

**Susan Story**

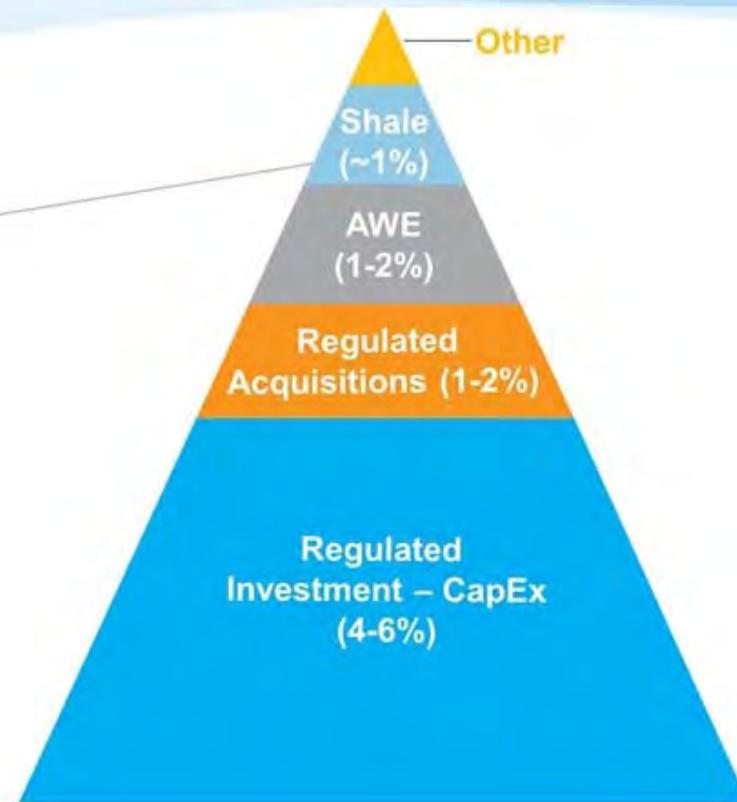
President and Chief Executive Officer



**Shale Introduction**

# Ned Wehler

CEO, Keystone Clearwater





## Market Overview – Decades of Exploration and Production Opportunities

- Well completion technology is water enabled and water dependent
- Appalachian Basin – a still rising resource - Utica potential and proven Marcellus
- American Water-Keystone Clearwater – ideally positioned for decades of sustained business





## Market Analysis – Short Term and Long-Term Prospects

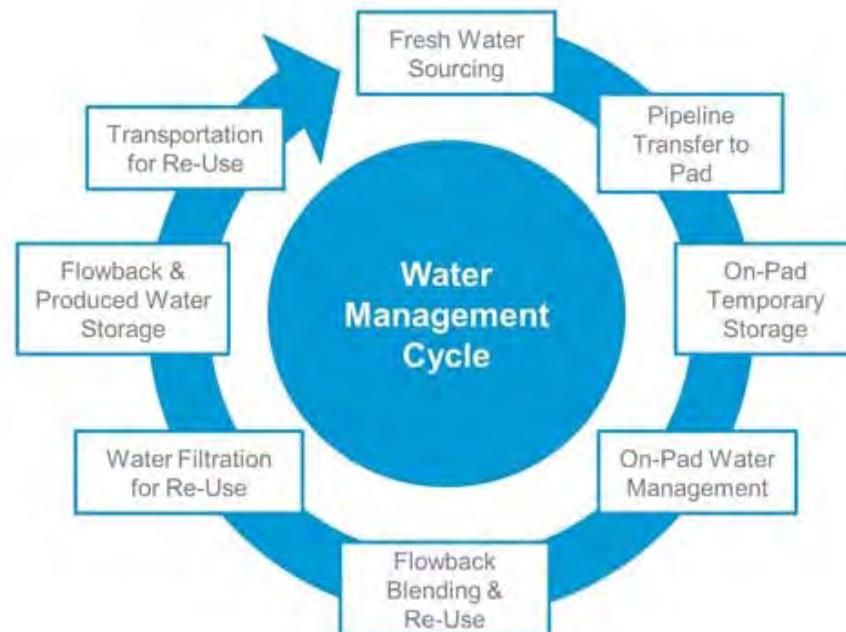
- **Short Term – 2016 Outlook**
  - 20-30% lower completion activity
  - constrained takeaway capacity
  - drawdown of excess storage
  - El Nino pattern
  - water infrastructure build-out
- **Long Term – 2017 and Beyond**
  - 10-20% gain in completion activity
  - new takeaway capacity
  - demand increases – power burn, LNG, lowest cost gas [Appalachian-basin]
  - gas prices inching up



**Water Supply, Transfer, Filtration, Re-Use & Storage;  
Pipeline Construction, and Transport Solutions**



## Complete Water Sourcing and Transfer Services



### Services include:

- Water Sourcing
- Pipeline Construction
- Water and Equipment Hauling
- Water Transfer
- Water System Operation & Maintenance
- Water Storage Solutions
- Design/Build/Own/Operate
- Served 20 customers at July 2015 close
  - Added 7 new customers since July



## Our Competitive Advantage

### Core Focus

### What Does It Mean for the Customer?

**Total Water Management Solution**



Vertical integration saves customers time and expense while providing one-stop shopping

**Appalachian Basin Expertise**



Senior management has developed technical and environmental knowledge and experience in the Appalachian Basin for over 30 years

**Technical Knowledge to Handle Complex Projects**



Keystone's unique regulatory and engineering experience consistently leads to on-time, on-budget projects despite complex terrain and other challenges

**Low Cost Provider**



Bundled services and premier technology allow Keystone to offer competitive pricing while maintaining strong margins

**Strong Reputation**



2015 Awards – 1) Northeast Water Management Company of the Year and 2) second straight year as Central Pennsylvania Business Journal's "Fastest Growing Company"



## Strategy for Growth

Penetration  
in existing  
markets

Our customer base allows for wallet share gain  
and expanded services

Expansion of  
customer  
base

Pursuing 20+ identified new customers

Design, build  
own &  
operate

Capital constrained E&P producers are  
receptive to Keystone expanding into an  
ownership role of main transmission lines



