American Water Works Company, Inc.
Form DEF 14A
March 27, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

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

(Name of Registrant as Specified in its Charter)

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

AMERICAN WATER WORKS COMPANY, INC.

March 27, 2015

Dear American Water Stockholder:

I am pleased to invite you to attend American Water's 2015 Annual Meeting of Stockholders on Friday, May 15, 2015. The meeting will be held at 10:00 a.m., Eastern Daylight Time, at The Mansion, 3000 Main Street, Voorhees, New Jersey 08043. For your convenience, we are providing a live webcast (audio only) of the meeting at www.amwater.com. Instructions on accessing the webcast are explained in detail on page 2.

The materials accompanying this letter include a formal notice of the meeting and the proxy statement. The proxy statement provides information on, among other things, American Water's corporate governance, the Company's executive compensation program, and the matters to be voted on at the meeting. We believe that matters addressed in the proxy statement reflect American Water's commitment to strong governance processes, including independent and active board oversight, accountability to stockholders, transparent disclosure and compliance with regulatory responsibilities.

The American Water board of directors' commitment to sound corporate governance is illustrated by a number of practices adopted in recent years:

- Our Chairman of the Board is an independent director;
- We have instituted a majority vote standard for election of directors;
- We have a policy mandating independence for the Compensation Committee's compensation consultant;
- We have an annual advisory vote to approve our executive compensation; and
- Stockholders have direct and confidential access to the board of directors through our email address: contacttheboard@amwater.com

We believe that these steps, and other effective governance practices described in this proxy statement, as well as American Water's largely performance-based executive compensation program, exhibit our proactive approach to governance. We encourage you to learn more about our governance practices by reading the proxy statement and visiting the Investor Relations page on our website at www.amwater.com.

It is important that your shares be represented and voted at the Annual Meeting regardless of the size of your holdings. Whether or not you plan to attend the Annual Meeting, we encourage you to vote your shares in advance of the Annual Meeting by using one of the methods described in the accompanying proxy materials.

We will set aside time at the meeting for discussion of each item of business, and American Water's management will report on the Company's performance during the last fiscal year and respond to questions from stockholders. If you will need special assistance at the meeting because of a disability, please contact Michael A. Sgro, Senior Vice President, General Counsel and Secretary, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, New Jersey 08043, or Investor Relations via email at aw.investorrelations@amwater.com or by telephone at (877) 310-7174.

Thank you for your support and continued interest in American Water.

Sincerely,

George MacKenzie
Chairman of the Board

American Water Works Company, Inc.

1025 Laurel Oak Road

Voorhees, New Jersey 08043

NOTICE OF

2015 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 15, 2015

The Annual Meeting of Stockholders of American Water Works Company, Inc. (the "Company") will be held at The Mansion, 3000 Main Street, Voorhees, New Jersey 08043, on Friday, May 15, 2015, at 10:00 a.m., Eastern Daylight Time to consider and take action on the following:

1. election to the board of directors of the nine (9) nominees named in the accompanying proxy statement for terms expiring at the 2016 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
2. ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015;
3. an advisory vote to approve the compensation of our named executive officers;
4. re-approval of the material terms of the performance goals set forth in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan to allow certain equity grants under the plan to continue to be deductible under Section 162(m) of the Internal Revenue Code;
5. approval of the material terms of the performance goals set forth in the American Water Works Company, Inc. Annual Incentive Plan to allow certain incentive awards under the plan to be deductible under Section 162(m) of the Internal Revenue Code;
6. adoption of an amendment to our bylaws establishing the courts located within the State of Delaware as the exclusive forum for the adjudication of certain legal actions; and
7. such other business, if any, as may properly be brought before the meeting or any adjournment or postponement of the meeting.

The Company's board of directors has no knowledge of any other business to be transacted at the 2015 Annual Meeting. Only holders of record of our outstanding common stock as of the close of business on March 17, 2015, are entitled to notice of and to vote at the 2015 Annual Meeting.

