

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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658

(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Shares Outstanding as of October 20, 2025</u>
Common Stock, par value \$0.01 per share	195,123,565

TABLE OF CONTENTS

	Page
<u>Forward-Looking Statements</u>	<u>1</u>
<u>Part I. Financial Information</u>	
Item 1. <u>Consolidated Financial Statements</u>	<u>5</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>41</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>56</u>
Item 4. <u>Controls and Procedures</u>	<u>56</u>
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>58</u>
Item 1A. <u>Risk Factors</u>	<u>59</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>65</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>65</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>65</u>
Item 5. <u>Other Information</u>	<u>65</u>
Item 6. <u>Exhibits</u>	<u>65</u>
<u>Signatures</u>	<u>68</u>

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Throughout this Quarterly Report on Form 10-Q (“Form 10-Q”), unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the “parent company” mean American Water Works Company, Inc., without its subsidiaries.

The Company maintains a website at [*https://amwater.com*](https://amwater.com) and an Investor Relations website at [*https://ir.amwater.com*](https://ir.amwater.com). Information contained on the Company’s websites shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s ability to execute its current and long-term business, operational, capital expenditures and growth plans and strategies; the timing and outcome of pending or future acquisition activity (including, without limitation, the merger agreement with Essential Utilities, Inc. (“Essential”) and the proposed acquisition of systems owned indirectly by Nexus Water Group, Inc.), and the ability to achieve organic customer growth; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount, allocation and timing of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to finance current and projected operations, capital expenditure needs and growth initiatives by accessing the debt and equity capital markets and sources of short-term liquidity; the future settlement or settlements of the Forward Sale Agreements described herein, adjustments to the forward sale price thereunder, and the amount of and the intended use of net proceeds from any such future settlement or settlements; the outcome and impact on the Company of governmental and regulatory investigations, class action lawsuits, and other litigation and legal proceedings, and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas (“GHG”) emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the Company’s ability to comply with new and changing environmental regulations; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts and projects related to customer, technology and work efficiency and execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions or other factors;
- present and future proposed changes in laws, governmental regulations and policies, including with respect to the environment (such as, for example, potential improvements or changes to existing Federal regulations with respect to lead and copper service lines and galvanized steel pipe), health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern (including without limitation per- and polyfluoroalkyl substances (collectively, “PFAS”)), public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;

- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures, as well as civil class action and other litigation or legal, regulatory or administrative proceedings, related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations, including without limitation the Company's ability to (i) obtain all required regulatory and other consents and approvals for such acquisitions, (ii) prevail in litigation or other challenges related to such acquisitions, and (iii) recover in rates the fair value of assets of the acquired regulated operations;
 - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- in addition to the foregoing, various risks and other uncertainties associated with the Company's merger agreement with Essential and the related proposed merger, including:
 - a fixed exchange ratio that will not adjust or account for fluctuations in the Company's or Essential's stock price;
 - limitations on the parties' ability to pursue alternatives to the proposed merger;
 - financial impacts of the proposed merger on the Company and the combined company's earnings, earnings per share, financial condition, results of operations, cash flows and share price, and any related accounting impacts;
 - any impact of the proposed merger on the Company's ability to declare and pay quarterly dividends on its common stock;
 - the amount and nature of incurred transaction costs associated with the proposed merger; and
 - reduced ownership and voting interests for the Company's and Essential's shareholders upon completion of the proposed merger; and
- in addition to the foregoing, various risks and other uncertainties associated with the agreement to acquire certain water and wastewater systems from a subsidiary of Nexus Water Group, Inc., including:
 - the final amount of the rate base to be acquired, and the amount of post-closing adjustments to the purchase price, if any, as contemplated by the acquisition agreement;
 - the various impacts and effects of (i) compliance, or attempted compliance, with the terms and conditions of the acquisition agreement, and/or (ii) the completion of or, or actions taken by the Company to complete, the acquisition, on the Company's operations, strategy, guidance, expectations and plans with respect to its Regulated Businesses (considered individually or together as a whole), its current or future capital expenditures, its current and future debt and equity capital needs, dividends, earnings (including earnings per share), growth, future regulatory outcomes, expectations with respect to rate base growth, and other financial and operational goals, plans, estimates and projections; and

- any requirement by the Company to pay a termination fee in the event the closing does not occur;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
 - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement, security and cybersecurity regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation copper, lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- with respect to any of the Forward Sale Agreements, as described herein: (i) the inability of the forward purchasers (or their affiliates) to perform their obligations thereunder, (ii) the timing and method of any settlement thereof, (iii) the amount and intended use of proceeds that may be received by the Company from any such settlement, and (iv) the timing and amount of any common stock dilution resulting therefrom;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2024 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	September 30, 2025	December 31, 2024
ASSETS		
Property, plant and equipment	\$ 36,895	\$ 35,059
Accumulated depreciation	(7,283)	(7,021)
Property, plant and equipment, net	29,612	28,038
Current assets:		
Cash and cash equivalents	166	96
Restricted funds	11	29
Accounts receivable, net of allowance for uncollectible accounts of \$58 and \$53, respectively	459	416
Income tax receivable	3	25
Unbilled revenues	437	315
Materials and supplies	109	103
Other	367	231
Total current assets	1,552	1,215
Regulatory and other long-term assets:		
Regulatory assets	1,179	1,150
Secured seller promissory note from the sale of the Homeowner Services Group	795	795
Operating lease right-of-use assets	87	89
Goodwill	1,151	1,144
Other	372	399
Total regulatory and other long-term assets	3,584	3,577
Total assets	\$ 34,748	\$ 32,830

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2025	December 31, 2024
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 200,576,637 and 200,371,701 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	8,630	8,598
Retained earnings	2,662	2,112
Accumulated other comprehensive income	4	12
Treasury stock, at cost (5,453,167 and 5,451,216 shares, respectively)	(391)	(392)
Total common shareholders' equity	10,907	10,332
Long-term debt	13,022	12,518
Redeemable preferred stock at redemption value	3	3
Total long-term debt	13,025	12,521
Total capitalization	23,932	22,853
Current liabilities:		
Short-term debt	1,005	879
Current portion of long-term debt	1,269	637
Accounts payable	302	346
Accrued liabilities	630	791
Accrued taxes	151	156
Accrued interest	139	111
Other	191	230
Total current liabilities	3,687	3,150
Regulatory and other long-term liabilities:		
Advances for construction	425	383
Deferred income taxes and investment tax credits	3,064	2,881
Regulatory liabilities	1,467	1,416
Operating lease liabilities	75	76
Accrued pension expense	203	217
Other	280	277
Total regulatory and other long-term liabilities	5,514	5,250
Contributions in aid of construction	1,615	1,577
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	\$ 34,748	\$ 32,830

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating revenues	\$ 1,451	\$ 1,323	\$ 3,869	\$ 3,483
Operating expenses:				
Operation and maintenance	523	496	1,471	1,339
Depreciation and amortization	226	200	663	581
General taxes	87	84	260	246
Other	1	—	1	(1)
Total operating expenses, net	837	780	2,395	2,165
Operating income	614	543	1,474	1,318
Other (expense) income:				
Interest expense	(158)	(132)	(453)	(387)
Interest income	23	22	67	71
Non-operating benefit costs, net	4	7	12	23
Other, net	11	13	40	31
Total other (expense) income	(120)	(90)	(334)	(262)
Income before income taxes	494	453	1,140	1,056
Provision for income taxes	115	103	267	244
Net income attributable to common shareholders	\$ 379	\$ 350	\$ 873	\$ 812
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.94	\$ 1.80	\$ 4.47	\$ 4.17
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.94	\$ 1.80	\$ 4.47	\$ 4.17
Weighted-average common shares outstanding:				
Basic	195	195	195	195
Diluted	195	195	195	195

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Net income attributable to common shareholders	\$ 379	\$ 350	\$ 873	\$ 812
Other comprehensive (loss) income, net of tax:				
Defined benefit pension plan actuarial loss, net of tax of \$0 for the three months ended September 30, 2025 and 2024, and \$0 for the nine months ended September 30, 2025 and 2024	—	—	1	1
Unrealized (loss) gain on cash flow hedges, net of tax of \$0 for the three months ended September 30, 2025 and 2024, and \$(2) and \$3 for the nine months ended September 30, 2025 and 2024, respectively	(1)	(2)	(6)	17
Unrealized gain (loss) on available-for-sale fixed-income securities, net of tax of \$0 for the three months ended September 30, 2025 and 2024, and \$(1) and \$0 for the nine months ended September 30, 2025 and 2024, respectively	—	1	(3)	—
Net other comprehensive (loss) income	(1)	(1)	(8)	18
Comprehensive income attributable to common shareholders	\$ 378	\$ 349	\$ 865	\$ 830

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 873	\$ 812
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	663	581
Deferred income taxes and amortization of investment tax credits	104	84
Provision for losses on accounts receivable	36	19
Pension and non-pension postretirement benefits	1	(2)
Other non-cash, net	(6)	11
Changes in assets and liabilities:		
Receivables and unbilled revenues	(201)	(133)
Income tax receivable	22	79
Pension contributions	(33)	(33)
Accounts payable and accrued liabilities	(2)	11
Accrued taxes	4	113
Other assets and liabilities, net	(65)	(136)
Net cash provided by operating activities	1,396	1,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,078)	(1,962)
Acquisitions, net of cash acquired	(22)	(119)
Removal costs from property, plant and equipment retirements, net	(120)	(112)
Purchases of available-for-sale fixed-income securities	(43)	(113)
Proceeds from sales and maturities of available-for-sale fixed-income securities	84	147
Net cash used in investing activities	(2,179)	(2,159)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of discount	1,776	1,416
Repayments of long-term debt	(623)	(474)
Net short-term borrowings with original maturities less than three months	126	35
Advances and contributions in aid of construction, net of refunds of \$25 and \$24 for the nine months ended September 30, 2025 and 2024, respectively	60	33
Debt issuance costs	(17)	(13)
Dividends paid	(472)	(436)
Other, net	2	5
Net cash provided by financing activities	852	566
Net increase (decrease) in cash, cash equivalents and restricted funds	69	(187)
Cash, cash equivalents and restricted funds at beginning of period	140	364
Cash, cash equivalents and restricted funds at end of period	\$ 209	\$ 177
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	\$ 331	\$ 317
Acquisition financed by treasury stock	\$ 7	\$ —
Non-cash financing activity:		
Settlements of long-term debt	\$ 27	\$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2024	200.4	\$ 2	\$ 8,598	\$ 2,112	\$ 12	(5.5)	\$ (392)	\$ 10,332
Net income attributable to common shareholders	—	—	—	205	—	—	—	205
Common stock issuances (a)	0.1	—	13	—	—	—	(6)	7
Net other comprehensive loss	—	—	—	—	(10)	—	—	(10)
Balance as of March 31, 2025	200.5	\$ 2	\$ 8,611	\$ 2,317	\$ 2	(5.5)	\$ (398)	\$ 10,534
Net income attributable to common shareholders	—	—	—	289	—	—	—	289
Common stock issuances (a)	—	—	10	—	—	—	—	10
Acquisitions via treasury stock	—	—	—	—	—	—	7	7
Net other comprehensive income	—	—	—	—	3	—	—	3
Dividends (\$0.8275 declared per common share)	—	—	—	(161)	—	—	—	(161)
Balance as of June 30, 2025	200.5	\$ 2	\$ 8,621	\$ 2,445	\$ 5	(5.5)	\$ (391)	\$ 10,682
Net income attributable to common shareholders	—	—	—	379	—	—	—	379
Common stock issuances (a)	0.1	—	9	—	—	—	—	9
Net other comprehensive loss	—	—	—	—	(1)	—	—	(1)
Dividends (\$0.8275 declared per common share)	—	—	—	(162)	—	—	—	(162)
Balance as of September 30, 2025	200.6	\$ 2	\$ 8,630	\$ 2,662	\$ 4	(5.5)	\$ (391)	\$ 10,907

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2023	200.1	\$ 2	\$ 8,550	\$ 1,659	\$ (26)	(5.5)	\$ (388)	\$ 9,797
Net income attributable to common shareholders	—	—	—	185	—	—	—	185
Common stock issuances (a)	0.2	—	11	—	—	—	(4)	7
Net other comprehensive income	—	—	—	—	18	—	—	18
Balance as of March 31, 2024	200.3	\$ 2	\$ 8,561	\$ 1,844	\$ (8)	(5.5)	\$ (392)	\$ 10,007
Net income attributable to common shareholders	—	—	—	277	—	—	—	277
Common stock issuances (a)	—	—	17	—	—	—	—	17
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends (\$0.7650 declared per common share)	—	—	—	(150)	—	—	—	(150)
Balance as of June 30, 2024	200.3	\$ 2	\$ 8,578	\$ 1,971	\$ (7)	(5.5)	\$ (392)	\$ 10,152
Net income attributable to common shareholders	—	—	—	350	—	—	—	350
Common stock issuances (a)	—	—	10	—	—	—	—	10
Net other comprehensive loss	—	—	—	—	(1)	—	—	(1)
Dividends \$0.7650) declared per common share)	—	—	—	(149)	—	—	—	(149)
Balance as of September 30, 2024	200.3	\$ 2	\$ 8,588	\$ 2,172	\$ (8)	(5.5)	\$ (392)	\$ 10,362

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the “Company” or “American Water”), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q (“Form 10-Q”). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2025, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 (“Form 10-K”), which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company’s operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of September 30, 2025:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure requirements.	Annual periods beginning after December 15, 2024	Prospective, with retrospective application also permitted.	The Company will adopt this standard for the 2025 annual period, by including the updated required disclosures in the Notes to the Consolidated Financial Statements.
Income Statement Disaggregation	The guidance in this standard enhances disclosures related to income statement expenses to further disaggregate expenses in the footnotes to the financial statements. The standard requires disaggregation of any relevant expense caption presented on the face of the income statement that contains the following expense categories: purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion. Further, the standard requires disclosure of the total amount and the entity’s definition of selling expenses.	Annual periods beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.
Induced Conversions of Convertible Debt Instruments	The guidance in this standard clarifies the requirements for determining whether to account for certain settlements of convertible debt instruments as induced conversions or extinguishments. The guidance requires an entity to account for a settlement as an induced conversion if the inducement offer includes the issuance of all of the consideration issuable under the conversion privileges provided in the terms of the existing convertible debt instrument.	Annual periods beginning after December 15, 2025 and interim reporting period within those annual reporting periods	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.
Accounting for Internal-Use Software	The guidance in this standard removes all reference to prescriptive and sequential software development stages, requiring an entity to start capitalizing software costs when the following criteria are both met: (i) management has authorized and committed to funding the software project and (ii) it is probable that the project will be completed and the software will be used to perform the function intended. Further, the standard requires disclosure for all capitalized internal-use software costs and removes the requirement for intangibles disclosures for capitalized internal-use software.	Annual periods beginning after December 15, 2027 and interim reporting periods within those annual reporting periods	Prospective, with a modified transition or retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Property, Plant and Equipment

The New Jersey Economic Development Authority (“NJEDA”) determined that the Company was qualified to receive \$161 million in tax credits in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The Company was qualified to receive the tax credits over a 10-year period commencing in 2019.

In December and January of 2024, the NJEDA issued the utilization certificates for the 2022 and 2021 tax credits to the Company in the amount of \$15 million and \$16 million, respectively. The Company sold the 2022 and 2021 tax credits to an external party for \$14 million and \$15 million, respectively. As of September 30, 2025, the Company had current assets of \$15 million included in Other and \$75 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2023 through 2028 tax credits. In October of 2025, the NJEDA issued the utilization certificates for the 2023 tax credits to the Company in the amount of \$15 million and the Company expects to monetize these credits in 2025. As of December 31, 2024, the Company had no current assets and \$90 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2023 through 2028 tax credits. The Company has made the necessary annual filing for the year ended December 31, 2024. The submitted filing is under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the 2024 tax credits in 2026.

