American Water Works Company, Inc.
Form DEF 14A
March 27, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to § 240.14a-12

AMERICAN WATER WORKS COMPANY, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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AMERICAN WATER WORKS COMPANY, INC.

March 27, 2017

Dear American Water Stockholder:

I am pleased to invite you to attend American Water s Annual Meeting of Stockholders on May 12, 2017. This year s proxy statement provides you with information on three important subject matters: namely, the annual meeting, our commitment to sound corporate governance and our executive compensation program.

We continue to demonstrate our commitment to simplify and more effectively communicate these matters. In this regard, we have expanded on the focus that we began last year to improve the readability of our proxy statement. This year, you will find simpler and easier to read text and column formatting. We have also presented information in a clearer fashion by using more bulleted lists, tables and graphics, shorter sentences and a plain English writing style throughout. We have also reduced or eliminated duplicative or unnecessary information where possible. The Board and I believe that these changes reflect our ongoing commitment to make the proxy statement s information easier to read and understand.

Furthermore, as part of our commitment to strong corporate governance practices, our Board has continued its constructive and open dialogue with our stockholders. To this end, in 2016, we received increased input from our stockholders on key governance and executive compensation topics important to them. This program is described beginning on page 13 of the proxy statement. We encourage you to learn more about our governance and compensation practices by reading the proxy statement and visiting the Investor Relations page on our website at *https://amwater.com*. Also, for the second year in a row, I enjoyed the opportunity to meet a number of our stockholders at our December 15, 2016 Investor Conference in New York City.

It is important that your shares be represented and voted at the annual meeting regardless of how many shares you own. Whether or not you plan to attend the annual meeting in person, we encourage you to vote your shares in advance of the annual meeting by using one of the methods described in the accompanying proxy materials. Thank you for your support and continued interest in American Water.

Sincerely,

George MacKenzie

Chairman of the Board

AMERICAN WATER WORKS COMPANY, INC.

1025 Laurel Oak Road

Voorhees, New Jersey 08043

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 12, 2017

The 2017 Annual Meeting of Stockholders of American Water Works Company, Inc. (the Company) will be held at The Camden Adventure Aquarium, 1 Riverside Drive, Camden, New Jersey 08103, on May 12, 2017, at 10:00 a.m., Eastern time, to consider and take action on the following:

1. election to the board of directors of the eight (8) nominees named in the accompanying proxy statement, each to serve until the date of the 2018 Annual Meeting of Stockholders or until his or her successor has been duly elected and qualified;

2. approval, on an advisory basis, of the compensation of the Company s named executive officers;

3. approval, on an advisory basis, of the frequency of the approval, on an advisory basis, of the compensation of the Company s named executive officers;

4. approval of the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan;

5. approval of the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan;

6. ratification of the appointment, by the Audit Committee of the board of directors, of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2017; and

7. such other business, if any, as may properly be brought before the meeting or any adjournment or postponement of the meeting.

The Company s board of directors has no knowledge of any other business to be transacted at the 2017 Annual Meeting. Only holders of record of the Company s outstanding common stock as of the close of business on March 16, 2017 are entitled to notice of, and to vote at, the 2017 Annual Meeting.

If you plan to attend the meeting in person, please refer to page 5 of the accompanying proxy statement for more information.

By Order of the Board of Directors,

Michael A. Sgro

Executive Vice President, General

Counsel and Secretary

March 27, 2017

Voorhees, New Jersey

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Your vote is very important, and you have several options on how to vote your shares. Whether or not you plan to attend the Annual Meeting, you should read this proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to your proxy card, voting instruction form or instructions on the Notice of Internet Availability of Proxy Materials you received. Please also see The American Water Annual Meeting beginning on page 1 of the accompanying proxy statement.

We hope to see you at the Annual Meeting. If you cannot attend in person, you may listen to a live, audio-only webcast of the Annual Meeting by visiting our Investor Relations website at *http://ir.amwater.com*.

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Proxy Statement Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting your shares. For more complete information regarding the Company s 2016 performance, please review the Company s Annual Report on Form 10-K for the year ended December 31, 2016, which we refer to in this Proxy Statement as the 2016 Form 10-K.

Annual Meeting Information

DATE & TIME	LOCATION	RECORD DATE
Friday, May 12, 2017 10:00 a.m. Eastern Time (The doors will open to the public at 9:30 a.m., Eastern time)	The Camden Adventure Aquarium 1 Riverside Drive Camden, New Jersey 08103 (Directions and parking information are provided at the back of the proxy statement)	Record holders as of March 16, 2017 are entitled to notice of, and to vote at, the Annual Meeting

Summary of Matters to be Voted Upon at the Annual Meeting

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

Proposal No.	Description of Proposal	Required Vote for Approval	Board s Recommendation
1	To elect eight director nominees *For more information, see page 15.*	For each director, majority of votes cast	**FOR Each Nominee**

2	To approve, on an advisory basis, the compensation of our named executive officers for 2016 *For more information, see page 31.*	Majority of shares present and entitled to vote	**FOR**
3	To approve, on an advisory basis, the frequency of the approval, on an advisory basis, of the compensation of our named executive officers *For more information, see page 32.*	Majority of shares present and entitled to vote	**FOR** **Frequency** **of One Year**
4	To approve our 2017 Omnibus Equity Compensation Plan *For more information, see page 70.*	Majority of shares present and entitled to vote	**FOR**

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Proposal No.	Description of Proposal	Required Vote for Approval	Board s Recommendation
5	To approve our 2017 Nonqualified Employee Stock Purchase Plan *For more information, see page 82.*	Majority of shares present and entitled to vote	**FOR**
6	Ratification of our independent registered public accounting firm for 2017 *For more information, see page 88.*	Majority of shares present and entitled to vote	**FOR**

Director Nominees

The following table provides summary information about each of our eight director nominees as of the date of this proxy statement, including whether the Board considers the nominee to be independent under the New York Stock Exchange s independence standards, relevant rules of the Securities and Exchange Commission and the Board s categorical standards for director independence. Each director is elected annually.

Name	Age	Director Since	Occupation	Independent?	Position/Committee Memberships
Julie A. Dobson	60	2009	Retired Chief Operating Officer and founding principal of TeleCorp PCS, Inc.	Yes	· **Audit (Chair)** · Nominating/Corporate Governance
Paul J. Evanson	75	2013	Retired Chairman, Chief Executive Officer and President of Allegheny Energy, Inc.	Yes	· **Executive Development and Compensation (Chair)** · Finance and Risk
Martha Clark Goss	67	2003	Retired Chief Operating Officer and Chief Financial Officer of Amwell Holdings/Hopewell Holdings LLC	Yes	· **Finance and Risk (Chair)** · Audit
Veronica M. Hagen	71	2016	Retired Chief Executive Officer of Polymer Group, Inc. (now known as AVINTIV Specialty Materials Inc.)	Yes	· Executive Development and Compensation · Nominating/Corporate Governance
Julia L. Johnson	54	2008		Yes	

			President of Net Communications, LLC		· **Nominating/Corporate Governance (Chair)** · Executive Development and Compensation
Karl F. Kurz	55	2015	Private investor and Retired Chief Operating Officer, Anadarko Petroleum Corporation	Yes	· Audit · Finance and Risk · Nominating/Corporate Governance
George MacKenzie	68	2003	Retired Vice Chairman and Chief Financial Officer of Hercules Incorporated	Yes	Non-Executive Chairman (*ex-officio*/non-voting member of all committees)
Susan N. Story	57	2014	President and Chief Executive Officer of American Water Works Company, Inc.	No	None

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Board of Directors Highlights   By the Numbers

87.5% Independent Directors	Average Tenure 6.7 years	Average Age 63.3 years	Gender Diversity 62.5%

American Water Corporate Governance and Board Highlights

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

Corporate Governance Highlights	Board of Directors Highlights
· All directors elected annually	· Appropriately sized board (eight members for election in 2017)
· Majority voting for directors in uncontested elections	· Average director tenure is 6.7 years
· Holders of 15 percent of our common stock may call a special meeting of stockholders without material restrictions	· Average age of director nominees is approximately 63 years
· No supermajority voting provisions	· 62.5 percent of Board nominees are female
· Disclosure committee used for financial reporting purposes	· The Board is led by an independent, non-executive chairman
· Continued active stockholder engagement program in 2016	· Seven out of eight director nominees, and all committee members, are independent
· Policy and public disclosure on corporate political and lobbying expenditures	· Robust and active director succession and nomination process serves to identify talented and diverse board members

· Maintains and enforces executive stock ownership guidelines, which support mandatory stock retention requirements and align executives interests with stockholders	· The Board met 13 times in 2016
· Margin trading, short selling and hedging involving American Water securities are prohibited, and directors and executive officers may not pledge American Water securities	· CEO and executive succession planning discussions conducted throughout the year
· Led by Finance and Risk Committee, the Board is broadly focused on risk assessment, management and mitigation	· The Board and its committees conduct annual self assessments, and, beginning in 2016, peer assessments
· Longstanding commitment to safety, sustainability, environmental leadership and diversity	· Director education program supports ongoing director development
	· Stock ownership policy for directors of five times annual cash retainer by fifth anniversary of service

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American Water Executive Compensation Highlights

We have summarized below our key named executive officer compensation highlights for 2016:

· Compensation program highly correlated to performance and focused on long-term value creation	· Equity compensation is weighted significantly toward performance stock units
· Considerable portion of pay is variable and at-risk, rather than fixed, and is earned solely based on performance	· Perquisites and other personal benefits are limited principally to executive physicals
· Formal CEO goal-setting and performance assessment process utilized throughout each year	· Implemented double-trigger change-in-control provision in proposed 2017 Omnibus Plan, to complement existing provision in Executive Severance Policy
· Cash-based annual performance plan simplified by reducing number of performance goals and implementing funding factor tied to overall performance percentage	· Compensation Committee was advised by independent compensation consultant during 2016
· Representative, relevant peer group used for TSR performance and compensation benchmarking	· Stockholders agree with the benefits of our compensation program, with an average 97.5 percent **FOR** advisory vote on executive compensation since 2011, the first year of our say-on-pay voting
· Clawback policies in place	· Reasonable severance arrangements without employment agreements
· Executive stock ownership guidelines and retention requirements encourage equity ownership and retention	· Advisory vote on executive compensation conducted annually, and the Board has recommended stockholders vote at the meeting **FOR** continuing to hold this advisory vote every year

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American Water Works Company, Inc.

2017 Proxy Statement

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THE AMERICAN WATER ANNUAL MEETING

Information about this Proxy Statement

Our Board is furnishing this Proxy Statement in connection with the solicitation of proxies to vote on matters to be submitted at our 2017 annual meeting of stockholders and at any adjournment or postponement of the meeting. The Notice of Annual Meeting, this Proxy Statement, the accompanying proxy card and our 2016 Annual Report to Stockholders, or the 2016 Annual Report, were first sent or given on or about March 27, 2017 to stockholders of record as of March 16, 2017, which is referred to as the record date.

Throughout this Proxy Statement, unless the context otherwise requires:

- references to the Board or the Board of Directors mean the Board of Directors of American Water Works Company, Inc.;
- references to common stock mean the common stock, $0.01 par value per share, of American Water Works Company, Inc.;
- references to the meeting or the annual meeting mean the 2017 Annual Meeting of Stockholders of American Water Works Company, Inc.; and
- except as otherwise provided or as the context may otherwise require, references to we, us, our, the Company o American Water are to American Water Works Company, Inc., without its subsidiaries.

Location and Time of the Annual Meeting

The meeting will be held at 10:00 a.m., Eastern time, on Friday, May 12, 2017, at The Camden Adventure Aquarium, located at 1 Riverside Drive, Camden, New Jersey, 08103. The doors will open to the public at approximately 9:30 a.m., Eastern time.

An audio-only webcast of the meeting can be accessed during the meeting via our Investor Relations website at *http://ir.amwater.com*. The access information for the webcast presentation will be announced via press release and on our

website. If you wish to access the webcast of the meeting, you will need to provide the necessary software installed and operating on your computer or other applicable device, together with appropriate access to the Internet to permit transmission of the webcast.

The audio webcast will be archived and available for 30 days after the meeting on the Investor Relations page of our website at *https://amwater.com*.

Shares Entitled to Vote

All stockholders of record as of the record date are entitled to vote at the meeting. As of the close of business on the record date, 177,726,743 shares of our common stock were outstanding. Each outstanding share of common stock entitles the holder of record to one vote on each matter submitted to the vote of stockholders at the meeting. Holders of our options, unvested restricted stock units, or RSUs, and unvested performance stock units, or PSUs, as well as holders of awards as to which the receipt of underlying common stock has been deferred, are not entitled to vote any

shares of common stock underlying those awards at the meeting.

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

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Matters to be Voted on at the Annual Meeting

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

Proposal No.	Brief Description of Proposal	Vote Required	Treatment of Abstentions	Treatment of Broker Non-Votes	Board s Recommendation
1	Election of eight director nominees	Each director is elected by a majority of the votes cast **FOR** election	Not taken into account	Not taken into account	**FOR** each director nominee
2	Approval, on an advisory basis, of the compensation of our named executive officers	A majority of the shares of common stock present and entitled to vote at the annual meeting must be voted **FOR** approval	As an **AGAINST** vote	Not taken into account	**FOR**
3	Approval, on an advisory basis, of the frequency of the approval, on an advisory basis, of the compensation of our named executive officers	A majority of the shares of common stock present and entitled to vote at the annual meeting must be voted **FOR** approval	As an **AGAINST** vote	Not taken into account	**FOR** frequency of one year
4	Approval of our 2017 Omnibus Equity Compensation Plan	A majority of the shares of common stock present and entitled to vote at the annual meeting must be voted **FOR** approval	As an **AGAINST** vote	Not taken into account	**FOR**
5	Approval of our 2017 Nonqualified Employee Stock Purchase Plan	A majority of the shares of common stock present and entitled to vote at the annual meeting must be voted **FOR** approval	As an **AGAINST** vote	Not taken into account	**FOR**
6	Ratification of our independent registered public accounting firm	A majority of the shares of common stock present and	As an **AGAINST** vote	Not applicable, as this is considered to	**FOR**

for 2017	entitled to vote at the annual meeting must be voted **FOR** approval	be a routine matter

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How to Vote Shares Registered in Your Own Name

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

You can vote via the Internet at *http://www.proxyvote.com*. If you received printed proxy materials, follow the instructions for Internet voting printed on your proxy card. If you received a Notice of Availability, follow the instructions provided in the Notice of Availability.	Call toll-free 1-800-690-6903. You also can vote by telephone using the instructions provided on the Internet voting site or the Notice of Availability, or, if you received printed proxy materials, by following the instructions provided on your proxy card.	If we mailed you a printed copy of this Proxy Statement and a paper proxy card, you can vote by completing, signing, dating and returning the proxy card in the enclosed postage-paid envelope.	Attend the meeting to vote in person.

The Internet and telephone voting facilities for stockholders of record will close at 11:59 p.m., Eastern time, on May 11, 2017.

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

- **FOR** the election of each of the Board s eight director nominees;
- **FOR** the approval, on an advisory basis, of the compensation of our named executive officers;
- **FOR** the approval, on an advisory basis, of a vote, on an advisory basis, every year on the compensation of our named executive officers;
- **FOR** approval of our 2017 Omnibus Equity Compensation Plan;
- **FOR** approval of our 2017 Nonqualified Employee Stock Purchase Plan; and
- **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017.

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

If you received more than one proxy card or Notice of Availability, your shares are likely registered in different names or with different addresses, or are held in more than one account. You must separately vote the shares shown on each proxy card or Notice of Availability that you receive in order for all of your shares to be voted at the meeting. For more information regarding the Notice of Availability, please see Communications, Stockholder Proposals and Company Information Delivering Proxy Materials Through Electronic Means on page 96 of this proxy statement.

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How to Vote Shares Held in Street Name

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

If your shares are held in street name through a brokerage firm that is a member of the New York Stock Exchange, or the NYSE, and you want to vote on any of Proposals 1 through 5, you MUST indicate how you wish your shares to be voted. The broker will vote shares held by you in street name in accordance with your voting instructions, as indicated on your signed voting instruction form or by the instructions you provide via the Internet or by telephone. Absent such instructions, NYSE rules would prohibit a broker from exercising discretion to cast a vote with respect to your shares. In that case, a proxy submitted by the broker with respect to your shares would indicate that the broker is unable to cast a vote with respect to the matter, which is commonly referred to as a broker non-vote.

Under NYSE rules, Proposal 6 is considered a routine matter, and thus a broker would be

permitted in its discretion to cast a vote on that proposal as to your shares in the event that you do not provide the broker with voting instructions. Accordingly, if your shares are held in street name, it is important that you provide voting instructions to the intermediary so that your vote will be counted.

If you hold shares in street name and wish to vote your shares in person at the meeting, you must first obtain a valid legal proxy from the intermediary. To do so, you must follow the instructions provided on your voting instruction form, or, if no such instructions were provided, you must contact the intermediary directly. To attend the meeting in person (regardless of whether you intend to vote your shares in person at the meeting), you must obtain an admission card in advance of the meeting by following the instructions under Attending the Annual Meeting in Person.

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

Revoking or Changing a Proxy

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

- sending a written statement to that effect to our Secretary, which must be received by us before the meeting

- submitting a properly signed proxy card dated a later date
- submitting a later dated proxy via the Internet or by telephone or
- attending the meeting in person and voting your shares at the meeting.

Please see Communications, Stockholder Proposals and Company Information Contacting Us or Our Transfer Agent on page 96 of this proxy statement for more information on providing our Secretary with written notice.

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

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Attending the Annual Meeting in Person

Admission to the annual meeting will be limited to our stockholders or their authorized, legal proxies. If you plan to attend the meeting in person, you must have a valid, government-issued photo identification, as well as an admission card. Upon arrival at the annual meeting, you will be asked to present your admission card and government-issued photo identification to enter the meeting. **We reserve the right to deny admission to the meeting location to any person who arrives at the meeting location without an admission card and valid photo identification in his or her name**.

For the safety and security of all attendees at the meeting, you will not be permitted to bring recording equipment, computers, large bags, briefcases or packages into the meeting. If you bring any of these prohibited items to the meeting, you will be required to leave them outside the meeting room until the meeting has concluded.

Under our Amended and Restated Bylaws, the Board or chairman of the meeting may impose additional reasonable restrictions on the conduct of the meeting and the ability of individuals to attend the meeting in person. These procedures are designed to ensure the safety and security of all attendees at the meeting.

If your shares are registered in your name, you will receive an admission card in one of three different ways:

- If you received your proxy materials by mail, your admission card is attached to your proxy card.
- If you received your proxy materials by e-mail, your admission card is the e-mail, which you must print out and bring with you to the meeting.
- If you received a Notice of Availability, your admission card is the Notice of Availability.

The original admission card attached to your proxy card or the original Notice of Availability must be presented. Photocopies of these

documents will not be accepted. If you lose your admission card, please contact the Company to request a replacement.

If you hold your shares in street name or you hold a valid legal proxy, and you plan to attend the annual meeting, you must send us a request for an admission card in the form of a signed cover letter containing the following information:

- Your name, complete mailing address and daytime telephone number;
- A copy of your valid, government-issued identification;
- If you own shares in street name:
  - § the number of shares that you own in street name;

  - § the name, address and telephone number of the intermediary; and
  - § proof that you own common stock as of the record date, such as:
    - a letter from the intermediary or
    - a photocopy of a current brokerage or other account statement showing
      - your ownership of such shares on the record date, or
      - your continuous ownership of such shares before and after the record date.

- If you are a legal proxy holder:
  - § the number of shares that are the subject of the legal proxy;
  - § a photocopy of the legal proxy; and
  - § the name, address and daytime telephone number of the stockholder who gave the legal proxy to you.

All communications regarding admission card requests or admission procedures should be addressed to Investor Relations at the address provided on page 96 of this Proxy Statement.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors

The Board is currently comprised of eight members, consisting of seven independent directors and Susan N. Story, our President and Chief Executive Officer.

The Board held 13 meetings during 2016. During the period in 2016 for which each director served as such, he or she attended at least 75% of the combined number of Board meetings and meetings of the Board committees on which he or she served, except for:

- William J. Marrazzo, who did not stand for re-election to the Board at the 2016 annual meeting of stockholders, and
- Richard R. Grigg, who resigned from the Board on December 12, 2016 for health reasons.