## Risks and Risk Mitigation

### Risks

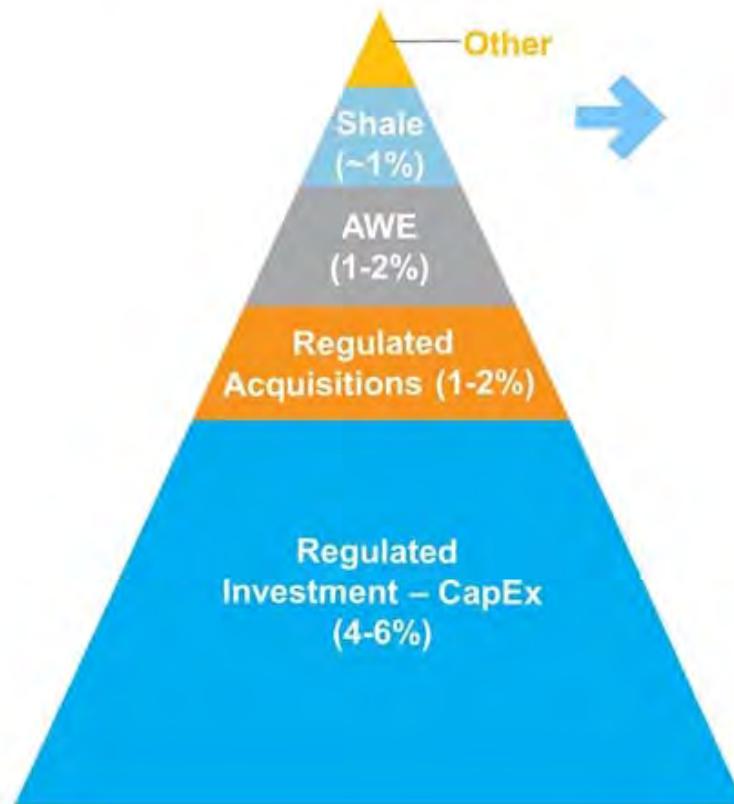
1. Revenue and margin volatility
2. Declining completion counts
3. Large integrated pipeline infrastructure deals

### Mitigation Strategy

1. 5-year contracts + variable cost + customer additions
2. Design-Build-Own-Operate solutions w/contracts of 5 years plus
3. Broaden/diversify services to maintenance and treatment



## Keystone Clearwater | Going Forward.....



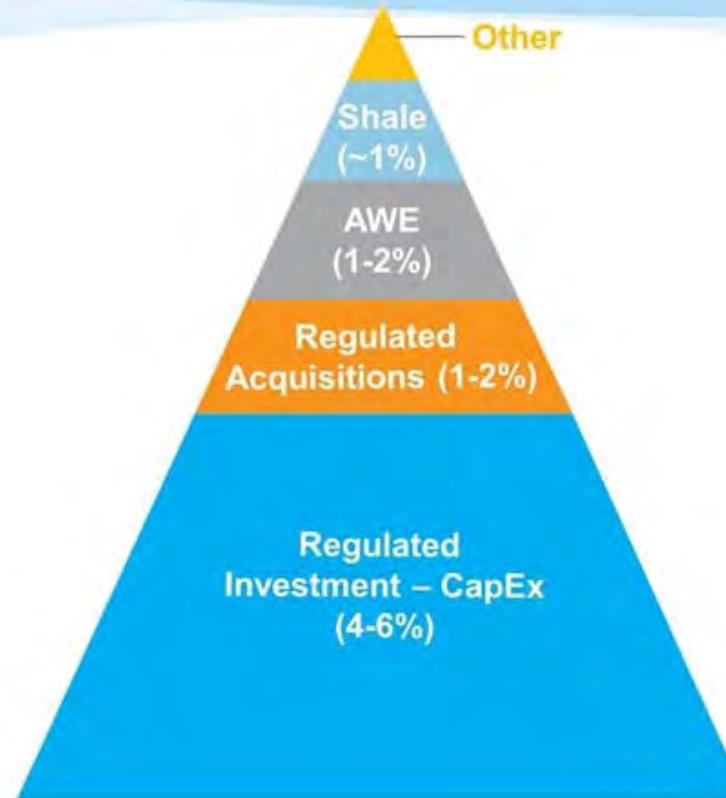
- ✓ We will leverage synergies from our partnership with American Water...  
... *Power of brand, financial strength + size, scale & reputation*
- ✓ Build a predictable business model...  
... *Obtain long-term contracts – supply + pipeline + storage operations*
- ✓ Own and Operate Water Pipelines & Storage Facilities...  
... *Lower risk and provide capital with attractive returns*
- ✓ Grow Wallet Share and Add Customers...  
... *Increase market share*

