administration/Controller of SouthStar Energy Services LLC, in Atlanta, Georgia, from 1998 to 2001. Earlier, he held management positions with several other companies, including Piedmont Natural Gas Co., Inc., Aegis Technologies, Inc., Deloitte & Touche LLP and Carolina Power & Light Company.
Deborah Degillio	43	Ms. Degillio has been our Vice President and Treasurer since January 1, 2015. From 2013 until her new appointment in December 2014, Ms. Degillio served as VP of Finance of American Water Enterprises, our Market-Based Operations. Ms. Degillio joined American Water in 2007 as Director of Financial Planning and Analysis, supporting California, Arizona, New Mexico and Hawaii and was named Vice President of the Eastern Division Finance team in 2009. As Vice President of the Eastern Division, Ms. Degillio managed a team of over 30 professionals and was responsible for financial analysis and planning, as well as rates strategy and execution for nine states in American Water's regulated operations. Prior to joining American Water, Ms. Degillio held a number of roles at MCR Performance Solutions, a consulting firm in the energy sector, managing enterprise risk management and regulatory matters and providing financial management consulting for a number of large utilities. She began her career at CSC Planmetrics, a strategic consulting firm serving the utilities industry, where she supported electric and gas utilities through mergers and acquisitions, marketing plans and projects focused on process change.
Maureen Duffy	45	Ms. Duffy has been our Vice President of Corporate Communications and External Affairs since September 2011. From June 2011 to September 2011, Ms. Duffy served as the Executive Director of Corporate Communications and External Affairs. From September 2008 to June 2011, Ms. Duffy served as Director of External Communications, and from July 2006 until September 2008, she served as Director of Internal Communications. From November 1999 to July 2006, she held various positions with New Jersey American Water, which included Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.

Name	Age	Office and Employment During Last Ten Years
Walter J. Lynch	52	Mr. Lynch has served as our President and Chief Operating Officer of Regulated Operations since March 2010, and President of Regulated Operations since July 2008. Prior to that date, he served as Executive Vice President, Eastern Division. He also served as President of New Jersey American Water, Long Island American Water and our Northeast Region. Mr. Lynch joined us in 2001 and served as President of our Products and Services Group, where he was responsible for overseeing our Market-Based Operations. Prior to this, he was President of the Southwest Region of American Water Services. Mr. Lynch has more than 20 years of experience in engineering, sales and marketing, operations and business development. Before joining us, he was involved with various start-up and growth organizations in the environmental industry. Mr. Lynch worked for Mobil Oil Corporation following his departure from the United States Army where he attained the rank of Captain. In addition, Mr. Lynch is on the Board of Directors of the National Association of Water Companies and serves on its Executive Committee.
Kathy L. Pape	62	Ms. Pape has been our Senior Vice President, Mid-Atlantic Division since November 2011, and President of Pennsylvania American Water since July 2007. From 1999 to 2007, Ms. Pape served as Senior Vice President, Treasurer and Rate Counsel for Aqua America, Inc. and was part of the team that grew the company from one state to fourteen. From 1994 to 1999, Ms. Pape was employed by us as Regional Counsel and Finance Manager, where her responsibilities included rates and regulatory affairs, finance, budgeting and customer service for 10 states. Prior to 1994, Ms. Pape was Vice President-Rates for General Waterworks Management and Service Co., Assistant Counsel to the Pennsylvania Public Utility Commission and Assistant Consumer Advocate for the Pennsylvania Office of Consumer Advocate. Ms. Pape chairs the Pennsylvania Business Council and its Policy Roundtable, is on the Board of the PA Chamber and numerous non-profit boards. Ms. Pape holds a bachelor of arts in political science from Edinboro University, a JD from the Dickinson School of Law and an LLM in Taxation from Villanova University School of Law.
Nick O. Rowe	57	Mr. Rowe has been the Senior Vice President of our Central Division since November 2011. From January 2009 until his new appointment in November 2011, Mr. Rowe was Senior Vice President of our Eastern Division, and from 2006 to January 2011, he was President of Kentucky American Water. From 2005 to 2006, he served as Vice President of Service Delivery Operations for the Southeast Region of American Water. From 2003 to 2005, he served as Vice President, Business Change for American Water in New Jersey, and from 1998 to 2003, Mr. Rowe was Vice President of Operations for Kentucky American Water. From 1987 to 1998, he served in various management positions with responsibility for the day-to-day operations of American Water facilities in several states including Virginia, West Virginia, and Pennsylvania. Mr. Rowe is involved with various regulatory agencies and civic and professional organizations. He is also a member of the American Water Works Association and the National Association of Water Companies.