The Board has adopted an attendance policy, set forth in our Corporate Governance Guidelines, under which attendance, whether telephonically or in person, is expected at all regularly scheduled stockholder, Board and committee meetings. Nine out of the ten directors then on the Board attended the 2016 annual meeting.

At each regularly scheduled meeting, the Board meets in executive session, without the presence of any members of management. George MacKenzie, our independent, non-executive Chairman of the Board, presides over these sessions.

Board Committees

The Board has four separately designated standing committees:

- the Audit Committee;
- the Executive Development and Compensation Committee, referred to as the Compensation Committee ;
- the Nominating/Corporate Governance Committee, referred to as the Nominating Committee ; and
- the Finance and Risk Committee.

Each committee has a charter, which can be found on our Investor Relations website at *http://ir.amwater.com*, by selecting the Corporate Governance tab on that page, and then selecting the Governance Documents menu item. Each committee has the authority to retain outside advisors, including legal counsel or other experts, as it deems appropriate in its sole discretion and to approve the fees and expenses associated with such advisors.

Each committee sets time to meet in executive session without management personnel present. The Compensation Committee meets regularly with its independent compensation consultant in executive session. The Audit Committee meets regularly in separate executive sessions with, among others:

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

The membership and primary responsibilities of each of the standing Board committees, including the number of committee meetings held during 2016, are described in the following table below:

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Director	Age	Director Since	Independent?	Audit Committee	Compensation Committee	Finance and Risk Committee	Nominating Committee
Julie A. Dobson*	60	2009	ü	üü			ü
Paul J. Evanson	75	2013	ü		üü	ü	
Martha Clark Goss*	67	2003	ü	ü		üü	
Veronica M. Hagen	71	2016	ü		ü		ü
Julia L. Johnson	54	2008	ü		ü		üü
Karl F. Kurz**	55	2015	ü	ü		ü	ü
George MacKenzie	68	2003	ü				
Susan N. Story	57	2014	×				
Meetings held in 2016				**5**	**8**	**5**	**7**

Committee Member	Committee Chair	* Audit Committee Financial Expert	** Financially Literate Audit Committee Member

A description of each of our standing committees, together with its primary responsibilities, is provided below.

Audit Committee

- Represents and assists the Board in fulfilling its responsibility to oversee
  - the adequacy and effectiveness of our system of internal controls
  - the quality and integrity of our financial statements
  - our compliance with legal and regulatory requirements
  - the independent auditor s qualifications and independence and
  - the performance of our internal audit function and that of our independent auditor
- Has sole authority and responsibility to appoint, compensate, retain, terminate and oversee, our independent auditor
- Adopts, and oversees the enforcement of, our Code of Ethics
- Discusses with the Chair of the Finance and Risk Committee and management, at least annually:

	§ our policies with respect to risk assessment and risk management § our major financial risk exposures and § the steps management has taken to monitor and control these exposures
Executive Development and Compensation Committee	· Establishes and reviews our overall compensation philosophy · Reviews and recommends to the Board the compensation and performance of the CEO, as well as goals and objectives relevant to her compensation · Approves, after receiving the recommendations of, and consulting with, the CEO, the compensation of executive officers other than the CEO · Reviews and makes recommendations to the Board regarding our equity compensation plans, and takes such actions as required by those plans or specifically delegated to the Compensation Committee · Reviews and approves performance-based cash compensation plans in which the CEO and her direct reports participate, or which provide more than $100,000 in compensation to any other employee

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	· Reviews periodically the operations of our executive compensation programs to determine whether they are properly coordinated and implemented and achieving their intended purpose · Reviews and recommends to the Board contracts and compensatory transactions with the CEO, chief operating officer and chief financial officer, and approves such contracts and transactions with respect to other current or former executive officers · Reviews and monitors employee retirement and other benefit plans · Conducts a compensation-related risk assessment of our compensation policies and practices and makes appropriate recommendations to the Board · With input from the Board, oversees the process for executive succession planning, other than the CEO · Reviews and recommends to the Board the form and amount of director and chairman compensation at least every two years
Finance and Risk Committee	· Monitors, reviews and evaluates § our financial forecasts, financial condition and anticipated financing requirements § our capital structure, including new issuances, purchases or redemptions of debt and equity securities § our capital expenditure plan and strategies § our dividend payment policy § the investment performance of the assets held under our employee benefit plans and related investment guidelines § our cash management plans and strategies and

	§ our growth opportunities
	· Reviews with management the enterprise risk management program and periodically reviews the significant categories of risks, including risk concentrations and interrelationships and the likelihood of occurrence, as well as the potential impact and the mitigation of risks
	· Reviews and discusses reports regarding our major risk exposures identified by management
	· Oversees our insurance and risk management policies and programs and recommends to the Board actions with respect to our directors and officers insurance program
	· Approves issuances of debt by American Water and its subsidiaries and related guarantees and support obligations, within the limits established in the Board-approved financing plan
Nominating/Corporate Governance Committee	· Establishes criteria for the selection of new Board candidates
	· Identifies qualified director nominees (including new candidates as well as existing directors) and recommends their election to the Board
	· Reviews the charter, compensation and performance of each Board committee and makes appropriate recommendations to the Board regarding changes to each committee s membership
	· Oversees the annual evaluation of the Board and other committees and members of management
	· Develops and recommends to the Board the corporate governance guidelines and any amendments, and annually assesses their adequacy
	· Considers questions of Board member independence

- Reviews the adequacy of our charter and bylaws
- Oversees our director education program
- Oversees, with input from the Chairman of the Board and the current chief executive officer, the process of planning for CEO succession

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Board Review of Related Person Transactions

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

- a current employee or director (including subsidiary directors);
- a director nominee;
- a former officer or director who was an officer or director during the current or prior fiscal year;
- any person who beneficially owns more than five percent of our common stock; and
- a specified immediate family member, or any other person sharing the household, of any of the foregoing.

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

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

Alternatively, the disinterested members of the Board may approve any related person transaction. Further, as permitted by the policy, the Ethics Committee has delegated to our Chief Compliance Officer the authority to review and approve related person transactions that are

within its authority where the amount involved is less than $5,000. Transactions involving the compensation of executive officers are reviewed and, if appropriate, approved by the Compensation Committee (or a group of our independent directors performing a similar function) as specified in the Compensation Committee s charter.

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

- the related person s interest in the transaction;

- the dollar value of the amount involved in the transaction;

- the dollar value of the related person s interest in the transaction without regard to the amount of any profit or loss;

- whether the transaction is to be undertaken in the ordinary course of business of American Water;

- whether the transaction with the related person is proposed to be entered into on terms more favorable to American Water than terms that could have been reached with an unrelated third party;

- the purpose, and the potential benefits to American Water, of the transaction; and

- any other information regarding the transaction or the related person that is material in light of the circumstances of the particular transaction.

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

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Board Leadership Structure

For 2016 and currently, Ms. Story serves as our President and Chief Executive Officer and Mr. MacKenzie serves as our Chairman of the Board. Our Corporate Governance Guidelines provide that the Chairman of the Board is to be an independent director. We believe that the oversight function of a board of directors is enhanced when an independent director, serving as chairman of the board, is in a position to set the agenda for, and preside over, meetings of the board of directors. We also believe that our leadership structure enhances the active participation of our independent directors.

The Chairman of the Board is responsible for:

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

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

Board Role in Risk Oversight

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

Our management has overall responsibility for conducting risk assessments and risk

management strategy and programs. We have an Enterprise Risk Management Committee, the members of which consist of our executives and business unit employees, to manage and oversee day-to-day risk management responsibilities. The Enterprise Risk Management Committee meets at least six times a year. The Enterprise Risk Management Committee s areas of focus include competitive, economic, operational, financial (including accounting, internal audit, credit, liquidity and tax), legal, compliance, regulatory, health, safety and environmental, political and reputational risks.

Audit Committee Role

The Audit Committee is responsible for assisting the Board in overseeing the Company s accounting and disclosure controls, the design and performance of the internal audit, and ethics and compliance functions. The Audit Committee also has direct authority over the Company s independent registered public accounting firm. The Audit Committee also discusses with the Chair of our Finance and Risk Committee and management, at least annually, our policies with

respect to risk assessment and risk management, our major financial risk exposures and the steps management has taken to monitor and control these exposures. The Finance and Risk Committee reports to the Audit Committee at least annually regarding Finance and Risk Committee activities relating to enterprise risk management. In this regard, the Chairman of the Finance and Risk Committee meets annually with management and the Audit Committee.

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Compensation Committee Role

The Compensation Committee assesses potential risks related to our compensation policies and practices. Management conducts an annual risk assessment of our executive compensation, with a particular focus on performance-based compensation. This risk assessment is reviewed with both our internal audit function as well as the Enterprise Risk Management Committee. In February 2017, the results of this risk assessment, which included our 2016 short-term and long-term performance-based executive compensation, were reviewed with the Compensation Committee. This assessment sought to identify features of our compensation policies and practices that could encourage excessive risk-taking.

The risk assessment focused on our executive performance-based compensation, as less than 50.7 percent of our employees participated in any form of variable compensation and greater than 12.3 percent of employees who participated in a variable pay compensation element have a target award that is less than 15 percent of base pay. Management did not identify any new or additional compensation-related risks as compared to the prior year. The risk assessment conducted by management found that our existing short-term and long-term compensation is coupled with compensation design elements and other controls that discourage decision making focused solely on compensatory consequences. These design elements and controls include, among other things:

- base salaries that are a sufficient component of total compensation to discourage excessive short-term risk taking;
- cash performance-based awards with a maximum payout that is limited to 200 percent of target;
- the ability of the Compensation Committee to exercise discretion in determining the amount of cash performance-based compensation awarded;
- the use of long-term performance awards that mitigate against the taking of short-term risks;
- the implementation of annual independent audits of our cash performance-based compensation program conducted by our internal audit function;
- Company-wide and individual performance targets which are dispersed among a variety of financial and non-financial metrics, as well as among short-term and long-term goals;
- policies and procedures implemented to provide for meaningful checks and balances regarding significant business decisions that may have a compensatory benefit, including the use of a robust vetting process for new business development opportunities and limiting the delegated authority of executives to approve transactions;
- a compensation recovery policy that would require repayment of incentive compensation in the event of a material restatement of our financial statements under specific circumstances;

- the use of overlapping vesting and performance periods through annual performance award grants;

- beginning in 2017, discontinuing the use of stock options as part of our long-term performance program, thereby discouraging behavior focused on short-term increases in stock prices; and

- stock ownership guidelines and retention requirements that are applicable to executives and employees of the Company at a specified minimum salary grade (generally vice president) level.

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

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Finance and Risk Committee Role

The Finance and Risk Committee has authority and responsibility for the oversight and review of our enterprise risk management process, including risk assessments and risk management strategy and programs. In performing these responsibilities, the Finance and Risk Committee reviews quarterly with management the significant categories of financial and operational

risk exposures, including any risk concentrations and risk interrelationships, the magnitude and the likelihood of occurrence of risk, and management s activities to monitor and mitigate these exposures. The Finance and Risk Committee also oversees our insurance risk management policies and programs.

Board Role in Succession Planning

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

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

event that may prevent the chief executive officer from continuing to serve. The Board is permitted to review executive development and succession planning more frequently as it deems appropriate.

In 2015, the Board approved changes to the Corporate Governance Guidelines and the charters of the Nominating Committee and the Compensation Committee to clarify the roles of those committees in executive succession planning. In this regard, the Board has, in a manner consistent with its responsibilities as described in this section, delegated the day-to-day responsibility for the process of providing a slate of CEO succession candidates for consideration by the Board to the Nominating Committee, with input from the Chairman of the Board and the current chief executive officer. The Board also has delegated authority to the Compensation Committee to collaborate with the chief executive officer to ensure that processes are in place for succession planning and development with respect to other senior executive officers.

As a practical matter, consideration of management succession planning occurs throughout the year and involves regular interaction between and among the Board, the President and Chief Executive Officer, the Senior Vice President, Human Resources, and other members of management.

Board Refreshment and Director Tenure

Our Corporate Governance Guidelines do not maintain term limits on the service of our directors. The Board believes that term limits

could result in the loss of directors who have been able to develop, over a period of time, increasing insight into our business and

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operations, and an institutional memory that benefits the entire membership of the Board as well as management. Instead, the Nominating Committee reviews annually each director s continuation on the Board, which allows each director the opportunity to confirm his or her desire to continue as a director and provides the Board an opportunity to refresh its membership as and when it deems appropriate.

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

In December 2016, the Board considered the nomination of Mr. Evanson, who turned 75 after

our 2016 annual meeting of stockholders. The Board considered the findings of the Nominating Committee, including:

- the need for continuity on the Board given recent changes in membership
- Mr. Evanson s steadfast leadership
- his service on several Board committees, including as Chair of the Compensation Committee
- his knowledge and prior experience as a CEO of a public company and
- the fact that he is not a long-tenured director.

Based on the findings and recommendation of the Nominating Committee, the Board determined that special circumstances existed to warrant Mr. Evanson s nomination in 2017 as a director for election to the Board at the annual meeting.

Stockholder Outreach

In addition to the extensive outreach to our stockholders undertaken by our Investor Relations department and our senior executive officers, in 2015, we implemented a stockholder outreach program centered on corporate governance, executive compensation, and disclosure and related issues regarding the Company.

During and after the 2016 proxy season, we contacted a number of our stockholders that beneficially owned, in the aggregate, greater than 35 percent of our common stock, to better identify and understand the governance, compensation, disclosure and related issues that were most important to them. Through these outreach sessions, we:

- discussed topics of interest to our stockholders
- solicited investor viewpoints
- conveyed the Company s views on those topics and
- gained a better understanding of areas of mutual agreement.

Through this outreach, we received overall positive feedback regarding our corporate governance framework and our pay-for-performance philosophy. We also engaged in a constructive dialogue regarding additional enhancements to our governance and executive compensation disclosures generally, many of which have been incorporated in this year s proxy statement. Finally, stockholders expressed appreciation for our willingness to seek their views, and more importantly, the desire to establish an ongoing dialogue. The input and insight gleaned from our 2016 stockholder outreach program was shared with management and our Board.

We also have responded to appropriate requests from stockholders for greater interaction with Board members. In this regard, on May 13, 2016, we held a breakfast for our stockholders prior to our 2016 annual meeting of stockholders, which was also attended by Board members and members of management. Additionally, on December 15, 2016,

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Mr. MacKenzie attended our Investor Conference in New York City, giving him the opportunity to interact with our stockholders and securities analysts in attendance.

We intend to continue to engage regularly with stockholders and proxy advisory firms through similar outreach programs. In this regard, we will continue to solicit their input and give careful consideration to the feedback we receive.

Governance Policies and Procedures

We have adopted a Code of Ethics applicable to our directors, officers and employees. Among other things, the Code of Ethics is designed to:

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

The Code of Ethics provides for the prompt internal reporting of violations to an appropriate person identified in the Code of Ethics and contains provisions regarding accountability for adherence to the Code of Ethics. We intend to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision

of the Code of Ethics by making disclosures concerning such matters available on the Investor Relations page of our website.

Our Corporate Governance Guidelines provide for principles by which the Board will organize and execute its responsibilities in accordance with our Restated Certificate of Incorporation, our Amended and Restated Bylaws, the listing standards of the NYSE, and applicable laws. Additionally, the Board has adopted charters for the Audit Committee, the Compensation Committee, the Nominating Committee and the Finance and Risk Committee.

Current copies of all of the foregoing documents are available on our Investor Relations website at *http://ir.amwater.com* and can also be obtained by sending us a written request. See Communications, Stockholder Proposals and Company Information Contacting Us or Our Transfer Agent on page 96 of this Proxy Statement.

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PROPOSAL 1

ELECTION OF DIRECTORS

Explanation of the Proposal

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

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

- Julie A. Dobson
- Paul J. Evanson
- Martha Clark Goss
- Veronica M. Hagen
- Julia L. Johnson
- Karl F. Kurz
- George MacKenzie
- Susan N. Story

Each of these nominees is currently a member of the Board. It is intended that each nominee would hold office until the date of the 2018 annual meeting of stockholders, or until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal. Proxies may not be voted for more than these eight nominees.

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

In accordance with our Amended and Restated Bylaws and our Corporate Governance Guidelines, prior to this meeting, each incumbent director nominee will submit a contingent resignation in writing to the Chairman

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

With respect to a tendered resignation, the Nominating Committee, in making its recommendation, and the Board, in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Nominating Committee or the decision of the Board with respect to his or her resignation. If a director s resignation is not accepted by the Board, such director will continue to serve until the 2018 annual meeting of stockholders and until his or her successor is duly elected, or his or her earlier death, resignation or removal. If a director s resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board.

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Director Nominees

Julie A. Dobson

Independent Director

Age: 60

Director Since: 2009

Committees:

Audit (Chair)

Nominating

Other Current Public Company Boards:

- Safeguard Scientifics, Inc., an acquirer and developer of technology companies, since 2003

Past Public Company Boards:

- RS Legacy Corporation (formerly RadioShack Corporation), from September 2011 to October 2015
- PNM Resources, Inc., from 2002 to 2014

Business Experience:

- Chief Operating Officer and one of the founding principals of TeleCorp PCS, Inc., a wireless/mobile phone company serving more than a million customers when sold to AT&T Wireless in 2002
- Various leadership positions over nearly 20 years with what has become Verizon Communications, Inc., including President of the New York Region of Bell Atlantic Mobile

Education:

- Bachelor of Science, College of William and Mary
- Master of Business Administration, University of Pittsburgh

Experience and Qualifications to Serve on the Board:

- Executive experience with both regulated and unregulated subsidiaries of a major telecommunications company provides Ms. Dobson with a substantive understanding of many issues confronting our business, which includes both regulated and unregulated operations.

- Ms. Dobson s experience includes management over several initiatives to expand deregulated lines of business, which enables her to assess similar expansion efforts relating to our market-based businesses.

- Involvement in strategic planning and mergers and acquisitions at Bell Atlantic also enables Ms. Dobson to provide insight with respect to our acquisition strategy.

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Paul J. Evanson

Independent Director

Age: 75

Director Since: 2013

Committees:

Compensation (Chair)

Finance and Risk

Past Public Company Boards:

· Chairman of Allegheny Energy, Inc., from 2003 until the company s merger with FirstEnergy Corp. in February 2011.

Business Experience:

· Chief Executive Officer and President of Allegheny Energy, Inc. from 2003 until the company s merger with FirstEnergy Corp. in February 2011 and Executive Vice Chair of FirstEnergy until his retirement in May 2011

· Former President of Florida Power & Light Company

· Former President of Lynch Corporation

· Leadership positions with Moore McCormack Resources and Arthur Anderson & Co.

Other Positions:

· Chairman, Board of the Florida Reliability Coordinating Council, a non-profit company that ensures and enhances the reliability and adequacy of bulk electricity in Florida

· Board of Directors, Edison Electric Institute, an association of shareholder-owned electric companies

· Board of Directors, North American Electricity Reliability Council, a group that was formed in 1968 by electric companies to promote the reliability and adequacy of the nation s power grid

Education:

- Bachelor of Business Administration degree, and Doctor of Commercial Science Degree (honorary), St. John s University
- Juris Doctor, Columbia Law School
- Master of Laws, New York University School of Law

Experience and Qualifications to Serve on the Board:

- Mr. Evanson has extensive executive experience in the electric industry, including his leadership of a company with both significant regulated and unregulated operations, that enables him to provide important insights regarding various aspects of our business, which includes both regulated and unregulated operations.
- Mr. Evanson s success in addressing difficult financial conditions upon assuming leadership at Allegheny Energy underscores his ability to provide valuable perspectives with respect to strategic planning, finance and risk management matters.

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Martha Clark Goss

Independent Director

Age: 67

Director Since: 2003

Committees:

Audit

Finance and Risk (Chair)

Other Current Public Company Boards:

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

Past Public Company Boards:

- Dexter Corporation
- Booz Allen Hamilton Holding Corporation
- Claire s Stores Inc.
- Ocwen Financial Corporation
- Foster Wheeler Corporation

Business Experience:

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

Other Positions:

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

Education:

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

Experience and Qualifications to Serve on the Board:

- Ms. Goss extensive financial, investment, and governance experience provides valuable insights to the Audit Committee, the Finance and Risk Committee and the Board.

- Experience as President of an investment subsidiary of Prudential, responsible for substantial investments in electric and gas public utilities and alternative energy projects, enables Ms. Goss to share with the Board her considerable knowledge regarding public utilities.