By Order of the Board of Directors
Michael A. Sgro
Senior Vice President, General Counsel and Secretary

March 27, 2015

Your vote is very important to us. Whether or not you plan to attend the Annual Meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. It is important that your shares of common stock be represented on the important issues presented at the meeting and we encourage you to vote in the method that best suits you. If you are unable to join us in Voorhees on May 15, 2015, you will have the ability to participate and cast your vote electronically on the Internet during the meeting at www.virtualshareholdermeeting.com/awk2015. Investors will also be able to hear a live audio-only webcast of the meeting by visiting our Investor Relations website at www.amwater.com. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail (or, if you received printed proxy materials, on the enclosed proxy card), and the section entitled “Questions and Answers about the Annual Meeting and Voting” beginning on page 1 of this proxy statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 15, 2015: The proxy statement and 2014 Annual Report (which includes our annual report on Form 10-K for the year ended December 31, 2014) are available at the Investor Relations section of the Company’s web site at www.amwater.com.

AMERICAN WATER WORKS COMPANY, INC

PROXY STATEMENT

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AMERICAN WATER WORKS COMPANY, INC.

1025 Laurel Oak Road

Voorhees, New Jersey 08043

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Our board of directors is soliciting your proxy to vote at our 2015 Annual Meeting of Stockholders and at any reconvened or rescheduled meeting following any adjournment or postponement of the Annual Meeting). This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully.

In accordance with rules of the U.S. Securities and Exchange Commission, which we refer to as the "SEC," most of our stockholders are receiving a Notice of Internet Availability of Proxy Materials, which we refer to as the "Notice," rather than a printed copy of our proxy materials. Our proxy materials consist of this proxy statement, a proxy card and our annual report to stockholders, which includes our Form 10-K for the year ended December 31, 2014, and a letter from our President and CEO. We are making these materials available to our stockholders beginning on or about March 27, 2015. In this regard, we intend to mail our definitive proxy statement to our stockholders on or about March 27, 2015. More information is provided in the following set of questions and answers, including information on how to receive by mail, free of charge, paper copies of the proxy materials.

When and where will the Annual Meeting be held?

The date, time and place of our 2015 Annual Meeting of Stockholders are set forth below:

DATE:	Friday, May 15, 2015
TIME:	10:00 a.m. (Eastern Daylight Time)
PLACE:	The Mansion
	3000 Main Street
	Voorhees, New Jersey 08043

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will consider and take action upon the matters outlined in the Notice of Meeting:

- Proposal 1 - election to the board of directors of the nine (9) nominees named in the proxy statement for terms expiring at the 2016 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- Proposal 2 - ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015;

- Proposal 3 - an advisory vote to approve the compensation of our named executive officers;
- Proposal 4 - re-approval of the material terms of the performance goals set forth in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan to allow certain equity grants under the plan to continue to be deductible under Section 162(m) of the Internal Revenue Code;
- Proposal 5 - approval of the material terms of the performance goals set forth in the American Water Works Company, Inc. Annual Incentive Plan to allow certain incentive awards under the plan to be deductible under Section 162(m) of the Internal Revenue Code;
- Proposal 6 - adoption of an amendment to our bylaws to provide that the courts located within the State of Delaware will serve as the exclusive forum for the adjudication of certain legal actions; and
- such other business, if any, as may properly be brought before the meeting or any adjournment or postponement of the meeting.

American Water's management will also report on the Company's performance during the last fiscal year and respond to questions from stockholders.

Who is entitled to vote at the Annual Meeting?

Stockholders of record who owned American Water common stock at the close of business on March 17, 2015, the record date, are entitled to vote. As of the record date, there were 179,907,031 shares of American Water common stock outstanding.

What is required to attend the Annual Meeting?

You will need an admission card and appropriate photo identification to enter the Annual Meeting. To obtain an admission card, which will be mailed to you prior to the meeting, please follow the advance registration instructions on the back inside cover of this proxy statement. If your shares are not registered in your own name, you must provide, at the entrance to the Annual Meeting, evidence of your stock ownership as of March 17, 2015. You can obtain this evidence from your bank or brokerage firm, typically in the form of your most recent monthly statement. We reserve the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date. No cameras, recording equipment, large bags, briefcases or packages will be permitted into the 2015 Annual Meeting.