# Linda Sullivan

Senior Vice President and  
Chief Financial Officer

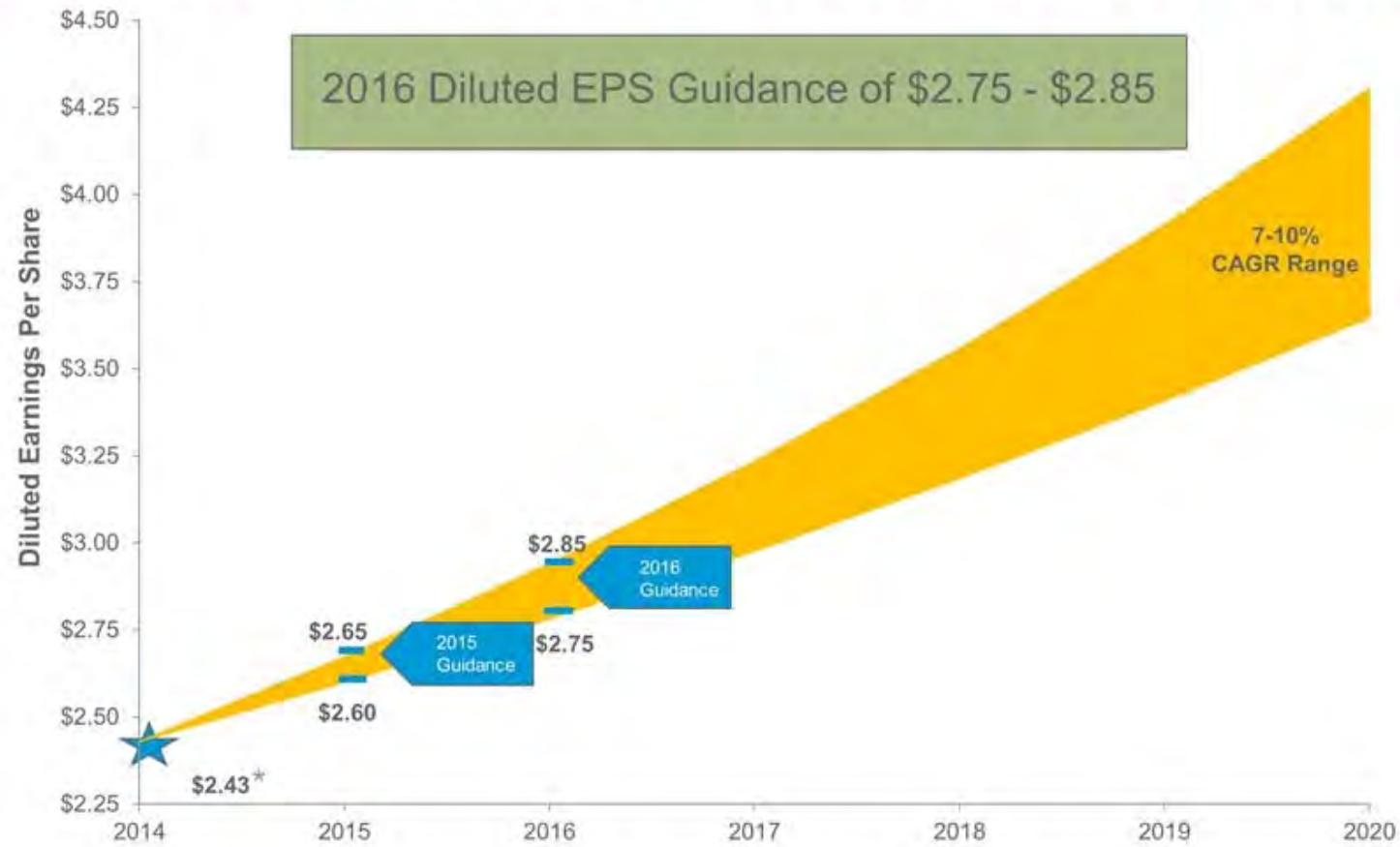


## Financial Overview





## Long Term Diluted EPS Growth Goal of 7-10%



\*Non-GAAP measure, excludes costs related to the Freedom Industries chemical spill in 2014 (see Appendix for reconciliation).



## Reaffirming 2015 Guidance Range, New EPS Guidance for 2016 of \$2.75 - \$2.85\*

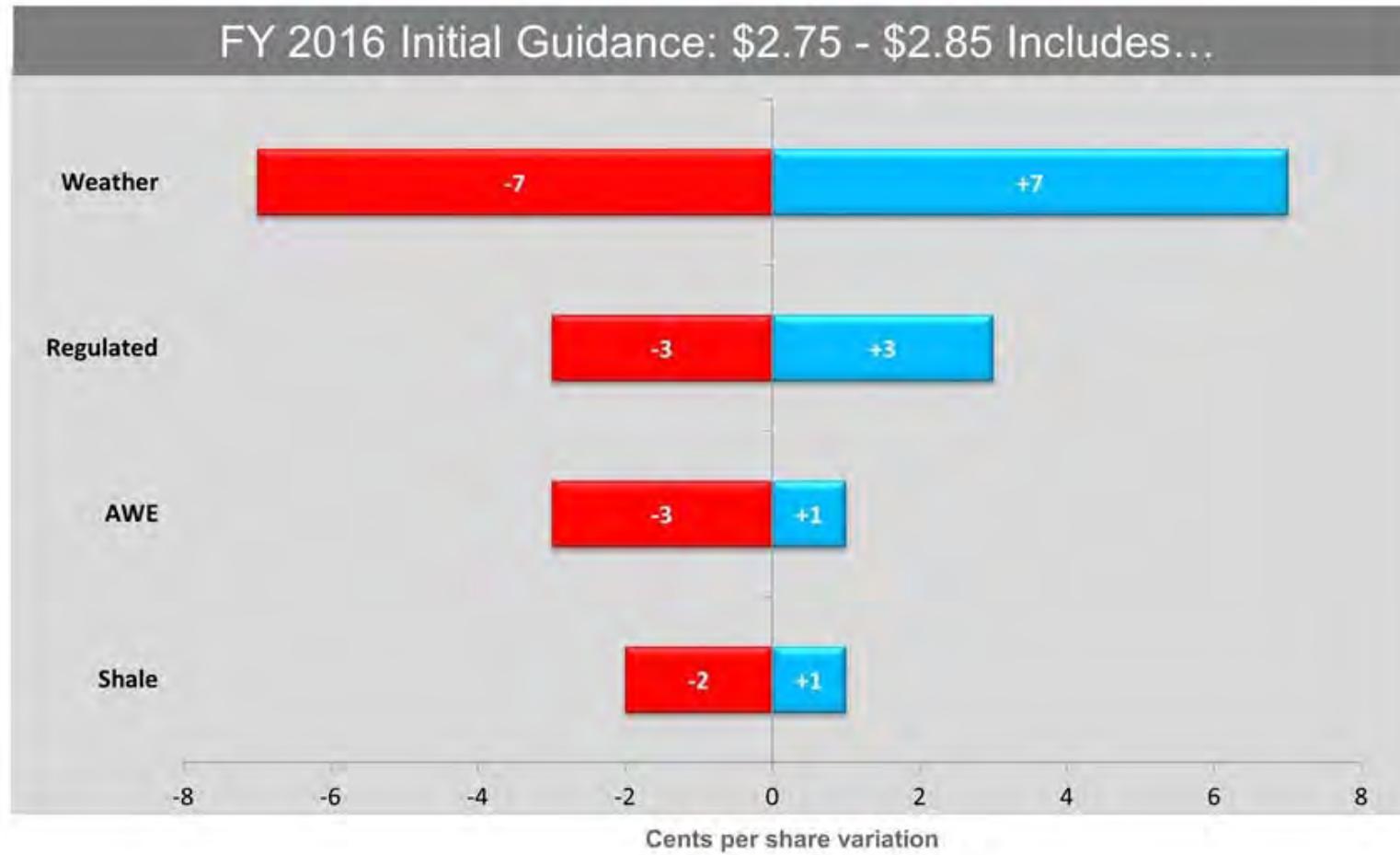


\*Diluted EPS from Continuing Operations.