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Veronica M. Hagen

Independent Director

Age: 71

Director Since: 2016

Committees:

Compensation

Nominating

Other Current Public Company Boards:

- Southern Company, a transporter and producer of energy, since 2008 (Lead Independent Director from 2014 to 2016)
- Newmont Mining Corporation, a producer of gold, since 2005

Past Public Company Boards:

- Polymer Group, Inc., from 2007 to 2015
- Jacuzzi Brands, Inc., from 2004 to 2007

Business Experience:

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

Education:

- Bachelor of Science, University of Southern California

Experience and Qualifications to Serve on the Board:

- Ms. Hagen has over 35 years of executive experience in global operational management and commercial business leadership, including serving as the chief executive officer of two successful public companies.

- Ms. Hagen has extensive experience and past service as a public company board member.

- Ms. Hagen also has significant leadership in the areas of employee engagement, customer service, strategic planning and business growth.

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Julia L. Johnson

Independent Director

Age: 54

Director Since: 2008

Committees:

Compensation

Nominating (Chair)

Other Current Public Company Boards:

- MasTec, Inc., a utility infrastructure contractor, since 2002
- NorthWestern Corporation, a transporter and producer of energy, since 2004
- FirstEnergy Corp., a transporter and producer of energy, since 2011

Past Public Company Boards:

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

Business Experience:

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

Other Positions:

- Florida Public Service Commission, from January 1992 until November 1999, including chairwoman from January 1997 to January 1999
- Chair, Florida s Information Service Technology Development Task Force, from November 1999 to July 2001
- Chair, Multicultural Media Telecom and Internet Council
- Independent Trustee, National Urban League
- Chair, Emerging Issues Policy Forum

Education:

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

Experience and Qualifications to Serve on the Board:

- Ms. Johnson s service on a state public service commission with regulatory oversight over Florida s electric, telecommunications and water and wastewater industries, as well as her current leadership of a firm specializing in regulatory analysis and legal strategy, enables her to provide valuable perspectives on regulatory and public policy matters affecting our operations.

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Karl F. Kurz

Independent Director

Age: 55

Director Since: 2015

Committees:

Audit

Finance and Risk

Nominating

Other Current Public Company Boards:

- SemGroup Corporation, a public energy midstream company, since 2009
- WPX Energy, Inc., a public independent oil and gas company, since 2014

Past Public Company Boards:

- Global Geophysical Services, Inc., from 2011 to 2015
- Western Gas Partners, from 2007 to 2009

Business Experience:

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

Education:

- Bachelor of Science, *magna cum laude*, Petroleum Engineering, Texas A&M University

- Advanced Management Program graduate, Harvard Business School

Experience and Qualifications to Serve on the Board:

- Mr. Kurz s long history of working in the oil and gas industry is invaluable as we continue our strategic growth in providing sustainable water services to customers in the natural gas exploration and production industry, and in pursuing the potential opportunities in the national water-energy nexus discussion, smart water grid development, and water supply solutions.

- His experience in finance and capital markets brings additional insights to us and the Board.

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George MacKenzie

Chairman

Independent Director

Age: 68

Director Since: 2003

Chairman Since: 2006

Other Current Public Company Boards:

- Safeguard Scientifics, Inc., an acquirer and developer of technology companies, since February 2003
- Tractor Supply Company, a U.S. retailer, since May 2007

Past Public Company Boards:

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

Business Experience:

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

Other Positions:

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

Education:

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

Experience and Qualifications to Serve on the Board:

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

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Susan N. Story

President and Chief Executive Officer and Director

Age: 57

Director Since: 2014

Other Current Public Company Boards:

· Raymond James Financial, Inc., a diversified financial services company

§ Director since 2008

§ Lead director since January 2016

· Dominion Resources, Inc., a transporter and producer of energy, since January 2017

Business Experience:

· President and Chief Executive Officer of the Company, since May 2014

· Senior Vice President and Chief Financial Officer of the Company, from April 2013 to May 2014

· Thirty-one years at Southern Company and its subsidiaries, including:

§ Southern Company executive officer, from 2003 to 2013

§ President and Chief Executive Officer, Southern Company Services, from 2011 to 2013

§ President and Chief Executive Officer, Gulf Power Company, from 2003 to 2010

§ Executive Vice President, Engineering and Construction, Southern Company, from 2001 to 2003

§ Senior Vice President, Southern Power Company, from 2002 to 2003

Other Positions:

· Board of Directors, Bipartisan Policy Center (the BPC), and Co-Chair of the BPC s National Infrastructure Project, addressing public-private initiatives to replace the country s aging infrastructure in various sectors

- Board of Directors, US Water Alliance
- Board of Directors, Alliance to Save Energy
- Member, Moffitt Cancer Center Board of Advisors, Tampa, Florida
- Board of Directors, Greater Philadelphia & Southern New Jersey United Way

Education:

- Bachelor of Science, Auburn University
- Masters in Business Administration, University of Alabama at Birmingham
- Post-Doctoral Training in Finance, University of Alabama
- Post-Doctoral Training, Birmingham School of Law

Experience and Qualifications to Serve on the Board:

- Ms. Story s intimate knowledge regarding our business, by virtue of her service as our President and Chief Executive Officer, and previously as our Senior Vice President and Chief Financial Officer, enables her to provide valuable insights regarding our strategies, operations, finance, administration and personnel matters.
- Her long career at Southern Company, including her leadership role at Gulf Power Company, enables her to provide important insights on regulated utility operations.
- Her leadership experience at Southern Company Services enables her to provide meaningful insights on a variety of key areas pertaining to our operations, including cybersecurity, supply chain, information technology, customer research and human resources.

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Director Independence

The NYSE s listing standards require that:

- a majority of our directors and all of the members of the Nominating Committee satisfy the NYSE s independence standards applicable to all directors
- all of the members of the Audit Committee satisfy the NYSE s independence standards applicable to Audit Committee members and
- all of the members of the Compensation Committee satisfy the NYSE s independence standards applicable to Compensation Committee members.

Applying these standards, the Board determined that seven of our eight current directors, consisting of Mses. Dobson, Goss, Hagen and Johnson, and Messrs. Evanson, Kurz and MacKenzie, qualify as independent.

The Board also determined that each of Mses. Dobson and Goss, and Mr. Kurz, satisfies the NYSE s independence standards for Audit Committee members, and that each of Mses. Hagen and Johnson, and Mr. Evanson, satisfies the NYSE s independence standards for Compensation Committee members.

Finally, the Board also determined that each of Messrs. Grigg and Marrazzo, former directors who served on the Board during 2016, satisfied the NYSE s independence standards applicable to all directors.

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

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

Type of Relationship (1)	Description of Relationship (1)(2)

Employee or executive officer of American Water	The director is, or has been within the last three years, an employee of American Water, or an immediate family member of the director is, or has been within the last three years, an executive officer of American Water. However, employment as an interim chief executive officer or other officer will not disqualify a director from being considered independent following that employment.
Relationships with internal or external auditor	Any of the following relationships exist: · the director is a current partner or employee of American Water s internal or external auditor · the director has an immediate family member who is a current partner of the internal or external auditor

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Type of Relationship (1)	Description of Relationship (1)(2)
	· the director has an immediate family member who: § is a current employee of the external auditor and § personally works on the Company s audit · the director or an immediate family member of the director was, within the last three years § a partner or employee of the internal or external auditor and § personally worked on the Company s audit within that time
Compensation Committee interlocks	The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that company s compensation committee.
Receipt of direct compensation from American Water	The director or an immediate family member of the director received, during any 12 month period within the last three years, more than $120,000 in direct compensation from American Water, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as an interim CEO or other executive officer need not be considered in determining independence under this standard. Compensation received by an immediate family member for service as an employee of American Water (other than as an executive officer) need not be considered in determining independence under this standard.
Receipt of indirect compensation from American Water	The director is a current employee or holder of more than 10 percent of the equity of another company, or an immediate family member of the director is a current executive officer or holder of more than 10 percent of the equity of another company, that has made payments to, or received payments from, American Water or any subsidiary in any of the other company s last three fiscal years, that exceeds the greater of $1 million or two percent of such other company s consolidated gross revenues.
Charitable contributions by American Water	The director is a current executive officer of a charitable organization to which American Water or any subsidiary has made charitable contributions in any of the charitable organization s last three fiscal years that exceed the greater of $1 million or two percent of that charitable organization s consolidated gross revenues.

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

(2) The term executive officer is defined to mean the following officers of American Water: President; Chief Financial Officer; Controller; any Vice President in charge of a principal business unit, division or function; any other officer who performs similar policy-making functions for American Water; or any other person who performs similar policy-making functions for American Water. An officer of a subsidiary of American Water would be deemed to be an executive officer for purposes of this standard if he or she performs such policy-making functions for American Water. A list of American Water s executive officers as defined above as of February 21, 2017 has been provided in the 2016 Annual Report.

Director Criteria, Qualifications, Experience and Diversity

We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will enable the Board to fulfill its responsibilities. Therefore, the Nominating Committee considers diversity in identifying nominees for directors. In this regard, the Nominating Committee views diversity in a broad sense, including on the basis of skills, experience, age, race, gender and ethnicity. The Board believes in balancing the value that longevity of director service can bring to our company with the value of new ideas and insights that can come through new members. In addition, our Corporate Governance Guidelines provide that directors must be persons of good character and thus must possess all of the following personal characteristics:

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

Our Corporate Governance Guidelines also state that the Board members should strive to have members with knowledge, experience and skills in the following core competencies:

- accounting and finance
- business judgment
- management
- crisis response
- industry knowledge
- utility regulation
- leadership
- strategy/vision

In this regard, in evaluating a candidate s experience and skills, the Nominating Committee will consider qualities such as an understanding of the water industry, utilities, marketing, finance, customer service, utility and environmental regulation and public policy issues. The Nominating Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees.

In addition, the Board is committed to being comprised of directors that add tangible value to American Water with a diversity of ideas, approaches and experiences and the interpersonal capacity to foster effective communication within, and operation of, the Board and with management. Annually, the Nominating Committee reviews the profile,

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engagement and performance of each director to determine whether he or she should be renominated for board service. The Nominating Committee also considers whether, in light of our strategy or trends in our market environment, new skill sets or experiences would benefit our company and our stockholders.

The process followed by the Nominating Committee to identify and evaluate candidates includes requests to members of the Board and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Nominating Committee and other members of the Board. The Nominating Committee may engage a third party to assist in the search for director candidates or to assist in gathering information regarding a director candidate s background and experience. If the Nominating Committee engages a third party, that committee would approve the fee that American Water pays for these services. However, no such third party was engaged in 2016.

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

- whether the candidate is committed to the highest ethical standards;
- whether the candidate has special skills, expertise and background that would complement the attributes of the existing directors, taking into consideration the communities and geographies in which the Company operates;
- whether the candidate has achieved prominence in his or her business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make;
- whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all of our stockholders and our other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency;
- whether the candidate possesses a willingness to challenge management while working constructively as part of a team in an environment of collegiality and trust; and
- whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

Director Evaluations and Assessments

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

For 2016, the Board implemented a peer review process by which each director was asked to

provide feedback on a number of characteristics of each of other directors, including background, leadership, preparation, focus on stockholder interests, participation and independence.

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

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Finally, our Chairman also interviews each director on a one-on-one basis to obtain his or her assessment of director performance, Board dynamics and the effectiveness of the Board and its committees, and to discuss his or her responses to these questions.

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

Director Compensation

During 2016, our non-employee directors received annual cash retainers, payable in quarterly installments, for their services as described below:

Director	Amount of Annual Cash Retainer
Chairman of the Board	$ 140,000
Audit Committee and Compensation Committee Chairs	$ 105,000
Nominating Committee and Finance and Risk Committee Chairs	$ 97,500
Other Non-Employee Directors	$ 85,000

We do not pay our directors a separate fee for attendance at Board or committee meetings, except that, during 2016:

- members of the Demand Review Committee (consisting of Messrs. Kurz, MacKenzie and Evanson, and Ms. Dobson) received a $15,000 special payment for serving on that committee; and

- Mr. Kurz received a $15,000 annual fee for his service on the board of directors of Water Solutions Holdings, LLC, in which American Water owns a 95 percent equity interest and which, through its wholly owned subsidiary Keystone Clearwater Solutions, LLC, provides water services to customers in the natural gas exploration and production industry.

In addition, in April 2016, the annual equity compensation of each non-employee director and the Chairman of the Board, was increased from $95,000 and $150,000, respectively, to $105,000 and $160,000, respectively. This compensation was paid in the form of stock units under our 2007 Omnibus Equity Compensation Plan, or the 2007 Plan. For 2016, Ms. Hagen received a pro-rated portion of the non-employee director equity award.

The actual number of stock units granted is based on the closing price of our common stock on the date of grant, which is typically the date the director is elected to the Board. The stock units vest on the date of grant and the shares underlying the stock units are distributed to the directors approximately 15 months after the date of grant (or approximately six months with respect to Ms. Hagen s initial stock units), subject to earlier vesting in the event of a change in control or the termination of the director s service on the Board, or in accordance with the director s irrevocable election to defer distribution of all of his or her shares of common stock to a later time.

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

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Non-employee directors are reimbursed for expenses incurred in attending Board and committee meetings and for up to $5,000 every

two years per director for director educational expenses incurred.

Director Compensation Table

The following table provides information regarding compensation paid in 2016 to each person who served as a non-employee director during that year. The table does not include amounts paid for reimbursement of travel expenses related to attending Board and

committee meetings or any reimbursement of director education expenses, and does not include compensation paid to Ms. Story. See Executive Compensation for information relating to Ms. Story s compensation.

Name	Fees Earned or Paid in Cash ($)		Stock Unit Awards ($)(1)		All Other Compensation ($)(2)	Total ($)
Julie A. Dobson	$ 115,000		$ 104,968		$ 18,715	$ 238,682
Paul J. Evanson	$ 115,000		$ 104,968		$ 3,794	$ 223,762
Martha Clark Goss	$ 91,250		$ 104,968		$ 3,794	$ 200,012
Richard R. Grigg (3)	$ 80,000		$ 104,968		$ 3,794	$ 188,762
Veronica M. Hagen	$ 68,667		$ 126,596	(4)	$ 347	$ 195,610
Julia L. Johnson	$ 91,250	(5)	$ 104,968		$ 3,794	$ 200,012
Karl F. Kurz	$ 117,500	(6)	$ 104,968		$ 3,794	$ 226,262
George MacKenzie	$ 150,000		$ 160,029		$ 5,990	$ 316,019
William J. Marrazzo (7)	$ 37,500		$		$ 31,558	$ 69,058

(1) The amounts shown in this column reflect the grant date fair value of the stock units granted to the directors as part of their annual retainer. The grant date fair value was computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation Stock Compensation,* or ASC 718. See Note 9 Stock Based Compensation in the Notes to Consolidated Financial Statements included in the 2016 Form 10-K for the assumptions used in determining grant date fair value.

(2) Represents dividend equivalents paid in cash in 2016 with respect to stock unit awards.

(3) Mr. Grigg resigned from the Board on December 12, 2016 solely for health reasons.

(4) Includes a pro-rated stock unit grant awarded to Ms. Hagen on February 25, 2016, which vested in August 2016.

(5) Ms. Johnson elected to defer this cash compensation under our Nonqualified Deferred Compensation Plan for Non-Employee Directors.

(6) Includes a $15,000 fee for service on the board of directors of Water Solutions Holdings, LLC.

(7) Mr. Marrazzo declined to stand for re-election to the Board in 2016.

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The following table shows the aggregate number of stock units held by each person who served as a non-employee director as of December 31, 2016:

Name	Stock Units (#)
Ms. Dobson	5,040
Mr. Evanson	1,405
Ms. Goss	1,405
Ms. Hagen	1,405
Ms. Johnson	8,066
Mr. Kurz	1,405
Mr. MacKenzie	2,142

We did not grant stock options to non-employee directors in 2016 and none of the non-employee directors held any stock options as of December 31, 2016.

Director Stock Ownership Requirements

We have a stock ownership policy for directors under which each director is required to hold shares equaling five times the director s annual cash retainer by the fifth anniversary of the commencement of service as a director.

Recommendation of the Board

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

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PROPOSAL 2

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

Background of the Proposal

Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers, or NEOs, as disclosed in this proxy statement in accordance with the SEC s rules. The disclosures related to compensation of our NEOs consist of the Compensation Discussion and Analysis, the 2016 Summary Compensation Table, and the other required compensation tables and narrative disclosures in this proxy statement. In accordance with the advisory vote of our stockholders at our 2011 annual meeting of stockholders, we are providing to our stockholders the opportunity to vote annually to approve, on an advisory basis, the compensation of our NEOs.

Our executive compensation philosophy and programs are designed to create a positive correlation of pay to performance and reward our NEOs for delivering results. We seek to attract, motivate and retain high-caliber executives and to align the interests of those

executives with the interests of our stockholders in order to build long term, sustainable value for our stockholders.

Accordingly, the Board recommends that our stockholders vote **FOR** the following resolution:

RESOLVED, that the stockholders of American Water Works Company, Inc. (the Company) approve, on an advisory basis, the compensation of the Company s named executive officers, as disclosed pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the narrative discussion in the Company s proxy statement for the 2017 annual meeting of stockholders.

While the vote is not binding on us, our Compensation Committee values the opinions expressed by our stockholders and will carefully consider the outcome of the vote when making future compensation decisions for our NEOs.

Recommendation of the Board

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

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PROPOSAL 3

APPROVAL, ON AN ADVISORY BASIS, OF THE FREQUENCY OF THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Background of the Proposal

In accordance with Section 14A of the Exchange Act, the Board is also asking our stockholders to vote, on an advisory (non-binding) basis, on how frequently we should conduct an advisory stockholder vote to approve the compensation of our NEOs. By voting on this proposal, stockholders may indicate whether they would prefer an advisory vote on NEO compensation once every one, two or three years, or they may abstain from voting.

After careful consideration of the frequency alternatives, our Board has determined that conducting an advisory vote on executive compensation every year is the most appropriate alternative for the Company.

The Company s practice for the past six years has been to hold the advisory vote on executive compensation every year and the Board believes the annual vote has worked well. The annual vote gives stockholders the opportunity to provide us with their direct input on our compensation for NEOs every year and the Board believes that an annual vote best enables us to continue to obtain stockholder views on a reasonably current basis.

Stockholders may cast a vote on the frequency of our advisory stockholder vote by choosing the

option of (1) every year, (2) every two years, (3) every three years or (4) abstaining from voting, in response to the resolution set forth below.

RESOLVED, that a vote of the holders of the common stock of American Water Works Company, Inc. (the Company) to approve, on an advisory basis, the compensation of the Company s named executive officers, as disclosed pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the narrative discussion contained in the Company s proxy statement, be held at an annual meeting of the stockholders, beginning with the 2017 annual meeting of stockholders, (1) every year, (2) every two years or (3) every three years.

The Board will carefully consider the outcome of the vote when making future decisions regarding the frequency of advisory votes on executive compensation. However, because this vote is advisory and not binding, the Board may decide that it is in the best interests of the Company and its stockholders to hold an advisory vote more or less frequently than the alternative that has been selected by our stockholders.

Recommendation of the Board

The Board unanimously recommends the approval, on an advisory basis, of an advisory vote **EVERY YEAR** to approve the compensation of our NEOs.

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COMPENSATION COMMITTEE REPORT

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

Respectfully submitted,

Paul J. Evanson (Chair)

Veronica M. Hagen

Julia L. Johnson

COMPENSATION DISCUSSION AND ANALYSIS

In this Compensation Discussion and Analysis, we address our compensation philosophy and programs, the decisions of our Compensation Committee with respect to these programs and the reasons for those decisions, principally with respect to our NEOs, who are:

- Susan N. Story, President and Chief Executive Officer
- Linda G. Sullivan, Executive Vice President and Chief Financial Officer
- Walter J. Lynch, Executive Vice President and Chief Operating Officer
- Michael A. Sgro, Executive Vice President, General Counsel and Secretary
- Loyd A. Warnock, Senior Vice President of External Affairs, Communications and Public Policy

Executive Summary

Compensation Philosophy

Our executive compensation program is designed to:

- reward our NEOs for delivering results;
- correlate pay amounts to our short- and long-term performance;
- align the interests of our stockholders and NEOs; and
- attract, motivate and retain high-caliber executives by providing compensation that is comparable to and competitive with other companies in our peer group.