Name	Age	Office and Employment During Last Ten Years
Michael Sgro	56	Mr. Sgro became our Senior Vice President, General Counsel and Secretary on February 18, 2015. Prior to that he had been serving as our Corporate Secretary and Interim General Counsel of American Water Works Company, Inc. and responsible for all legal affairs of the Company, including corporate governance and other corporate matters, SEC matters, ethics and compliance matters. Prior to his new position, he served as the Divisional General Counsel Northeast Division of American Water, directing all legal matters for American Water's Northeast Division, consisting of New Jersey American Water, New York American Water, and several non-regulated entities. He was also responsible for Government Affairs for New Jersey American Water. Prior to joining us in 1993, he was an Associate with Dechert LLP.
Mark S. Smith	55	Mr. Smith has been our Vice President and Chief Information Officer since September 2012. From 2008 to 2012, Mr. Smith served as our ITS Senior Director, Business Application Development & Project Management Office. Prior to joining American Water, Mr. Smith, held several roles with Siemens and Shared Medical Systems (pre-acquisition) over a course of 23 years, including Group Manager of Management Information Systems and Director of the Shared Services Office where he was responsible for enterprise and system level architecture definition, administration and implementation for internal development as well as custom commercial applications.
Mark F. Strauss	63	Mr. Strauss has been our Senior Vice President of Corporate Strategy and Business Development since September 2010. From December 2006, until his new appointment in September 2010, Mr. Strauss was President of American Water Enterprises, managing our Market-Based Operations. Previously, Mr. Strauss was President and Chief Executive Officer of a line of business that we sold in 2012, Applied Water Management Group, which provided customized water and wastewater management solutions to real estate developers, industrial clients and small to midsized communities nationwide. Mr. Strauss joined Applied Water Management Group in 1997 as Corporate Counsel and Secretary. He was promoted to Chief Operating Officer in 2002, a position he held until his appointment as Division President and Chief Executive Officer in 2003. Earlier, he served as Vice President and General Counsel of Vizzoni Brothers Construction, Inc. Mr. Strauss serves as a director of Skylands Community Bank. Mr. Strauss was also an associate at the law firms of Ozzard, Rizzolo, Klein, Mauro & Savo and Toolan, Romond, Abbot and Domenichetti.
Linda G. Sullivan	51	Ms. Sullivan has been our Senior Vice President and Chief Financial Officer since May 9, 2014. Prior to joining our company, she was employed for 22 years with Edison International companies. Beginning in July 2009, she served as the Senior Vice President and Chief Financial Officer ("CFO") of Southern California Edison Company, one of the nation's largest electric utilities and a subsidiary of Edison International, where she led all aspects of finance including strategy, planning, treasury, accounting, risk management and control functions, as well as operational services including supply chain functions, transportation services and facilities management. Prior to becoming CFO, Ms. Sullivan was Vice President and Controller of both Edison International and Southern California Edison for