## 2016 Guidance and Major Variables

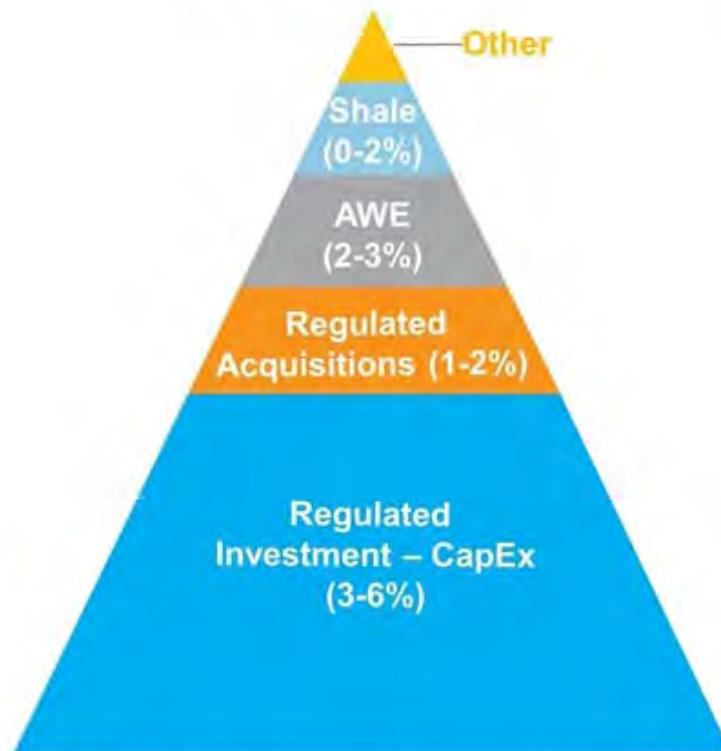
FY 2016 Initial Guidance: \$2.75 - \$2.85 Includes...





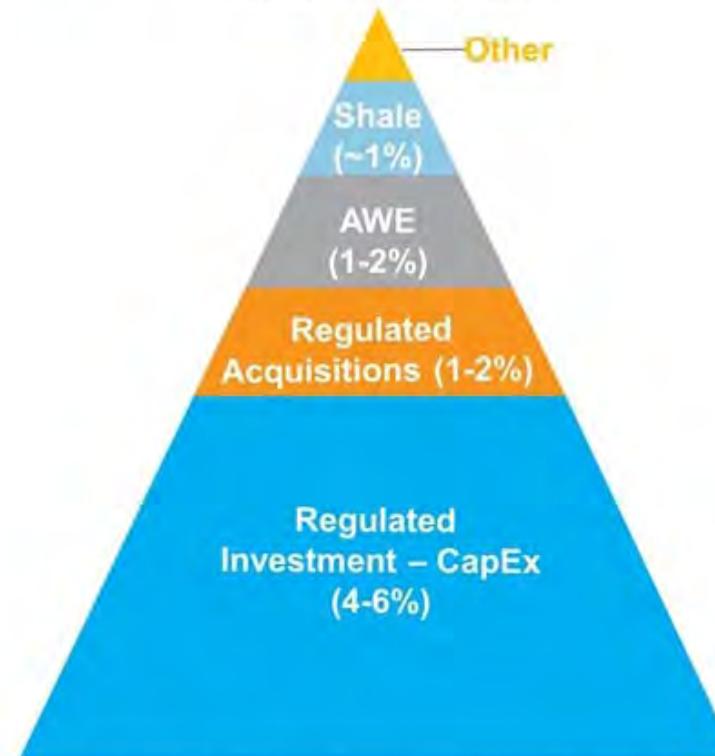
## Continued 7-10% EPS Growth Target: Regulated Business is the Foundation