Our focus on pay for performance is demonstrated by the way we structure our three key elements of compensation:

- annual base salary;

- our Annual Performance Plan, or APP, which is our annual cash-based performance plan that was previously called the Annual Incentive Plan, or AIP; and

- our Long Term Performance Plan, or LTPP, which is our long-term equity compensation program that was previously called the Long-Term Incentive Plan, or LTIP.

In addition, we provide employee retirement and health and welfare benefit plans, as well as an executive severance policy. We designed the plans and policy to provide competitive supplemental benefits to our NEOs.

The allocation of compensation among these elements ties compensation levels and bonus payouts to our company performance, with an appropriate level of risk. The following graphic represents our compensation mix, assuming annual and long-term incentive awards are paid at target levels, for both our CEO and on an average basis for all of our other NEOs as a group in 2016:

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Our Operating Performance in 2016

Our 2016 performance demonstrates our continued commitment to stockholders and our focus on five strategic themes: safety, customer, people, growth, and technology and operational efficiency. By focusing on keeping our employees safe, delivering outstanding customer service, effectively managing costs, investing capital where needed, maintaining constructive regulatory relationships and growing strategically, we continue to create value for our stockholders. Operating highlights for 2016 include the following:

Total Shareholder Return (TSR)	TSR was 23.6 percent during 2016, compared to 12.0 percent for the S&P 500 and 17.1 percent for the Dow Jones U.S. Utilities Total Return Index in 2016
Quarterly Dividends	10 percent increase from 2015 to 2016 (4th year in a row of such dividend increases)
GAAP Diluted EPS / Adjusted Diluted EPS	0.8 percent decrease from 2015 to 2016 (GAAP diluted earnings per share)
	7.6 percent increase from 2015 to 2016 (adjusted diluted earnings per share, see Appendix A for non-GAAP financial information reconciliation)
Adjusted Operation and Maintenance (O&M) Efficiency Ratio	Adjusted O&M efficiency ratio was 34.9 percent in 2016, compared to 35.9 percent in 2015 (see Appendix A for non-GAAP financial information reconciliation)
Regulated Growth	42,000 new customers added in 2016 through regulated acquisitions and 13,000 new regulated customers added in 2016 through organic growth
Market-Based Business Growth	3.9 percent increase in operating revenues from 2015 to 2016 in our Market-Based Businesses

Return to Stockholders

We have returned significant value to our stockholders over the past five years. The following chart shows how a $100.00 investment in our common stock on December 30, 2011 would have grown to

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$257.26 on December 30, 2016, assuming quarterly dividend reinvestment. This return compares favorably to the return that would have been obtained through the same investment in the Standard & Poor s 500 Index and the Dow Jones U.S. Utilities Total Return Index, assuming dividend reinvestment, during the same period:

	12/30/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/30/2016
American Water Works Company, Inc.	$ 100.00	$ 120.60	$ 140.04	$ 181.23	$ 208.15	$ 257.26
S&P 500	$ 100.00	$ 116.00	$ 153.58	$ 174.60	$ 177.01	$ 198.18
Dow Jones U.S. Utilities Total Return Index	$ 100.00	$ 101.76	$ 117.23	$ 150.15	$ 143.23	$ 167.67

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Summary of Executive Compensation Practices

The table below summarizes compensation practices that we have and have not implemented consistent with our stockholder interests and best practices.

· Considerable portion of pay is variable and at-risk, earned solely based on performance	· No individual change of control agreements
· Equity compensation is weighted significantly toward performance stock units	· No individual employment agreements with standing severance or termination provisions
· Executive stock ownership guidelines and retention requirements encourage equity ownership and retention	· No established single-trigger change in control payment requirements
· Compensation Committee oversees annual compensation program risk assessment	· No excise tax gross-ups
· A representative, relevant peer group is used for TSR performance and compensation benchmarking	· No repricing of underwater stock options
· Reasonable severance arrangements are provided pursuant to our Executive Severance Policy	· Prohibit hedging, short selling or purchasing common stock on margin by officers, employees and directors, and pledging of common stock by directors and executive officers
· Compensation Committee retained and used an independent consultant in 2016	· No supplemental executive retirement plans open to new executives
· Double-trigger change in control provision proposed in 2017 Omnibus Plan	· No distribution of cash dividend equivalents on equity awards unless and until they vest
· Provide limited perquisites and other personal benefits, principally executive physicals	· No sales of greater than 50 percent of stock underlying equity awards when stock ownership is less than guidelines
· Maintain clawback policies	

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Highlights of 2016 Significant Compensation Actions

The table below highlights compensation actions taken in 2016 with respect to our three primary elements of executive compensation.

Compensation Element	NEO	Action Taken	Rationale
Base Salary	Ms. Story	Increased annual base salary for 2016 by 12.5 percent	· Recognizes fully functioning and effective CEO · Brings base salary near median of peer group compensation range
	Mr. Sgro	Increased annual base salary for 2016 by an aggregate of 6.6 percent from 2015	· Rated highly effective · Brings base salary closer to median (50th percentile) of peer group compensation range
	All other NEOs	Increased annual base salary for 2016 by 2.5 percent	Provides modest increases in base salary for highly effective NEOs
APP	All	· Reduced total number of APP goals from 10 to 6 · Eliminated Corporate Multiplier in favor of APP funding factor based on overall performance percentage · Added operational efficiency improvement metric	· Simplified goal structure and calculations · Operational efficiency improvement rewards cost reduction and betterment programs implemented throughout our regulated businesses
	Mr. Sgro	Increased 2016 APP target opportunity to 65 percent and 2017 APP target opportunity to 75 percent	Measured increases in APP brings total direct compensation closer to median of peer group compensation range
LTPP	Ms. Story and Mr. Sgro	· Increased 2016 LTPP award opportunity to 225 percent and 100 percent of base salary, respectively	Brings total direct compensation near or closer to median of peer group compensation range
		· Increased 2017 LTPP award opportunity for Ms. Story to 250 percent	
	All	· For 2016 PSU grants, the operational efficiency improvement metric was eliminated · Maximum performance was increased to 200 percent	· Operational efficiency improvement metric was added to the APP · Increased maximum performance better aligns our PSU program with those of our peers
		· Beginning in 2017, stock options have been eliminated, and LTPP is	· Eliminates potential income volatility associated with implementing

	comprised of 70 percent PSUs and 30 percent RSUs	revised share-based compensation accounting guidance · Reflects diminishing prevalence of use of stock options in the utility industry

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Stockholder Advisory Votes

At our 2016 annual meeting of stockholders, the stockholders approved, on an advisory basis, the compensation paid to our NEOs, as disclosed under the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and any related materials disclosed in the proxy statement for the 2016 annual meeting of stockholders. The stockholder vote in favor of NEO compensation was approximately 97.4 percent of the shares present in person or by proxy and eligible to vote at the meeting. Since 2011, the first year of our advisory vote on the compensation paid to our NEOs, the stockholder vote in favor of NEO compensation has

averaged 97.5 percent. The Compensation Committee considered the results of the 2016 advisory vote and determined that no specific action was needed in response to the vote. At the 2017 annual meeting, we will again hold an advisory vote on the compensation of our NEOs, as well as an advisory vote on the frequency of this stockholder advisory vote. We continue to recommend that this vote be held annually. In making its decisions regarding executive compensation, the Compensation Committee will consider the results of these advisory votes, as well as feedback obtained from stockholders throughout the course of the year.

Compensation Determinations and Pay Competitiveness in 2016

For 2016, the Compensation Committee reviewed and approved all compensation paid to our NEOs, and made recommendations to the independent members of the Board with respect to compensation paid to Ms. Story. The independent members of the Board, after considering the recommendations of the Compensation Committee, approved Ms. Story s 2016 compensation. Ms. Story did not participate in the Compensation Committee s recommendations regarding her own compensation and was excused from those portions of the Compensation Committee and Board meetings during which her compensation was discussed and determined.

The Compensation Committee considered Ms. Story s assessment of the performance of the other NEOs, as well as Ms. Story s compensation recommendations regarding each NEO s base salary and their APP and LTPP award opportunities. The Compensation Committee, with Ms. Story s participation, discussed the 2016 performance of each NEO other than Ms. Story, and, after discussion and deliberation held in executive session, approved compensation determinations for such NEOs.

In making its executive compensation determinations for 2016, the Compensation

Committee reviewed, among other things, data provided by Korn Ferry Hay Group, to gauge the comparability of our executive compensation to the compensation paid to executives in other companies with generally corresponding responsibilities. Korn Ferry Hay Group served as the independent compensation consultant to the Compensation Committee during 2016, and assisted the Compensation Committee in its review of compensation paid to our executive officers and directors. Korn Ferry Hay Group also provided compensation consulting advice to the Board upon request. Other than in its role as the Compensation Committee s independent compensation consultant and in providing compensation consulting advice to the Board on request, Korn Ferry Hay Group did not perform any other services for us.

Based on benchmarking data provided by Korn Ferry Hay Group, as well as other data sources, the Compensation Committee is able to assess competitive market compensation practices. One of the primary ways the Compensation Committee evaluates the Company s executive compensation arrangements relative to other companies is to compare these arrangements and compensation practices to those of a peer group of 15 utility and energy companies with revenues in the range of approximately 42 to 229 percent of our revenues. We believe there is a strong likelihood that an executive officer s skills will be transferable among these companies, so we would expect to compete with these companies and others, for executive officer talent. We also use this peer group to compute relative total shareholder return for our PSUs.

The composition of this peer group is reassessed annually and its composition may be

changed by the Compensation Committee to reflect corporate transactions or other events that may affect the comparability of one or more of the constituent companies. The peer group that was used in 2016 to benchmark compensation decisions and to calculate the three-year total shareholder return for our PSU awards granted during the year, was comprised of the companies listed below, which is collectively referred to as the 2016 peer group.

2016 American Water Works Company, Inc. Peer Group

Alliant Energy Corporation	Eversource Energy	SCANA Corporation
Ameren Corporation	Great Plains Energy Incorporated	Vectren Corporation
Atmos Energy Corporation	NiSource Inc.	Westar Energy, Inc.
Avista Corporation	Pinnacle West Capital Corporation	WGL Holdings, Inc.
CMS Energy Corporation	PNM Resources, Inc.	WEC Energy Group, Inc.

In December 2016, we updated our peer group for 2017 by adding UGI Corporation to the companies in the 2016 peer group and removing Westar Energy, Inc., which has announced that it has agreed to be acquired by Great Plains Energy Incorporated, another member of the 2016 peer group.

While the Compensation Committee reviewed and discussed the data with Korn Ferry Hay Group for purposes of benchmarking, it was only a part of the information considered by the Compensation Committee in its determinations regarding executive officer compensation. For instance, Korn Ferry Hay Group provided information to the Compensation Committee based upon data included in a compensation survey prepared by Willis Towers Watson

reflecting a blend of energy services and general industry compensation data, as well as the Hay Group 2016 General Industry Executive Compensation Report. During 2016, Willis Towers Watson provided compensation consulting services to the Company but did not provide any such services to the Compensation Committee. The Compensation Committee also considered information provided by Korn Ferry Hay Group regarding other U.S. publicly traded water utilities, although the comparability of the information about these companies is limited due to the significantly larger size of American Water s operations. The Compensation Committee referred to all of this data as part of its review of utility industry, peer group and general compensation practices and trends.

2016 Compensation

Compensation Philosophy and Objectives

Our executive compensation program is designed to reward our NEOs for delivering

results and building long-term sustainable value for our stockholders. We believe our program s performance measures align the interests of our stockholders and NEOs by correlating pay to our short- and long-term performance.

We focused on the following objectives in making compensation decisions in 2016:

- Reward our executives for achieving both superior financial performance and outstanding non-financial performance relating to safety, customer, people, technology and operational efficiency and growth, all of which lead to long-term financial strength.
- Focus pay on both short- and long-term performance, with a proportionately greater emphasis on long-term, based upon criteria recognized in peer companies and the utility and water industries generally.
- Build long-term, sustainable value for stockholders by emphasizing compensation that rewards such value, including long-term, performance-based equity-based compensation, and de-emphasizing short-term, cash-based compensation.
- Align executive officer and stockholder interests as an incentive to increase stockholder value by requiring consistent, meaningful equity ownership.
- Provide compensation to our executive officers that reflects their responsibilities and contributions, and is comparable to and within a competitive range of, the median of compensation paid by other companies in our peer group, in order to attract, motivate and retain high-caliber executives.

Base Salaries

For 2016, we made the following base salary determinations for our NEOs:

- Ms. Story s base salary was increased from $800,000 to $900,000, effective March 14, 2016, reflecting the Board s conclusions that:
  - § based upon benchmarking data provided by Korn Ferry Hay Group and Willis Towers Watson, Ms. Story s base salary was between 83 and 93 percent of the median base salary for her position, and the 2016 increase moved her base salary to slightly above this median; and
  - § she performed as an effective and functioning President and Chief Executive Officer during 2015.
-

Mr. Lynch s, Ms. Sullivan s and Mr. Warnock s base salary was each modestly increased by 2.5 percent, effective March 14, 2016, as each executive s performance was rated highly effective and the increases kept these base salaries within the competitive range (± 15 percent) of the median of the market data.

- Mr. Sgro s base salary for 2016 was cumulatively increased from $375,000 to $399,750, or 6.6 percent, as his annual base salary for 2015 was significantly below the median base salary for his position as identified in Korn Ferry Hay Group s benchmarking survey and in other data sources.

2016 Annual Performance Plan

The APP is designed to incentivize eligible participants to achieve annual business objectives by providing an opportunity to earn cash payouts tied to corporate performance.

For 2016, the Compensation Committee made a number of changes to the APP from 2015. These are explained below.

- We changed the name of the plan to APP (Annual Performance Plan) from AIP (Annual Incentive Plan) to signify our focus on performance.

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- We reduced the number of performance measures from ten to six, to improve simplicity and transparency to employees and shareholders regarding the connection between performance and pay and to simplify the operation and administration of the APP.

- We added to the APP our operational efficiency improvement measure to highlight the importance of this goal in determining annual performance compensation.

- We adopted a simplified and more easily communicated funding mechanism, based on overall performance percentages, to replace the complex Corporate Multiplier used in prior years.

- Although the weighting was reduced from 55 percent to 50 percent to provide for greater emphasis on the non-financial goals that are predictors of future company success, we maintained adjusted earnings per share from continuing operations, or adjusted EPS, as described in this subsection, as our principal performance measure, as we continue to believe this measure has a meaningful impact on stockholder value. As was the case in 2015, no awards are made under the APP if adjusted EPS is below 90 percent of target.

- We extended eligibility to participate in the APP to non-exempt (non-union) employees.

The performance measures chosen for 2016 reflected our primary objectives for financial performance, aligned with our core business strategies of safety, customer, people, technology and operational efficiency and growth. The safety and people goal was separated into two sub-goals: near-miss reporting and the Occupational Health and Safety Administration s (OSHA) recordable incident rate, or ORIR. The safety and people goal cannot be earned in the event there is an employee fatality during the year. The technology and operational efficiency goal also was separated into two sub-goals: environmental leadership and operational efficiency improvement.

The 2016 target award opportunity for each NEO is equal to a percentage of each NEO s base salary, based on the individual s position with American Water. All NEOs, other than Mr. Sgro, maintained the same target award as a percentage of salary as in 2015. Mr. Sgro s target award percentage was increased from 50 percent to 65 percent in 2016, and was increased to 75 percent for 2017, reflecting that his total cash compensation for 2015 remained well below the median, and for 2016 remained below the median, of the market data.

Named Executive Officer	Percentage of Base Salary	APP Target	APP Payout Percentage	2016 APP Award
Susan N. Story	100%	$ 900,000	132.6%	$ 1,188,000
Linda G. Sullivan	75%	$ 364,238	132.6%	$ 482,979
Walter J. Lynch	75%	$ 415,699	138.6%	$ 576,366
Michael A. Sgro	65% (1)	$ 259,838	132.6%	$ 344,545
Loyd A. Warnock	50%	$ 189,660	132.6%	$ 251,489

(1)

In December 2016, Mr. Sgro s target APP award for 2017 as a percentage of annual base salary was increased to 75 percent.

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Actual payouts may be lower or higher than the target award opportunity depending, in the case of the NEOs, on corporate and, in rare instances where significantly warranted, individual performance against specific goals. Cash awards under the APP are typically distributed to participants in March of the year following the performance year.

For 2016, the Compensation Committee replaced the Corporate Multiplier used to determine the payout under prior years AIP awards with a corporate performance factor. The corporate performance factor is computed by adding the weighted results achieved for each performance measure, based upon results that are certified by the Compensation Committee as soon as reasonably practicable after the end of

the year. The percentage added to determine the corporate performance factor with respect to each measure was dependent on actual performance with regard to each measure.

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

Performance Measure	Percentage Included in the Corporate Performance Factor	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	Actual Performance (Weighting)	How We Calculate the Performance Measure	Why We Use this Measure
Adjusted EPS (1)	50.0%	<$2.63 (0.0%)	$2.81 (50.0%)	$2.88 (75.0%)	2.84 (60.7%)	Adjusted EPS is EPS from continuing operations calculated in accordance with GAAP as reported in the Company s audited consolidated financial statements, adjusted to eliminate the impact of a $0.22 per share charge related to the October 2016 binding global agreement in principle to settle claims arising out	Adjusted EPS is a key measure of our financial and operational success, and achieving our earnings and strategic goals creates long-term stockholder value and provides greater total return to our stockholders.

						of the Freedom Industries, Inc. chemical spill.	
Customer Satisfaction	15.0%	Fourth Quartile (0.0%)	Second Quartile (3.75% to 11.3%)	First Quartile (18.8% to 22.5%)	First Quartile - Medium (20.6%)	Quarterly survey conducted by a third-party firm of random regulated water and wastewater customers.	Our service quality and customer issues are a focus of state public utility commissions in evaluating rate cases.

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Performance Measure	Percentage Included in the Corporate Performance Factor	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	Actual Performance (Weighting)	How We Calculate the Performance Measure	Why We Use this Measure
ORIR (2)	7.5%	3.15 (0.0%)	2.75 (7.5%)	2.55 (11.3%)	2.45 (11.3%)	ORIR is a measure of injuries and illnesses requiring treatment beyond first aid for every 200,000 hours worked.	To continue our momentum toward becoming an industry leader with respect to the safety and well-being of our workforce.
Near Miss Reporting (2)	7.5%	< 8.1 : 1 (0.0%)	9.0 : 1 (7.5%)	10.0 : 1 (11.3%)	30.3 : 1 (11.3%)	Near miss reporting is the ratio of near miss incidents, defined as an event or condition that could have resulted in injury, illness or damage, to recordable injuries.	Reporting and investigating near misses allow us to identify causes and correct them before those same conditions and actions result in an injury to someone else.
Environmental Leadership	10.0%	13x (0.0%)	18x (10.0%)	26x (15.0%)	21x (11.9%)	Environmental leadership is determined comparing our performance to the EPA national drinking water industry average, and assessing how many times better we perform compared to the industry average.	We are committed to excellent water quality, protecting the environment and maintaining our history of materially complying with, and in many cases, surpassing, minimum standards required by applicable laws and regulations.
Operational Efficiency Improvement	10.0%	35.8% (0.0%)	35.4% (10.0%)	34.9% (15.0%)	34.9% (15.0%)	Based on the ratio of adjusted regulated O&M expenses to adjusted regulated operating revenues for our regulated operations.	We want to focus management on improving our overall cost structure and improving our return on equity.

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

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

While the NEOs are subject to individual performance goals as well as the corporate goals comprising the corporate performance factor, the 2016 APP awards reflect, for all NEOs other than Mr. Lynch, the NEO s target award multiplied by the adjusted corporate performance factor, as outlined below. The Compensation Committee utilized this convention based on Ms. Story s recommendation that NEOs should assume

principal responsibility for, and their awards generally should be based upon, performance of the entire organization, except with respect to executives who lead a major profit center, such as Mr. Lynch, in which case performance of the relevant business units also should be reflected. Furthermore, in 2016, there were no factors of a magnitude that caused the independent Board members, in the case of Ms. Story, and the Compensation Committee, in the case of all

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other NEOs (based on Ms. Story s recommendations), to apply a downward adjustment based on his or her individual performance.