Name	Age	Office and Employment During Last Ten Years
		five years. She also held a variety of financial leadership roles at a number of Edison International's competitive businesses, including retail subsidiaries providing home security, energy efficiency and operations and maintenance service; and a research and development start-up focused on distributed generation, smart grid technologies solar rooftop installations and electric vehicle charging stations. From 1991 to 1996, she performed finance and accounting functions at the corporate level and within an operating business unit at the utility. Before starting her career at Edison International, Ms. Sullivan was senior auditor with Arthur Andersen, LLP for three years. She is a Certified Public Accountant (inactive) and Certified Management Accountant.
Edward Vallejo	55	Mr. Vallejo has been our Vice President of Financial Strategy, Planning and Decision Support since December 2014. Prior to his current role, he served as Vice President of Investor Relations. Prior to that he held various positions with increasing responsibility with us including chief financial officer of Thames Water Chile, Vice President of Mergers & Acquisitions and Treasurer. He began his career in the utilities sector in 1994 as an investment banker for PaineWebber.
William M. Varley	57	Mr. Varley has been Senior Vice President, Northeast Division and President of New Jersey American Water since January 2014. He is also President of New York American Water (formerly named Long Island American Water), a position he has held since 2007. Mr. Varley previously served as Vice President and Manager of Long Island American Water, as well as Vice President of Business Development for New Jersey and New York. Prior to joining American Water in 2000, Mr. Varley was the District Manager for Layne Christensen Co., a large water supply contracting company, for 13 years. There he oversaw Layne's Long Island well-drilling operations. He also worked for large consulting engineering firms Camp Dresser & McKee and Hazen & Sawyer as resident and design engineer for large wastewater treatment plant upgrades. Mr. Varley holds a bachelors of science in civil engineering technology from Rochester Institute of Technology.
Loyd "Aldie" Warnock	55	Mr. Warnock has been our Senior Vice President of External Affairs, Communications and Public Policy since April 28, 2014. Prior to joining American Water, he was the Senior Vice President of External Affairs at Midwest Independent System Operator Inc., a nonprofit, self-governing organization, where he directed policy development for regulatory and legislative matters, oversaw state and federal regulatory and legislative activities, client relations, stakeholder support and corporate communications for this regional transmission organization. Other previous experience includes serving as Vice President of External Affairs for Allegheny Energy, Senior Vice President of Governmental and Regulatory Affairs at Mirant Corporation and Vice President of Regulatory Affairs at Reliant Energy. Mr. Warnock currently serves on the Board of Directors for the National Association of Water Companies and on its Executive Committee.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders, under the captions entitled "Executive Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report" and "Director Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders, under the caption entitled "Security Ownership of Principal Stockholders and Management" and the "Equity Compensation Plan" table appearing under the caption "Long-Term Equity Incentive Compensation."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders, under the captions entitled "Certain Relationships and Related Transactions" and "Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders, under the caption entitled "Independent Registered Public Accounting Fees and Services."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 24th day of February, 2015.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 24th day of February, 2015 by the following persons in the capacities indicated.

/s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ LINDA G. SULLIVAN
Linda G. Sullivan
Senior Vice President and Chief Financial Officer

/s/ MARK CHESLA
Mark Chesla
Vice President, Controller

/s/ GEORGE MACKENZIE
George MacKenzie
(Director)

/s/ MARTHA CLARK GOSS
Martha Clark Goss
(Director)

/s/ JULIE A. DOBSON
Julie A. Dobson
(Director)

/s/ RICHARD R. GRIGG
Richard R. Grigg
(Director)

/s/ JULIA L. JOHNSON
Julia L. Johnson
(Director)

/s/ WILLIAM J. MARRAZZO
William J. Marrazzo
(Director)

/s/ PAUL J. EVANSON
Paul J. Evanson
(Director)

/s/ KARL F. KURZ
Karl F. Kurz
(Director)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-3028, filed November 6, 2008.)
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed January 5, 2010).
4.1	Indenture, dated as of October 22, 2007 between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of November 26, 2008, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed December 3, 2008).
4.3	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed December 3, 2010).
4.4	Officers' Certificate, dated December 15, 2010, establishing the 6.00% Senior Monthly Notes due 2040 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed December 15, 2010).
4.5	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed December 17, 2012).
4.6	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed November 20, 2013).
4.7	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes 2042 ((incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed August 14, 2014).
4.9	Note Purchase Agreement, as amended, dated December 21, 2006, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.2 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to the 5.52% Series B Senior Notes due December 21, 2016, 5.62% Series C Senior Notes due December 21, 2018 and 5.77% Series D Senior Notes due December 21, 2021.
4.10	Note Purchase Agreement, as amended, dated March 29, 2007, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to 5.62% Series E Senior Notes due March 29, 2019 and 5.77% Series F Senior Notes due March 29, 2022.