To attend the Annual Meeting on the Internet, visit www.virtualshareholdermeeting.com/awk2015. To enter the meeting and vote, you must use your 12-digit Control Number printed on your proxy card. Stockholders of record will be able to vote their shares electronically. Questions submitted online, but not answered during the meeting, will be addressed within the next business day following the meeting.

If you have a disability, we can provide reasonable assistance to help you participate in the meeting. If you plan to attend the meeting and require assistance, please contact Michael A. Sgro, Senior Vice President, General Counsel and Secretary, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, New Jersey, 08043, or Investor Relations by email at aw.investorrelations@amwater.com or by telephone at (877) 310-7174, at least one week prior to our meeting.

Will there be a public webcast of the Annual Meeting?

Yes. The Annual Meeting will be webcast, in audio-only format, live to the public via the Internet on Friday, May 15, 2015, beginning at 10:00 a.m., Eastern Daylight Time. Accessing the webcast will enable you to hear the speakers on a live basis.

The webcast may be accessed on our website at www.amwater.com. Click on “Investors Relations” at the top of the page, and follow the Annual Meeting webcast link on the Investor Relations home page. Minimum requirements to listen to this broadcast online are: Windows Media Player software, downloadable at www.microsoft.com/windows/windowsmedia/download/default.asp, and at least a 28K connection to the Internet.

To listen to the live webcast, please go to the website at least 30 minutes early to download and install any necessary software. If you plan to listen online, we suggest that you test your computer’s access to Windows Media Player by visiting the above URL one week prior to the meeting date.

If you are unable to listen online during the meeting, the event will be archived on the Company’s website at the same website address through June 15, 2015.

What are the board of directors’ recommendations regarding the matters to be acted on at the Annual Meeting?

The board of directors recommends a vote:

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FOR Proposal 1 - the election of nine (9) director nominees named in this proxy statement for terms expiring at the 2016 Annual Meeting or until their successors are duly elected and qualified;
- FOR Proposal 2 - the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015;
- FOR Proposal 3 - the approval, on an advisory basis, of the compensation of our named executive officers;
- FOR Proposal 4 - the re-approval of the material terms of the performance goals set forth in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan to allow certain equity grants under the plan to continue to be deductible under Section 162(m) of the Internal Revenue Code;

- FOR Proposal 5 - the approval of the material terms of the performance goals set forth in the American Water Works Company, Inc. Annual Incentive Plan to allow certain incentive awards under the plan to be deductible under Section 162(m) of the Internal Revenue Code; and
- FOR Proposal 6 – the adoption of an amendment to our bylaws to provide that the courts located within the State of Delaware will serve as the exclusive forum for the adjudication of certain legal actions.

What is e-proxy, and why is American Water using it?

E-proxy is the informal name for a process permitted by SEC rules. Under this process, a company can make its proxy materials available to some or all of its stockholders over the Internet, instead of mailing paper copies of the proxy materials to every stockholder. We are using e-proxy to distribute proxy materials to some of our stockholders because it will reduce our printing and mailing costs and reduce the consumption of paper and other resources.

How do I access the proxy materials on the Internet?

A Notice has been mailed to some of our stockholders. The Notice has instructions on how to access our proxy materials on the Internet.

I received the Notice, but I prefer to read my proxy materials on paper—can I get paper copies?

Yes. The Notice has instructions on how to request paper copies by telephone, e-mail or on the Internet. We will send, free of charge, printed materials by first class mail within three business days of receiving your request, either directly or through your bank or broker. If you so indicate in your request, you also will receive the materials in paper form with respect to future stockholder meetings.

I previously consented to the electronic delivery of proxy materials—will I continue to receive them via e-mail?

Yes. If you have already elected to receive proxy materials electronically, you will continue to receive them that way.

How many votes do I have?

Each outstanding share of American Water common stock is entitled to one vote. The number of shares you own is reflected on your proxy card.