2015 – 2019 Plan\*



\* 7-10% long-term EPS growth target anchored from FY 2013

2016 – 2020 Plan\*\*

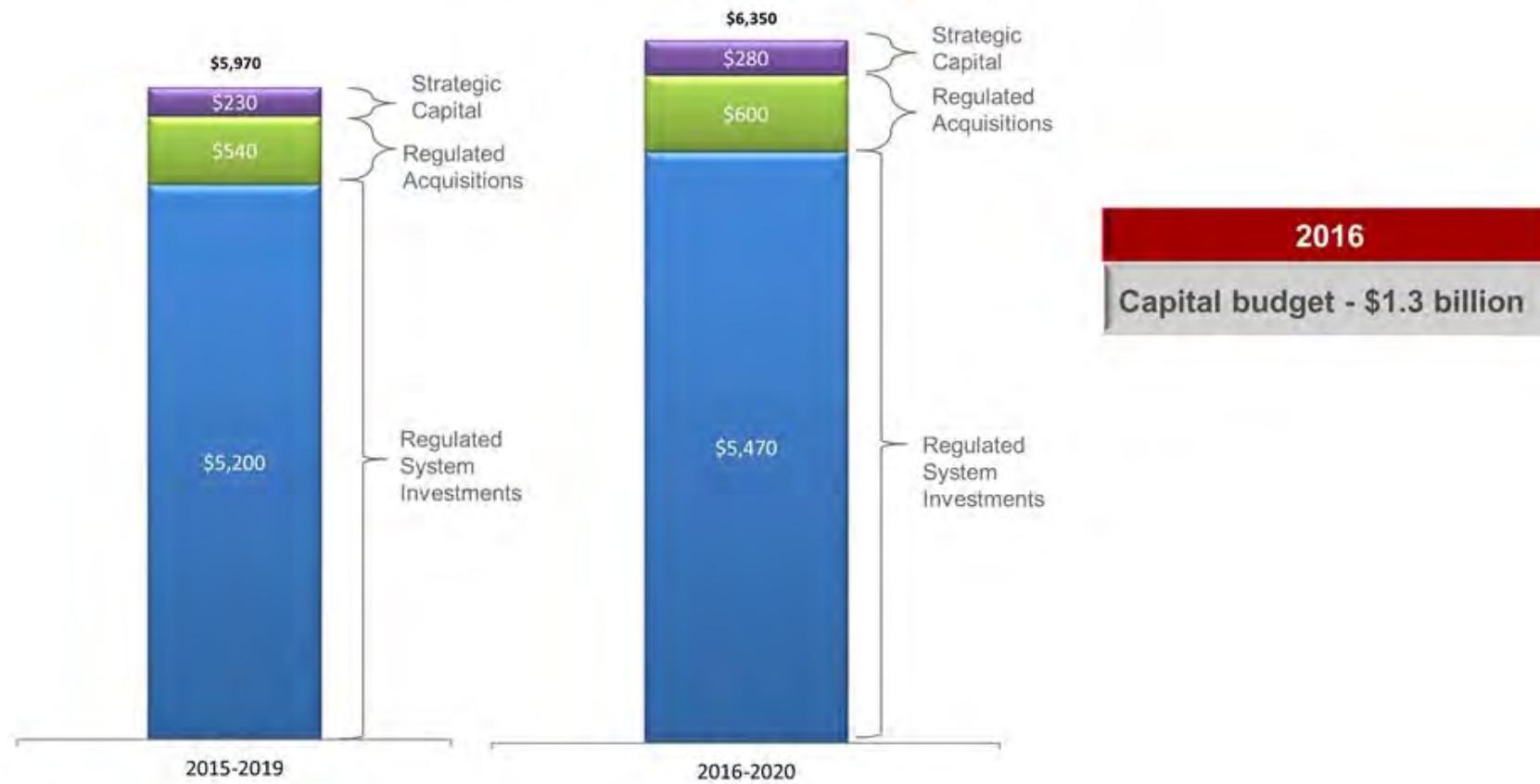


\*\*7-10% long-term EPS growth target anchored from FY 2014



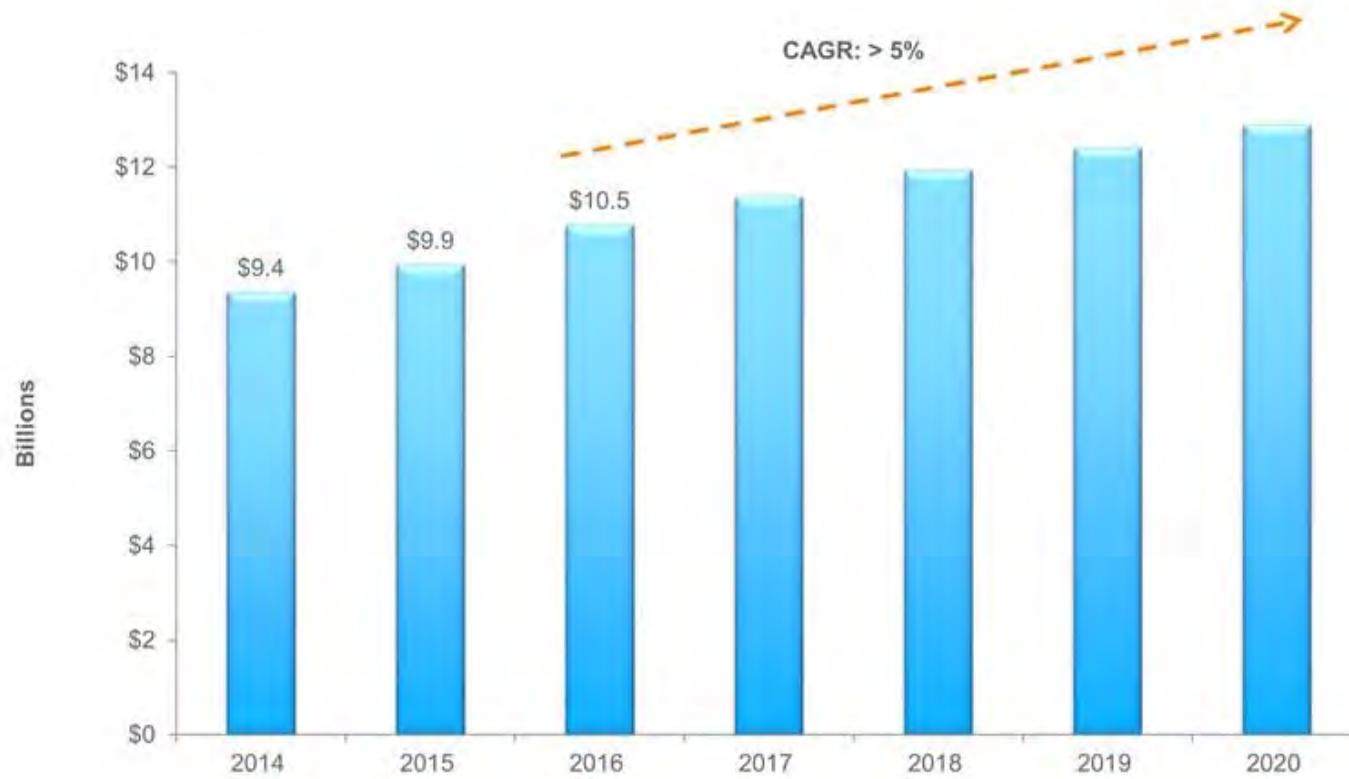
## 2016-2020 Capital Investment Plan: Stable and Predictable

(\$ in millions)





## Rate Base Growth – Consistent, Stable Growth





## Opportunity Set: Regulated Acquisitions





## Opportunity Set: Military Services – Utility Privatization



Represents O&M fees and estimate of infrastructure upgrades.



## Opportunity Set: Homeowner Services





## What Does Winning a New HOS Contract Mean to Net Income Growth?

### 1) Penetration Rate

- With Billing: 15%-40%
- Without Billing: 1%-15%

### 2) # Contracts/ Homeowner

- 2 contracts on average

### 3) Net Income per Contract\*

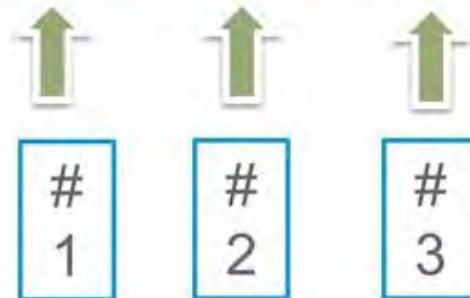
- Average: \$8-\$12 per contract

\* Assumes annualized over 5 year period

## Hypothetical Net Income Contribution Calculation

"American Water Resources received notice of intent by the City X Utilities Commission to be awarded an exclusive home warranty protection agreement for 200,000 homeowners."

$$200,000 \times 15\% \times 2 \times \$8-\$12 = \$480,000-\$720,000$$





## Opportunity Set: Keystone



\* Estimate based on actual results through September 30, 2015 and fourth quarter 2015 estimates.