Exhibit Number	Exhibit Description
4.11	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed May 15, 2015, with respect to the 6.25% Series G Senior Notes due May 15, 2018 and the 6.55% Series H Senior Notes due May 15, 2023.
10.1	Credit Agreement, dated as of October 29, 2012, between American Water Capital Corp., each of the lenders party thereto, Wells Fargo Bank, National Association [written out for indenture & on credit agreement], as administrative agent, and JPMorgan Chase Bank, N.A., as syndication agent. (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed on May 7, 2013).
10.2	Amendment, dated as of September 6, 2013, to the Credit Agreement, dated as of October 29, 2012, between American Water Capital Corp., each of the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and JPMorgan Chase Bank, N.A., as syndication agent.
10.3	Lender Consent, dated as of September 9, 2013 to the Credit Agreement, dated as of October 29, 2012, as amended, between American Water Capital Corp., each of the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and JPMorgan Chase Bank, N.A., as syndication agent.
10.4	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.5.1	Agreement and General Release between Ellen C. Wolf and American Water Works Company, Inc., dated March 25, 2013 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.5.2	First Amendment to the Agreement and General Release between Ellen C. Wolf and American Water Works Company, Inc., dated March 27, 2013 (incorporated by reference to Exhibit 10.2A to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.6.1	Employment Agreement between Jeffry E. Sterba and American Water Works Company, Inc., dated March 26, 2012 (incorporated by reference to Exhibit 99.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed March 30, 2012).
10.6.2	Letter Agreement, dated December 12, 2013, between the Company and Jeffry E. Sterba, amending Mr. Sterba's Employment Letter Agreement dated March 26, 2012 (incorporated by reference to Exhibit 99.1 to American Water Works Company, Inc.'s Form 8-K, File No. 001-34028, filed December 13, 2013).
10.7	Employment Agreement between Susan Story and American Water Works Company, Inc., dated February 20, 2013 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.8	Employment Agreement between Kellye L. Walker and American Water Works Company, Inc., dated December 21, 2009 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 4, 2011).
10.9	Employment Letter Agreement between Linda G. Sullivan and American Water Works Company, Inc. dated March 10, 2014 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)

Exhibit Number	Exhibit Description
10.10	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.12.1	American Water Works Company, Inc. Nonqualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.15 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145725, filed March 31, 2008).
10.12.2	Amendment 2010-1 to the American Water Works Company, Inc. Nonqualified Employee Stock Purchase Plan, dated as of December 10, 2010 (incorporated by reference to Exhibit 10.12 to American Water Works Company, Inc.'s Form 10-K, File No. 001-34028, filed February 28, 2011).
10.13	American Water Works Company, Inc. Executive Severance Policy, dated as of December 16, 2008 (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed November 3, 2010).
10.14.1	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.22 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145725, filed March 31, 2008).
10.14.2	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 4, 2011).
10.14.3	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Performance Stock Unit Grant Form A for ML1 – L5 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 4, 2011).
10.14.4	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Performance Stock Unit Grant Form B for ML1 – L5 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 4, 2011).
10.14.5	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.14.6	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Performance Stock Unit Grant Form A for ML1 – L5 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.14.7	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Performance Stock Unit Grant Form B for ML1 – L5 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.14.8	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Initial Restricted Stock Unit Grant Form for Susan N. Story (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).