Cash, Cash Equivalents and Restricted Funds

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended September 30:

	2025	2024
Cash and cash equivalents	\$ 166	\$ 127
Restricted funds	11	40
Restricted funds included in other long-term assets	32	10
Cash, cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	<u>\$ 209</u>	<u>\$ 177</u>

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company’s inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the nine months ended September 30:

	2025	2024
Balance as of January 1	\$ (53)	\$ (51)
Amounts charged to expense	(36)	(19)
Amounts written off	31	20
Balance as of September 30	<u>\$ (58)</u>	<u>\$ (50)</u>

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that are effective during 2025. The amounts include reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Hawaii	August 1, 2025	\$ 1
Iowa	August 1, 2025 (a)	13
Missouri	May 28, 2025	63
Indiana, Step Increase	May 14, 2025	17
Virginia	February 24, 2025 (b)	15
Tennessee	January 21, 2025	1
Illinois	January 1, 2025	105
California, Step Increase	January 1, 2025	17
Total general rate case authorizations		<u>\$ 232</u>

(a) Interim rates of \$5 million were effective May 11, 2024. The Iowa Utilities Commission issued its final order on May 21, 2025.

(b) Interim rates were effective May 1, 2024, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final order on February 24, 2025.

On July 24, 2025, the Hawaii Public Utilities Commission issued a final order adopting the settlement agreement filed by the Company’s Hawaii subsidiary on April 25, 2025, with respect to its general rate case filed on August 2, 2024. The final order approves an annualized increase of approximately \$1 million in wastewater revenue, which is based on a return on equity of 9.75% and a capital structure with an equity component of 52.11% and a debt component of 47.89%. New rates were effective August 1, 2025.

On May 21, 2025, the Iowa Utilities Commission issued a final order approving the adjustment of base rates requested in a general rate case originally filed on May 1, 2024, by the Company’s Iowa subsidiary. The general rate case order approved a \$13 million annualized increase in water and wastewater system revenues, excluding infrastructure surcharges of \$1 million, based on an authorized return on equity of 9.60%, authorized rate base of \$262 million, and a capital structure with a common equity component of 52.57% and a long-term debt component of 47.43%. The requested annualized revenue increase was driven primarily by over \$157 million of capital investments made and expected to be made by the Iowa subsidiary through March 2026. Interim rates of \$5 million were effective May 11, 2024, with the remaining increase in annualized water and wastewater system revenues of \$8 million effective on August 1, 2025.

On May 14, 2025, the Company’s Indiana subsidiary’s third step increase of \$17 million in annualized water and wastewater system revenues became effective. The Indiana subsidiary filed the general rate case on March 31, 2023, and on February 14, 2024, the Indiana Utility Regulatory Commission issued an order that approved a \$65 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges. The annualized revenue increase included three step increases, with \$25 million of the increase included in rates in February 2024, \$23 million in May 2024, and \$17 million in May 2025.

On May 7, 2025, the Missouri Public Service Commission (the “MoPSC”) issued an order approving without modification the stipulation and agreement (the “Stipulation”) with respect to a general rate case filed on July 1, 2024, by the Company’s Missouri subsidiary. The Stipulation was entered into on March 17, 2025, with parties including the staff of the MoPSC and the Office of the Public Counsel. The general rate case order approves a \$63 million annualized increase in water and wastewater revenues, excluding \$63 million in infrastructure surcharges. The requested annualized revenue increase was driven primarily by \$1.1 billion of capital investments completed by the Missouri subsidiary from January 2023 through May 2025. For purposes of the general rate case, the Missouri subsidiary’s view of its rate base is \$3.2 billion, and its view as to its return on equity and common equity ratio (each of which has been determined based on the order but was not disclosed therein) is 9.75% and 50.00%, respectively.

On February 24, 2025, the Virginia State Corporation Commission issued an order approving the September 19, 2024 joint “black box” settlement of the general rate case filed by the Company’s Virginia subsidiary. The general rate case order approves the stipulated \$15 million annualized increase in water and wastewater revenues. Interim water and wastewater rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. The requested annualized revenue increase was driven primarily by more than \$110 million of incremental capital investments made between May 2023 and April 2025. For purposes of the general rate case, the Virginia subsidiary’s view of its rate base is \$369 million. The general rate case order also approved, solely for purposes of the Virginia subsidiary’s future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), a return on equity of 9.70% and a capital structure consisting of an equity component of 45.67% and a debt and other component of 54.33%, which also represents the Virginia subsidiary’s view of its return on equity and capital structure in this general rate case.

On January 21, 2025, the Tennessee Public Utility Commission (the “TPUC”) approved a motion authorizing an adjustment of water base rates requested in a rate case filed on May 1, 2024, by the Company’s Tennessee subsidiary. The TPUC approved an increase of \$1 million in annualized revenues, excluding previously recovered infrastructure surcharges of \$18 million, based on an authorized return on equity of 9.70%, authorized rate base of approximately \$300 million, a common equity ratio of 44.19% and a debt ratio of 55.81%. This adjustment took effect on January 21, 2025, and is driven primarily by approximately \$173 million in capital investments completed and planned by the Tennessee subsidiary through December 2025.

On January 14, 2025, the California Public Utilities Commission (the “CPUC”) granted the Company’s California subsidiary’s request for a one-year extension of its cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027, and maintain its current authorized cost of capital through 2026.

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company’s Illinois subsidiary. The general rate case order approved an increase of \$105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$5 million, based on an authorized return on equity of 9.84%, authorized rate base of \$2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The increase was effective January 1, 2025, and is driven primarily by approximately \$557 million in capital investments completed and planned by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the CPUC approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company’s California subsidiary’s general rate case originally filed on July 1, 2022. Incorporating the then currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of \$21 million in the 2024 test year, and an estimated \$16 million in the 2025 escalation year and \$16 million in the 2026 attrition year. The 2024 rates were implemented retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary’s proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC’s denial of the proposed Water Resources Sustainability Plan decoupling mechanism, and on May 23, 2025, the CPUC issued its decision denying the application for rehearing. On September 19, 2025, the California subsidiary filed a petition to modify the CPUC order received on December 5, 2024, for its general rate case originally filed on July 1, 2022. The request seeks clarification from the CPUC on the method used to calculate the Conservation Adjustment for Rate Tier Designs (“CART”), specifically for the California subsidiary’s Monterey service area. The CART is a ratemaking mechanism that allows the Company to recover, in subsequent periods, a portion of the impact on operating revenues as a result of implementing customer rates structured to promote conservation usage. On October 20, 2025, the California Public Advocate submitted a response opposing the California subsidiary’s request and stating the request should instead be addressed in the California subsidiary’s pending base rate case. The California subsidiary has requested an opportunity to formally reply. The CPUC will consider both positions, and the California subsidiary expects resolution of the petition to modify later in 2026.

Pending General Rate Case Filings

On August 1, 2025, the Company’s Maryland subsidiary filed a general rate case requesting approximately \$3 million in annualized incremental revenues, which is based on a proposed return on equity of 10.64% and a capital structure with an equity component of 52.32%. The requested annualized incremental revenue is driven primarily by approximately \$22 million of capital investments completed by the Maryland subsidiary from February 2019 through April 2025. The filing must be approved by the Public Service Commission of Maryland, and if approved, it is anticipated that new rates would take effect in March 2026.

On July 1, 2025, the Company's California subsidiary filed an application with the CPUC to set new water and wastewater rates in each of its service areas for 2027 through 2029. The application requested an increase of \$63 million compared to authorized 2025 revenue, and a total increase in revenue over the 2027 to 2029 period of \$111 million. On October 13, 2025, the California subsidiary filed its 100 day update for the same proceeding and updated the request to \$62 million compared to authorized 2025 revenue, and a total increase in revenue over the 2027 to 2029 period of \$110 million. The requested annualized incremental revenue is driven primarily by approximately \$750 million of capital investments completed and planned by the California subsidiary through 2025 to 2028. If approved by the CPUC, the new rates would take effect on January 1, 2027. The application also requests approval of a Fixed Cost Recovery Account, which is intended to be a full decoupling mechanism that would allow the California subsidiary to recover authorized fixed costs, regardless of sales volume, while also providing incentives, via progressive conservation-oriented rate design, for customers to use water more efficiently. Independent of the pending rate case, California Senate Bill 473, which would have required the CPUC to ensure variances between forecasted and actual sales do not result in material overcollections or undercollections by water corporations, passed out of the California Senate but did not advance in the California Assembly Appropriations Committee.

On May 16, 2025, the Company's Kentucky subsidiary filed a general rate case requesting approximately \$27 million in annualized incremental revenues, excluding infrastructure surcharges of \$10 million, which is based on a proposed return on equity of 10.75% and a proposed capital structure with a common equity component of 52.26% and a debt component of 47.74%. The requested annualized incremental revenue is being driven primarily by approximately \$212 million of capital investments completed and planned by the Kentucky subsidiary from February 2025 through December 2026. As provided by statutory authority, the Kentucky subsidiary may put into effect proposed rates on an interim basis seven months after the filing of this case, or December 16, 2025, and the difference between the interim and final approved rates will be subject to refund. The request is subject to approval by the Kentucky Public Service Commission, and the general rate case is expected to be completed by the end of the first quarter of 2026.

On May 5, 2025, the Company's West Virginia subsidiary filed a general rate case requesting approximately \$48 million in aggregate annualized incremental revenues, excluding infrastructure surcharges of \$13 million, which would include two step increases, with \$33 million to be included in rates in March 2026, and \$15 million to be included in rates in March 2027. The request is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 50.80% and 50.97%, respectively, for each of the two steps. The requested annualized incremental revenue is driven primarily by more than \$300 million of capital investments completed and planned by the West Virginia subsidiary from March 2024 through February 2027. The request is subject to approval by the Public Service Commission of West Virginia, and the general rate case is expected to be completed by the end of February 2026.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2025:

	Effective Date	Amount
Infrastructure surcharges by state:		
Pennsylvania	October 1, 2025	\$ 5
New Jersey	May 30, 2025	15
Missouri	February 7, 2025	17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge authorizations		<u>\$ 43</u>

Pending Infrastructure Surcharge Filings

On September 3, 2025, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$13 million in additional annualized revenues.

On June 30, 2025, the Company's West Virginia subsidiary filed an infrastructure surcharge proceeding requesting \$3 million in additional annualized revenues.

Other Regulatory Matters

The Pennsylvania Public Utility Commission (the “PaPUC”), as part of its July 22, 2024, approval of the general rate case filed by the Company’s Pennsylvania subsidiary on November 8, 2023, initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary’s Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC concluded the investigation and issued a Root Cause Analysis Report on August 5, 2025, which found no systemic issues affecting the Pennsylvania subsidiary’s water service in the Northeastern service territory and expressed satisfaction with the Pennsylvania subsidiary’s efforts to manage water service matters. The PaPUC committed to continued monitoring of the Pennsylvania subsidiary’s service over the next three years.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within “Other.”

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2025:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 739	\$ —	\$ 739
Commercial	287	—	287
Fire service	46	—	46
Industrial	55	—	55
Public and other	93	—	93
Total water services	1,220	—	1,220
Wastewater services:			
Residential	75	—	75
Commercial	25	—	25
Industrial	7	—	7
Public and other	6	—	6
Total wastewater services	113	—	113
Miscellaneous utility charges	13	—	13
Alternative revenue programs	—	(4)	(4)
Lease contract revenue	—	1	1
Total Regulated Businesses	1,346	(3)	1,343
Other	108	—	108
Total operating revenues	\$ 1,454	\$ (3)	\$ 1,451

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* (“ASC 606”), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2024:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 677	\$ 2	\$ 679
Commercial	253	2	255
Fire service	41	—	41
Industrial	49	1	50
Public and other	93	—	93
Total water services	1,113	5	1,118
Wastewater services:			
Residential	61	1	62
Commercial	20	—	20
Industrial	4	—	4
Public and other	11	—	11
Total wastewater services	96	1	97
Miscellaneous utility charges	14	—	14
Alternative revenue programs	—	(12)	(12)
Lease contract revenue	—	2	2
Total Regulated Businesses	1,223	(4)	1,219
Other	105	(1)	104
Total operating revenues	\$ 1,328	\$ (5)	\$ 1,323

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2025:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,936	\$ —	\$ 1,936
Commercial	742	—	742
Fire service	139	—	139
Industrial	146	—	146
Public and other	238	—	238
Total water services	3,201	—	3,201
Wastewater services:			
Residential	214	—	214
Commercial	64	—	64
Industrial	17	—	17
Public and other	21	—	21
Total wastewater services	316	—	316
Miscellaneous utility charges	38	—	38
Alternative revenue programs	—	11	11
Lease contract revenue	—	4	4
Total Regulated Businesses	3,555	15	3,570
Other	300	(1)	299
Total operating revenues	\$ 3,855	\$ 14	\$ 3,869

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2024:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,760	\$ 3	\$ 1,763
Commercial	656	3	659
Fire service	123	—	123
Industrial	137	1	138
Public and other	217	—	217
Total water services	2,893	7	2,900
Wastewater services:			
Residential	180	1	181
Commercial	52	—	52
Industrial	9	—	9
Public and other	28	—	28
Total wastewater services	269	1	270
Miscellaneous utility charges	33	—	33
Alternative revenue programs	—	(5)	(5)
Lease contract revenue	—	6	6
Total Regulated Businesses	3,195	9	3,204
Other	280	(1)	279
Total operating revenues	\$ 3,475	\$ 8	\$ 3,483

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings, and cash collections. In the Company's Military Services Group ("MSG"), certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$153 million and \$84 million are included in Unbilled revenues on the Consolidated Balance Sheets as of September 30, 2025, and December 31, 2024, respectively. Also, contract assets of \$2 million and \$39 million are included in other long-term assets on the Consolidated Balance Sheets as of September 30, 2025, and December 31, 2024, respectively. Contract liabilities of \$16 million and \$40 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2025, and December 31, 2024, respectively. Also, contract liabilities of \$31 million and \$14 million are included in other long-term liabilities on the Consolidated Balance Sheets as of September 30, 2025, and December 31, 2024, respectively. Revenues recognized for the nine months ended September 30, 2025 and 2024, from amounts included in contract liabilities were \$72 million and \$82 million, respectively.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of September 30, 2025, the Company's operation and maintenance ("O&M") and capital improvement contracts have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2073 and have RPOs of \$7.4 billion as of September 30, 2025, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of \$533 million as of September 30, 2025, as measured by estimated remaining contract revenue.

Note 5: Acquisitions and Divestitures***Regulated Businesses***

During the nine months ended September 30, 2025, the Company closed on ten acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$29 million, which added approximately 11,000 water and wastewater customers. This includes the Company's acquisition of the Audubon Water Company effective May 28, 2025, for a total consideration of \$7 million, in the form of 48,381 shares of parent company common stock, net of an indemnity escrow claim. Assets acquired from the ten acquisitions, principally utility plant, totaled \$44 million and liabilities assumed totaled \$22 million, including assumed debt of \$12 million. The Company recorded goodwill of \$7 million associated with three of its acquisitions, which is reported in the Company's Regulated Businesses segment. Five of these acquisitions were accounted for as a business combination and the purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date.

The pro forma impact of the Company's business combinations was not material to the Consolidated Statements of Operations for the periods ended September 30, 2025 and 2024.

Secured Seller Promissory Note from the Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised the Homeowner Services Group ("HOS") to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately \$1.275 billion. The outstanding consideration as of September 30, 2025, is a secured seller note payable in cash and issued by the Buyer in the principal amount of \$795 million, with an interest rate of 10.00% per year. The Company recognized \$20 million of interest income during each of the three months ended September 30, 2025 and 2024, and \$60 million and \$57 million of interest income during the nine months ended September 30, 2025 and 2024, respectively, from the secured seller note. The final maturity date of the secured seller note is December 9, 2026.

The secured seller note may not be repaid at the Buyer's election (except in certain limited circumstances) before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the secured seller note in breach of this non-call provision, an event of default will occur under the secured seller note and the Company may, among other actions, demand repayment in full together with a premium of 105.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

Note 6: Shareholders' Equity***Equity Forward Sale Agreements***

In August 2025, the Company entered into separate forward sale agreements (the "Forward Sale Agreements") with several forward purchasers relating to an aggregate of 8,098,592 shares of the Company's common stock at an initial forward price of \$139.657 per share, which is equal to the price to public per share less an underwriting discount. Each Forward Sale Agreement will be physically settled unless the Company elects to settle such Forward Sale Agreement in cash or to net share settle such Forward Sale Agreement (which the Company has the right to do, subject to certain conditions, other than in the limited circumstances set forth in the Forward Sale Agreements). The Forward Sale Agreements provide for settlement on a settlement date or dates to be specified at the Company's discretion on or prior to December 31, 2026. To the extent the Forward Sale Agreements are physically settled, the Company will issue common stock to the forward purchasers and receive cash proceeds based on the applicable forward sale price on the settlement date as defined in the Forward Sale Agreements.