## **Keystone – Building a More Predictable Business Model**

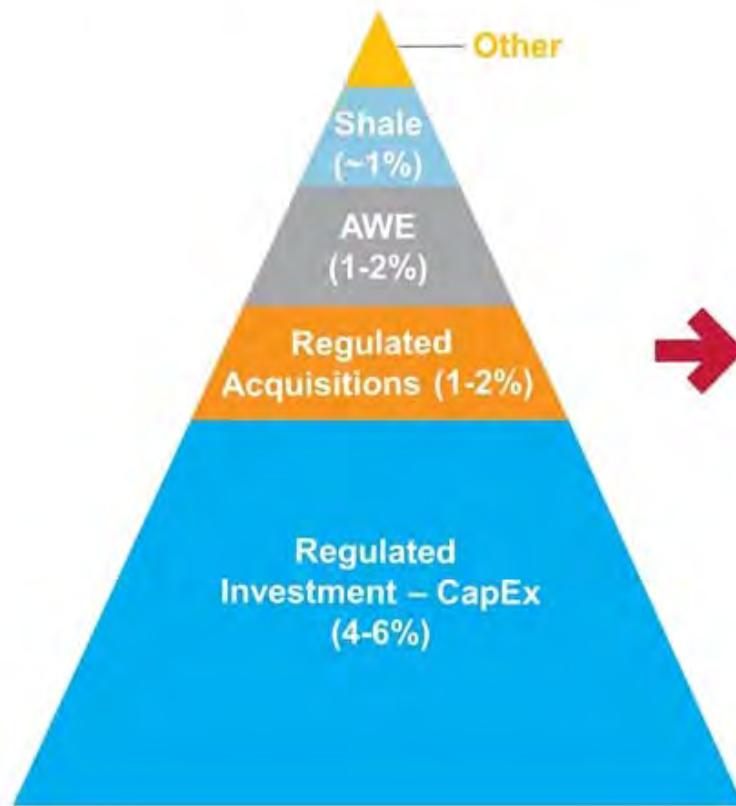
### **Current Model -Total Water Management Solution**

- Mostly short-term contracts (under two years)
- Variable prices and costs
- Asset light

### **Pursuing a Design, Build, Own and Operate Model**

- Mix of operating revenues and capital projects
- Long-term contracts (five years or more)
- Adding water pipelines
  - One or more customers support one pipeline
- Rent/lease agreements that function similar to take-or-pay
  - More sustainable, steady EBITDA

## Financial Overview Continued....

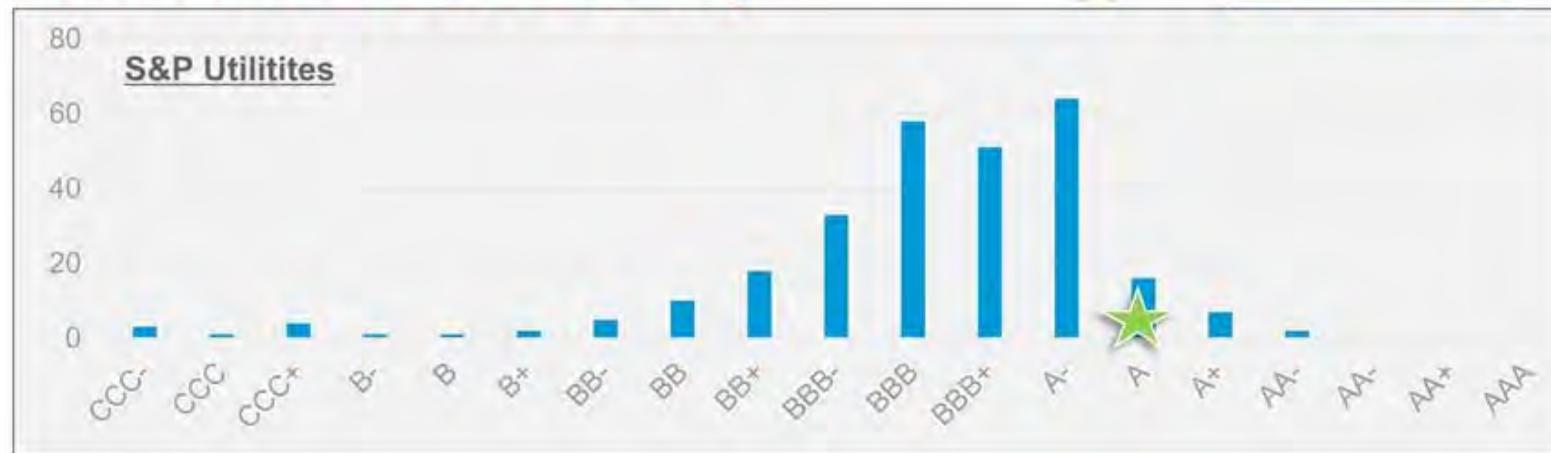


- ✓ Excellent credit quality
- ✓ Strong balance sheet
- ✓ History of consistent dividend growth
- ✓ Superior total shareholder returns