Exhibit Number	Exhibit Description
10.14.9	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Restricted Stock Unit Grant Form for Jeffry E. Sterba (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.14.10	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Restricted Stock Unit Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.11	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Restricted Stock Unit Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.3A to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.12	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Restricted Stock Unit Grant Form for Jeffry E. Sterba (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.13	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Restricted Stock Unit Grant Form for Susan N. Story (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed August 6, 2014)
10.14.14	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Performance Stock Unit Grant Form A for Jeffry E. Sterba (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.14.15	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Performance Stock Unit Grant Form B for Jeffry E. Sterba (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.14.16	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form A for ML2 – L5 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.17	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form A for ML2 – L5 (incorporated by reference to Exhibit 10.4A to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.18	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form B for ML2 – L5 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.19	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form B for ML2 – L5 (incorporated by reference to Exhibit 10.5A to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.20	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form A for Jeffry E. Sterba (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)

Exhibit Number	Exhibit Description
10.14.21	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Performance Stock Unit Grant Form B for Jeffry E. Sterba (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.22	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Performance Stock Unit Grant Form A for Susan N. Story (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed August 6, 2014)
10.14.23	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Performance Stock Unit Grant Form B for Susan N. Story (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed August 6, 2014)
10.14.24	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Nonqualified Stock Option Grant Form for Jeffry E. Sterba (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.14.25	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.26	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6A to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.27	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for Jeffry E. Sterba (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
10.14.28	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Nonqualified Stock Option Grant Form for Susan N. Story (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed August 6, 2014)
10.14.29	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Restricted Stock Unit Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.14.30	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Performance Stock Unit Grant Form A for ML2 – L5 (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.14.31	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Performance Stock Unit Grant Form B for ML2 – L5 (incorporated by reference to Exhibit 10.12 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.14.32	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).

Exhibit Number	Exhibit Description
10.14.33	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Form of Stock Unit Grant Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed August 3, 2011).
10.14.34	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Form of Stock Unit Grant Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed August 2, 2012).
10.14.35	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.14.36	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.15	2011 American Water Annual Incentive Plan Highlights Brochure (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 4, 2011).
10.16	2012 American Water Annual Incentive Plan Highlights Brochure (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.17	2013 American Water Annual Incentive Plan Highlights Brochure (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.18	2014 American Water Annual Incentive Plan Highlights Brochure (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Form 10-Q, File No. 001-34028, filed May 7, 2014)
*10.19	2015 American Water Annual Incentive Plan
10.20	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.37 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.21	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
*21.1	Subsidiaries of American Water Works Company, Inc.
*23.1	Consent of PricewaterhouseCoopers LLP.
*31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of Linda G. Sullivan, Senior Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.

Exhibit Number	Exhibit Description
*32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
*32.2	Certification of Linda G. Sullivan, Senior Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
*101	The following financial statements from American Water Works Company, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations and Comprehensive Income; (iii) the Consolidated Statements of Cash Flows; (iv) the Consolidated Statements of Changes in Stockholders' Equity; and (v) the Notes to Consolidated Financial Statements.

* filed herewith

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the consolidated total assets of the Company's consolidated total assets. The Company agrees to furnish a copy of each of such instrument to the Securities and Exchange Commission upon request.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the consolidated total assets of the Company's consolidated total assets. The Company agrees to furnish a copy of each of such instrument to the Securities and Exchange Commission upon request.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-168543 and 333-150381) and Form S-3 (Nos. 333-187120 and 333-181155) of American Water Works Company, Inc. of our report dated February 24, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 24, 2015

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Susan N. Story, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2015

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Linda G. Sullivan, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2015

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Senior Vice President and Chief Financial Officer

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT AND
18 U.S.C. SECTION 1350,

I, Susan N. Story, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

February 24, 2015

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT AND
18 U.S.C. SECTION 1350,

I, Linda G. Sullivan, Senior Vice President and Chief Financial Officer, of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Senior Vice President and Chief Financial Officer

February 24, 2015

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