As of September 30, 2025, the Company did not receive any proceeds from the sale of its common stock connected to the Forward Sale Agreements. The Company estimates that it will receive total net proceeds of approximately \$1,131 million, before deducting estimated offering expenses, subject to the price adjustment and other provisions of the Forward Sale Agreements, in the event of full physical settlement of all of the Forward Sale Agreements. The Company intends to use any net cash proceeds that it may receive upon a settlement of the Forward Sale Agreements for general corporate purposes. The Forward Sale Agreements will be classified as equity transactions because they are indexed to the Company's common stock and physical settlement is within the Company's control.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended September 30, 2025 and 2024, respectively:

	Defined Benefit Pension Plans			Gain (Loss) on Cash Flow Hedges	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Income (Loss)
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss			
Balance as of June 30, 2025	\$ (95)	\$ 1	\$ 75	\$ 25	\$ (1)	\$ 5
Other comprehensive loss before reclassifications	—	—	—	(1)	—	(1)
Net other comprehensive loss	—	—	—	(1)	—	(1)
Balance as of September 30, 2025	\$ (95)	\$ 1	\$ 75	\$ 24	\$ (1)	\$ 4
Balance as of June 30, 2024	\$ (96)	\$ 1	\$ 75	\$ 10	\$ 3	\$ (7)
Other comprehensive (loss) income before reclassifications	—	—	—	(2)	1	(1)
Net other comprehensive (loss) income	—	—	—	(2)	1	(1)
Balance as of September 30, 2024	\$ (96)	\$ 1	\$ 75	\$ 8	\$ 4	\$ (8)

Presented in the table below are the changes in accumulated other comprehensive income (loss) by component, net of tax, for the nine months ended September 30, 2025 and 2024, respectively:

	Defined Benefit Pension Plans			Gain (Loss) on Cash Flow Hedges	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Income (Loss)
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss			
Balance as of December 31, 2024	\$ (95)	\$ 1	\$ 74	\$ 30	\$ 2	\$ 12
Other comprehensive (loss) income before reclassifications	—	—	—	(6)	1	(5)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	1	—	(4)	(3)
Net other comprehensive income (loss)	—	—	1	(6)	(3)	(8)
Balance as of September 30, 2025	\$ (95)	\$ 1	\$ 75	\$ 24	\$ (1)	\$ 4
Balance as of December 31, 2023	\$ (96)	\$ 1	\$ 74	\$ (9)	\$ 4	\$ (26)
Other comprehensive income before reclassifications	—	—	—	17	—	17
Amounts reclassified from accumulated other comprehensive income	—	—	1	—	—	1
Net other comprehensive income	—	—	1	17	—	18
Balance as of September 30, 2024	\$ (96)	\$ 1	\$ 75	\$ 8	\$ 4	\$ (8)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive income (loss) directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in Interest expense in the accompanying Consolidated Statements of Operations.

An unrealized gain (loss) on available-for-sale fixed-income securities is reclassified to net income upon sale of the securities as a realized gain or loss and is included in Other, net in the accompanying Consolidated Statements of Operations.

Dividends

On September 3, 2025, the Company paid a quarterly cash dividend of \$0.8275 per share to shareholders of record as of August 12, 2025.

On October 28, 2025, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.8275 per share, payable on December 2, 2025, to shareholders of record as of November 13, 2025. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

On August 8, 2025, American Water Capital Corp. ("AWCC") completed the sale of \$900 million aggregate principal amount of its 5.700% Senior Notes due 2055. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$887 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay commercial paper obligations of AWCC; and (iii) for general corporate purposes.

On February 27, 2025, AWCC completed the sale of \$800 million aggregate principal amount of its 5.250% Senior Notes due 2035. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC's 3.400% Senior Notes due 2025; (iii) to repay commercial paper obligations of AWCC; and (iv) for general corporate purposes.

In addition to the notes issued by AWCC as described above, during the nine months ended September 30, 2025, the Company's regulated subsidiaries issued in the aggregate \$84 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 3.71%, a weighted average interest rate of 2.39%, and maturity dates ranging from 2025 through 2054. The private activity bonds and government funded debt issued by the Company's regulated subsidiaries during the nine months ended September 30, 2025, were collateralized. During the nine months ended September 30, 2025, AWCC and the Company's regulated subsidiaries made sinking fund payments for, repaid at maturity, or settled \$650 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 8.58%, a weighted average interest rate of 3.03%, and maturity dates ranging from 2025 to 2061.

As of September 30, 2025, the Company had two treasury lock agreements, with a term of 10 years and 30 years and an aggregate notional amount totaling \$100 million, to reduce interest rate exposure on expected future debt issuances. These treasury lock agreements terminate in June 2026 and September 2026 and have an average fixed interest rate of 4.55%. The Company designated these treasury lock agreements as cash flow hedges, measured at fair value with the gain or loss recorded in accumulated other comprehensive income.

In May 2025 and August 2025, the Company terminated two and nine treasury lock agreements, respectively, designated as cash flow hedges, with a term of 30 years and an aggregate notional amount totaling \$100 million and \$350 million, respectively, realizing a pre-tax net gain of \$12 million and \$1 million, respectively, recorded in accumulated other comprehensive income. The gain will be amortized through Interest expense over a 30-year period, in accordance with the tenor of the notes issued on August 8, 2025.

In February 2025, the Company terminated 10 treasury lock agreements designated as cash flow hedges, with a term of 10 years and an aggregate notional amount totaling \$500 million, realizing a pre-tax net gain of \$3 million recorded in accumulated other comprehensive income. The gain will be amortized through Interest expense over a 10-year period, in accordance with the tenor of the notes issued on February 27, 2025.

No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2025 or 2024.

On June 29, 2023, AWCC issued \$1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately \$1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased, and are included in Current portion of long-term debt on the Consolidated Balance Sheets.

The Notes are exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per \$1,000 principal amount of Notes (equivalent to an initial exchange price of approximately \$171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the "Note Indenture"). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes are exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (i) pay cash up to the aggregate principal amount of the Notes and (ii) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC's exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, issuances of commercial paper and equity and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. AWCC maintains an unsecured revolving credit facility which provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 26, 2029. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit for the issuance of up to \$150 million in letters of credit. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million.

Short-term debt consists of commercial paper borrowings totaling \$1,005 million and \$880 million as of September 30, 2025, and December 31, 2024, respectively, or net of discount \$1,005 million and \$879 million as of September 30, 2025, and December 31, 2024, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.26% and 4.65% at September 30, 2025, and December 31, 2024, respectively. At September 30, 2025, and December 31, 2024, AWCC had no outstanding borrowings under the revolving credit facility and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2025		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,005)	(84)	(1,089)
Remaining availability as of September 30, 2025	\$ 1,595	\$ 66	\$ 1,661

(a) Total remaining availability of \$1.7 billion as of September 30, 2025, was accessible through revolver draws.

	As of December 31, 2024		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(880)	(82)	(962)
Remaining availability as of December 31, 2024	\$ 1,720	\$ 68	\$ 1,788

(a) Total remaining availability of \$1.8 billion as of December 31, 2024, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2025, and December 31, 2024, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2025	\$ 166	\$ 1,661	\$ 1,827
Available liquidity as of December 31, 2024	\$ 96	\$ 1,788	\$ 1,884

Note 9: Income Taxes

The Company's effective income tax rate was 23.3% and 22.7% for the three months ended September 30, 2025 and 2024, respectively, and 23.4% and 23.1% for the nine months ended September 30, 2025 and 2024, respectively. The increase in the Company's effective income tax rate for the three and nine months ended September 30, 2025, was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders.

On July 4, 2025, the One Big Beautiful Bill Act (the "OBBB") was signed into law. The OBBB includes several corporate tax-related provisions. Key changes include the permanent extension of certain provisions from the Tax Cuts and Jobs Act of 2017, such as 100% bonus depreciation and Section 163(j) interest limitation exception for regulated utilities, as well as the immediate expensing of domestic research and development costs, and the introduction of a new charitable contribution floor for corporations. The OBBB has not had a material impact on the Company's Consolidated Financial Statements. The Company will continue to monitor the implementation and any related guidance.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a 15% Corporate Alternative Minimum Tax ("CAMT") provision on applicable corporations effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed \$1.0 billion. An applicable corporation must make several adjustments to net income when determining AFSI. A corporation paying CAMT is eligible for a future tax credit, which can be carried forward indefinitely and utilized when regular tax exceeds CAMT. Based on current guidance, the Company is an applicable corporation subject to CAMT beginning in 2024. The Company included the CAMT liability in its 2024 extension payment on April 15, 2025. As of September 30, 2025, the Company has a CAMT credit carryforward of \$177 million.

On June 2, 2025, the Internal Revenue Service ("IRS") and the U.S. Treasury issued Notice 2025-27, allowing corporate taxpayers to exclude amounts attributable to the CAMT liability, without penalty, from estimated tax payments with respect to a taxable year that begins after December 31, 2024, and before January 1, 2026. The Company plans to include the CAMT liability in its 2025 extension payment on April 15, 2026. The Company will continue to assess the impacts of the IRA as the U.S. Treasury and the IRS provide further guidance.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit costs:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Components of net periodic pension benefit cost:				
Service cost	\$ 4	\$ 4	\$ 11	\$ 13
Interest cost	22	21	65	63
Expected return on plan assets	(22)	(24)	(67)	(71)
Amortization of prior service credit	—	(1)	(2)	(3)
Amortization of actuarial loss	6	6	17	18
Net periodic pension benefit cost	<u>\$ 10</u>	<u>\$ 6</u>	<u>\$ 24</u>	<u>\$ 20</u>
Components of net periodic other postretirement benefit credit:				
Service cost	\$ 1	\$ 1	\$ 1	\$ 2
Interest cost	3	3	9	9
Expected return on plan assets	(3)	(3)	(9)	(9)
Amortization of prior service credit	(8)	(8)	(24)	(24)
Net periodic other postretirement benefit credit	<u>\$ (7)</u>	<u>\$ (7)</u>	<u>\$ (23)</u>	<u>\$ (22)</u>

The Company contributed \$11 million and \$33 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2025, respectively, and contributed \$11 million and \$33 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2024, respectively. The Company expects to make additional pension contributions to the plan trusts of \$11 million during the remainder of 2025.

Note 11: Commitments and Contingencies
Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2025, the Company has accrued approximately \$16 million of probable loss contingencies and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies arising out of such legal actions, which can be reasonably estimated, is \$4 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such legal actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Class Action Litigation Settlement

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed, and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. Trial in this matter had been scheduled for January 2025.

On January 17, 2025, before trial commenced, the parties notified the Circuit Court that an agreement in principle to settle this litigation was reached among the parties. On May 2, 2025, the parties jointly filed with the Circuit Court a proposed class action settlement agreement (the "Dunbar Settlement") with respect to claims by the *Jeffries* plaintiffs, and, on May 5, 2025, the Circuit Court issued an order granting preliminary approval of the Dunbar Settlement. On September 11, 2025, the Circuit Court held its final fairness hearing and issued an order on September 12, 2025, granting final approval of the Dunbar Settlement. Under the terms of the approved Dunbar Settlement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The maximum pre-tax amount of the Dunbar Settlement is approximately \$18 million, and the final amount of the Company's and WVAWC's contributions to the Dunbar Settlement is expected to be \$5 million, with the remainder being contributed by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through the Dunbar Settlement will depend upon the claims approved through the claims process, and WVAWC has paid approximately \$2 million as of September 30, 2025. The deadline for claims submissions was August 25, 2025, and the settlement administrator is evaluating claim submissions to identify compensable claims. As a result of the foregoing, the Company has maintained as of September 30, 2025 its previously recorded charge to earnings, net of expected insurance receivables, of \$5.0 million (\$3.9 million after-tax). The Company intends to fund its and WVAWC's contributions to the Dunbar Settlement through existing sources of liquidity.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest.

In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. In January 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. In February 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. In September 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. In October 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On June 14, 2024, the court issued its written order denying the Tennessee Plaintiffs' amended class and incorporating its denial of certification of the original residential class. On June 21, 2024, the Tennessee Plaintiffs appealed both of the court's orders denying class certification. This appeal remains pending.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint. TAWC will continue to vigorously defend itself against these allegations. Given the current stage of this proceeding, the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia (“Mountaineer Gas”). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,500 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas’s main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits, with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the class action lawsuits before a single judge in Kanawha County Circuit Court. On June 14, 2024, the judge in the *Ruffin* case partially granted the motion by transferring all of the four class action lawsuits to her court but deferring as premature consolidation of the cases.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys’ fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. On March 6, 2024, the motion to transfer this complaint to the West Virginia Business Court was granted and trial and resolution judges were assigned. Mountaineer Gas voluntarily dismissed its implied indemnity count against WVAWC, rendering moot WVAWC’s partial motion to dismiss, and on May 31, 2024, WVAWC answered the complaint. The West Virginia Business Court has set a trial date for this matter, which has been reset to August 10, 2026.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three class action lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. Mountaineer Gas subsequently voluntarily dismissed its cross-claims. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. On February 19, 2024, Mountaineer Gas filed a motion opposing the referral of the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On May 31, 2024, the West Virginia Supreme Court denied the motion seeking referral. The Kanawha County Circuit Court has set a trial date of February 2, 2026, for the class action complaints.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to \$2,000 in damages per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. In light of the diminishing number of new claims that had been filed, the claims process was concluded on March 8, 2024. As of December 31, 2024, a total of 594 Mountaineer Gas customers completed this claims process, and each of those customers has been paid by WVAWC an average of approximately \$1,500. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation.

On April 24, 2024, the staff issued a final joint memorandum in the Mountaineer Gas general investigation stating its view that Mountaineer Gas responded appropriately, reasonably and according to Mountaineer Gas's written procedures. The staff is making no recommendations for improvements to Mountaineer Gas and is recommending that the Mountaineer Gas general investigation be closed. On July 24, 2024, the staff issued a final joint memorandum in the WVAWC general investigation finding no indication of systematic failure by WVAWC and concluding WVAWC's maintenance and operating procedures were adequate to ensure safe and reliable service, subject to the implementation by WVAWC of three recommended operational improvements. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has valid, meritorious defenses to such claims. WVAWC continues to defend itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above, and the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"), as well as an expanded aquifer storage and recovery program. The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is and has been subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs, plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$310 million in aggregate costs as of September 30, 2025, related to the Water Supply Project, which includes \$102 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. On May 21, 2025, the CPUC issued a decision authorizing an increase to the cost cap of \$11 million for the specified extraction wells.

The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings were held in March 2024. On May 9, 2025, the CPUC issued a proposed decision in Phase 2, finding that without the Water Supply Project, projected demand will outstrip supply by approximately 2,500 acre-feet per year for 2050. On August 14, 2025, the CPUC approved a final decision updating the supply and demand estimates for the Water Supply Project, finding that the projected demand will outstrip supply by approximately 2,600 acre-feet per year for 2050. On September 17, 2025, the City of Marina (the "City"), the Marina Coast Water District ("MCWD") and the MPWMD filed applications for rehearing of the final decision. On September 22, 2025, these parties also filed a motion to stay the final decision. On October 9, 2025, the CPUC issued a factual correction to the final decision to find that the projected demand will outstrip supply by approximately 2,500 acre-feet per year for 2050 and did not rule on the other motions.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$123 million in previously approved aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its September 2016 decision, its December 2022 decision (as amended by its March 2023 rehearing decision), and its May 2025 decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the “Marina Application”) to the City for those project components of the Water Supply Project located within the City’s coastal zone. Members of the City’s Planning Commission, as well as City councilpersons, publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City’s code and the California Coastal Act. At the same time, Cal Am submitted an application (the “Original Jurisdiction Application”) to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission’s original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff’s environmental justice concerns. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. In December 2022, the City, MCWD, MCWD’s groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of slant wells for the Water Supply Project. Cal Am is named as a real party in interest. On April 24, 2024, the court granted defendants’ motion for judgment on the pleadings and dismissed one of MCWD’s causes of action in the petition. A trial commenced on December 9, 2024, and further proceedings continued in January 2025. On May 12, 2025, the court entered its final decision denying the petition in full. On July 24, 2025, a notice of appeal was filed in this matter.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2024, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2025 and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

Cal Am’s Action for Damages Following Termination of Regional Desalination Project (“RDP”)

In 2010, the CPUC had approved the RDP, which was a precursor to the current Water Supply Project and called for the construction of a desalination facility in the City. The RDP was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the “Agreements”) among MCWD, Cal Am and the Monterey County Water Resources Agency (“MCWRA”). In 2011, due to a conflict of interest concerning a former member of MCWRA’s Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In ensuing litigation filed by Cal Am in 2012 to resolve the termination of the RDP, the court in 2015 entered a final judgment agreeing with Cal Am’s position that four of the five Agreements are void, and one, the credit line agreement, is not void. As a result of this litigation, Cal Am was permitted to institute further proceedings, discussed below, to determine the amount of damages that may be awarded to Cal Am as a result of the failure of the RDP.