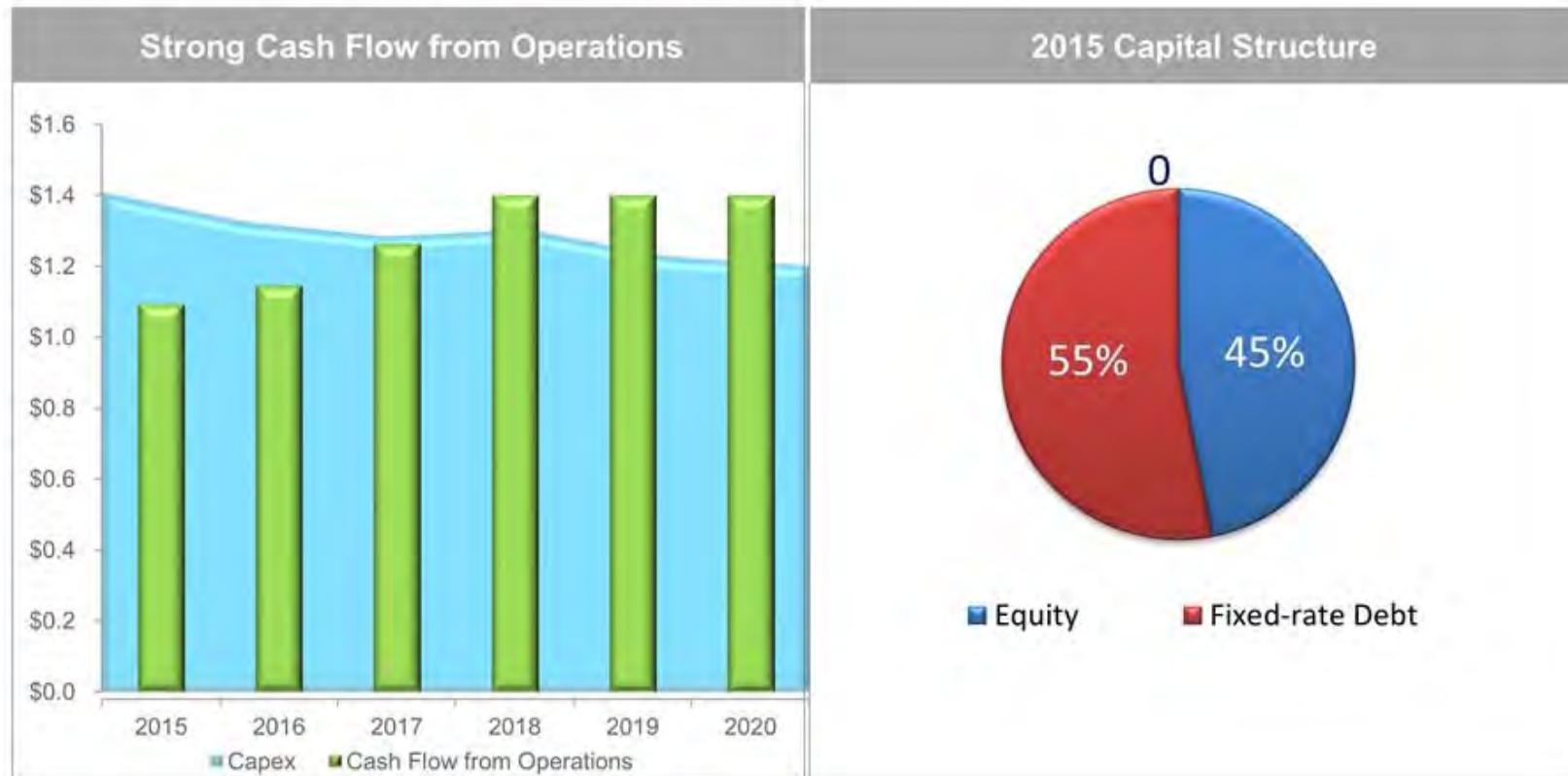
## Excellent Credit Quality

★ → **AWK Rating**





## Strong Balance Sheet





## History of Consistent Dividend Growth



Source: Factset; Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.  
Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW



## Superior Total Shareholder Returns

Ticker	LT Growth (Expected)	Dividend Yield	Total Return (Expected)
AWK	8.5%*	2.5%	11.0%
DJUA	4.2%	4.2%	8.6%
Water Peers	5.8%	2.9%	8.7%

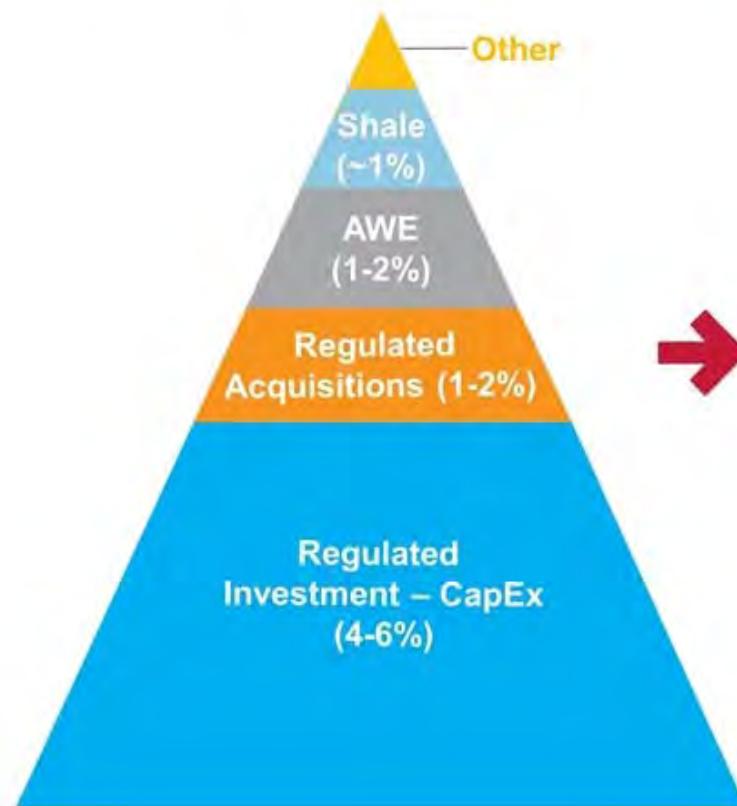
**Double digit returns, with a 5-year average beta of 0.8**

Source : Factset, Data as of December 7, 2015

\* Mid Point of 7-10% Long term earnings growth guidance



## Financial Overview | Going Forward.....



### Targets:

- ✓ Grow EPS long term at 7-10%...  
... *Regulated investments will be the foundation*
- ✓ Increase dividends in line with earnings...  
... *Payout ratio between 50-60% of earnings*
- ✓ Maintain our conservative risk profile...  
... *Market based businesses not more than 15-20% of earnings*
- ✓ Deliver leading total shareholder returns  
... *Combined EPS and dividend growth*