Based upon our performance with regard to the financial and non-financial performance measures described above, the Compensation Committee certified a corporate performance factor of 130.7 percent. This base corporate performance measure was adjusted for each of our NEOs to reflect the proportion of our overall performance in 2016 attributable to our regulated operations, which had a performance factor of 144.7 percent of target. As adjusted in this manner, the APP award for each of Mses. Story and Sullivan, and each of Messrs. Sgro and Warnock, was 132.6 percent of target.

With respect to Mr. Lynch, who oversees our regulated operations, 50 percent of his APP award was based on the performance of our regulated operations with respect to the measures shown in the table above. For 2016, this amounted to a performance factor of 144.7 percent of target. When combined with the adjusted corporate performance factor of 132.6 percent with respect to the remaining 50 percent of his award, Mr. Lynch s APP award percentage was ultimately determined to be 138.6 percent of target.

We have included the amount of the APP awards paid to our NEOs with respect to 2016 under the Non-Equity Incentive Plan Compensation column of the 2016 Summary Compensation Table.

2016 Long Term Performance Plan

The LTPP is designed to incentivize eligible participants to achieve our long-term business objectives by providing an opportunity to earn equity awards tied to our long-term goals and continued employment with the Company. Our LTPP for 2016 included 20 percent stock options, 20 percent RSUs and 60 percent PSUs. PSU awards for 2016 were allocated between relative total shareholder return and compounded adjusted EPS growth. We eliminated the use of operational efficiency in 2016 for PSUs, electing instead to use adjusted EPS and relative TSR as the performance measures for LTPP award opportunities for these awards.

For 2017, the Compensation Committee approved a change to the LTPP to eliminate the issuance of stock options, and to allocate the

LTPP awards 30 percent to RSUs and 70 percent to PSUs. The Compensation Committee made this change in light of:

- the increasing movement away from issuing stock options among our 2016 peer group companies and
- potential income volatility associated with the implementation of recent changes to the accounting rules for share-based compensation.

We based the aggregate target value of LTPP awards on a percentage of each NEO s salary. The following table provides for each NEO a summary of the grant date fair value of LTPP awards granted in 2016. Information regarding the number of shares underlying these awards is found in Executive Compensation 2016 Grants of Plan-Based Awards.

Named Executive Officer	LTPP Target Award as a Percentage of Base Salary		Aggregate Grant Date Fair Value of LTPP Target Awards	Aggregate Grant Date Fair Value of Options	Aggregate Grant Date Fair Value of RSUs	Aggregate Grant Date Fair Value of PSUs (TSR)	Aggregate Grant Date Fair Value of PSUs (EPS)
Susan N. Story	225%	(1)	$ 2,025,000	$ 405,000	$ 405,000	$ 607,500	$ 607,500
Linda G. Sullivan	125%		$ 607,063	$ 121,413	$ 121,412	$ 182,119	$ 182,119
Walter J. Lynch	150%		$ 831,398	$ 166,280	$ 166,279	$ 249,419	$ 249,420
Michael A. Sgro	100%		$ 399,750	$ 79,950	$ 79,950	$ 119,925	$ 119,925
Loyd A. Warnock	90%		$ 341,388	$ 68,277	$ 68,277	$ 102,416	$ 102,416

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(1) Effective March 2016, Ms. Story s LTPP target award for 2017 as a percentage of base salary was increased from 225 percent to 250 percent.

The following table provides information regarding the performance measures related to the PSUs granted in 2016.

Performance Measure	Threshold Performance (Percentage Earned)	Target Performance (Percentage Earned)	Maximum Performance (Weighting)	How We Calculate the Performance Measure	Why We Use this Measure
Relative total shareholder return	25%	50%	75% or more	Based on American Water s total shareholder return compared to the total shareholder return performance of the companies in the 2016 peer group, during the three-year performance period from January 1, 2016 through December 31, 2018, assuming reinvestment of dividends during the performance period.	To encourage performance that not only increases shareholder value, but increases it to an extent that compares favorably relative to the companies in the 2016 peer group.
Compounded Adjusted EPS Growth	5.0%	7.0%	10.0%	Based on adjusted EPS growth, compounded annually over the three-year period from January 1, 2016 through December 31, 2018, over EPS of $2.64 for the year ended December 31, 2015.	Adjusted EPS is a key measure of our financial and operational success, and achieving our earnings and strategic goals creates long-term stockholder value and and provides greater total return to our stockholders.

Vesting of Long Term Incentive Plan Awards Granted in 2016

The options granted to our NEOs in 2016 terminate on December 31, 2022 (if not previously exercised or forfeited), and vest in three equal increments on each of January 1, 2017, 2018 and 2019. Similarly, RSUs granted in 2016, and PSUs granted in 2016 and ultimately earned at the end of the three-year performance period, vest in three equal increments on each of January 1, 2017, 2018 and 2019. We believe that the vesting terms provide our NEOs a meaningful incentive for continued employment.

Performance Vesting of PSUs Granted in 2014

In 2014, we granted two types of PSUs to our NEOs for the performance period ending in 2016: one with a performance measure based on relative total shareholder return, and the other with a performance measure based on operational efficiency improvement and compounded adjusted EPS growth, weighted equally. The payouts with respect to the two types of PSUs are summarized in the table below:

Performance Measure	Threshold Performance (Percentage Earned)	Target Performance (Percentage Earned)	Maximum Performance (Percentage Earned)	Actual Performance	Percentage of Target Award Earned
Relative total shareholder return	< 25% (0%)	50% (100%)	75% (175%)	> 75%	175%
Compounded Adjusted EPS Growth	< 5.0% (0%)	7.0% (100%)	10.0% (175%)	8.91%	147.8%
Operational Efficiency Improvement	> 38.0% (0%)	36.0% (100%)	34.0% (175%)	35.77%	108.5%
Weighted Average of Compounded Adjusted EPS Growth and Operational Efficiency Improvement					128.1%

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The Compensation Committee certified the achievement of the requisite performance measures on January 25, 2017.

Perquisites

We provide limited perquisites to our executive officers, consisting principally of executive physicals. Because we invest significant time and resources in developing the skills and experiences of our leadership, we believe providing executives with periodic physicals, which can potentially detect medical conditions before they become serious, is an important investment in our current and future success.

Stock Option Grant Practices

In February 2016, our Compensation Committee made stock option grants to LTPP participants, including executive officers. The exercise price per share for options was equal to the last reported sale price of our common stock on the date of grant. Moreover, we do not reprice our stock options. We believe that our historical stock option grant practices are appropriate and effectively address any concerns regarding timing of grants in anticipation of material events.

For 2017, the Compensation Committee determined to discontinue the use of granting stock options as part of the LTPP, although the Compensation Committee reserves the right to grant stock options on a case-by-case basis as part of new hires or promotional awards, or to reinstate the use of stock options in the future in its sole discretion.

Executive Stock Ownership Guidelines and Stock Retention Requirements

To further emphasize the importance of linking the financial interests of our executives with those of our stockholders and to complement our existing stock retention requirements, the Board adopted stock ownership guidelines in 2015. At the same time, the Board also modified the stock retention requirements to make them consistent with the new stock ownership guidelines.

The stock ownership guidelines, which are expressed as a multiple of annual base salary, require executives to hold common stock (and certain equivalents) as follows:

Officer Level	Multiple of Annual Base Salary
Chief Executive Officer	6 times
Chief Operating Officer	3 times
Executive Vice Presidents	3 times
Senior Vice Presidents	3 times
President, American Water Enterprises	3 times
Vice Presidents	1 time

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

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Our stock retention requirements prevent, subject to hardship exceptions, any executive who is not in compliance with the stock ownership guidelines from effecting a transfer of more than 50 percent of the net shares realized from any equity award or more than 50 percent of any other shares of common stock that the executive may own other than through equity awards. For an award of RSUs or PSUs, the number of net shares realized from an award is based on the number of shares ultimately credited to the account of the executive upon vesting. For an option award, the number of net shares realized is equal to the number of vested shares subject to that award minus a number of shares with a fair market value equal to the aggregate exercise price of those vested

shares. Equity awards that are issued to an

executive before he or she became subject to the stock retention requirements are exempt from these restrictions.

Each executive covered by the stock ownership guidelines on March 4, 2015, including each NEO, has until March 4, 2020 to achieve compliance. Each person who becomes subject to the stock ownership guidelines thereafter will have five years to comply with the guidelines beginning on the date that the person first becomes subject to the stock ownership guidelines. Mses. Story and Sullivan, and Mr. Lynch, are currently in compliance with the applicable stock ownership guidelines. Our other NEOs are currently within their five-year compliance periods.

Policies Prohibiting Hedging, Pledging, Margining and Short Selling

Our insider trading policy prohibits our employees and directors from purchasing or selling options or futures on our securities, also known as hedging. The prohibition extends to the purchase or sale of any other security that may derive its price from the price or another attribute of our securities. Options issued as compensation and investments in mutual funds are excluded from the prohibition.

The policy also prohibits employees and directors from purchasing Company stock on margin, where money is borrowed from a broker to fund the purchase. This prohibition does not apply to cashless or broker-assisted exercises of our stock options.

We also prohibit employees and directors from selling our securities short, which is the practice of selling securities that are not owned by the seller. This prohibition includes short sales against the box, where the seller actually owns

the securities being sold but fails to deliver them to the purchaser within a specified time period after the sale.

In addition, our Board has adopted restrictions that prohibit our directors and executive officers from hedging and pledging our securities. These restrictions prohibit any transaction executed for the purpose of reducing or eliminating the market price risk associated with the ownership of our securities. Also, the restrictions prohibit our directors and executive officers from pledging our securities as collateral for a loan or any other obligation, or using them in a margin account for an investment in any other securities. The prohibition on pledging does not apply to cashless exercises of our options in compliance with the 2007 Plan or, if approved at the annual meeting, the 2017 Omnibus Equity Compensation Plan, refered to in this Proxy Statement as the 2017 Omnibus Plan.

Ongoing and Post-Employment Arrangements and Benefit Plans

We have several plans and arrangements that enable our NEOs to accrue retirement benefits as they continue to work for us, provide severance benefits upon certain types of termination of employment, or provide other forms of deferred compensation. Most of these plans and

agreements have been adopted within the past few years, although some plans, particularly our defined benefit plans, are not available to employees hired after January 1, 2006. Not all of these plans apply to each NEO, as indicated in the discussion below.

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None of our executives participating in any of these plans is entitled thereunder to receive excise tax gross-up payments.

Savings Plan for Employees of American Water Works, Inc. and Designated Subsidiaries (the Savings Plan)

The Savings Plan is a tax-qualified defined contribution plan available to employees of American Water, including our NEOs, and certain subsidiaries. Each of our NEOs participates in the Savings Plan. Under the Savings Plan, an employee may contribute, subject to limitations imposed by the Internal Revenue Code of 1986, or the Code, 50 percent of his or her base salary up to a maximum contribution of $18,000, plus, for eligible participants, $6,000 for catch-up contributions. For any NEO participant hired before January 1, 2006 who continues to be employed by us (Messrs. Lynch and Sgro are the only NEOs in this category), the matching contribution formula is 50 percent of a participant s base salary contributions for the year, up to a maximum of five percent of the participant s base salary. For NEO participants hired after January 1, 2006, the matching contribution formula is: (a) 100

percent for every dollar contributed up to the first three percent of the participant s base salary, and (b) 50 percent on the next two percent of the participant s base salary. In addition, for NEO participants hired after January 1, 2006, we make additional annual contributions equal to the sum of 5.25 percent of the participant s base salary, subject to limitations imposed under the Code. We provide more generous contributions to participants hired after January 1, 2006 because they are ineligible to participate in the defined benefit pension plans described below.

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

American Water Works Company, Inc. Pension Plan (the AWWPP) and the American Water Works Company, Inc. Executive Retirement Plan (the ERP)

The AWWPP is a tax-qualified defined benefit pension plan available to eligible employees who commenced employment with us prior to January 1, 2006. The AWWPP provides an annual retirement benefit based on an employee s earnings and years of service. For executives hired prior to July 1, 2001, a grandfathered benefit is provided. Each of Messrs. Lynch and Sgro participates in the AWWPP.

The ERP is a nonqualified defined benefit pension plan that provides pension benefits under the same formula as the AWWPP, but without the pay and benefit limitations that are applicable to the AWWPP under the Code. Each

of Messrs. Lynch and Sgro participates in the ERP. We closed the AWWPP and the ERP to new employees on December 31, 2005 and replaced those plans with defined contribution plans. This action was taken for a number of reasons, including to allow us to incur fixed costs for retirement benefits on an ongoing basis. In contrast, we are subject to variable costs in connection with our defined benefit plans based on the performance of the plans investment portfolios. For further information on these plans, see Executive Compensation Pension Benefits at December 31, 2016 and Executive Compensation Description of Pension and Other Retirement Plans.

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Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries (the Employee Deferred Compensation Plan)

The Employee Deferred Compensation Plan is a nonqualified deferred compensation plan that enables participants to defer base salary and APP awards and provides benefits to executive officers and other highly paid employees in excess of the maximum benefits that may be provided under the Savings Plan as a result of limits imposed by the Code. We refer to compensation in excess of those limits as excess compensation. All of the NEOs, except for Mr. Sgro, participate in the Employee Deferred Compensation Plan.

Generally, under the Employee Deferred Compensation Plan, an executive may elect to defer up to 20 percent of salary and up to 100 percent of the award paid under the APP. We provide matching contributions that differ depending on whether the executive was hired by us on or after January 1, 2006. For NEOs hired after January 1, 2006 (Mses. Story and Sullivan, and Mr. Warnock), we provide the matching contribution we would have made for the executive under the Savings Plan with respect to the executive s excess compensation if the excess compensation had been taken into

account under the Savings Plan. In addition, we make a defined contribution for the account of each of these executives generally equal to 5.25 percent of the sum of base salary that constitutes excess compensation and the award payable under the APP for the relevant plan year.

For each of Messrs. Lynch and Sgro, who was hired prior to January 1, 2006, our matching contribution is equal to 50 percent of salary deferrals up to a maximum of five percent of base salary; our contributions are more limited for each of Messrs. Lynch and Sgro due to his eligibility to participate in the AWWPP. Each participant may allocate amounts credited to his or her account among several notional investments, and the value of the account will be increased or decreased to reflect deemed returns under the selected notional investments. The participant may elect to receive payment of deferred amounts in a lump sum or in annual installments, on or beginning at separation from service or a specified distribution date. See Executive Compensation 2016 Nonqualified Deferred Compensation for additional information.

Executive Severance Policy

Under our Executive Severance Policy, adopted in 2008, we provide severance benefits to our NEOs. Our policy is designed to provide a clear statement of the rights of our executive officers if they are involuntarily terminated without cause. Among other things, the policy provides for 18 months and 12 months of salary continuation for

our CEO and each of the other NEOs, respectively, and a pro rata APP award for the year in which the termination date occurs to the extent a payment is earned under the terms of the APP. See Executive Compensation Potential Payments on Termination or Change in Control for further information.

Change in Control Provisions in Equity Plans

Most of our compensation plans and policies do not contain change in control provisions affecting the compensation of our NEOs. However, under the terms of the award agreements, our equity awards generally would vest upon a change in control of American

Water. In addition, certain of our contributions to the Employee Deferred Compensation Plan will vest upon a change in control. See Executive Compensation Potential Payments on Termination or Change in Control for further information.

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If the 2017 Omnibus Plan is approved by stockholders at the annual meeting, awards granted under that plan which are assumed by the acquirer in a change of control will vest only upon both a change in control and the termination of a participant s employment. To the extent any awards granted under the 2017

Omnibus Plan are not assumed by the acquirer in a change of control, such awards will vest upon the change in control. For more information on this plan, see Proposal 4: Approval of the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan.

Recovery of Incentive Compensation

In 2010, we instituted a policy governing the recovery of incentive compensation in the event of a material restatement of our financial results under specified circumstances. As a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which imposes an executive compensation

clawback requirement on public companies, and the related NYSE listing standards that may be adopted, we will amend the policy if and when final implementing rules of the SEC are adopted and are effective to comply with these executive compensation recovery requirements.

American Water Works Company, Inc. Nonqualified Employee Stock Purchase Plan (the ESPP)

Under the ESPP, eligible employees are provided an opportunity to purchase our common stock at a discount of 10 percent from the lower of the prevailing market price on the first day and last day of each three-month purchase period. Purchases generally are limited to $25,000 per participant per year, and shares purchased under the ESPP must be retained for six months after the purchase date before they can be sold. We believe that, in addition to the benefit employees realize from the discount, our stockholders will benefit

because the ESPP helps to more closely align the interests of our employees and our stockholders.

The ESPP expires in accordance with its terms on January 1, 2018. At the annual meeting, we will be asking stockholders to approve a replacement to the ESPP. For more information, see Proposal 5: Approval of the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan.

Tax and Accounting Considerations

Tax Considerations

Under Section 162(m) of the Code, a public company is prohibited from deducting for federal income tax purposes compensation in excess of $1.0 million paid to that company s principal executive officer and its three highest compensated executive officers (other than the principal executive officer or the principal financial officer), except that this prohibition does not generally apply to options or compensation that qualifies as performance-based compensation as defined in regulations adopted under Section 162(m).

The payment of shares of common stock upon the vesting of options granted under the 2007 Plan is generally not subject to Section 162(m). Moreover, the payment of shares of common stock upon the vesting of PSUs granted under the 2007 Plan, if determined solely by reference to the achievement of pre-established performance objectives, would qualify as performance-based compensation under Section 162(m). RSU awards do not generally qualify as performance-based compensation because the awards vest on the basis of continued employment, rather than pre-established performance objectives.

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Awards under the APP will qualify as performance-based compensation under Section 162(m) of the Code, so long as the payment of the award is based on the achievement of pre-established performance objectives using performance criteria specified in the APP.

The Compensation Committee intends for awards granted under the APP and options and PSU awards granted under the 2007 Plan to be exempt from the limitation on deductibility under Section 162(m) to the greatest extent reasonably possible to maximize the deductibility by the Company of the payment of such compensation for federal income tax purposes. However, the Compensation

Committee may from time to time seek to reward executives for extraordinary effort or where special or other circumstances warrant. Depending on the circumstances, such an award may or may not qualify as performance-based compensation under Section 162(m).

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

Accounting Considerations

RSU, PSU and option awards are accounted for based on their grant date fair value, as determined under ASC 718, which is recognized over the service or vesting period applicable to

the grant. Forfeitures are estimated, and the compensation cost of awards will be reversed if the employee does not remain employed by us throughout the service or vesting period.

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EXECUTIVE COMPENSATION

2016 Summary Compensation Table

The following table sets forth information regarding the compensation of our CEO, our Chief Financial Officer and each of the other persons who were our NEOs for 2016.

Name and Principal Position	Year	Salary ($) (1)	Bonus ($)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total ($)
Susan N. Story	2016	$ 876,923	$	$ 1,440,032	$ 359,999	$ 1,188,000	$	$ 231,578	$ 4,096,532
President and	2015	$ 776,931	$	$ 1,144,820	$ 280,003	$ 870,400	$	$ 199,354	$ 3,271,508
Chief Executive Officer (7)	2014	$ 637,174	$	$ 952,736	$ 238,174	$ 587,243	$	$ 150,520	$ 2,565,847
Linda G. Sullivan	2016	$ 482,915	$	$ 473,776	$ 118,449	$ 482,979	$	$ 161,401	$ 1,719,520
Executive Vice	2015	$ 470,616	$	$ 459,987	$ 115,003	$ 386,621	$	$ 74,429	$ 1,506,656
President and Chief Financial Officer (8)	2014	$ 300,764	$	$ 959,973	$ 114,998	$ 340,871	$	$ 94,878	$ 1,811,484
Walter J. Lynch	2016	$ 551,146	$	$ 648,884	$ 162,226	$ 576,366	$ 373,563	$ 84,785	$ 2,396,970
Executive Vice	2015	$ 537,120	$	$ 643,958	$ 157,498	$ 457,414	$ 150,284	$ 81,452	$ 2,027,726
President and Chief Operating Officer (9)	2014	$ 521,531	$	$ 612,043	$ 153,001	$ 391,834	$ 451,509	$ 84,542	$ 2,214,460
Michael A. Sgro	2016	$ 396,985	$	$ 312,005	$ 77,999	$ 344,545	$ 788,407	$ 12,185	$ 1,932,126
Executive Vice President, General Counsel and Secretary (10)	2015	$ 352,109	$ 25,000	$ 275,994	$ 67,503	$ 187,386	$ 269,080	$ 6,302	$ 1,183,374

Loyd A. Warnock	2016	$ 377,188	$	$ 266,467	$ 66,612	$ 251,489	$	$ 54,559	$ 1,016,315
Senior Vice	2015	$ 367,750	$	$ 264,912	$ 64,801	$ 201,882	$	$ 53,191	$ 952,536
President External Affairs, Communications and Public Policy (11)	2014	$ 235,389	$ 220,000	$ 699,197	$ 64,801	$ 177,845	$	$ 22,495	$ 1,419,727

(1) In 2016, the following NEOs deferred a portion of their base salary under the Employee Deferred Compensation Plan: Ms. Story $173,846; Ms. Sullivan $24,146; and Mr. Lynch $38,579.