In 2015, Cal Am and MCWRA filed a complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm (“RMC”), seeking to recover compensatory, consequential and incidental damages associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys’ fees. In 2019, MCWD was granted a motion for summary judgment related to the tort claims in the complaint. A settlement as to the non-tort claims was finalized and entered into in March 2020. As part of this settlement, Cal Am’s and MCWRA’s right to appeal the dismissal of their tort claims against MCWD were expressly reserved, and, in July 2020, Cal Am filed its appeal. In December 2022, the trial court’s decision was reversed on appeal with instructions to vacate its prior orders granting MCWD’s motions for summary judgment and to enter new orders denying the motions. In February 2023, MCWD filed a petition for review of the appellate decision with the California Supreme Court, which was denied in March 2023. On June 27, 2024, MCWD filed a motion for judgment on the pleadings. Following a hearing, on December 5, 2024, the court granted MCWD’s motion without leave to amend, dismissing all of Cal Am’s remaining tort claims. Final judgment was entered on January 7, 2025. On February 27, 2025, Cal Am and MCWRA each filed a Notice of Appeal of the trial court’s decision. This matter remains pending.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

The water system assets of Cal Am located in Monterey, California (the “Monterey system assets”) are the subject of a condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (i) an estimate of the Monterey system assets’ total value plus adjustments would be approximately \$513 million, (ii) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (iii) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD’s project to (i) acquire the Monterey system assets through the power of eminent domain, if necessary, and (ii) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County (“LAFCO”) seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD’s boundaries. In June 2021, LAFCO’s commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO’s commissioners denied the MPWMD’s application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD’s application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD’s lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD’s lawsuit.

In December 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD’s application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey system assets) and, if requested, to re-hear the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO’s factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD’s application upon request. On February 8, 2024, and February 9, 2024, respectively, Cal Am and LAFCO each filed a notice of appeal with the California Court of Appeal regarding the Monterey County Superior Court’s decision to issue the writ of mandate. The MPWMD filed a notice of cross-appeal on February 15, 2024. Cal Am is evaluating potential additional actions to seek to uphold LAFCO’s denial of the MPWMD’s application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

MPWMD Condemnation Action

Separate from the proceedings related to the MPWMD’s application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requested access to a number of Cal Am’s properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am’s system without LAFCO approval to become a retail water provider. In April 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for \$448.8 million. Over the written and oral objections of Cal Am, at a hearing held in October 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets.

In December 2023, the MPWMD filed a lawsuit against Cal Am in Monterey County Superior Court seeking to condemn the Monterey system assets. On February 26, 2024, Cal Am filed a motion requesting the Monterey County Superior Court dismiss the MPWMD's lawsuit. Cal Am's motion asserted that the MPWMD lacks legal authorization from both the California legislature and LAFCO to become a retail water provider and the lawsuit improperly seeks to effect a taking of property outside the boundaries of the MPWMD's territory. Hearings on the motion were held on May 3, 2024, and August 23, 2024. On November 14, 2024, the court issued a final ruling denying Cal Am's motion to dismiss. Cal Am filed its answer to the complaint on December 13, 2024. On August 20, 2025, Cal Am filed a motion for summary judgment, alleging that without LAFCO approval, the MPWMD does not have legal authority to pursue eminent domain. On the same date, the MPWMD filed a motion for summary adjudication of the same issue, arguing that LAFCO approval is not required to proceed with this action. Both motions are scheduled for court hearing on December 12, 2025. This matter remains pending.

While the Company cannot currently predict the outcome of the MPWMD's eminent domain lawsuit, the Company believes that, given existing legal authorities and its other defenses, Cal Am should be able to defend itself successfully against this lawsuit.

PFAS Multi-District Litigation

Several of the Company's utility subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit, which commenced on December 7, 2018, in the U.S. District Court for the District of South Carolina, against manufacturers of certain per- and polyfluoroalkyl substances (collectively, "PFAS") for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. Settlements with several defendants in the MDL have received final approval by the MDL court. During the third quarter of 2024 and the first quarter of 2025, the Company timely submitted to the MDL court its Phase One claim forms under settlement agreements with defendants 3M Company, The Chemours Company, Corteva, Inc., DuPont de Nemours, Inc., Tyco Fire Products LP and BASF Corporation.

As of September 30, 2025, the Company has received settlement payments from defendant 3M Company totaling \$135 million, net of legal fees and administrative costs. The Company intends to seek regulatory approval from its respective public utility commissions to apply the net proceeds for the benefit of customers. As of September 30, 2025, these funds are being held in a law firm escrow account and are awaiting distribution to the Company's utility subsidiaries that are parties to the MDL after receiving approval from the applicable public utility commissions. The funds have been recorded on the Company's Consolidated Balance Sheet within other current assets, as of September 30, 2025. A corresponding amount has been recorded as a regulatory liability given that the Company intends to seek appropriate regulatory approvals as noted above. The Company anticipates that, during the remainder of 2025, it may receive one or more additional settlement payments from the defendants named above.

The Company has also become aware of a number of substantially similar personal injury short-form complaints that had been filed in the MDL naming, in addition to various other water providers and manufacturers, certain Company utility subsidiaries as defendants. The Company believes that the claims asserted are without merit and the relevant utility subsidiaries have valid, meritorious defenses to the claims. In October 2025, all MDL personal injury complaints that the Company had been made aware of were dismissed by the plaintiffs without prejudice.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Numerator:				
Net income attributable to common shareholders	\$ 379	\$ 350	\$ 873	\$ 812
Denominator:				
Weighted-average common shares outstanding—Basic	195	195	195	195
Effect of dilutive common stock equivalents	—	—	—	—
Effect of dilutive forward sale agreements	—	—	—	—
Weighted-average common shares outstanding—Diluted	195	195	195	195

The effect of dilutive common stock equivalents is related to outstanding restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted under the Company’s 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company’s 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2025 and 2024, because their effect would have been anti-dilutive under the treasury stock method.

Dilutive earnings per common share reflects the dilutive impact of potential issuances of shares of common stock associated with the outstanding equity Forward Sale Agreements entered in August 2025. The dilutive effect of equity forwards is determined under the treasury stock method. Share dilution occurs when the average market price of the Company’s common stock for the reporting period is higher than the adjusted forward sales price at the end of the reporting period. There were less than one million shares related to the Forward Sale Agreements included in the computation of diluted EPS for the three and nine months ended September 30, 2025.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For both periods presented, there was no dilution resulting from the Notes. See Note 7—Long-Term Debt for additional information relating to the Notes.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

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

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

Secured seller promissory note from the sale of the Homeowner Services Group—The carrying amount reported on the Consolidated Balance Sheets for the secured seller promissory note, included as part of the consideration from the sale of HOS, is \$795 million as of September 30, 2025, and December 31, 2024. This amount represents the principal amount owed under the secured seller promissory note, for which the Company expects to receive full payment. The accounting fair value measurement of the secured seller promissory note approximated \$799 million and \$793 million as of September 30, 2025, and December 31, 2024, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The secured seller promissory note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company’s financial instruments:

	As of September 30, 2025				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt	14,291	11,743	1,062	610	13,415
As of December 31, 2024					
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt	13,155	10,165	1,050	658	11,873

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

As of September 30, 2025				
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 43	\$ —	\$ —	\$ 43
Rabbi trust investments	31	—	—	31
Deposits	146	—	—	146
Other investments:				
Money market and other	22	—	—	22
Fixed-income securities	50	7	—	57
Total assets	292	7	—	299
Liabilities:				
Deferred compensation obligations	36	—	—	36
Mark-to-market derivative liability	—	1	—	1
Total liabilities	36	1	—	37
Total assets	\$ 256	\$ 6	\$ —	\$ 262

As of December 31, 2024				
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 44	\$ —	\$ —	\$ 44
Rabbi trust investments	29	—	—	29
Deposits	6	—	—	6
Other investments:				
Money market and other	21	—	—	21
Fixed-income securities	88	6	—	94
Mark-to-market derivative asset	—	24	—	24
Total assets	188	30	—	218
Liabilities:				
Deferred compensation obligations	34	—	—	34
Total liabilities	34	—	—	34
Total assets	\$ 154	\$ 30	\$ —	\$ 184

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects. Long-term restricted funds of \$32 million and \$15 million were included in other long-term assets on the Consolidated Balance Sheets as of September 30, 2025, and December 31, 2024, respectively.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds, including the initial settlement payment from the MDL, and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company’s deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company’s deferred compensation obligations is based on the market value of the participants’ notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on quoted prices for identical assets in active markets.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company includes mark-to-market derivative assets in other current assets and mark-to-market derivative liabilities in other current liabilities on the Consolidated Balance Sheets.

Other investments—The Company maintains a Voluntary Employees’ Beneficiary Association trust for purposes of paying active union employee medical benefits (“Active VEBA”). The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed-income securities.

The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on quoted prices for identical assets in active markets and therefore included in the recurring fair value measurements hierarchy as Level 1.

The available-for-sale fixed-income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

As of September 30, 2025, the Company had current assets of \$79 million included in Other and had no long-term assets on the Consolidated Balance Sheets for other investments measured and recorded at fair value. As of December 31, 2024, the Company had current assets of \$71 million included in Other and \$44 million of other long-term assets included in Other on the Consolidated Balance Sheets for other investments measured and recorded at fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed-income securities:

	As of September 30, 2025			
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale fixed-income securities	\$ 58	\$ —	\$ 1	\$ 57

	As of December 31, 2024			
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale fixed-income securities	\$ 94	\$ 2	\$ 2	\$ 94

The fair value of the Company’s available-for-sale fixed-income securities, summarized by contractual maturities, as of September 30, 2025, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	\$ 19
1 year - 5 years	26
5 years - 10 years	5
Greater than 10 years	7
Total	<u>\$ 57</u>

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 39 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$143 million as of September 30, 2025, and December 31, 2024. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and are excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$1 million in 2025, \$4 million each year in 2026 through 2029, and \$37 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were \$4 million and \$3 million for the three months ended September 30, 2025 and 2024, respectively, and \$10 million and \$9 million for the nine months ended September 30, 2025 and 2024, respectively.

For the three and nine months ended September 30, 2025, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was \$3 million and \$9 million, respectively. For the nine months ended September 30, 2025, there were ROU assets obtained in exchange for new operating lease liabilities of \$7 million.

As of September 30, 2025, the weighted-average remaining lease term of the operating leases was 18 years, and the weighted-average discount rate of the operating leases was 5%.

The future maturities of lease liabilities as of September 30, 2025, were \$3 million in 2025, \$11 million in 2026, \$11 million in 2027, \$8 million in 2028, \$7 million in 2029, and \$89 million thereafter. As of September 30, 2025, imputed interest was \$47 million.

Note 15: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment also includes inter-segment revenues, costs and interest which are eliminated to reconcile to the Consolidated Statements of Operations.

The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP and are collectively presented throughout this Form 10-Q within "Other," which is consistent with how management assesses the results of these businesses. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The Company's chief operating decision maker is the President and Chief Executive Officer. The chief operating decision maker uses segment net income or loss to evaluate profit generated from segment assets when making decisions about allocating resources. The chief operating decision maker also uses segment net income to monitor budget versus actual results to assess the performance of the segment.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended September 30, 2025		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 1,343	\$ 108	\$ 1,451
Less:			
Operation and maintenance (a)	433	90	523
Other segment items (b)	70	3	73
Depreciation and amortization	224	2	226
Interest expense	122	36	158
Interest income	(1)	(22)	(23)
Provision for income taxes	112	3	115
Net income (loss) attributable to common shareholders	\$ 383	\$ (4)	\$ 379
Total assets	\$ 31,874	\$ 2,874	\$ 34,748
Cash paid for capital expenditures	\$ 792	\$ 5	\$ 797

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Other operating expenses, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

	As of or for the Three Months Ended September 30, 2024		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 1,219	\$ 104	\$ 1,323
Less:			
Operation and maintenance (a)	402	94	496
Other segment items (b)	62	2	64
Depreciation and amortization	196	4	200
Interest expense	107	25	132
Interest income	(6)	(16)	(22)
Provision for income taxes	102	1	103
Net income (loss) attributable to common shareholders	\$ 356	\$ (6)	\$ 350
Total assets	\$ 29,238	\$ 2,552	\$ 31,790
Cash paid for capital expenditures	\$ 683	\$ —	\$ 683

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

	As of or for the Nine Months Ended September 30, 2025		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,570	\$ 299	\$ 3,869
Less:			
Operation and maintenance (a)	1,234	237	1,471
Other segment items (b)	205	4	209
Depreciation and amortization	654	9	663
Interest expense	352	101	453
Interest income	(3)	(64)	(67)
Provision for income taxes	256	11	267
Net income attributable to common shareholders	\$ 872	\$ 1	\$ 873
Total assets	\$ 31,874	\$ 2,874	\$ 34,748
Cash paid for capital expenditures	\$ 2,070	\$ 8	\$ 2,078

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Other operating expenses, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

	As of or for the Nine Months Ended September 30, 2024		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,204	\$ 279	\$ 3,483
Less:			
Operation and maintenance (a)	1,109	230	1,339
Other segment items (b)	186	5	191
Depreciation and amortization	569	12	581
Interest expense	306	81	387
Interest income	(14)	(57)	(71)
Provision for income taxes	233	11	244
Net income (loss) attributable to common shareholders	\$ 815	\$ (3)	\$ 812
Total assets	\$ 29,238	\$ 2,552	\$ 31,790
Cash paid for capital expenditures	\$ 1,954	\$ 8	\$ 1,962

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Other operating expenses, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

Note 16: Subsequent Events

Execution of Agreement and Plan of Merger with Essential Utilities, Inc.

On October 26, 2025, parent company entered into an Agreement and Plan of Merger (the “Essential Merger Agreement”) with Essential Utilities, Inc. (“Essential”) to combine the two companies in a stock-for-stock transaction. The Essential Merger Agreement provides that, upon the completion of the proposed merger, Essential’s shareholders will receive 0.305 shares of parent company common stock in exchange for each share of Essential common stock eligible for exchange in the merger. Upon completion of the proposed merger, Essential will be a wholly owned subsidiary of parent company, which will retain its existing name and remain headquartered in Camden, New Jersey. The Company will continue to maintain substantial operations in Pennsylvania, including Essential’s offices in Bryn Mawr, Pennsylvania, and Pittsburgh, Pennsylvania.

Completion of the proposed merger is subject to certain customary conditions, including, among others, approvals by each of parent company's and Essential's shareholders, the receipt of required approvals from all applicable public utility commissions on such terms and conditions that would not, individually or in the aggregate, result in a Burdensome Effect (as defined in the Essential Merger Agreement), and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. There can be no guarantee that all of the closing conditions and approvals will be satisfied, and the failure to complete the proposed merger on a timely basis or at all may adversely affect the Company's financial condition and results of operations. The Company currently estimates that the closing of the proposed merger will occur by the end of the first quarter of 2027.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2024. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three and nine months ended September 30, 2025, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were \$1.94 and \$4.47, respectively, compared to \$1.80 and \$4.17 per share in the same periods in 2024. The increase was primarily driven by the implementation of new rates in the Regulated Businesses from the recovery of capital and acquisition investments. Results also reflect increased operating costs and higher depreciation and financing costs to support the current capital investment plan. Results for the three and nine months ended September 30, 2025, reflect the net impact of weather compared to normal, estimated at \$0.03 favorable and flat per share, respectively. Results for the three and nine months ended September 30, 2024, reflect the net favorable impact of warmer, drier weather compared to normal, estimated at \$0.04 and \$0.07 per share, respectively.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the substantial majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, (ii) regulated acquisitions to expand the Company's services to new customers and (iii) organic growth in existing systems. The Company currently plans to invest approximately \$3.2 billion in these growth strategies in 2025. During the first nine months of 2025, the Company invested \$2.2 billion, in the Regulated Businesses, as discussed below.