# Susan Story

President and Chief Executive Officer



**In Summary**



# Why American Water?

**AWK**

<p><b>Growth</b></p>	<ul style="list-style-type: none"> <li>▪ EPS growth 7-10%, over next 5 years*</li> <li>▪ Multi-decade investment needs</li> <li>▪ Fragmented market</li> </ul>	<ul style="list-style-type: none"> <li>✓ Top quartile</li> <li>✓ Clear line of sight</li> <li>✓ Water &amp; wastewater</li> </ul>
<p><b>People &amp; Business Model</b></p>	<ul style="list-style-type: none"> <li>▪ Strong local presence and national scale</li> <li>▪ Regulatory expertise</li> <li>▪ Strong record of execution</li> <li>▪ Broad and diversified experience</li> <li>▪ Strong bench strength</li> </ul>	<ul style="list-style-type: none"> <li>✓ Personalized economies of scale</li> <li>✓ Seasoned state leaders</li> <li>✓ 2010-2015 EPS CAGR of 12.4%</li> <li>✓ Multi-utility backgrounds</li> <li>✓ Robust succession planning</li> </ul>
<p><b>Risk Profile</b></p>	<ul style="list-style-type: none"> <li>▪ Smooth regulated capital deployment</li> <li>▪ Absence of federal economic regulation</li> <li>▪ Geographic diversity</li> <li>▪ Market-based complementary businesses</li> </ul>	<ul style="list-style-type: none"> <li>✓ Flexible and sustainable</li> <li>✓ Unlike electrics and gas</li> <li>✓ Most diverse utility</li> <li>✓ Regulated-like</li> </ul>
<p><b>Financial Strength</b></p>	<ul style="list-style-type: none"> <li>▪ Dividend growth</li> <li>▪ Strong credit ratings/access to capital</li> <li>▪ Greater than \$10 billion market cap</li> <li>▪ Strong cash flows</li> </ul>	<ul style="list-style-type: none"> <li>✓ Top quartile</li> <li>✓ Top quartile</li> <li>✓ Only water utility &gt;\$10B</li> <li>✓ No need to issue equity**</li> </ul>

\*Anchored from 2014, adjusted EPS  
 \*\*Under normal operating conditions

December 2015





Any company's only sustainable  
competitive advantage is its...  
***PEOPLE***



Any company's only sustainable competitive advantage is its...

**PEOPLE**



Victor Munguia  CALIFORNIA AMERICAN WATER



Any company's only sustainable competitive advantage is its...

**PEOPLE**



Herbie Sims The logo for Pennsylvania American Water, featuring a blue star with three horizontal lines extending from its base, followed by the text "PENNSYLVANIA AMERICAN WATER" in a blue, sans-serif font.



## Summary

**What's new**

**What's the same**



# Appendix



## Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$ 2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

December 2015

<b>Regulated Segment O&amp;M Efficiency Ratio</b>		 AMERICAN WATER				
<b>Regulated Segment O&amp;M Efficiency Ratio</b> (A Non-GAAP Unaudited Number)	FY	FY	FY	FY	FY	LTM Sep
<b>(\$ in thousands)</b>	2010	2011	2012	2013	2014	2015
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864	\$1,369,553
Less:						
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395	337,415
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)	(52,805)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507	\$1,084,943
Less:						
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985	37,095
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301	117,801
Impact of West Virginia Freedom Industries Chemical Spill		-	-	-	10,438	136
Estimated impact of weather (mid-point of range)		-	4,289	(1,687)	(1,762)	-
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>	<b>\$929,911</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328	\$3,107,783
Less:						
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679	408,643
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)	(18,693)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329	\$2,717,833
Less:						
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301	117,801
Plus:						
Impact of West Virginia Freedom Industries Chemical Spill		-	-	-	1,012	-
Estimated impact of weather (mid-point of range)		-	(42,885)	15,625	16,785	-
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>	<b>\$2,600,032</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>	<b>35.8%</b>

December 2015 \*Calculation assumes purchased water revenues approximate purchased water expenses.

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### Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2



December 14, 2015

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#### AMERICAN WATER ANNOUNCES 2016 EARNINGS GUIDANCE

- **2016 diluted earnings per share from continuing operations estimated to be in the range of \$2.75 to \$2.85.**
- **2015 diluted earnings per share from continuing operations estimated to be in the range of \$2.60 to \$2.65.**

**VOORHEES, N.J., Dec. 14, 2015** – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced its earnings guidance for 2016 and reaffirmed its expected earnings range for the year ending December 31, 2015.

American Water estimates its 2016 earnings from continuing operations to be in the range of \$2.75 to \$2.85 per diluted share.

“The 2016 guidance is based on the continued execution of our strategic goals,” said Susan Story, president and CEO of American Water. “We will continue to focus on providing safe, clean, affordable and reliable water services for our customers by prudently investing much needed capital for infrastructure replacement, and by managing our costs to reduce the impact on our customers’ bills. We will grow our business strategically to create value for all of our stakeholders and achieve long-term success.”

The company reaffirmed its 2015 expected earnings from continuing operations to be in the range of \$2.60 to \$2.65 per diluted share, based on the company’s performance year-to-date.

“Our ability to deliver on our strategies and goals starts and ends with the outstanding dedication and performance of our employees,” said Story. “Highlights of our achievements this year include our success in growth with seven completed regulated acquisitions to date and the addition of our 12th military base contract, approximately \$1.2 billion in planned capital investment into our systems, and continued gains in efficiency and cost management,” said Story.

PRESS RELEASE

[www.amwater.com](http://www.amwater.com)

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**AMERICAN WATER ISSUES 2016 EARNINGS GUIDANCE, REAFFIRMS 2015 GUIDANCE**

American Water will host an Investor Day presentation and audio webcast with investors, analysts and other interested parties on Dec. 15 at The Westin New York at Times Square. In addition to Story, presentations will be made by Linda Sullivan, senior vice president and chief financial officer; Walter Lynch, president and chief operating officer of regulated operations; Sharon Cameron, president of American Water Enterprises; and Ned Wehler, CEO of Keystone Clearwater Solutions. The live webcast will be accessible to the public from 8 a.m. to approximately 12 p.m. Eastern Time, and posted on the [Investor Relations](#) page of the company's website at [www.amwater.com](http://www.amwater.com) for 30 days. Presentation slides that will be used in conjunction with the conference are also available online at <http://ir.amwater.com>.

The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission (SEC).

**About American Water**

Founded in 1886, American Water (NYSE: AWK) is the largest and most geographically diverse publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at [www.amwater.com](http://www.amwater.com).

**Cautionary Statement Concerning Forward-Looking Statements**

Certain statements in this press release including, without limitation, 2015 and 2016 earnings guidance and other statements regarding its future financial and operating results, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; potential costs and liabilities of American Water for environmental matters associated with the operations of Keystone Clearwater Solutions; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall,

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**AMERICAN WATER ISSUES 2016 EARNINGS GUIDANCE, REAFFIRMS 2015 GUIDANCE**

strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; and civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's businesses, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

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