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(2) The amounts shown in this column reflect the aggregate grant date fair value of PSUs and RSUs granted to the NEOs. The grant date fair value of PSUs and RSUs granted in 2016 is as follows:

Name	PSUs	RSUs
Susan N. Story	$ 1,080,033	$ 359,999
Linda G. Sullivan	$ 355,334	$ 118,442
Walter J. Lynch	$ 486,660	$ 162,224
Michael A. Sgro	$ 234,021	$ 77,984
Loyd A. Warnock	$ 199,884	$ 66,583

With respect to the PSUs, the amounts disclosed in the table above represent the grant date fair value based upon the target outcome of the performance conditions, determined at the grant date in accordance with ASC 718. See Note 9 Stock Based Compensation, in the Notes to the Consolidated Financial Statements in our 2016 Form 10-K for the assumptions that were made in determining grant date fair values of the PSU and RSU awards.

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

Name	Year	Grant Date Fair Value
Susan N. Story	2016	$ 2,160,066
	2015	$ 1,513,440
	2014	$ 1,250,470
Linda G. Sullivan	2016	$ 710,668
	2015	$ 603,736
	2014	$ 1,216,208
Walter J. Lynch	2016	$ 973,320
	2015	$ 851,281
	2014	$ 803,290
Michael A. Sgro	2016	$ 468,042
	2015	$ 364,830
Loyd A. Warnock	2016	$ 399,768
	2015	$ 350,236
	2014	$ 340,221

(3) The amounts shown in this column reflect the grant date fair value of stock options granted to each of the NEOs, determined in accordance with ASC 718. See Note 9 Stock Based Compensation, in the Notes to the Consolidated Financial Statements in our 2016 Form 10-K for the assumptions that were made in determining grant date fair values of the stock options.

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(4) The amounts shown in this column constitute payments made under the APP with respect to each performance year, which are generally paid in March of the next calendar year. The following NEOs deferred a portion of their APP payment with respect to 2016 under the Employee Deferred Compensation Plan: Ms. Story $1,188,000; Ms. Sullivan $24,149; and Mr. Lynch $57,637.

(5) The amounts shown in this column reflect the aggregate changes in the actuarial present values of the NEO s accumulated benefits under our defined benefit pension plans. For further information on these pension plans, see Pension Benefits at December 31, 2016. None of the NEOs received above-market or preferential earnings (as defined by SEC regulation) under the Employee Deferred Compensation Plan.

(6) The totals shown in this column for 2016 consist of:

Name	Savings Plan Company Match	Savings Plan Company Defined Contribution Account (a)	Company Contributions to Employee Deferred Compensation Plan (b)	Executive Physical	Dividend Equivalents (c)	Relocation Benefits (d)	Company-Paid Life Insurance	Total All Other Compensation
Susan N. Story	$ 10,600	$ 13,913	$ 127,866	$ 4,175	$ 74,555	$	$ 470	$ 231,579
Linda G. Sullivan	$ 10,600	$ 13,913	$ 54,782	$	$ 5,262	$ 76,374	$ 470	$ 161,401
Walter J. Lynch	$ 6,625	$	$ 6,803	$ 2,595	$ 68,292	$	$ 470	$ 84,785
Michael A. Sgro	$ 5,228	$	$	$	$ 6,487	$	$ 470	$ 12,185
Loyd A. Warnock	$ 10,454	$ 13,913	$ 28,127	$	$ 1,595	$	$ 470	$ 54,559

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

(b) The amounts in this column represent matching contributions that the Company has made to the NEOs accounts in the Employee Deferred Compensation Plan. For further information on this plan, see 2016 Nonqualified Deferred Compensation.

(c) Dividend equivalents are paid in cash with respect to PSUs and RSUs at such time, if ever, as the PSUs or RSUs are converted to common stock. Amounts in this column reflect PSU and RSU dividend equivalents that were paid out in 2016.

(d) Represents benefits paid in 2016 in connection with Ms. Sullivan s original relocation in 2014.

(7) Ms. Story became our President and Chief Executive Officer on May 9, 2014.

(8) Ms. Sullivan served as our Senior Vice President and Chief Financial Officer from May 9, 2014 until she became our Executive Vice President and Chief Financial Officer on January 1, 2016.

(9) Mr. Lynch served as our President and Chief Operating Officer of Regulated Operations from February 26, 2010 until he became our Executive Vice President and Chief Operating Officer on January 1, 2016.

(10) As of January 1, 2015 through February 17, 2015, Mr. Sgro served as our Interim General Counsel and Secretary. On February 18, 2015, he became our Senior Vice President, General Counsel and Secretary. He became our Executive Vice President, General Counsel and Secretary on January 1, 2016.

(11) Mr. Warnock became our Senior Vice President, External Affairs, Communications and Public Policy on April 18, 2014.

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Comparison of Key Elements of Total Compensation

The table below provides a comparison of the key elements of total compensation for 2016 for each named executive officer, including the percentage of salary and bonus compared to total compensation. This section uses information contained in the 2016 Summary Compensation Table.

	Percentage of Total Compensation			
Name	**Total Salary and Bonus**	**Incentive Compensation**	**Change in Pension Value**	**Other**
Susan N. Story	21.4%	72.9%		5.7%
Linda G. Sullivan	28.1%	62.5%		9.4%
Walter J. Lynch	23.0%	57.9%	15.6%	3.5%
Michael A. Sgro	21.2%	37.7%	40.5%	0.6%
Loyd A. Warnock	37.1%	57.5%		5.4%

Employment and Severance Agreements

Although we have entered into employment offer letters with Mses. Story and Sullivan and Messrs. Sgro and Warnock, that specify the initial form and amount compensation to be paid to a named executive officer, we do not have customary employment agreements for a fixed term that would require us to pay a named executive officer a specified amount compensation over the term of his or her employment or, except as may be provided under our Executive Severance Policy or the terms of other plans, that provide an executive for specified benefits upon the termination of the executive s employment. See Potential Payments on Termination or Change in Control for more information on these benefits.

In connection with the commencement of her employment in May 2014, we entered into an employment offer letter with Ms. Sullivan that established her base salary for 2014 at $460,000. Ms. Sullivan received a sign-on grant of $500,000 in equity awards, 70 percent of which were PSUs and 30 percent were RSUs. In addition, we granted AIP and LTIP awards to Ms. Sullivan for the full 2014 year, without proration, and her target payout under the AIP and the LTIP for 2014 was set at 75 percent and 125 percent of annual base salary, respectively. We made these accommodations in light of the benefits provided by her former employer that she forfeited by accepting employment with us. Ms. Sullivan was also entitled to severance benefits under the Executive Severance Policy.

In connection with his promotion to Senior Vice President and General Counsel, we entered into an employment offer letter with Mr. Sgro that established his base salary for 2015 at $375,000. We also increased his AIP award target from 30 percent to 50 percent and his LTIP target from 30 percent to 90 percent. Mr. Sgro was also entitled to severance benefits under the Executive Severance Policy.

In connection with the commencement of his employment in April 2014, we entered into an employment offer letter with Mr. Warnock that established his base salary for 2014 at $360,000. We also paid a $220,000 cash sign-on bonus to Mr. Warnock and he received a sign-on grant of $220,000 in the form of RSUs, which vested on January 1, 2017. In addition, we granted AIP and LTIP awards to Mr. Warnock for the full 2014 year, without proration, and his target payout under the AIP and the LTIP for 2014 was set at 50 percent and 90 percent of annual base salary, respectively.

We also agreed that, if the Compensation Committee grants awards to eligible employees in 2018 and 2019, any grants made to Mr. Warnock will vest on January 1, 2020. We made these accommodations in light of the benefits provided by his former employer that he forfeited by accepting employment with us. Mr. Warnock was also entitled to severance benefits under the Executive Severance Policy.

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2016 Grants of Plan-Based Awards

The following table provides certain information regarding plan-based awards granted to our NEOs during the fiscal year ended December 31, 2016:

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Exercise or Base Price of Option Awards ($/sh)(4)	Grant Date Fair Value of Stock and Option Awards ($)(5)
Susan N. Story										
Annual Performance Plan	1/22/2016	$ 900,000	$ 1,800,000							
Options	2/16/2016							54,628	$ 65.15	$ 359,999
PSU	2/16/2016			1,756	7,024	14,048				$ 540,005
PSU	2/16/2016			2,072	8,289	16,578				$ 540,028
RSU	2/16/2016						5,526			$ 360,019
Linda G. Sullivan										
Annual Performance Plan	1/22/2016	$ 364,238	$ 728,475							
Options	2/16/2016							17,974	$ 65.15	$ 118,449
PSU	2/16/2016			578	2,311	4,622				$ 177,670
PSU	2/16/2016			682	2,727	5,454				$ 177,664
RSU	2/16/2016						1,818			$ 118,443
Walter J. Lynch										
Annual Performance Plan	1/22/2016	$ 415,699	$ 831,397							
Options	2/16/2016							24,617	$ 65.15	$ 162,226
PSU	2/16/2016			791	3,165	6,330				$ 243,325
PSU	2/16/2016			934	3,735	7,470				$ 243,335
RSU	2/16/2016						2,490			$ 162,224
Michael A. Sgro										
Annual Performance Plan	1/22/2016	$ 259,838	$ 519,675							
Options	2/16/2016							11,836	$ 65.15	$ 77,999

PSU	2/16/2016			381	1,522	3,044				$ 117,011
PSU	2/16/2016			449	1,796	3,592				$ 117,009
RSU	2/16/2016						1,197			$ 77,985
Loyd A. Warnock										
Annual Performance Plan	1/22/2016	$ 189,660	$ 379,320							
Options	2/16/2016							10,108	$ 65.15	$ 66,612
PSU	2/16/2016			325	1,300	2,600				$ 99,944
PSU	2/16/2016			384	1,534	3,068				$ 99,940
RSU	2/16/2016						1,022			$ 66,583

(1) These columns present target and maximum APP payout opportunities. The actual payments that were made under the APP for 2016 performance are shown in the 2016 Summary Compensation Table. There is no specified minimum award for participants in the APP, and therefore we did not include a column in the table for the threshold amount of such award. For further information on the APP, see Compensation Discussion and Analysis 2016 Compensation 2016 Annual Performance Plan.

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(2) These columns present threshold, target and maximum payout opportunities under the LTPP with respect to our PSUs. For further information on the LTPP, under which the PSUs were granted, see Compensation Discussion and Analysis 2016 Compensation 2016 Long Term Performance Plan.

(3) This column reflects grants of RSUs. For further information on the LTPP, under which the RSUs were granted, see Compensation Discussion and Analysis 2016 Compensation 2016 Long Term Performance Plan.

(4) These columns reflect grants of stock options and their respective exercise prices. For further information on the LTPP, under which the stock options were granted, see Compensation Discussion and Analysis 2016 Compensation 2016 Long Term Performance Plan.

(5) This column represents the grant date fair values of the PSUs, RSUs and stock options, determined in accordance with ASC 718. See footnotes (2) and (3) to the 2016 Summary Compensation Table for additional information.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table provides information regarding equity awards held by our NEOs at December 31, 2016.

		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options: Exercisable (#)	Number of Securities Underlying Unexercised Options: Unexercisable (#)(1)	Option Exercise Price ($/sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
Susan N. Story									
	4/1/2013	28,457		$ 41.27	12/31/2019				
	2/20/2014	19,962	9,982	$ 44.06	12/31/2020	1,215	$ 87,917	10,605	$ 767,378
	5/9/2014	9,977	4,989	$ 46.26	12/31/2020	560	$ 40,522	4,807	$ 347,835
	2/17/2015	15,029	30,060	$ 52.75	12/31/2021	3,539	$ 256,082	14,843	$ 1,074,039
	2/16/2016		54,628	$ 65.15	12/31/2022	5,526	$ 399,861	15,313	$ 1,108,049
Linda G. Sullivan									
	4/28/2014	14,520	7,260	$ 46.45	12/31/2020	1,077	$ 77,932	14,778	$ 1,069,336
	2/17/2015	6,173	12,346	$ 52.75	12/31/2021	1,454	$ 105,211	6,096	$ 441,107

	2/16/2016		17,974	$ 65.15	12/31/2022	1,818	$ 131,550	5,038	$ 364,550
Walter J. Lynch									
	2/21/2013	25,169		$ 39.45	12/31/2019				
	2/20/2014	19,030	9,515	$ 44.06	12/31/2020	1,158	$ 83,793	10,110	$ 731,560
	2/17/2015	8,454	16,908	$ 52.75	12/31/2021	1,991	$ 144,069	8,349	$ 604,134
	2/16/2016		24,617	$ 65.15	12/31/2022	2,490	$ 180,176	6,900	$ 499,284
Michael A. Sgro									
	2/20/2014		841	$ 44.06	12/31/2020	103	$ 7,453	893	$ 64,617
	2/17/2015	3,623	7,247	$ 52.75	12/31/2021	854	$ 61,795	3,578	$ 258,904
	2/16/2016		11,836	$ 65.15	12/31/2022	1,197	$ 86,615	3,318	$ 240,090

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		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options: Exercisable (#)	Number of Securities Underlying Unexercised Options: Unexercisable (#)(1)	Option Exercise Price ($/sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
Loyd A. Warnock									
	4/28/2014	1,373	4,091	$ 46.45	12/31/2020	5,201	$ 376,344	4,134	$ 299,136
	2/17/2015	363	6,957	$ 52.75	12/31/2021	819	$ 59,263	3,435	$ 248,557
	2/16/2016		10,108	$ 65.15	12/31/2022	1,022	$ 73,952	2,834	$ 205,068

(1) The options granted in 2013 through 2016 vest in equal increments on January 1 of each of the three years next following the year in which the options were granted.

(2) This column reflects RSUs that are not subject to performance conditions and will vest in equal increments on January 1 of each of the three years next following the year in which the RSUs were granted, and subject to continued employment through each vesting dates.

(3) The market value of the RSUs and PSUs is based on the $72.36 closing price of a share of our common stock on December 30, 2016, as reported by the NYSE.

(4) This column reflects PSUs that are subject to performance conditions and time-vest in equal increments on January 1 of each of the three years next following the year in which the PSUs were granted, subject to continued employment through each such time-vesting date. The number of shares disclosed in this column represents the amount of shares that vest if target performance is achieved.

2016 Option Exercises and Stock Vested

The following table provides information regarding the exercise of stock options and vesting of RSUs and PSUs held by our NEOs, each during 2016.

Name	Option Awards: Number of Shares Acquired on Exercise (#)	Option Awards: Value Realized On Exercise ($)(1)	Stock Awards: Number of Shares Acquired on Vesting (#)	Stock Awards: Valued Realized on Vesting ($)(2)
Susan N. Story		$	23,618	$ 1,461,688
Linda G. Sullivan		$	2,627	$ 156,963
Walter J. Lynch	94,509	$ 4,006,116	21,096	$ 1,308,067
Michael A. Sgro	1,839	$ 47,207	2,203	$ 135,836
Loyd A. Warnock	6,165	$ 112,430	874	$ 52,222

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

(2) Represents the aggregate market value of the shares realized on vesting, calculated by multiplying the vested number of shares by the closing price of a share of common stock on the

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date the applicable RSUs or PSUs vested (or on the last trading day prior thereto when the vesting occurs on a non-trading day).

Pension Benefits at December 31, 2016

The following table provides certain information regarding pension benefits for each of our NEOs at December 31, 2016.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
Susan N. Story	N/A (2)	N/A	N/A	N/A
Linda G. Sullivan	N/A (2)	N/A	N/A	N/A
Walter J. Lynch (3)	ERP	12	$ 1,416,178	N/A
	AWWPP	12	$ 535,986	N/A
Michael A. Sgro	ERP	23	$ 1,297,923	N/A
	AWWPP	23	$ 1,445,945	N/A
Loyd A. Warnock	N/A (2)	N/A	N/A	N/A

(1) Amounts shown reflect the present value of the accumulated benefit as of December 31, 2016. All amounts for the AWWPP and the ERP were determined using the same interest and mortality assumptions as those used for financial reporting purposes. The following assumptions were used to calculate pension values at the following measurement dates:

- In 2015, for discounting annuity payments, we used a discount rate of 4.66 percent and mortality table of RP2015 projected using Scale BB2D generational, and for calculating lump sums, we used an interest rate of 4.66 percent and the RP2000 static unisex table for 2015.

- In 2016, for discounting annuity payments, we used a discount rate of 4.28 percent and mortality table of RP2016 projected using Scale BB2D generational, and for calculating lump sums, we used an interest rate of 4.28 percent and the RP2000 static unisex table for 2016.

(2) Since Mses. Story and Sullivan, and Mr. Warnock, were hired after 2005, they do not participate in the AWWPP or the ERP.

(3) When Mr. Lynch s age plus credited service exceeds 70, he will become eligible for a subsidized early retirement benefit payable in the form of an annuity under the provisions of the AWWPP and the ERP.

For further information on American Water s defined benefit pension plans, see Potential Payments on Termination or Change in Control, below.

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Description of Pension and Other Retirement Plans

American Water Works Company, Inc. Pension Plan

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

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

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

For years of service beginning July 1, 2001 or later, the grandfathered benefit is calculated to be:

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

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

Messrs. Lynch and Sgro, our named executive officers who participate in the AWWPP, are vested in their pension benefits. The normal form of payment is a single life annuity for single participants and a 50 percent joint and survivor annuity for married participants. The 50 percent joint and survivor annuity benefit amount is determined to be actuarially equivalent to the single life annuity amount. There is a reduction in benefits for early retirement for participants other than those who retire at age 62 or older with specified service levels, such as 20 years of service for someone who is age 62.

American Water Works Company, Inc. Executive Retirement Plan

The ERP is a nonqualified defined benefit pension plan that is available to eligible employees who commenced employment with us prior to January 1, 2006. The ERP provides benefits under a restoration formula that mirrors the benefit formulas under the AWWPP, but without the pay and benefit payment limitations that are applicable to the AWWPP under the Code and including deferred compensation in

calculating final average pay. The ERP also provides a minimum benefit in accordance with provisions of former executive retirement plans.

Messrs. Lynch and Sgro participate in this nonqualified pension plan and are entitled to the greater of the benefits determined pursuant to the restoration formula under the ERP and the benefits determined pursuant to his prior

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nonqualified plan formulas. Messrs. Lynch and Sgro are vested in this nonqualified pension benefit. Upon retirement, nonqualified plan benefits are payable as a lump sum unless the participant has elected an alternate form of payment pursuant to regulations under Section 409A of the Code. Each of Messrs. Lynch and Sgro will receive his benefits as a

lump sum. Upon voluntary termination of employment prior to eligibility for early or normal retirement, nonqualified benefits are payable as deferred (to age 65) annuities or lump sum equivalents of such deferred annuities. All nonqualified plan lump sums are calculated as the present value of deferred or immediate single life annuities.

2016 Nonqualified Deferred Compensation

The following table provides certain information regarding the nonqualified deferred compensation benefits of each of our NEOs for 2016.

Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions in Last Fiscal Year ($)	Aggregate Balance at Last Fiscal Year-End ($)(3)
Susan N. Story	$ 1,361,846	$ 166,493	$ 166,557	$	$ 3,670,120
Linda G. Sullivan	$ 48,295	$ 64,833	$ 16,017	$	$ 243,581
Walter J. Lynch	$ 96,217	$ 7,154	$ 48,495	$ (19,871)	$ 814,887
Michael A. Sgro	$	$	$	$	$
Loyd A. Warnock	$	$ 19,093	$ 1,691	$	$ 86,789

(1) The following amounts in this column are also reported as compensation to the NEOs in the 2016 Summary Compensation Table in the columns indicated:

Name	Salary	Non-Equity Incentive Plan Compensation
Susan N. Story	$ 173,846	$ 1,188,000
Linda G. Sullivan	$ 24,146	$ 24,149
Walter J. Lynch	$ 38,580	$ 57,637
Michael A. Sgro	$	$
Loyd A. Warnock	$	$

(2)

The amounts in this column are also reported as compensation to the NEOs in the 2016 Summary Compensation Table in the All Other Compensation column.