- \$2.1 billion capital investment in the Regulated Businesses for infrastructure improvements and replacements; and
- \$30 million to fund acquisitions in the Regulated Businesses, which added approximately 11,000 customers. This includes the Company's acquisition effective May 28, 2025, of all the outstanding capital stock of Audubon Water Company, for total consideration of \$7 million in the form of shares of parent company common stock.
- Approximately 14,600 new customers were added through organic growth in existing systems.

Excluding the Essential Merger Agreement (as defined below), as of September 30, 2025, the Company had entered into 24 agreements with a total aggregate purchase price of \$572 million for pending acquisitions in the Regulated Businesses to add approximately 98,000 additional customers.

Execution of Agreement and Plan of Merger with Essential

On October 26, 2025, parent company entered into an Agreement and Plan of Merger with Essential (the “Essential Merger Agreement”) to combine the two companies in a stock-for-stock transaction. The Essential Merger Agreement provides that, upon the completion of the proposed merger, Essential’s shareholders will receive 0.305 shares of parent company common stock in exchange for each share of Essential common stock eligible for exchange in the merger. Upon completion of the proposed merger, Essential will be a wholly owned subsidiary of parent company, which will retain its existing name and remain headquartered in Camden, New Jersey. The Company will continue to maintain substantial operations in Pennsylvania, including Essential’s offices in Bryn Mawr and Pittsburgh, Pennsylvania.

Completion of the proposed merger is subject to certain customary conditions, including, among others, approvals by each of parent company’s and Essential’s shareholders, the receipt of required approvals from all applicable PUCs on such terms and conditions that would not, individually or in the aggregate, result in a Burdensome Effect (as defined in the Essential Merger Agreement), and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. There can be no guarantee that all of the closing conditions and approvals will be satisfied, and the failure to complete the proposed merger on a timely basis or at all may adversely affect the Company’s financial condition and results of operations. The Company currently estimates that the closing of the proposed merger will occur by the end of the first quarter of 2027.

Execution of Purchase and Sale Agreement with Nexus Regulated Utilities, LLC

On May 19, 2025, the Company entered into a Purchase and Sale Agreement (the “Purchase Agreement”) with Nexus Regulated Utilities, LLC (“Seller”), a subsidiary of Nexus Water Group, Inc., a privately-held water and wastewater utility. Seller directly owns all of the issued and outstanding equity interests in specified entities (collectively, the “Acquired Entities”) that own regulated water and wastewater system assets located in Illinois, Indiana, Kentucky, Maryland, New Jersey, Pennsylvania, Tennessee and Virginia. Under the terms of the Purchase Agreement, the Company has agreed to acquire from Seller all of Seller’s equity interests in each of the Acquired Entities on a cash-free and debt-free basis. The aggregate purchase price to be paid by the Company will be approximately \$315 million in cash, subject to adjustment at closing based on the calculations and criteria provided in the Purchase Agreement. Aggregate rate base that would be acquired at closing is estimated to be approximately \$200 million, subject to final determination by the respective PUCs. Based on current connection counts, the Company would add nearly 47,000 customer connections in total to its Regulated Businesses in the eight states above. The Company intends to fund the payment of the final purchase price through its cash flow from operations and its existing sources of liquidity. Closing is subject to certain customary and other conditions, including, among others, the receipt of all required regulatory approvals. The Company currently anticipates that the closing will occur by or before August 2026.

Other Matters

Cybersecurity Incident Update

Prior to filing a consolidated complaint, the plaintiffs in the putative consolidated class action lawsuit against parent company related to the Company’s October 2024 cybersecurity incident agreed to voluntarily dismiss their consolidated Federal court lawsuit without prejudice. An order of voluntary dismissal was entered on March 24, 2025, which concludes this lawsuit against parent company.

PFAS Multi-District Litigation

Several of the Company’s utility subsidiaries are parties to a multi-district litigation (the “MDL”) lawsuit, which commenced on December 7, 2018, in the U.S. District Court for the District of South Carolina, against manufacturers of certain per- and polyfluoroalkyl substances (collectively, “PFAS”) for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. Settlements with several defendants in the MDL have received final approval by the MDL court. During the third quarter of 2024 and the first quarter of 2025, the Company timely submitted to the MDL court its Phase One claim forms under settlement agreements with defendants 3M Company, The Chemours Company, Corteva, Inc., DuPont de Nemours, Inc., Tyco Fire Products LP and BASF Corporation.

As of September 30, 2025, the Company has received settlement payments from defendant 3M Company totaling \$135 million, net of legal fees and administrative costs. The Company intends to seek regulatory approval from its respective PUCs to apply the net proceeds for the benefit of customers. As of September 30, 2025, these funds are being held in a law firm escrow account and are awaiting distribution to the Company’s utility subsidiaries that are parties to the MDL after receiving approval from the applicable PUCs. The funds have been recorded on the Company’s Consolidated Balance Sheet within other current assets, as of September 30, 2025. A corresponding amount has been recorded as a regulatory liability given that the Company intends to seek appropriate regulatory approvals as noted above. The Company anticipates that, during the remainder of 2025, it may receive one or more additional settlement payments from the defendants named above.

The Company has also become aware of a number of substantially similar personal injury short-form complaints that had been filed in the MDL naming, in addition to various other water providers and manufacturers, certain Company utility subsidiaries as defendants. The Company believes that the claims asserted are without merit and the relevant utility subsidiaries have valid, meritorious defenses to the claims. In October 2025, all MDL personal injury complaints that the Company had been made aware of were dismissed by the plaintiffs without prejudice.

Environmental, Health and Safety, and Water Quality Regulation

On April 10, 2024, the U.S. Environmental Protection Agency (“EPA”) announced a final National Primary Drinking Water Regulation (“NPDWR”) for six PFAS including PFOA, PFOS, PFNA, HFPO-DA, PFHxS, and PFBS. The NPDWR for PFAS establishes legally enforceable levels, called maximum contaminant levels, for PFAS in drinking water. Utilities will be required to complete their initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. Although the EPA has indicated their intent to extend the compliance deadline to 2031, under the current rule utilities will be required to comply with the new MCLs by April 2029, implementing solutions to reduce PFAS levels where needed. Beginning in April 2029, utilities that exceed any of the PFAS MCLs will be required to provide notification to the public of the violation.

Upon initial review of the compliance requirements in 2024, the Company estimated an investment of approximately \$1 billion of capital expenditures to install additional treatment facilities in order to comply with the new regulations by April 2029. The Company currently estimates an investment of approximately \$2 billion of capital expenditures to install additional treatment facilities in order to comply with the NPDWR as proposed.

Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that are effective during 2025. The amounts include reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Hawaii	August 1, 2025	\$ 1
Iowa	August 1, 2025 (a)	13
Missouri	May 28, 2025	63
Indiana, Step Increase	May 14, 2025	17
Virginia	February 24, 2025 (b)	15
Tennessee	January 21, 2025	1
Illinois	January 1, 2025	105
California, Step Increase	January 1, 2025	17
Total general rate case authorizations		<u>\$ 232</u>

(a) Interim rates of \$5 million were effective May 11, 2024. The Iowa Utilities Commission issued its final order on May 21, 2025.

(b) Interim rates were effective May 1, 2024, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final order on February 24, 2025.

On July 24, 2025, the Hawaii Public Utilities Commission issued a final order adopting the settlement agreement filed by the Company’s Hawaii subsidiary on April 25, 2025, with respect to its general rate case filed on August 2, 2024. The final order approves an annualized increase of approximately \$1 million in wastewater revenue, which is based on a return on equity of 9.75% and a capital structure with an equity component of 52.11% and a debt component of 47.89%. New rates were effective August 1, 2025.

On May 21, 2025, the Iowa Utilities Commission issued a final order approving the adjustment of base rates requested in a general rate case originally filed on May 1, 2024, by the Company’s Iowa subsidiary. The general rate case order approved a \$13 million annualized increase in water and wastewater system revenues, excluding infrastructure surcharges of \$1 million, based on an authorized return on equity of 9.60%, authorized rate base of \$262 million, and a capital structure with a common equity component of 52.57% and a long-term debt component of 47.43%. The requested annualized revenue increase was driven primarily by over \$157 million of capital investments made and expected to be made by the Iowa subsidiary through March 2026. Interim rates of \$5 million were effective May 11, 2024, with the remaining increase in annualized water and wastewater system revenues of \$8 million effective on August 1, 2025.

On May 14, 2025, the Company's Indiana subsidiary's third step increase of \$17 million in annualized water and wastewater system revenues became effective. The Indiana subsidiary filed the general rate case on March 31, 2023, and on February 14, 2024, the Indiana Utility Regulatory Commission (the "IURC") issued an order that approved a \$65 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges. The annualized revenue increase included three step increases, with \$25 million of the increase included in rates in February 2024, \$23 million in May 2024, and \$17 million in May 2025.

On May 7, 2025, the Missouri Public Service Commission (the "MoPSC") issued an order approving without modification the stipulation and agreement (the "Stipulation") with respect to a general rate case filed on July 1, 2024, by the Company's Missouri subsidiary. The Stipulation was entered into on March 17, 2025, with parties including the staff of the MoPSC and the Office of the Public Counsel. The general rate case order approves a \$63 million annualized increase in water and wastewater revenues, excluding \$63 million in infrastructure surcharges. The requested annualized revenue increase was driven primarily by \$1.1 billion of capital investments completed by the Missouri subsidiary from January 2023 through May 2025. For purposes of the general rate case, the Missouri subsidiary's view of its rate base is \$3.2 billion, and its view as to its return on equity and common equity ratio (each of which has been determined based on the order but was not disclosed therein) is 9.75% and 50.00%, respectively.

On February 24, 2025, the Virginia State Corporation Commission (the "VSCC") issued an order approving the September 19, 2024 joint "black box" settlement of the general rate case filed by the Company's Virginia subsidiary. The general rate case order approves the stipulated \$15 million annualized increase in water and wastewater revenues. Interim water and wastewater rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. The requested annualized revenue increase was driven primarily by more than \$110 million of incremental capital investments made between May 2023 and April 2025. For purposes of the general rate case, the Virginia subsidiary's view of its rate base is \$369 million. The general rate case order also approved, solely for purposes of the Virginia subsidiary's future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), a return on equity of 9.70% and a capital structure consisting of an equity component of 45.67% and a debt and other component of 54.33%, which also represents the Virginia subsidiary's view of its return on equity and capital structure in this general rate case.

On January 21, 2025, the Tennessee Public Utility Commission (the "TPUC") approved a motion authorizing an adjustment of water base rates requested in a rate case filed on May 1, 2024, by the Company's Tennessee subsidiary. The TPUC approved an increase of \$1 million in annualized revenues, excluding previously recovered infrastructure surcharges of \$18 million, based on an authorized return on equity of 9.70%, authorized rate base of approximately \$300 million, a common equity ratio of 44.19% and a debt ratio of 55.81%. This adjustment took effect on January 21, 2025, and is driven primarily by approximately \$173 million in capital investments completed and planned by the Tennessee subsidiary through December 2025.

On January 14, 2025, the California Public Utilities Commission (the "CPUC") granted the Company's California subsidiary's request for a one-year extension of its cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027, and maintain its current authorized cost of capital through 2026.

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company's Illinois subsidiary. The general rate case order approved an increase of \$105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$5 million, based on an authorized return on equity of 9.84%, authorized rate base of \$2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The increase was effective January 1, 2025, and is driven primarily by approximately \$557 million in capital investments completed and planned by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the CPUC approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company's California subsidiary's general rate case originally filed on July 1, 2022. Incorporating the then currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of \$21 million in the 2024 test year, and an estimated \$16 million in the 2025 escalation year and \$16 million in the 2026 attrition year. The 2024 rates were implemented retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism, and on May 23, 2025, the CPUC issued its decision denying the application for rehearing. On September 19, 2025, the California subsidiary filed a petition to modify the CPUC order received on December 5, 2024, for its general rate case originally filed on July 1, 2022. The request seeks clarification from the CPUC on the method used to calculate the Conservation Adjustment for Rate Tier Designs ("CART"), specifically for the California subsidiary's Monterey service area. The CART is a ratemaking mechanism that allows the Company to recover, in subsequent periods, a portion of the impact on operating revenues as a result of implementing customer rates structured to promote conservation usage. On October 20, 2025, the California Public Advocate submitted a response opposing the California subsidiary's request and stating the request should instead be addressed in the California subsidiary's pending base rate case. The California subsidiary has requested an opportunity to formally reply. The CPUC will consider both positions, and the California subsidiary expects resolution of the petition to modify later in 2026.

Pending General Rate Case Filings

On August 1, 2025, the Company's Maryland subsidiary filed a general rate case requesting approximately \$3 million in annualized incremental revenues, which is based on a proposed return on equity of 10.64% and a capital structure with an equity component of 52.32%. The requested annualized incremental revenue is driven primarily by approximately \$22 million of capital investments completed by the Maryland subsidiary from February 2019 through April 2025. The filing must be approved by the Public Service Commission of Maryland, and if approved, it is anticipated that new rates would take effect in March 2026.

On July 1, 2025, the Company's California subsidiary filed an application with the CPUC to set new water and wastewater rates in each of its service areas for 2027 through 2029. The application requested an increase of \$63 million compared to authorized 2025 revenue, and a total increase in revenue over the 2027 to 2029 period of \$111 million. On October 13, 2025, the California subsidiary filed its 100 day update for the same proceeding and updated the request to \$62 million compared to authorized 2025 revenue, and a total increase in revenue over the 2027 to 2029 period of \$110 million. The requested annualized incremental revenue is driven primarily by approximately \$750 million of capital investments completed and planned by the California subsidiary through 2025 to 2028. If approved by the CPUC, the new rates would take effect on January 1, 2027. The application also requests approval of a Fixed Cost Recovery Account, which is intended to be a full decoupling mechanism that would allow the California subsidiary to recover authorized fixed costs, regardless of sales volume, while also providing incentives, via progressive conservation-oriented rate design, for customers to use water more efficiently. Independent of the pending rate case, California Senate Bill 473, which would have required the CPUC to ensure variances between forecasted and actual sales do not result in material overcollections or undercollections by water corporations, passed out of the California Senate but did not advance in the California Assembly Appropriations Committee.

On May 16, 2025, the Company's Kentucky subsidiary filed a general rate case requesting approximately \$27 million in annualized incremental revenues, excluding infrastructure surcharges of \$10 million, which is based on a proposed return on equity of 10.75% and a proposed capital structure with a common equity component of 52.26% and a debt component of 47.74%. The requested annualized incremental revenue is being driven primarily by approximately \$212 million of capital investments completed and planned by the Kentucky subsidiary from February 2025 through December 2026. As provided by statutory authority, the Kentucky subsidiary may put into effect proposed rates on an interim basis seven months after the filing of this case, or December 16, 2025, and the difference between the interim and final approved rates will be subject to refund. The request is subject to approval by the Kentucky Public Service Commission, and the general rate case is expected to be completed by the end of the first quarter of 2026.

On May 5, 2025, the Company's West Virginia subsidiary filed a general rate case requesting approximately \$48 million in aggregate annualized incremental revenues, excluding infrastructure surcharges of \$13 million, which would include two step increases, with \$33 million to be included in rates in March 2026, and \$15 million to be included in rates in March 2027. The request is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 50.80% and 50.97%, respectively, for each of the two steps. The requested annualized incremental revenue is driven primarily by more than \$300 million of capital investments completed and planned by the West Virginia subsidiary from March 2024 through February 2027. The request is subject to approval by the Public Service Commission of West Virginia, and the general rate case is expected to be completed by the end of February 2026.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2025:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Pennsylvania	October 1, 2025	\$ 5
New Jersey	May 30, 2025	15
Missouri	February 7, 2025	17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge authorizations		<u>\$ 43</u>

Pending Infrastructure Surcharge Filings

On September 3, 2025, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$13 million in additional annualized revenues.

On June 30, 2025, the Company's West Virginia subsidiary filed an infrastructure surcharge proceeding requesting \$3 million in additional annualized revenues.

Other Regulatory Matters

The Pennsylvania Public Utility Commission (the "PaPUC"), as part of its July 22, 2024, approval of the general rate case filed by the Company's Pennsylvania subsidiary on November 8, 2023, initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary's Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC concluded the investigation and issued a Root Cause Analysis Report on August 5, 2025, which found no systemic issues affecting the Pennsylvania subsidiary's water service in the Northeastern service territory and expressed satisfaction with the Pennsylvania subsidiary's efforts to manage water service matters. The PaPUC committed to continued monitoring of the Pennsylvania subsidiary's service over the next three years.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating revenues	\$ 1,451	\$ 1,323	\$ 3,869	\$ 3,483
Operating expenses:				
Operation and maintenance	523	496	1,471	1,339
Depreciation and amortization	226	200	663	581
General taxes	87	84	260	246
Other	1	—	1	(1)
Total operating expenses, net	837	780	2,395	2,165
Operating income	614	543	1,474	1,318
Other (expense) income:				
Interest expense	(158)	(132)	(453)	(387)
Interest income	23	22	67	71
Non-operating benefit costs, net	4	7	12	23
Other, net	11	13	40	31
Total other (expense) income	(120)	(90)	(334)	(262)
Income before income taxes	494	453	1,140	1,056
Provision for income taxes	115	103	267	244
Net income attributable to common shareholders	\$ 379	\$ 350	\$ 873	\$ 812

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other, primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating revenues	\$ 1,343	\$ 1,219	\$ 3,570	\$ 3,204
Operation and maintenance	433	402	1,234	1,109
Depreciation and amortization	224	196	654	569
General taxes	82	79	244	232
Other	1	—	1	(1)
Other (expense) income	(108)	(84)	(309)	(247)
Provision for income taxes	112	102	256	233
Net income attributable to common shareholders	\$ 383	\$ 356	\$ 872	\$ 815

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Water services:				
Residential	\$ 739	\$ 679	\$ 1,936	\$ 1,763
Commercial	287	255	742	659
Fire service	46	41	139	123
Industrial	55	50	146	138
Public and other	85	81	240	212
Total water services	1,212	1,106	3,203	2,895
Wastewater services:				
Residential	75	62	214	181
Commercial	25	20	64	52
Industrial	7	4	17	9
Public and other	10	11	30	28
Total wastewater services	117	97	325	270
Other (a)	14	16	42	39
Total operating revenues	\$ 1,343	\$ 1,219	\$ 3,570	\$ 3,204

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Billed water services volumes:				
Residential	49,847	51,137	121,961	123,752
Commercial	24,391	24,389	60,654	60,971
Industrial	10,443	10,261	27,757	28,308
Fire service, public and other	16,397	16,263	41,432	41,077
Total billed water services volumes	101,078	102,050	251,804	254,108

For the three and nine months ended September 30, 2025, operating revenues increased \$124 million and \$366 million, respectively, primarily due to increases of \$103 million and \$316 million, respectively, from authorized rate increases, including infrastructure surcharges, principally to recover infrastructure investment in various states. In addition, operating revenues increased \$12 million and \$37 million for the three and nine months ended September 30, 2025, respectively, from water and wastewater acquisitions, as well as organic growth in existing systems. Operating revenues were also higher for the three and nine months ended September 30, 2025, in the Company's California subsidiary, due to a change to its revenue stability mechanism from full to partial revenue recovery, resulting from the general rate case decision approved by the CPUC in December 2024. These increases were partially offset by an estimated \$3 million and \$20 million net decrease for the three and nine months ended September 30, 2025, respectively, due to unfavorable weather impacts in 2025 as compared to 2024.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Employee-related costs	\$ 142	\$ 134	\$ 431	\$ 405
Production costs	142	133	365	344
Operating supplies and services	77	72	233	196
Maintenance materials and supplies	26	25	81	66
Customer billing and accounting	27	20	69	48
Other	19	18	55	50
Total operation and maintenance expense	<u>\$ 433</u>	<u>\$ 402</u>	<u>\$ 1,234</u>	<u>\$ 1,109</u>

For the three and nine months ended September 30, 2025, operation and maintenance expense increased \$31 million and \$125 million, respectively, due to increases from employee-related costs, increased operating supplies and services costs primarily from higher technology related costs, increased production costs primarily from higher purchased water cost and power and fuel costs, customer billing and accounting from an increase in customer uncollectible expense and increases in other maintenance costs.

Depreciation and Amortization

For the three and nine months ended September 30, 2025, depreciation and amortization increased \$28 million and \$85 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and higher depreciation rates from recent rate case orders.

General Taxes

For the three and nine months ended September 30, 2025, general taxes increased \$3 million and \$12 million, respectively, primarily due to incremental property taxes, higher capital stock taxes and New Jersey Gross Receipts Tax.

Other Expenses

For the three and nine months ended September 30, 2025, other expenses increased \$24 million and \$62 million, respectively, primarily due to higher interest expense from the issuance of incremental long-term debt.

Provision for Income Taxes

For the three and nine months ended September 30, 2025, the Regulated Businesses' provision for income taxes increased \$10 million and \$23 million, respectively. The Regulated Businesses' effective income tax rate was 22.6% and 22.3% for the three months ended September 30, 2025 and 2024, respectively, and 22.7% and 22.2% for the nine months ended September 30, 2025 and 2024, respectively. The increase was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders.

Other

Presented in the table below is information for Other:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating revenues	\$ 108	\$ 104	\$ 299	\$ 279
Operation and maintenance	90	94	237	230
Depreciation and amortization	2	4	9	12
General taxes	5	5	16	14
Interest expense	(36)	(25)	(101)	(81)
Interest income	22	16	64	57
Other income	2	3	12	9
Provision for income taxes	3	1	11	11
Net (loss) income attributable to common shareholders	\$ (4)	\$ (6)	\$ 1	\$ (3)

Operating Revenues

For the three and nine months ended September 30, 2025, operating revenues increased \$4 million and \$20 million, respectively, primarily from an increase in capital projects in MSG and the Contract Services Group (“CSG”).

Operation and Maintenance

For the three months ended September 30, 2025, operation and maintenance expense decreased \$4 million, primarily due to reduced employee-related costs partially offset by increased costs associated with MSG and CSG projects.

For the nine months ended September 30, 2025, operation and maintenance expense increased \$7 million, primarily due to increased costs associated with MSG and CSG projects partially offset by reduced employee-related costs.

Interest expense

For the three and nine months ended September 30, 2025, interest expense increased \$11 million and \$20 million, respectively, due to higher average commercial paper borrowings.

Legislative Updates

During 2025, the Company’s regulatory jurisdictions enacted the following legislation that has been approved and is effective as of October 29, 2025:

- California passed Senate Bill 219, which amends the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, to allow the California Air Resources Board until July 1, 2025, to issue implementing regulations, including reporting requirements for Scope 3 emissions. Legislation was signed by the Governor on September 27, 2024, and became effective January 1, 2025.
- Virginia passed Senate Bill 850, which would permit a water or wastewater utility to petition the VSCC for the approval of an eligible infrastructure replacement and enhancement plan and accompanying recovery mechanism that allows for recovery of eligible infrastructure costs outside of a base rate case. Legislation was signed by the Governor on March 24, 2025, and became effective on July 1, 2025.
- Indiana passed Senate Bill 426, which changes the timing of recovery to allow for deferred depreciation from in-service date and post in-service carrying costs and authorizes the IURC to approve mechanisms to allow utilities to invest in and earn on acquired utility assets. The language also provides critical protections from lawsuits when utilities are meeting applicable water quality standards. Legislation was signed by the Governor on April 3, 2025, and became effective on July 1, 2025.
- Missouri passed Senate Bill 4, which provides that beginning July 1, 2026, water, sewer, and gas utilities may request the use of a future test year in a general rate case. This statute provides that at the end of the future test year, utilities must reconcile rate base and certain expenses, including annualized depreciation expense, income tax expense, payroll expense, employee benefits except for pensions and other post-retirement benefits, and rate case expenses, within 45 days to the MoPSC. Legislation was signed by the Governor on April 9, 2025, and became effective on August 28, 2025.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity ("CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey system assets of Cal Am are the subject of a condemnation lawsuit filed by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. For more information on this matter, see Part II, Item 1—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation and Note 11—Commitments and Contingencies in the Notes to Consolidated Financial Statements.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Tax Matters

On July 4, 2025, the One Big Beautiful Bill Act (the "OBBA") was signed into law. The OBBA includes several corporate tax-related provisions. Key changes include the permanent extension of certain provisions from the Tax Cuts and Jobs Act of 2017, such as 100% bonus depreciation and Section 163(j) interest limitation exception for regulated utilities, as well as the immediate expensing of domestic research and development costs, and the introduction of a new charitable contribution floor for corporations. The OBBA has not had a material impact on the Company's Consolidated Financial Statements. The Company will continue to monitor the implementation and any related guidance.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, issuances of commercial paper and equity and, if and to the extent necessary, borrowings under the revolving credit facility of American Water Capital Corp., the Company's wholly owned finance subsidiary.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of payments under a secured seller promissory note, plus interest, see Note 5—Acquisitions and Divestitures—Secured Seller Promissory Note from the Sale of Homeowner Services Group, in the Notes to Consolidated Financial Statements for additional information. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

In August 2025, the Company entered into separate forward sale agreements (the “Forward Sale Agreements”) with several forward purchasers relating to an aggregate of 8,098,592 shares of the Company’s common stock at an initial forward price of \$139.657 per share, which is equal to the price to public per share less an underwriting discount. Each Forward Sale Agreement will be physically settled unless the Company elects to settle such Forward Sale Agreement in cash or to net share settle such Forward Sale Agreement (which the Company has the right to do, subject to certain conditions, other than in the limited circumstances set forth in the Forward Sale Agreements). The Forward Sale Agreements provide for settlement on a settlement date or dates to be specified at the Company’s discretion on or prior to December 31, 2026. To the extent the Forward Sale Agreements are physically settled, the Company will issue common stock to the forward purchasers and receive cash proceeds based on the applicable forward sale price on the settlement date as defined in the Forward Sale Agreements.

As of September 30, 2025, the Company did not receive any proceeds from the sale of its common stock connected to the Forward Sale Agreements. The Company estimates that it will receive total net proceeds of approximately \$1,131 million, before deducting estimated offering expenses, subject to the price adjustment and other provisions of the Forward Sale Agreements, in the event of full physical settlement of all of the Forward Sale Agreements. The Company intends to use any net cash proceeds that it may receive upon a settlement of the Forward Sale Agreements for general corporate purposes. The Forward Sale Agreements will be classified as equity transactions because they are indexed to the Company’s common stock and physical settlement is within the Company’s control.

On August 8, 2025, AWCC completed the sale of \$900 million aggregate principal amount of its 5.700% Senior Notes due 2055. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$887 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay commercial paper obligations of AWCC; and (iii) for general corporate purposes.

On February 27, 2025, AWCC completed the sale of \$800 million aggregate principal amount of its 5.250% Senior Notes due 2035. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC’s 3.400% Senior Notes due 2025; (iii) to repay commercial paper obligations of AWCC; and (iv) for general corporate purposes.

On June 29, 2023, AWCC issued \$1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the “Notes”). The Notes will mature on June 15, 2026, unless earlier exchanged or repurchased, and are included in Current portion of long-term debt on the Consolidated Balance Sheets.

AWCC’s revolving credit facility provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC’s commercial paper program, to provide additional liquidity support, and to provide a sub-limit for the issuance of up to \$150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC’s commercial paper program is \$2.6 billion. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment by up to an aggregate of \$500 million.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

(In millions)	As of September 30, 2025		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,005)	(84)	(1,089)
Remaining availability as of September 30, 2025	<u>\$ 1,595</u>	<u>\$ 66</u>	<u>\$ 1,661</u>

(a) Total remaining availability of \$1.7 billion as of September 30, 2025, was accessible through revolver draws.

(In millions)	As of December 31, 2024		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(880)	(82)	(962)
Remaining availability as of December 31, 2024	\$ 1,720	\$ 68	\$ 1,788

(a) Total remaining availability of \$1.8 billion as of December 31, 2024, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2025	\$ 166	\$ 1,661	\$ 1,827
Available liquidity as of December 31, 2024	\$ 96	\$ 1,788	\$ 1,884

The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.26% and 4.65% at September 30, 2025, and December 31, 2024, respectively.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As of September 30, 2025, the Company had two treasury lock agreements, with a term of 10 years and 30 years and an aggregate notional amount totaling \$100 million, to reduce interest rate exposure on expected future debt issuances. These treasury lock agreements terminate in June 2026 and September 2026 and have an average fixed interest rate of 4.55%. The Company designated these treasury lock agreements as cash flow hedges, measured at fair value with the gain or loss recorded in accumulated other comprehensive income.

In May 2025 and August 2025, the Company terminated two and nine treasury lock agreements, respectively, designated as cash flow hedges, with a term of 30 years and an aggregate notional amount totaling \$100 million and \$350 million, respectively, realizing a pre-tax net gain of \$12 million and \$1 million, respectively, recorded in accumulated other comprehensive income. The gain will be amortized through Interest expense over a 30-year period, in accordance with the tenor of the notes issued on August 8, 2025.

In February 2025, the Company terminated 10 treasury lock agreements designated as cash flow hedges, with a term of 10 years and an aggregate notional amount totaling \$500 million, realizing a pre-tax net gain of \$3 million recorded in accumulated other comprehensive income. The gain will be amortized through Interest expense over a 10-year period, in accordance with the tenor of the notes issued on February 27, 2025.

No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2025 or 2024.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Nine Months Ended September 30,	
	2025	2024
Net income	\$ 873	\$ 812
Add (less):		
Depreciation and amortization	663	581
Deferred income taxes and amortization of investment tax credits	104	84
Other non-cash activities (a)	31	28
Changes in assets and liabilities (b)	(242)	(66)
Pension contributions	(33)	(33)
Net cash provided by operating activities	<u>\$ 1,396</u>	<u>\$ 1,406</u>

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net.

(b) Changes in assets and liabilities include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other assets and liabilities, net.

For the nine months ended September 30, 2025, cash flows provided by operating activities decreased \$10 million, primarily due to the CAMT liability included in the Company's 2024 extension payment in the second quarter of 2025, utilization of income tax receivables in the prior year and higher customer receivables and unbilled revenues in the current period. The decrease was partially offset by an increase in net income and depreciation.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Nine Months Ended September 30,	
	2025	2024
Capital expenditures	\$ (2,078)	\$ (1,962)
Acquisitions, net of cash acquired	(22)	(119)
Removal costs from property, plant and equipment retirements, net	(120)	(112)
Purchases of available-for-sale fixed-income securities	(43)	(113)
Proceeds from sales and maturities of available-for-sale fixed-income securities	84	147
Net cash used in investing activities	<u>\$ (2,179)</u>	<u>\$ (2,159)</u>

For the nine months ended September 30, 2025, cash flows used in investing activities increased \$20 million, primarily due to increased payments for capital expenditures partially offset by decreased payments for acquisitions in the current period. The Company currently plans to invest approximately \$3.2 billion on growth through capital investment in infrastructure and acquisitions in the Regulated Businesses in 2025.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Nine Months Ended September 30,	
	2025	2024
Proceeds from long-term debt, net of discount	\$ 1,776	\$ 1,416
Repayments of long-term debt	(623)	(474)
Net short-term borrowings with original maturities less than three months	126	35
Debt issuance costs	(17)	(13)
Dividends paid	(472)	(436)
Other financing activities, net (a)	62	38
Net cash provided by financing activities	\$ 852	\$ 566

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the nine months ended September 30, 2025, cash flows provided by financing activities increased \$286 million, primarily due to higher issuances of long-term debt and higher short-term commercial paper borrowings, partially offset by higher repayments of long-term debt and dividend payments.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2025, the Company's ratio was 0.58 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of October 29, 2025, as issued by Moody's Ratings on January 23, 2025, and S&P Global Ratings on June 6, 2025:

Securities	Moody's Ratings	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. The Company does not have any material borrowings that are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, power and other fuel, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

The financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2025.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2025, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended September 30, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Item 3—Legal Proceedings, and in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K and Form 10-Q. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

On May 9, 2025, the CPUC issued a proposed decision in the Phase 2 that is focusing on updated supply and demand estimates for the Water Supply Project, finding that without the Water Supply Project, projected demand will outstrip supply by approximately 2,500 acre-feet per year for 2050. On August 14, 2025, the CPUC approved a final decision updating the supply and demand estimates for the Water Supply Project, finding that the projected demand will outstrip supply by approximately 2,600 acre-feet per year for 2050. On September 17, 2025, the City, MCWD and the MPWMD filed applications for rehearing of the final decision. On September 22, 2025, these parties also filed a motion to stay the final decision. On October 9, 2025, the CPUC issued a factual correction to the final decision to find that the projected demand will outstrip supply by approximately 2,500 acre-feet per year for 2050 and did not rule on the other motions.