(3) The following amounts were reported in the Summary Compensation Table in previous years as compensation to the listed NEOs: Ms. Story $1,975,224; Ms. Sullivan $114,436; Mr. Lynch $682,892; and Mr. Warnock $66,005.

Description of the Employee Deferred Compensation Plan

For our named executive officers, the Employee Deferred Compensation Plan permits the deferral of up to 20 percent of a participant s

base salary and up to 100 percent of bonus each year on a tax-advantaged basis. It also provides for annual matching contributions

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determined by the following formula for our named executive officers hired on or after

January 1, 2006, namely Mses. Story and Sullivan, and Mr. Warnock:

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

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

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

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

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

A participant s deferred compensation accounts are credited with returns in accordance with the deemed investment options, consistent with those offered under the Savings Plan, as elected by the participant from time to time at the participant s discretion. For 2016, these deemed investment options experienced annual rates of returns of between (1.07) percent and 23.64 percent.

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

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

Participants may elect to receive their account balances at any of the following times:

- a separation from service; or
- a specified distribution date.

Participants may elect to take a distribution of their accounts in the form of a lump sum or in annual installments paid over a period of between two and 10 years. In 2016, Mr. Lynch was the only NEO who had a withdrawal or distribution from the Employee Deferred Compensation Plan.

Potential Payments on Termination or Change in Control

This section describes the plans and arrangements that provide for payments to the named executive officers in connection with the termination of the executive s employment, a change in control of American Water or a change in the executive s responsibilities.

Executive Severance Policy

Our Executive Severance Policy provides severance benefits to executives whose

employment is involuntarily terminated by American Water for reasons other than cause.

The determination of whether an executive s employment is terminated for cause will be made at the sole discretion of the Board. Under the policy, our CEO will receive 18 months and other NEOs will receive 12 months of their base salary, in the form of base salary continuation. Eligible executives are entitled to continued health, dental and vision coverage based on their years of service, in the amount of eight weeks of coverage for less than five years of service, 12 weeks of coverage for at least five years but less than 10 years of service and 16 weeks of coverage for 10 or more years of service. They are also entitled to life insurance

coverage and continued participation in the employee assistance plan for the number of months of their severance benefits, as well as 12 months of outplacement services. In order to receive severance benefits under the Executive Severance Policy, an executive must sign a release and waiver of any claims against American Water and agree to certain restrictive covenants. Severance benefits payable under the Executive Severance Policy will be offset and reduced by any other severance benefits payable under any employment agreement or otherwise.

Employee Deferred Compensation Plan

A summary of the terms of the Employee Deferred Compensation Plan is provided above under 2016 Nonqualified Deferred Compensation. This section describes the payments that would be made under that plan upon various types of termination. Named executive officers are immediately vested in all their contributions to the Employee Deferred Compensation Plan, and become vested in our 5.25 percent annual contributions upon completion of five years of service, attainment of age 65, a change of control or death. A participant who experiences a termination of employment other than for cause will receive the

participants vested portion of his or her account balance. Upon a termination for cause, all employer contributions to this plan would be forfeited by the participant, but the participant would still be entitled to his or her elective deferrals, matching contributions and related income. Payments of vested amounts will be made at the time and in the form elected by the participant, except that a lump-sum distribution of vested amounts will be paid upon death. The tables below in this section reflect the amounts each named executive officer would have been entitled to receive given a termination on December 31, 2016.

Defined Benefit Plans

Our retirement plans are described above under Pension Benefits at December 31, 2016. This section describes the payments that would be made under the retirement plans upon various types of termination of employment.

Voluntary and involuntary terminations of employment Despite Mr. Lynch being ineligible for retirement, each of Messrs. Lynch and Sgro would have been entitled to benefits from the AWWPP and the ERP, upon voluntary termination of employment at December 31, 2016. Mr. Lynch s annual AWWPP benefit, payable as a 50 percent joint and survivor annuity beginning at age 65, is $45,248. Mr. Lynch will receive his ERP benefit as a lump sum. Upon voluntary termination, Mr. Sgro

would be eligible for an early retirement benefit described in the next section.

Retirement At December 31, 2016, Mr. Sgro was eligible for early retirement benefits under the AWWPP and the ERP. Mr. Sgro s annual AWWPP benefit, payable as a 50 percent joint and survivor annuity beginning at age 65, is $77,167 as of December 31, 2016. Mr. Sgro would also receive an annual ERP benefit of $74,642 as of December 31, 2016.

Disability Benefits payable upon a termination of employment as a result of a disability are determined under the AWWPP and the ERP in the same manner as benefits payable upon early retirement, except that disability benefits

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are payable immediately and without reduction for early commencement. AWWPP benefits are payable as annuities; ERP disability benefits are payable as lump sums unless the participant has elected an alternate form of payment. Messrs. Lynch and Sgro, each of whom has completed the required 10 years of service, qualify for disability benefits.

Death If Mr. Lynch had died on December 31, 2016, his surviving spouse or named beneficiary would have received benefits under the AWWPP and the ERP calculated as if Mr. Lynch had immediately elected a 100 percent joint and survivor annuity. The benefit under the AWWPP would have been payable to him as an annuity beginning at his 55th birthday based on the age 55 early retirement factor, the age 55 100 percent joint and survivor factor (where the survivor s age is what it would be on Mr. Lynch s 55th birthday) and using service as of the date of death. The benefit under the ERP would have been paid to Mr. Lynch as the immediate lump- sum equivalent of an annuity determined in the same manner as under the AWWPP.

If Mr. Sgro had died on December 31, 2016, his surviving spouse or named beneficiary would have received benefits under the AWWPP and the ERP calculated as if Mr. Sgro had survived to age 55 and elected a 100 percent joint and survivor annuity. The benefit under the AWWPP would have been equivalent to that payable to him as an immediate annuity based on his current age early retirement factor, in the form of a 100 percent joint and survivor factor based on his and his survivors current age. The benefit under the ERP would have been paid to Mr. Sgro as the immediate lump-sum equivalent of an annuity determined in the same manner as under the AWWPP.

For purposes of reporting these benefits in the termination tables, we assumed that Mr. Lynch was married and his spouse was the same age as Mr. Lynch, and for Mr. Sgro, we assumed he was married and used his spouse s actual age.

Omnibus Equity Compensation Plan Awards

Vesting of our stock option, PSU and RSU awards under the 2007 Plan will be accelerated upon certain events as follows:

- All stock options will vest in full upon a holder s death or disability, or upon a change in control.

- Upon a change in control, PSUs will performance-vest with respect to the tranches of PSU awards that have time-vested, based upon the assumption that target performance is achieved. Upon death or disability, the PSUs will ultimately performance-vest with respect to the tranches of PSU awards that already have time-vested, based upon actual performance as determined at the end of the performance period.

- All unvested RSUs for NEOs will be immediately forfeited upon death or disability, or upon a change in control.

Quantification of Potential Payments on Termination or Change in Control

The following tables quantify the potential payments and benefits to which the named executive officers would have been entitled to receive if one of several different termination of employment or change in control events occurred on December 31, 2016. The amounts shown in the tables do not include certain payments and benefits to the extent they are

provided on a non-discriminatory basis to non-union employees generally upon a termination of employment, including accrued salary and vacation pay, Savings Plan benefits, continued health and welfare coverage following an involuntary termination of employment and coverage under COBRA. All employees are also entitled to life insurance benefits of up to 1.5

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times base salary, up to a maximum amount of $200,000, if death occurs while actively employed, which benefit is also not included in the tables below.

With regard to all options and RSUs subject to time-based vesting at December 31, 2016, the assumed values of the awards are shown in the table in the applicable columns. With regard to PSUs that remain subject to performance-based vesting following the acceleration of service-based vesting, we have assumed that shares will be issued in respect of the PSUs based on target performance, and that dividend equivalents will continue to accrue through the duration of the applicable performance period.

The value of each stock option as to which vesting is accelerated is assumed to be equal to the product of the number of shares underlying the option multiplied by the difference between the exercise price per share and $72.36, the closing price of our common stock as reported on the NYSE on December 30, 2016. For RSUs and PSUs, the value shown in the table is based on the number of RSUs or PSUs multiplied by $72.36. In addition, the value of accumulated dividends (and, for awards that remain subject to performance conditions through the end of the performance period, expected dividends for the remainder of the performance period) was included.

Name	Benefit	Voluntary Termination	Early Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death	Change in Control (1
Susan N. Story	Cash Severance	$	$	$ 2,250,000	$	$	$ 2,250,000	$	$	$
	Outplacement Services	$	$	$ 15,000	$	$	$	$	$	$
	Deferred Compensation Benefits	$ 2,186,618	$ 2,186,618	$ 2,186,618	$ 2,186,618	$	$ 2,372,230	$ 2,186,618	$ 2,372,230	$ 2,372,230
	Nonqualified Pension Benefits	$	$	$	$	$	$	$	$	$
	Qualified Pension Benefits	$	$	$	$	$	$	$	$	$
	Life Insurance and Employee Assistance Program	$	$	$ 470	$	$	$ 470	$	$	$
	Options	$	$	$	$	$	$ 1,396,048	$ 1,396,048	$ 1,396,048	$ 1,396,048
	PSUs	$	$	$	$	$	$ 3,297,300	$ 1,101,488	$ 1,101,488	$ 3,297,300
	Total	$ 2,186,618	$ 2,186,618	$ 4,452,088	$ 2,186,618	$	$ 9,316,048	$ 4,684,154	$ 4,869,766	$ 7,065,578

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Name	Benefit	Voluntary Termination	Early Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death	Change in Control (1)
Linda Sullivan	Cash Severance	$	$	$ 849,858	$	$	$ 849,858	$	$	$
	Outplacement Services	$	$	$ 12,000	$	$	$	$	$	$
	Deferred Compensation Benefits	$ 109,214	$ 109,214	$ 109,214	$ 109,214	$	$ 174,755	$ 109,214	$ 174,755	$ 174,755
	Nonqualified Pension Benefits	$	$	$	$	$	$	$	$	$
	Qualified Pension Benefits	$	$	$	$	$	$	$	$	$
	Life Insurance and Employee Assistance Program	$	$	$ 470	$	$	$ 470	$	$	$
	Options	$	$	$	$	$	$ 559,804	$ 559,804	$ 559,804	$ 559,804
	PSUs	$	$	$	$	$	$ 1,874,992	$ 859,926	$ 859,926	$ 1,874,992
	Total	$ 109,214	$ 109,214	$ 971,542	$ 109,214	$	$ 3,459,879	$ 1,528,944	$ 1,594,485	$ 2,609,552

e	Benefit	Voluntary Termination	Early Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death	Chan in Contr
er J. h	Cash Severance	$	$	$ 969,964	$	$	$ 969,964	$	$	$
	Outplacement Services	$	$	$ 12,000	$	$	$	$	$	$
	Deferred Compensation Benefits	$ 757,251	$ 757,251	$ 757,251	$ 757,251	$	$ 757,251	$ 757,251	$ 757,251	$ 757
	Nonqualified Pension	$ 1,105,437	ineligible	$ 1,105,437	$ 1,105,437	$ 1,105,437	$ 1,105,437	$ 1,105,437	$ 1,105,437	$ 1,105

Benefits									
Qualified Pension Benefits	$ 412,863	ineligible	$ 412,863	$ 412,863	$ 412,863	$ 412,863	$ 809,183	$ 302,310	$ 412
Life Insurance and Employee Assistance Program	$	$	$ 470	$	$	$ 470	$	$	$
Options	$	$	$	$	$	$ 778,329	$ 778,329	$ 778,329	$ 778
PSUs	$	$	$	$	$	$ 1,834,977	$ 689,084	$ 689,084	$ 1,834
Total	$ 2,275,551	$ 757,251	$ 3,257,985	$ 2,275,551	$ 1,518,300	$ 5,859,291	$ 4,139,284	$ 3,632,411	$ 4,888

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ne	Benefit	Voluntary Termination	Early Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death	Chan in Contr
nael gro	Cash Severance	$	$	$ 659,588	$	$	$ 659,588	$	$	$
	Outplacement Services	$	$	$ 12,000	$	$	$	$	$	$
	Deferred Compensation Benefits	$	$	$	$	$	$	$	$	$
	Nonqualified Pension Benefits	$ 1,127,668	$ 1,127,668	$ 1,127,668	$ 1,127,668	$ 1,127,668	$ 1,127,668	$ 1,557,337	$ 989,075	$ 1,127,
	Qualified Pension Benefits	$ 1,256,273	$ 1,256,273	$ 1,256,273	$ 1,256,273	$ 1,256,273	$ 1,256,273	$ 1,734,944	$ 1,164,652	$ 1,256,
	Life Insurance and Employee Assistance Program	$	$	$ 470	$	$	$ 470	$	$	$
	Options	$	$	$	$	$	$ 251,252	$ 251,252	$ 251,252	$ 251,
	PSUs	$	$	$	$	$	$ 563,612	$ 129,380	$ 129,380	$ 563,
	Total	$ 2,383,941	$ 2,383,941	$ 3,055,999	$ 2,383,941	$ 2,383,941	$ 3,858,862	$ 3,672,912	$ 2,534,358	$ 3,198,

Name	Benefit	Voluntary Termination	Early Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change in Control	Disability	Death	Change in Control (1)
Loyd Warnock	Cash Severance	$	$	$ 568,980	$	$	$ 568,980	$	$	$
	Outplacement Services	$	$	$ 12,000	$	$	$	$	$	$
	Deferred Compensation Benefits	$ 41,678	$ 41,678	$ 41,678	$ 41,678	$	$ 73,585	$ 41,678	$ 73,585	$ 73,585
	Nonqualified Pension	$	$	$	$	$	$	$	$	$

Benefits									
Qualified Pension Benefits	$	$	$	$	$	$	$	$	$
Life Insurance and Employee Assistance Program	$	$	$ 470	$	$	$ 470	$	$	$
Options	$	$	$	$	$	$ 315,303	$ 315,303	$ 315,303	$ 315,303
PSUs	$	$	$	$	$	$ 752,761	$ 282,276	$ 282,276	$ 752,761
Total	$ 41,678	$ 41,678	$ 623,128	$ 41,678	$	$ 1,711,099	$ 639,258	$ 671,165	$ 1,141,649

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

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COMPENSATION COMMITTEE INTERLOCKS AND

INSIDER PARTICIPATION

Messrs. Marrazzo and Evanson, and Mses. Hagen and Johnson, served as members of the Compensation Committee during fiscal year 2016, with Mr. Marrazzo serving in such role until May 13, 2016 and Ms. Hagen serving in such role beginning on February 25, 2016. With respect to interlocks and insider participation involving members of our Compensation Committee:

- None of these individuals was an officer or employee of us or any of our subsidiaries during fiscal year 2016 or any prior fiscal year.
- None of these individuals had any relationship with us or any of our subsidiaries during 2016 pursuant to which disclosure would be required under applicable rules of the SEC pertaining to the disclosure of transactions with related persons.

- None of our executive officers served on the board of directors or compensation committee of any other entity that has or had one or more executive officers who served as a member of the Board or the Compensation Committee during fiscal year 2016.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, warrants and rights, and the number of securities available for future issuance under equity compensation plans as of December 31, 2016.

Plan category	[a] Number of securities to be issued upon exercise of outstanding options, warrants and rights	[b] Weighted-average exercise price of outstanding options, warrants and rights	[c] Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a])
Equity compensation plans approved by security holders	1,370,000(1)	$ 50.65(2)	7,555,662

Equity compensation plans not approved by security holders				1,070,539(3)
Total	1,370,000(1)	$	50.65(2)	8,626,201

(1) Represents the number of shares of common stock subject to outstanding awards under the 2007 Plan, including RSU awards and the target number of shares issuable under PSU awards, as of December 31, 2016.

(2) Represents the weighted-average exercise price as to options issued under the 2007 Plan to purchase in the aggregate 987,000 shares of common stock. Since RSU and PSU awards under the 2007 Plan do not have an exercise price, the weighted-average exercise price in column (b) does not take these awards into account.

(3) Represents the balance of shares issuable under the current ESPP, under which a total of 2,000,000 shares in the aggregate are issuable. During the purchase period beginning December 1, 2016 and ending February 28, 2017, 22,249 shares were subject to purchase, which shares have been included herein.

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PROPOSAL 4

APPROVAL OF THE AMERICAN WATER WORKS COMPANY, INC. 2017 OMNIBUS EQUITY COMPENSATION PLAN

Background of the Proposal

On February 15, 2017, the Board adopted, subject to stockholder approval, the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan, or the 2017 Omnibus Plan, to be effective upon approval by our stockholders. The Board has recommended that the stockholders approve the 2017 Omnibus Plan at the annual meeting.

The principal terms of the 2017 Omnibus Plan are summarized below, but such description is qualified in its entirety by reference to the full text of the 2017 Omnibus Plan which is included as Appendix B to this Proxy Statement.

All capitalized terms not defined in this Proposal 4 will have the meanings set forth in Appendix B to this Proxy Statement.

Reasons for the Proposal

We maintain the 2007 Plan to incentivize eligible participants to achieve our long-term business objectives by providing opportunities to earn equity awards tied to our long-term goals and continued employment with the Company. The 2007 Plan expires by its terms on April 21, 2018. The 2017 Omnibus Plan has been proposed to replace the 2007 Plan so that the Company may continue to grant equity awards to participants.

We are seeking stockholder approval of the 2017 Omnibus Plan as required under NYSE listing standards and Section 162(m) of the Code, and for incentive stock options to meet the requirements of Section 422 of the Code.

If approved by our stockholders at the annual meeting, the 2017 Omnibus Plan will become immediately effective, and we will not grant any

new awards under the 2007 Plan. The 2007 Plan would remain effective as to any outstanding awards granted thereunder prior to May 12, 2017. As of the record date:

- options to purchase 855,782 shares of common stock with a weighted average exercise price of $51.95 per share were outstanding and
- 7,388,389 shares of common stock remain available for future issuance under the 2007 Plan.

If stockholders do not approve the 2017 Omnibus Plan, it will not become effective, we will not grant any awards under the 2017 Omnibus Plan, and we may continue to grant awards under the 2007 Plan until April 21, 2018.

Summary of Material Terms of the 2017 Omnibus Plan

General

The 2017 Omnibus Plan provides that grants may be in any of the following forms:

- incentive stock options
- nonqualified stock options
- stock appreciation rights, or SARs
- stock units
- stock awards
- other stock-based awards
- dividend equivalents, which may be granted only on stock units or other stock-based awards

Subject to adjustment in certain circumstances, the total number of shares of common stock that may be issued or transferred under the 2017 Omnibus Plan is 7,350,000 shares, minus the number of shares of our common stock subject

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to grants of awards made under the 2007 Plan after December 30, 2016. As of the record date, 169,377 shares of common stock are subject to grants of awards made under the 2007 Plan after December 30, 2016. After the record date, but prior to the annual meeting, any shares or awards granted under the 2007 Plan will reduce the number of shares authorized for issuance under the 2017 Omnibus Plan.

We may issue shares of our common stock under the 2017 Omnibus Plan from authorized but unissued shares of our common stock or reacquired shares of our common stock, including shares of our common stock that we purchased on the open market or otherwise acquire.

The maximum aggregate number of shares of common stock that may be granted pursuant to all grants under the 2017 Omnibus Plan during any calendar year to any one employee is 300,000 shares and to any non-employee director is 150,000 shares, each subject to adjustment as described below. With respect to grants of stock units, stock awards, dividend equivalents and other stock-based awards intended to be qualified performance-based compensation under Section 162(m) of the Code, the maximum aggregate number of shares of common stock that may be made during any calendar year to any participant who is a covered employee within the meaning of Section 162(m) of the Code is 300,000 shares, subject to adjustment as described below.

These individual share limits apply regardless of whether grants are to be paid in shares or cash. No individual may accrue dividend equivalents during any calendar year in excess of $1,500,000.