Coastal Development Permit Application

On May 12, 2025, the court entered its final decision denying the joint petition for writ of mandate by the City, MCWD and the MPWMD in full. On July 24, 2025, a notice of appeal was filed in this matter.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

MPWMD Condemnation Action

On August 20, 2025, Cal Am filed a motion for summary judgment as to the MPWMD's condemnation action, alleging that without LAFCO approval, the MPWMD does not have legal authority to pursue eminent domain. On the same date, the MPWMD filed a motion for summary adjudication of the same issue, arguing that LAFCO approval is not required to proceed with its condemnation action. Both motions are scheduled for court hearing on December 12, 2025.

Dunbar, West Virginia Class Action Litigation Settlement

On September 11, 2025, the Circuit Court held its final fairness hearing and issued an order on September 12, 2025, granting final approval of the Dunbar Settlement. Under the terms of the approved Dunbar Settlement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The maximum pre-tax amount of the Dunbar Settlement is approximately \$18 million, and the final amount of the Company's and WVAWC's contributions to the Dunbar Settlement is expected to be \$5 million, with the remainder being contributed by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through the Dunbar Settlement will depend upon the claims approved through the claims process, and WVAWC has paid approximately \$2 million as of September 30, 2025. The deadline for claims submissions was August 25, 2025, and the settlement administrator is evaluating claim submissions to identify compensable claims. The Company intends to fund its and WVAWC's contributions to the Dunbar Settlement through existing sources of liquidity.

Mountaineer Gas Company Main Break

The West Virginia Business Court has set a new trial date of August 10, 2026, for trial in *Mountaineer Gas Company v. West Virginia-American Water Company*.

PFAS Multi-District Litigation

As of September 30, 2025, the Company has received settlement payments from defendant 3M Company totaling \$135 million, net of legal fees and administrative costs. The Company intends to seek regulatory approval from its respective PUCs to apply the net proceeds for the benefit of customers, where permissible. As of September 30, 2025, these funds are being held in a law firm escrow account and are awaiting distribution to the Company's utility subsidiaries that are parties to the MDL after receiving approval from the applicable PUCs. The Company anticipates that, during the remainder of 2025, it may receive one or more additional settlement payments from the defendants named above.

The Company has also become aware of a number of substantially similar personal injury short-form complaints that have been filed in the MDL naming, in addition to various other water providers and manufacturers, certain Company utility subsidiaries as defendants. In October 2025, all MDL personal injury complaints that the Company had been made aware of were dismissed by the plaintiffs without prejudice.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Item 1A—Risk Factors in the Form 10-K, and in the Company’s other filings with the SEC, which could materially affect the Company’s business, financial condition, cash flows or future results. Other than as set forth below, there have been no material changes from the risk factors previously disclosed in Item 1A—Risk Factors in the Form 10-K.

Risks Related to the Proposed Merger with Essential

The market price of shares of our or Essential’s common stock will fluctuate and the exchange ratio will not be adjusted to reflect such fluctuations, and as a result, the consideration at the date of the closing of the proposed merger may vary significantly from the date the merger agreement was executed.

Upon completion of the proposed merger, each outstanding share of Essential common stock will be converted into the right to receive 0.305 shares of our common stock. The number of shares of our common stock to be issued pursuant to the merger agreement for each share of Essential common stock will not change to reflect changes in the market price of our or Essential’s common stock. The market price of our common stock at the time of completion of the proposed merger may vary significantly from the price of our common stock on the date the merger agreement was executed and/or the date or dates of special shareholder meetings to be held in connection with the proposed merger. Because we may not complete the proposed merger until a significant period of time has passed after these dates, the market value of our common stock issued in connection with the proposed merger and the Essential common stock surrendered in connection with the proposed merger may be higher or lower than the values of those shares on earlier dates. Stock price changes may result from market assessment of the likelihood that the proposed merger will be completed, changes in our or Essential’s business, operations or prospects prior to or following the proposed merger, litigation or regulatory considerations, reactions from the financial markets or analysts, general business, market, industry or economic conditions and other factors both within and beyond our and Essential’s control, including the risks, uncertainties and other factors described in Item 1A—Risk Factors, included in our Form 10-K, and in our other SEC filings, and those described in Essential’s SEC filings. Neither we nor Essential may terminate the merger agreement solely because of changes in the market price of either company’s common stock.

The proposed merger is subject to various closing conditions, including the receipt of consents and approvals from various governmental and regulatory entities and third parties, and a failure to obtain all such consents or approvals or to satisfy such other closing conditions could prevent or delay the completion of the proposed merger or impose conditions that could have a material adverse effect on us or the combined company.

We anticipate that, subject to the receipt of all required regulatory and other consents and approvals and the satisfaction or waiver of all other closing conditions, the proposed merger will be completed in the first quarter of 2027. Among other closing conditions, completion of the proposed merger is conditioned upon the receipt of such required consents, orders and approvals from various governmental and regulatory entities and other third parties, including PUCs in certain states in which either or both companies operate, including without limitation the Pennsylvania Public Utility Commission. The proposed merger is also subject to review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and the expiration or earlier termination of the waiting period (and any extension of the waiting period) applicable to the proposed merger is a condition to closing the proposed merger. Approvals by shareholders of each of parent company and Essential will also be required to complete the proposed merger.

We and Essential cannot provide any assurance that all of the required consents, orders and approvals will be obtained or that these consents, orders or approvals will not be conditioned on terms, conditions or restrictions that would be detrimental to the combined company after the completion of the proposed merger, including requiring one or both companies to dispose of certain assets. One or both company’s shareholders may not approve the proposed merger. The merger agreement allows, subject to certain conditions, limitations and exclusions, each party to terminate the merger agreement (and generally without the payment of a termination fee to the non-terminating party) if the final terms of any of the required regulatory consents, orders or approvals would result in or require an undertaking of efforts or the taking of action that would reasonably be expected to have, individually or in the aggregate, a “burdensome effect” (as defined in the merger agreement). Any substantial delay in obtaining satisfactory consents, orders or approvals, or the imposition of any requirements, terms or conditions in connection with a party’s obtaining such consents, orders or approvals, could be on terms that we or Essential do not believe to be reasonable or could cause a material reduction in the expected benefits of the proposed merger and/or an impairment or deterioration in our or Essential’s relationships with their respective applicable PUCs. If any such delays or conditions are significant enough, one or both parties may decide to abandon the proposed merger and terminate the merger agreement, subject to its terms. If the proposed merger is not completed, our ongoing businesses may be adversely affected, including, as follows:

- having to pay certain significant costs relating to the proposed merger without receiving the benefits of the proposed merger, including, in certain circumstances, a payment by us to Essential of a termination fee of \$835 million in the case of a termination fee payable by us to Essential;
- diversion of management's attention from day-to-day operations;
- not pursuing other strategic transactions that we may have otherwise considered had we not entered into the merger agreement with Essential;
- we will have been subject to certain restrictions on the conduct of our ongoing businesses, which may have prevent us from making certain acquisitions or dispositions or pursuing certain business opportunities while the proposed merger was pending; and
- the price of our common stock may decline to reflect assumptions by the market as to whether the proposed merger will be completed.

The proposed merger may cause suppliers, strategic partners, certain customers or others to delay or defer decisions regarding our business, and may adversely affect our ability to effectively manage our business.

The proposed merger will happen only if stated conditions are satisfied, including the receipt of the requisite shareholder approvals and the receipt of regulatory approvals, among other conditions. Many of the conditions are outside the parties' control, and both parties also have certain rights to terminate the merger agreement. Accordingly, there may be uncertainty regarding the completion of the proposed merger. This uncertainty, or any disagreement with the decision to enter into the merger agreement, may cause our suppliers, vendors, strategic partners, certain customers or others that deal with us to delay or defer entering into contracts or make other decisions concerning us, or to seek to change or cancel existing business relationships. Any delay or deferral of those decisions or changes in existing agreements or relationships could have a material adverse effect on us and our financial condition and results of operations.

The merger agreement contains provisions that limit our and Essential's ability to pursue certain alternatives to the proposed merger, which could discourage a potential acquirer of either Essential or us from making an alternative transaction proposal and, in certain circumstances, could require us or Essential to pay to the other party a significant termination fee.

Under the merger agreement, we and Essential are each restricted, subject to limited exceptions, from entering into certain alternative transactions in lieu of the proposed merger. In general, unless and until the merger agreement is terminated, we and Essential are restricted from, among other things, soliciting, initiating, knowingly encouraging or knowingly facilitating the making of a proposal that is or would reasonably be expected to lead to a competing acquisition proposal from any person. Each of our and Essential's board of directors is limited in its ability to change its recommendation with respect to the proposed merger and related proposals. We and/or Essential may terminate the merger agreement and enter into an agreement with respect to a superior proposal only if specified conditions have been satisfied, including compliance with the non-solicitation provisions of the merger agreement. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of us or Essential from considering or proposing such an acquisition, even if such third party were prepared to pay consideration with a higher per share cash or market value than the consideration proposed to be received or realized in the proposed merger, or the competing transaction might result in a potential acquirer proposing to pay a lower price than it would otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances. Under the merger agreement, in the event the merger agreement is terminated to accept a superior proposal, or under certain other circumstances, we would be required to pay a termination fee of \$835 million to Essential in the case of a termination of the merger agreement by us, and Essential would be required to pay a termination fee of \$370 million to us in the case of a termination of the merger agreement by Essential.

We may be the target of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the proposed merger from being completed.

Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into a merger agreement. Even if these lawsuits are without merit, defending against these claims can result in substantial costs to the parties to the merger agreement and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting the completion of a merger, that injunction may delay or prevent such merger from being completed.

If completed, the proposed merger may not achieve its anticipated results, and we may be unable to integrate Essential's operations and/or operate the combined company in the manner expected.

We and Essential entered into the merger agreement with the expectation that the proposed merger will result in various benefits, including, among other things, increased efficiencies of scale and size, increased geographic diversity, greater long-term growth opportunities for employees of the combined company, and other operating efficiencies. Achieving the anticipated benefits of the proposed merger is subject to a number of uncertainties, including whether our and Essential's businesses can be integrated in an efficient, effective and timely manner.

We could have difficulty integrating the acquired assets, personnel and operations with our own. We anticipate that the integration of the two companies may ultimately be complex, and we expect to devote significant time and resources to this integration process. Risks and uncertainties that could impact us negatively include:

- unforeseen or significant difficulties in integrating the two companies and their assets, operations, cultures and employees;
- the potential disruption of the ongoing businesses and distraction of our and Essential's management;
- changes in our business focus and/or management;
- risks related to owning, operating, maintaining and successfully managing Essential's natural gas distribution business, including any increased risks and liabilities associated with the operation of that business;
- difficulties in establishing and/or maintaining uniform standards, systems, controls, procedures and policies, including accounting and financial reporting, across both of the integrated companies, or merging or linking disparate ones;
- the potential impairment of relationships with employees and partners as a result of any integration of new management personnel;
- the potential inability to manage an increased number of locations and employees; and
- the effect of any government regulations which relate to Essential's business, including with respect to jurisdictions in which our Regulated Businesses currently do not operate.

It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, the disruption of each company's ongoing businesses, processes and systems or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect the combined company's ability to achieve the anticipated benefits of the proposed merger as and when expected. The combined company may have difficulty addressing possible differences in corporate cultures and management philosophies, and the various management and corporate governance constructs provided for in the merger agreement to govern the combined company, including with respect to the board of directors of the combined company, may not operate successfully as intended or desired. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and otherwise adversely affect the combined company's future business, financial condition, operating results and prospects.

The proposed merger may not be accretive to our earnings and may adversely affect our earnings per share, which may negatively affect the market price of our common stock.

We currently anticipate that the proposed merger will be accretive to our earnings per share in 2028, the first full year following the completion of the proposed merger. This expectation is based on preliminary estimates that are subject to change. We also could encounter additional transaction and integration-related costs, may fail to realize all of the benefits anticipated in the proposed merger or be subject to other factors that affect our preliminary estimates. Any of these factors could cause a decrease in our earnings per share or decrease or delay the expected accretive effect of the proposed merger and contribute to a decrease in the market price of our common stock.

The combined company's financial condition, results of operations and cash flows could be adversely affected by unknown or unexpected events, conditions or actions that occur prior to the closing of the proposed merger.

The combined company's assets, liabilities, business, financial condition, cash flows, and operating results, as well as its business strategies and prospects, could be adversely affected before or after the closing of the proposed merger as a result of previously unknown events or conditions occurring or existing before closing. Adverse changes in our or Essential's business or operations could occur or arise as a result of actions by us or Essential, or as a result of legal or regulatory developments (including, without limitation, the emergence or unfavorable resolution of pre-acquisition loss contingencies, deteriorating general business, market, industry or economic conditions), and other factors both within and beyond the control of us or Essential. A significant decline in the value of Essential's assets that we would acquire in the proposed merger or a significant increase in Essential's liabilities to be assumed could adversely affect the combined company's future business, financial condition, cash flows, operating results and prospects.

If the proposed merger is completed, we may be required to record goodwill or we may acquire other assets measured and recorded at fair value, and, thereafter, we may be required to record impairments to the goodwill or changes to the fair value of the other assets, either of which may negatively affect our financial condition and results of operations.

In accordance with applicable accounting standards in the United States related to business combinations, we believe that the proposed merger will be accounted for as an acquisition of Essential's common stock by us and will follow the acquisition method of accounting for business combinations, including with respect to goodwill. Goodwill represents the excess of the purchase price paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to, for example, market conditions, other factors related to our performance or the performance of Essential's business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements included in the Form 10-K for information on the fair value of financial and other assets. Market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water and wastewater utilities, market price performance of our common stock that compares unfavorably to our peer companies, or other circumstances. Recognition of impairments of goodwill and any changes in fair value of other assets would result in a charge to our income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

We cannot assure that we will be able to continue paying quarterly dividends at the current rate, or to propose and/or maintain future quarterly dividend increases as planned.

Our shareholders have no contractual or other legal right to dividends that have not been declared. We currently expect that we will continue to pay dividends in an amount consistent with our dividend strategy and policy in effect prior to the announcement of the proposed merger, and that we will continue to propose future increases in our quarterly dividend rate consistent with our announced dividend growth strategy. However, there is no assurance that our shareholders will continue to receive payments of such dividends while the proposed merger is pending or following completion of the proposed merger, for a number of reasons that include, for example:

- a lack of cash to pay such dividends, due to changes in our cash requirements, capital spending plans, financing agreements, cash flow or financial position;
- our Board of Directors may decide not to declare and pay quarterly dividends in accordance with historical practice or our stated dividend strategy, or at all;
- the amount of quarterly dividends that we may pay to shareholders is subject to restriction under Delaware law and compliance with our stated dividend payment policy and strategy; and
- we may fail to receive upstream dividend payments from our subsidiaries in the same amount that we have historically, and the ability of our subsidiaries to do so is subject to various risks and uncertainties described in Item 1A—Risk Factors, and in Note 9—Shareholders' Equity—Dividends and Distributions in the Notes to Consolidated Financial Statements, each in the Form 10-K.

The companies may incur substantial and/or unexpected transaction fees and merger-related costs in connection with the proposed merger.

We and Essential expect to incur substantial non-recurring expenses associated with completing the proposed merger, as well as expenses related to combining the operations of the two companies. The combined company may incur additional unanticipated costs in the integration of the companies' businesses. Although we expect that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses, will offset some or all of the incremental transaction and merger-related costs over time, the combined company may not achieve this net benefit in the near term, or at all.

Current shareholders of each company will have reduced ownership and voting interests in their respective companies after the proposed merger.

Subject to approval by parent company's shareholders, parent company has reserved for issuance shares of its common stock to be issued in the proposed merger (including shares of our common stock issuable pursuant to the proposed treatment of Essential stock options and other equity-based awards in the proposed merger). It is estimated that our current shareholders and Essential's shareholders would own approximately 69% and 31% of the outstanding shares of our common stock, respectively, on a fully diluted basis immediately following the consummation of the proposed merger.

Our and Essential's shareholders currently have the right to vote for their respective directors and on other matters affecting their company. If the proposed merger occurs, each Essential shareholder who receives shares of parent company common stock will become a shareholder of parent company with a percentage ownership of the combined company that will be smaller than the shareholder's percentage ownership of Essential. Correspondingly, upon the completion of the proposed merger, each holder of parent company common stock will remain a shareholder of parent company but with a percentage ownership of the combined company that will be smaller than the shareholder's percentage of ownership immediately prior to the proposed merger. As a result of these reduced ownership percentages, parent company's shareholders will have less voting power in the combined company than they now have with respect to parent company, and former Essential shareholders will have less voting power in the combined company than they now have with respect to Essential.

Settlement provisions contained in our forward sale agreements subject us to risks if certain events occur, which could have an effect on our results of operations and liquidity, and could cause the price of our common stock to decline.

In August 2025, we entered into forward sale agreements with each of Wells Fargo National Bank, National Association, JPMorgan Chase Bank, National Association, and Mizuho Markets Americas LLC, each as forward purchasers, relating to an aggregate of 8,098,592 shares of our common stock. Each forward purchaser will have the right to accelerate the forward sale agreement to which it is a party and require us to physically settle such forward sale agreement on a date specified by such forward purchaser if:

- in the good faith, commercially reasonable judgment of such forward purchaser, it or its affiliate is unable to borrow a number of shares of our common stock equal to the number of shares to be delivered by us upon physical settlement of such forward sale agreement or it or its affiliate is unable to borrow such number of shares at a rate equal to or less than an agreed maximum stock loan rate;
- we declare any dividend or distribution on shares of our common stock payable in (i) cash in excess of a specified amount (other than an extraordinary dividend), (ii) securities of another company, or (iii) any other type of securities (other than our common stock), rights, warrants or other assets for payment (cash or other consideration) at less than the prevailing market price, as reasonably determined by such forward purchaser;
- certain ownership thresholds applicable to such forward purchaser are exceeded;
- an event is announced that, if consummated, would result in an extraordinary event (as defined in the forward sale agreements), as well as certain events such as a delisting of our common stock (each as more fully described in the forward sale agreements); or
- certain other events of default or termination events occur, including, among other things, any material misrepresentation made by us in connection with our entry into a forward sale agreement, our bankruptcy (except as described below) or certain changes in law (each as more fully described in the forward sale agreements).

A forward purchaser's decision to exercise its right to accelerate a forward sale agreement to which it is a party (or, in certain cases, the portion thereof that it determines is affected by the relevant event) will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver shares of our common stock under the physical settlement provisions of that particular forward sale agreement irrespective of our capital needs, which would result in dilution to our earnings per share and return on equity, and may adversely affect the market price of our common stock. In addition, upon certain events of bankruptcy or insolvency related to us, each forward sale agreement will automatically terminate without further liability of either party. Following any such termination, we would not issue any shares of our common stock or receive any proceeds pursuant to the forward sale agreements.

Each forward sale agreement provides for settlement on a settlement date or dates to be specified at our discretion on or prior to December 31, 2026. Each forward sale agreement will be physically settled by delivery of shares of our common stock, unless we elect to cash settle or net share settle such forward sale agreement. Upon physical settlement or, if we so elect, net share settlement of a particular forward sale agreement, delivery of shares of our common stock in connection with such physical settlement or (to the extent we are obligated to deliver shares of our common stock) net share settlement will result in dilution to our earnings per share and return on equity, and may adversely affect the market price of our common stock. If we elect cash settlement or net share settlement with respect to all or a portion of the shares of our common stock underlying a particular forward sale agreement, we expect that the relevant forward purchaser (or an affiliate thereof) will purchase a number of shares of our common stock necessary to satisfy its or its affiliate's obligation to return the shares of our common stock borrowed from third parties in connection with the related sales of shares of our common stock under that forward sale agreement and, upon net share settlement, its obligation to deliver shares to us, if applicable. If the market value of shares of our common stock during the relevant valuation period under the particular forward sale agreement is above the applicable forward sale price, in the case of cash settlement, we would be obligated to pay the relevant forward purchaser under that particular forward sale agreement an amount in cash equal to the difference multiplied by the number of shares of our common stock underlying that particular forward sale agreement subject to cash settlement or, in the case of net share settlement, we would be obligated to deliver to the relevant forward purchaser a number of shares of our common stock having a value equal to the difference multiplied by the number of shares of our common stock underlying that particular forward sale agreement subject to net share settlement. Thus, we could be responsible for a potentially substantial cash payment or share delivery obligation.

In addition, the purchase of shares of our common stock in connection with the relevant forward purchaser or its affiliate unwinding its hedge positions could cause the market price of our common stock to increase over such time (or prevent a decrease over such time), thereby increasing the amount of cash we would owe to the relevant forward purchaser (or decreasing the amount of cash that the relevant forward purchaser would owe us) upon a cash settlement of the relevant forward sale agreement or increasing the number of shares of our common stock we would be obligated to deliver to the relevant forward purchaser (or decreasing the number of shares of our common stock that the relevant forward purchaser would be obligated to deliver to us) upon net share settlement of the relevant forward sale agreement. We will not be able to control the manner in which the forward purchasers unwind their hedge positions.

The forward sale price that we expect to receive upon physical settlement of the forward sale agreements is subject to adjustment on a daily basis based on a floating interest rate factor equal to the overnight bank funding rate less a spread and will be decreased based on amounts related to expected dividends on shares of our common stock during the term of such forward sale agreement. If the overnight bank funding rate is less than the spread on any day, the interest rate factor will result in a daily reduction of the forward sale price for such day.

In certain bankruptcy or insolvency events, the forward sale agreements will automatically terminate, and we would not receive the expected proceeds from the forward sales of our common stock.

If we institute or consent to, or an appropriate regulatory or other authority institutes against us, a proceeding seeking a judgment in bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or if we or such authority presents a petition for our winding up or liquidation or we consent to such a petition, each forward sale agreement will automatically terminate. If a forward sale agreement so terminates, we would not be obligated to deliver to the relevant forward purchaser any shares of our common stock not previously delivered (or for which physical settlement has not been elected), and the relevant forward purchaser would be discharged from its obligation to pay the forward sale price per share in respect of any shares of our common stock not previously settled (or for which physical settlement has not been elected). Therefore, to the extent there are any shares of our common stock with respect to which we have not elected to physically settle under a forward sale agreement at the time of the institution of or consent to any such bankruptcy or insolvency proceedings or any such petition, we would not receive the forward sale price per share in respect of those shares of our common stock.

Our shareholders may experience dilution as a result of the issuance of shares upon physical or net share settlement of the forward sale agreements, which may impact our earnings per share and the book value and fair value of our common stock.

Our issuance of common stock pursuant to a forward sale agreement upon physical settlement or net share settlement thereof will have a dilutive effect on our earnings per share. Any additional future issuances of our common stock will reduce the percentage of our common stock owned by investors who do not participate in future issuances. Shareholders will not be entitled to vote on our issuance of additional common stock. In addition, our shareholders may experience dilution in both the book value and fair value of their shares.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuance of Shares in Connection with Acquisition of Appalachian Utilities, Inc.**

Effective October 27, 2025, parent company issued 25,159 shares of its common stock (the “Shares”) as consideration for the merger (the “Appalachian Merger”) of a wholly owned subsidiary of parent company with and into Appalachian Utilities, Inc. (“Appalachian”), with Appalachian being the surviving entity immediately following such merger, in a transaction not involving a public offering of securities in reliance upon Section 4(a)(2) of the Securities Act. Promptly following the closing of the Appalachian Merger, Appalachian was merged with and into the Company’s Pennsylvania subsidiary. The Shares were issued out of parent company’s existing shares of treasury stock, with restrictive legends thereupon, to or for the benefit of a limited number of persons (less than five) who, immediately prior to the closing of the Appalachian Merger, were reasonably believed to be accredited investors and had owned all of the shares of common stock of Appalachian.

Anti-dilutive Stock Repurchase Program

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company’s dividend reinvestment and direct stock purchase plan and employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended September 30, 2025. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2025, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2025, none of the Company’s directors or “officers” (as such term is defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of the Company’s securities, intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Exchange Act or (ii) any “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K).

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
2.1#	<u>Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).</u>
2.2#	<u>Purchase and Sale Agreement, dated as of May 19, 2025, between Nexus Regulated Utilities, LLC and American Water Works Company, Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2025).</u>
2.3#	<u>Agreement and Plan of Merger, dated as of October 26, 2025, by and among American Water Works Company, Inc., Alpha Merger Sub, Inc., and Essential Utilities, Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed October 27, 2025).</u>
3.1	<u>Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.’s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).</u>

Exhibit Number	Exhibit Description
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers' Certificate of American Water Capital Corp., dated February 27, 2025, establishing the 5.250% Senior Notes due 2035 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 27, 2025).
4.3	Officers' Certificate of American Water Capital Corp., dated August 8, 2025, establishing the 5.700% Senior Notes due 2055 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 8, 2025).
10.1#	Amendment No. 1 to Secured Seller Note Agreement, dated as of February 2, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 5, 2024).
10.2	Amendment No. 2 to Secured Seller Note Agreement, dated as of December 3, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.20.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2025).
10.3	Forward Sale Agreement, dated August 4, 2025, by and between American Water and Wells Fargo Bank, National Association, in its capacity as a Forward Purchaser (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 6, 2025).
10.4	Forward Sale Agreement, dated August 4, 2025, by and between American Water and JPMorgan Chase Bank, National Association, in its capacity as a Forward Purchaser (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 6, 2025).
10.5	Forward Sale Agreement, dated August 4, 2025, by and between American Water and Mizuho Markets Americas LLC (with Mizuho Securities USA LLC, acting as agent), in its capacity as a Forward Purchaser (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 6, 2025).
10.6	Forward Sale Agreement, dated August 7, 2025, by and between American Water and Wells Fargo Bank, National Association, in its capacity as a Forward Purchaser (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 8, 2025).
10.7	Forward Sale Agreement, dated August 7, 2025, by and between American Water and JPMorgan Chase Bank, National Association, in its capacity as a Forward Purchaser (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 8, 2025).
10.8	Forward Sale Agreement, dated August 7, 2025, by and between American Water and Mizuho Markets Americas LLC (with Mizuho Securities USA LLC, acting as agent), in its capacity as a Forward Purchaser (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 8, 2025).
*10.9	Offer Letter for Employment, dated September 30, 2025, between American Water Works Company, Inc. and Lori Sutton.
*22.1	Guaranteed Securities.
*31.1	Certification of John C. Griffith, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of David M. Bowler, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of John C. Griffith, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of David M. Bowler, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.

Exhibit Number	Exhibit Description
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

Certain schedules and exhibits to this agreement have been omitted as permitted by rules or regulations of the SEC. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Filed herewith.

** Furnished herewith.

The Membership Interest Purchase Agreement filed as [Exhibit 2.1](#), the Purchase and Sale Agreement filed as [Exhibit 2.2](#), the Agreement and Plan of Merger filed as [Exhibit 2.3](#), and Amendment No. 1 and Amendment No. 2 to the Secured Seller Note Agreement filed as [Exhibit 10.1](#) and [Exhibit 10.2](#), respectively, to this Quarterly Report on Form 10-Q, have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 29th day of October, 2025.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By

/s/ JOHN C. GRIFFITH

John C. Griffith
President and Chief Executive Officer
(Principal Executive Officer)

By

/s/ DAVID M. BOWLER

David M. Bowler
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Senior Vice President, Chief Accounting Officer
(Principal Accounting Officer)



September 30, 2025

Ms. Lori Sutton

[REDACTED]

[REDACTED]

Dear Lori:

On behalf of American Water Works Service Company, Inc., I am pleased to confirm your new position of Executive Vice President, Chief Human Resources Officer reporting to John Griffith, President and CEO, at our Evansville, Indiana office. The effective date of your new position is October 1, 2025. We are confident that you will find your new position to be personally rewarding and one in which you can make significant contributions to the company. ***The compensation described in this offer letter is subject to the approval of the Executive Development & Compensation Committee (ED&CC) and will not be effective until the ED&CC approves such compensation.***

Base Salary: Your new annual salary will be approximately \$450,000.00, which will be paid on a bi-weekly basis in accordance with American Water's standard payroll practices and will be effective October 1, 2025. Your job performance will be reviewed annually as part of our performance management process, and you may be eligible for a merit increase in 2026.

APP: You will remain eligible to participate in the American Water Annual Performance Plan. Your target award eligibility will increase from 50% to 60% of your annual base salary for the 2025 cycle. For reference purposes, the 2025 cycle covers the period beginning on 01/01/2025 through 12/31/2025 and target awards are prorated based on your effective date. Awards from the Annual Performance Plan are based on several company performance objectives, and payments may be higher or lower than target.

LTPP: You remain eligible to participate in the 2025 American Water Long Term Performance Plan (LTPP), and your target opportunity under this plan will increase from 90% to 120% of your base salary. Effective October 1, 2025, you will receive a set of grants that reflect the prorated difference between your previous 2025 grants and your new LTPP target value based on your new base salary and new LTPP target percentage. For reference purposes, awards are currently granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan (the Plan), in the form of restricted stock units and performance stock units. In the event of any conflict between your offer letter and the terms of the award grant documents and the Plan, the terms of the award documents and the Plan will govern.

Benefits: Your current benefits will remain unchanged and in effect, including your vacation accrual. This change in your position is not an IRS Qualified Life Event allowing you to change your American Water benefit elections. Please take this opportunity to review your health and welfare benefits and 401(k) elections to see how this transition impacts your coverage (e.g., company paid life insurance amount, HSA election, 401(k) paycheck election, beneficiary designations, etc.). In addition, American Water believes your health is of critical importance for your family, our customers, shareholders, and the employees you lead. To help you take the best possible care of your health, we also have a company-sponsored Executive Health Program for our key leaders. The program focuses on your physical well-being and long-term health and consists of a thorough risk-factor analysis, advanced diagnostic screenings, extensive laboratory testing, and ongoing coaching and support.

Non-Qualified Plan: You will continue to be eligible to participate in our Non-Qualified Deferred Compensation Plan subject to plan rules and annual enrollment.

Executive Severance Policy and Change of Control Severance Policy: You will remain an eligible participant under the Executive Severance Policy and Change of Control Severance Policy.

Executive Stock Ownership Guidelines and Executive Stock Retention Requirements: You will continue to be subject to the stock ownership guidelines and stock retention requirements.

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Ms. Lori Sutton
September 30, 2025
Page 2

As you are a Section 16 officer of the Company, American Water may be required to disclose your compensation and/or this offer letter in future SEC filings. Your signature below indicates your acceptance of our offer and your acknowledgment of this requirement of your position.

We wish you the best of luck in your new role and future opportunities with American Water!

Sincerely,

/s/ JOHN GRIFFITH

John Griffith
President and CEO
American Water

I, Lori Sutton, understand that my employment with American Water is "at will," which means that I am not guaranteed employment or any particular job for any specified period of time. The Company or I may terminate my employment at any time, for any or no reason, with or without cause.

/s/ LORI SUTTON
Signature

10/08/2025
Date

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AMERICAN WATER WORKS COMPANY, INC.**List of Securities Registered Under the Securities Act of 1933 (the “Securities Act”) and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. (“AWCC”) and American Water Works Company, Inc. (“parent company”)**

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.000% Senior Notes due 2026

2.950% Senior Notes due 2027

3.750% Senior Notes due 2028

3.450% Senior Notes due 2029

2.800% Senior Notes due 2030

2.300% Senior Notes due 2031

4.450% Senior Notes due 2032

5.150% Senior Notes due 2034

5.250% Senior Notes due 2035

6.593% Senior Notes due 2037

4.300% Senior Notes due 2042

4.300% Senior Notes due 2045

4.000% Senior Notes due 2046

3.750% Senior Notes due 2047

4.200% Senior Notes due 2048

4.150% Senior Notes due 2049

3.450% Senior Notes due 2050

3.250% Senior Notes due 2051

5.450% Senior Notes due 2054

5.700% Senior Notes due 2055

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2025

By: /s/ JOHN C. GRIFFITH

John C. Griffith

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, David M. Bowler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2025

By: /s/ DAVID M. BOWLER

David M. Bowler

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
President and Chief Executive Officer
(Principal Executive Officer)
October 29, 2025

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David M. Bowler, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ DAVID M. BOWLER

David M. Bowler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
October 29, 2025