If and to the extent options or SARs granted under the 2017 Omnibus Plan terminate, expire or are cancelled, forfeited, exchanged or surrendered without being exercised, and if and to the extent that any stock awards, stock units or other stock-based awards are forfeited or terminated, or otherwise not paid in full, the shares reserved for such grants will again become available for purposes of the 2017 Omnibus Plan. However, shares of common stock surrendered in payment of the exercise price of an option and shares withheld or surrendered for payment of taxes, will not be available for reissuance under the 2017 Omnibus Plan. Additionally, if SARs are granted, the full number of shares subject to the SAR are considered issued under the 2017 Omnibus Plan, without regard to the number of shares of common stock that are issued upon exercise of the SARs and without regard to any cash settlement of the SARs. To the extent that any grants of stock units under the 2017 Omnibus Plan are designated to be paid in cash, and not in shares of common stock, such grants do not count against the share limits under the 2017 Omnibus Plan.

Administration

The 2017 Omnibus Plan will be administered and interpreted by our Compensation Committee. However, our Board will approve and administer all grants to non-employee directors. In accordance with the terms of the 2017 Omnibus Plan, the Compensation Committee has delegated its authority thereunder to our CEO to issue awards, subject to guidelines to be prescribed by the Compensation Committee. Our CEO will only be permitted to make grants to persons who are not subject to Section 16 of the Exchange Act and who are not covered employees within the meaning of Section 162(m) of the Code.

The Compensation Committee has the authority to:

- determine the individuals to whom grants will be made under the 2017 Omnibus Plan

- determine the type, size and terms and conditions of the grants

- determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and the acceleration of exercisability or vesting

- amend the terms and conditions of any previously issued grant, subject to the limitations described below, and
- deal with any other matters arising under the 2017 Omnibus Plan.

As of the record date, the Compensation Committee consists of Mr. Evanson and Mses.

Hagen and Johnson. The Board has determined that each member of the Compensation Committee is an independent director as determined under the NYSE s listing standards, a non-employee director for purposes of Section 16 of the Exchange Act and an outside director for purposes of Section 162(m) of the Code.

Eligibility for Participation

All of our employees (including officers) and those of our subsidiaries will be eligible for grants under the 2017 Omnibus Plan, subject to certain conditions set forth in the 2017 Omnibus Plan. Our non-employee directors will also eligible to receive grants under the 2017 Omnibus Plan. As of the record date,

approximately 154 employees and eight non-employee directors would be participants in the 2017 Omnibus Plan, if it were then in effect, and based upon the participation criteria currently utilized under the 2007 Plan. There were 162 current employees and non-employee directors participating in the 2007 Plan as of the record date.

Types of Awards

Stock Options

The Compensation Committee may grant options intended to qualify as incentive stock options within the meaning of Section 422 of the Code, or ISOs, or nonqualified stock options, or NQSOs, that are not intended to so qualify, or any combination of ISOs and NQSOs. Any participant may receive a grant of NQSOs. Only our employees and those of our subsidiaries may receive a grant of ISOs.

The Compensation Committee fixes the exercise price per share for options on the date of grant. The exercise price of any NQSO or ISO granted under the 2017 Omnibus Plan will be equal to, or greater than, the fair market value of the underlying shares of common stock on the date of grant. However, if an ISO is granted to an employee who holds more than 10 percent of the total combined voting power of all classes of our outstanding stock, the exercise price per share of an ISO granted to such person must be at least 110 percent of the fair market value of a share of common stock on the date of grant. The current measure of fair market value on a particular date is the last reported sale price of common stock on the NYSE on the relevant

date (or, if there were no trades on such date, the latest preceding date upon which a sale was reported).

The Compensation Committee determines the term of each option, which will not exceed ten years from the date of grant; however, if an ISO is granted to an employee who holds more than 10 percent of the combined voting power of all classes of our outstanding stock, the term of the ISO may not exceed five years from the date of grant.

The period for when any option may first become vested and exercisable will be determined by the Compensation Committee at the time of grant. The Compensation Committee may grant options that are subject to achievement of performance goals or other conditions. The Compensation Committee may accelerate the vesting and exercisability of any or all outstanding options at any time for any reason. To the extent that the aggregate fair market value of shares of common stock, determined on the date of grant, with respect to which ISOs become exercisable for the first time by an employee during any calendar year exceeds $100,000, such ISOs will be treated as

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NQSOs. The aggregate number of shares of common stock that may be issued under the 2017 Omnibus Plan as ISOs is 5,000,000 shares, subject to certain adjustments, and all shares issued under the 2017 Omnibus Plan as ISOs will count against the share reserve, as described above.

The 2017 Omnibus Plan provides that, unless otherwise provided in a grant agreement, an option may only be exercised while the participant is employed as an employee or providing service as a non-employee director. The Compensation Committee will specify in the grant agreement the circumstances, if any, and time periods, if any, a participant may exercise an option after termination of employment or service.

A participant may exercise an option by delivering notice of exercise to us. The participant will pay the exercise price and any withholding taxes for the option:

- in cash or by check
- if permitted by the Compensation Committee, by delivering shares of common stock already owned by the participant, or by attestation to ownership of shares, in either case having a fair market value on the date of exercise equal to the exercise price
- by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board
- if permitted by the grant agreement, by net share settlement of the option based on the fair market value on the date of exercise
- any combination of the foregoing or
- by such other method as the Compensation Committee may approve, to the extent permitted by applicable law.

SARs

The Compensation Committee may grant to any participant SARs in connection with, or

independently of, any option granted under the 2017 Omnibus Plan. Upon exercise of a SAR, the participant will receive an amount equal to the excess of the fair market value of common stock on the date of exercise over the base amount for the SAR.

The Compensation Committee will determine the terms and conditions of the SAR. The base amount of each SAR will not be less than the fair market value of common stock on the date of grant of the SAR and the term of a SAR will not exceed ten years from the date of grant. The Compensation Committee may grant SARs that are subject to the achievement of performance goals or other conditions. The Compensation Committee may accelerate the exercisability of SARs at any time for any reason. Upon exercise of a SAR, payment will be made in cash, shares of common stock or a combination of the two, as the Compensation Committee may determine.

Stock Units

The Compensation Committee may grant to any participant stock units, which provide the participant with the right to receive shares of common stock or an amount based on the value of a share of common stock at a future date.

The Compensation Committee determines the number of stock units that will be granted, whether stock units will become payable if specified performance goals or other conditions are met, and the other terms and conditions applicable to the stock units. Stock units may be paid at the end of a specified vesting or performance period or deferred to a date authorized by the Compensation Committee. Payment with respect to a stock unit will be made in cash, in shares of common stock, or in a combination of cash and shares of common stock, as determined by the Compensation Committee. The grant agreement will specify the maximum number of shares of common stock that may be issued under a stock unit. The Compensation Committee may accelerate the vesting of any or all outstanding stock units at any time for any reason.

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Stock Awards

The Compensation Committee may grant shares of common stock under a stock award for cash consideration or no cash consideration, and subject to such restrictions, if any, as determined by the Compensation Committee. If restrictions are imposed on stock awards, the Compensation Committee will determine whether they will lapse over a period of time or according to such other criteria as the Compensation Committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The Compensation Committee determines the number of shares of common stock subject to the grant of stock awards and the other terms and conditions of the grant. The Compensation Committee may accelerate the vesting of any or all outstanding stock awards at any time for any reason.

The Compensation Committee will determine to what extent, and under what conditions, participants will have the right to vote shares of common stock subject to a stock award and receive dividends or other distributions paid on such shares during the restriction period. Dividends may be deferred, but dividends payable to a participant must be withheld while a stock award is subject to restrictions, and such dividends may be payable only upon the lapse of the restrictions of the stock award. With respect to a stock award that vests based on the achievement of performance goals, no dividends may be payable unless, and only to the extent that, the performance goals are achieved at least at the minimum threshold for performance. Dividends that are not paid currently will be credited to a bookkeeping account on our records. Accumulated dividends may accrue interest, as determined by the Compensation Committee, and will be paid in cash, shares of

common stock or in such other form as dividends are paid on common stock, as determined by the Compensation Committee.

Other Stock-Based Awards

The Compensation Committee may make other grants (other than options, SARs, stock units, and stock awards) that are based on or measured by common stock to anyone eligible to participate in the 2017 Omnibus Plan. Other stock-based awards may be granted subject to the achievement of performance goals or other conditions and may be payable in shares of common stock or cash, or a combination of the two, as determined by the Compensation Committee.

Dividend Equivalents

The Compensation Committee may grant dividend equivalents in connection with stock units or other stock-based awards, under such terms and conditions as the Compensation Committee deems appropriate. Dividend equivalents may be deferred, but no dividend equivalent may be payable to a participant unless, and only to the extent that, a grant of stock units vests, and with respect to a grant of stock units that vests based on the achievement of performance goals, the performance goals are achieved at least at the minimum threshold for performance. Dividend equivalents may be accrued as a cash obligation or may be converted to additional stock units, and deferred dividend equivalents may accrue interest, all as determined by the Compensation Committee. The Compensation Committee may determine that dividend equivalents are payable based on the achievement of specific performance goals. Dividend equivalents may be paid in cash or in shares of common stock or in a combination of the two, as determined by the Compensation Committee.

Qualified Performance-Based Compensation

Under the 2017 Omnibus Plan, the Compensation Committee may structure stock units, stock awards, dividend equivalents or

other stock-based awards as qualified performance-based compensation, thereby preserving the deductibility of the compensation

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expense relating to these awards under Section 162(m) of the Code.

The 2017 Omnibus Plan provides that when stock units, stock awards, dividend equivalents or other stock-based awards intended to constitute qualified performance-based compensation are granted, the Compensation Committee will establish in writing:

- the objective performance goals that must be met
- the period during which the performance will be measured
- the maximum amounts that may be paid if the performance goals are met and
- any other conditions that the Compensation Committee deems appropriate and consistent with the requirements of Section 162(m) of the Code.

The performance goals may be based on one or more business criteria that relate to, individually or in any combination:

- a specified goal
- our historical performance, or that of our products, services or business lines or segments
- one or more business units, or the performance of the Company and its subsidiaries as a whole
- the performance of any other corporation or entity or group of corporations or entities or a product, service, or business line or segment, unit, division, or subsidiary thereof or
- an individual or groups of individuals.

The performance goals need not be uniform among participants.

To grant qualified performance-based compensation, the Compensation Committee will use objectively determinable performance goals based on one or more of the following criteria:

2017 Omnibus Plan Performance Goals

· stock price	· net income or earnings per share	· price-earnings multiples
· return on capital employed	· book value of any asset or security	· revenue
· net capital employed	· productivity	· gross income, profitability or gross margin
· EBITDA (earnings before interest, taxes, depreciation and amortization)	· number of days sales outstanding of accounts receivable	· return on equity, cash flow, investment or assets
· internal rate of return	· cash flow return on investment	· improvements in capital structure
· stockholder return, including absolute or relative total stockholder return, expressed either on a dollar or percentage basis	· retention of customers, expressed on a dollar or percentage basis	· market value added (defined to mean the difference between the market value of debt and equity, and economic book value)
· budget achievement	· cash flow per share	· risk management
· economic value added (defined to mean net operating profit minus the cost of capital)	· growth in assets, unit volume, sales, cash flow or market share	· gross, operating or net earnings before or after income taxes

· relative performance (as measured by one or more of these performance goals) to a comparison group of companies designated by the Compensation Committee	· level of expenses, including without limitation capital expenditures or operation and maintenance expenses (expressed on a dollar or percentage basis)	· metrics regarding execution on business or operating initiatives, such as through the development or implementation of new technologies or other customer benefits
· combined ratio	· payback period on investment	· net present value of investment
· safety (including, for example, criteria relating to numbers or ratios of reported injuries, preventable accidents and vehicular accidents)	· increase in our or a subsidiary s customer satisfaction or responsiveness ratings (based on the results of surveys conducted by an independent third party) and reputation within one or more service territories	· strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures
· compliance with financial and regulatory controls	· bad debt collections, expenses or losses	· compliance with environmental laws, rules and regulations

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To the extent permitted under Section 162(m) of the Code, in setting performance goals, the Compensation Committee may at such time also provide that the achievement of such performance goals will be determined without regard to either the negative or positive effect (or both) of certain events, including for one or more of the following items:

- asset write-downs
- litigation or claim judgments, or settlements thereof
- changes in accounting principles
- changes in tax law or other laws affecting reported results
- changes in commodity or supply prices
- severance, contract termination and other costs related to exiting, modifying or reducing any business activities
- costs of, and gains and losses from, the acquisition, disposition or abandonment of businesses or assets
- gains and losses from the early extinguishment of debt
- gains and losses in connection with the termination of or withdrawal from a pension plan
- stock compensation costs and other non-cash expenses and
- any other specified non-operating items as determined by the Compensation Committee in setting performance goals

The Compensation Committee will establish such performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of 90 days after the beginning of the performance period or the date on which 25 percent of the performance period has been completed, or such other date as

may be required or permitted under applicable regulations under Section 162(m) of the Code.

The performance goals for such awards will satisfy the requirements for qualified performance-based compensation under the 2017 Omnibus Plan, including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. As to awards considered by the Compensation Committee to be qualified performance-based compensation, the Compensation Committee will not have the discretion to increase the amount of compensation that is payable upon achievement of the designated performance goals, but the Compensation Committee may reduce the amount of compensation that is payable upon achievement of the designated performance goals.

The Compensation Committee will certify the performance results specified in the grant agreement for such awards after the performance period ends. The Compensation Committee will determine the amount, if any, to be paid pursuant to each grant based on the achievement of the performance goals and the satisfaction of all other terms of the grant agreement.

The Compensation Committee may provide in the grant agreement that awards will be payable, in whole or in part, in the event of the participant s death or disability, a change of control or under other circumstances consistent with applicable regulations and rulings under Section 162(m) of the Code.

Deferrals

The Compensation Committee may permit or require a participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the participant in

connection with any award. The Compensation Committee shall establish rules and procedures for any such deferrals, consistent with applicable requirements of Section 409A of the Code.

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Adjustment Provisions

The 2017 Omnibus Plan provides for certain adjustments in the event of any change in common stock outstanding by reason of a:

- stock dividend
- spinoff
- recapitalization
- stock split
- combination
- exchange of shares
- merger
- reorganization
- consolidation
- reclassification
- change in par value
- any other extraordinary or unusual event affecting the outstanding common stock without our receipt of consideration
- substantial reduction in the value of outstanding shares of our common stock as a result of a spinoff or our payment of an extraordinary dividend or distribution.

In any of these events, the Compensation Committee will equitably adjust the following, in

a manner deemed appropriate, to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the 2017 Omnibus Plan and any outstanding grants:

- the maximum number of shares of common stock available for issuance under the 2017 Omnibus Plan

- the maximum number of shares of common stock for which any participant or covered employee within the meaning of Section 162(m) of the Code may receive grants in any calendar year

- the kind and number of shares covered by outstanding grants

- the kind and number of shares issued and to be issued under the 2017 Omnibus Plan and

- the price per share or the applicable market value of such grants.

Any fractional shares resulting from such adjustment will be eliminated.

Change of Control

Upon a change of control where the Company is not the surviving corporation (or it survives only as a subsidiary of another corporation or entity), all outstanding options and SARs that are not exercised will be assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and other outstanding grants will be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation). However, if, in connection with a change of control, any outstanding options and SARs are not assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and any other outstanding grants are not converted to similar grants of the surviving corporation (or a

parent or subsidiary of the surviving corporation), then upon such change of control:

- all such outstanding options and SARs that are not assumed or replaced will accelerate and become fully exercisable,

- the restrictions and conditions on all such outstanding stock awards that are not converted to similar grants will fully lapse and

- all outstanding stock units, other stock-based awards and dividend equivalents that are not converted to similar grants will be fully vested.

If a grant is assumed in connection with a change of control, and if, within the 12 month period following the occurrence of such change of control, the participant ceases to be employed by, or

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providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) on account of:

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

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

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

- a grant that is an option or SAR will automatically accelerate and become fully exercisable

- a grant that is a stock award will have all restrictions and conditions immediately lapse and

- a grant that is a stock unit, other stock-based award or dividend equivalent will be fully vested.

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

- determine that outstanding options and SARs accelerate and become fully exercisable, in whole or part

- determine that the restrictions and conditions on outstanding stock awards lapse, in whole or part

- determine that outstanding stock units, other stock-based awards and dividend equivalents fully vest, in whole or part

- require that participants surrender their outstanding options and SARs in exchange for a payment by us, in cash or common stock as determined by the Compensation Committee, in an amount equal to the amount by which the then fair market value of the shares of common stock subject to the participant s unexercised options and SARs exceeds the exercise price of the options or the base amount of the SARs, as applicable

- after giving participants an opportunity to exercise their outstanding options and SARs, terminate any or all unexercised options and SARs at such time as the Compensation Committee deems appropriate or

- determine that participants receive a payment in settlement of outstanding stock awards, stock units, dividend equivalents or other stock-based awards, if permitted under Section 409A of the Code.

Such surrender, termination or payment will take place as of the date of the change of control or such other date as the Compensation Committee may specify. Without limiting the foregoing, if the per share fair market value of common stock equals or is less than the per share exercise price or base amount, as applicable, we are not required to make any payment to the participant upon surrender of the option or SAR.

For purposes of the 2017 Omnibus Plan, a change of control will generally be deemed to have occurred if one of the following events occurs:

· Any person becomes:

  § during the 12-month period ending on the date of any acquisition of securities, a beneficial owner, directly or indirectly, of our securities representing more than 35 percent of the voting power of our then outstanding securities, or

  § a beneficial owner, directly or indirectly, of more than 50 percent of the voting power of our then outstanding securities

· The consummation of:

  § a merger or consolidation of us with another corporation where our stockholders, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such

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stockholders to more than 50 percent of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors, or

§ a sale or other disposition of all or substantially all of our assets.

- During any period of 12 consecutive months commencing on or after the effective date of the 2017 Omnibus Plan, directors are elected such that a majority of the members of our Board are individuals who have not been members of the Board at the beginning of such 12-month period, except

§ in the case of a director s death or

§ the election or nomination for election of each new director who was not a director at the beginning of such 12-month period where such election was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

The Compensation Committee may provide for a different definition of a change of control in a grant agreement with respect to the timing of payment of such grant if such grant is subject to the requirements of Section 409A of the Code and the grant will become payable on, or in connection with, a change of control.

Clawback, Insider Trading and Other Policies and Practices

Participants and grants awarded under the 2017 Omnibus Plan are subject to all applicable clawback or recoupment policies or practices of the Company, as well as the Company s insider trading and stock ownership and retention requirements, policies and guidelines, and other

requirements, policies, practices or guidelines implemented by the Board or the Compensation Committee, as may be in effect from time to time. See Compensation Discussion and Analysis Recovery of Incentive Compensation.

Transferability of Grants

Generally, only the participant may exercise rights under a grant during the participant s lifetime. Participants may not alienate or assign any benefit provided under the 2017 Omnibus Plan. Furthermore, grants may not be subject to attachment or other legal process, except by will or the laws of descent and distribution. The

Compensation Committee may provide, in a grant agreement, that a participant may transfer nonqualified stock options to his or her immediate family members, or one or more trusts or other entities for the benefit of or owned by immediate family members, consistent with applicable securities laws.

No Repricing of Options or SARs

The 2017 Omnibus Plan includes a restriction providing that, except in connection with a permitted adjustment, neither the terms of outstanding grants nor the 2017 Omnibus Plan may be amended to permit, and no grant or an amendment to any grant agreement may have

the effect of causing, options or SARs to be repriced, replaced or regranted through cancellation, or by decreasing the exercise price of an outstanding option or SAR, without in each case obtaining stockholder approval.

Amendment and Termination

The Board may amend or terminate the 2017 Omnibus Plan at any time, subject to stockholder approval if such approval is required in order to comply with the Code, applicable laws or applicable stock exchange requirements.

If the 2017 Omnibus Plan is approved by stockholders, it will terminate on May 11, 2027, unless terminated earlier by the Board or extended by the Board with the approval of stockholders.

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New Plan Benefits

No award has been or will be granted under the 2017 Omnibus Plan that is contingent upon approval of this proposal at the annual meeting. With the exception of stock unit awards payable on the date of the annual meeting to our non-employee directors as part of their 2017 annual director compensation, it is not currently possible to predict the number of shares of

common stock that will be granted or who will receive grants under the 2017 Omnibus Plan after the annual meeting.

The following table provides amounts to be received by or allocated to each of the following under the 2017 Omnibus Plan, to the extent such benefits are determinable.

New Plan Benefits

American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan

Name and Position	Dollar Value ($)
Susan N. Story	$