Is there a difference between holding shares "of record" and holding shares in "street name"?

Yes. If your shares are registered directly in your name, you are considered to be the stockholder "of record" with respect to those shares, and either the Notice or paper copies of the proxy materials are being sent directly to you by American Water. If your shares are held in the name of a bank or broker, then you are considered to hold those shares in "street name." In that case, the Notice is being sent to you or paper copies of the proxy materials are being forwarded to you by or on behalf of your bank or broker.

How many votes must be present to hold the Annual Meeting?

A quorum of shares outstanding is necessary to hold a valid meeting. The presence at the meeting, in person or by proxy, of the holders of record of a majority of the shares entitled to vote constitutes a quorum.

How can I vote my shares?

If you are a holder of record, you may vote in person at the Annual Meeting or you may designate another person—your proxy—to vote your stock. The written document used to designate someone as your proxy also is called a proxy or proxy card. We urge you to vote your shares by proxy even if you plan to attend the Annual Meeting. You can change your vote at the meeting. If you are a stockholder of record, you can vote by proxy over the Internet or by telephone, or by submitting your proxy by mail.

If your shares are held in "street name," then you may give voting instructions in the manner provided by your bank or broker. Please note that New York Stock Exchange rules prohibit your broker from voting on proposals 1, 3, 4, 5 and 6, unless you provide voting instructions. Therefore, if you do not provide voting instructions to your bank or broker, your shares may be voted only on the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

If I want to vote my shares in person at the Annual Meeting, what must I do?

If you attend the Annual Meeting, hold your shares directly in your own name, and wish to vote in person rather than by proxy, we will give you a ballot when you arrive. However, if you hold your shares in street name, you must obtain a proxy from your broker or bank assigning to you the right to vote your shares. You must submit your proxy with your ballot to vote your shares in person.

If I want to vote my shares electronically during the Annual Meeting, what must I do?

If you attend the Annual Meeting online, you will need to provide your 12-Digit Control Number, located on your proxy card, which identifies you as a stockholder of record. Stockholders voting via the Internet will need to follow the instructions at www.proxyvote.com or www.virtualshareholdermeeting.com/awk2015 in order to vote. Votes submitted in person or via the Internet by a stockholder will revoke any previous votes submitted by proxy.

What are my choices when voting?

You may specify whether your shares should be voted for or against, or whether you abstain from voting with respect to each of the director nominees specified in this proxy statement for election as directors. You also may specify whether your shares should be voted for or against, or whether you abstain from voting with respect to each of the other proposals. If you sign and return a proxy card, one of the individuals named on the proxy card will vote your shares as you have directed.

What if I do not specify how I want my shares voted?

If you are a stockholder of record and return a signed proxy card, or if you give your proxy by telephone or over the Internet, but do not provide voting instructions, one of the individuals named on your proxy card will vote your shares in accordance with the board’s recommendations described above. Please see the discussion below under “What vote is required to elect directors?” and “What vote is required to approve the other proposals?” for further information on the voting of shares.

How can I revoke my proxy or substitute a new proxy or change my vote?

If you are a record holder, you can revoke your proxy as follows:

For a proxy submitted by internet or telephone

· Submitting in a timely manner a later-dated proxy in person at the meeting or through the Internet or by telephone; or
· Voting in person at the Annual Meeting.

For a proxy submitted by mail

· Subsequently executing and mailing another proxy card bearing a later date; or
· Giving written notice of revocation to American Water’s Secretary at 1025 Laurel Oak Road, Voorhees, NJ 08043 that is received by the Secretary prior to the Annual Meeting;
· Voting in person at the Annual Meeting; or
· Casting your vote at the Virtual Stockholder Meeting during the live meeting before the polls are closed. See “What is required to attend the Annual Meeting?” for information on voting at the Virtual Stockholder Meeting.

If your shares are held in street name, contact your bank or broker.

What vote is required to elect directors?

Directors will be elected by the vote of the majority of votes cast. For this purpose, a majority of the votes cast means that the number of shares voted for a director must exceed the number of shares voted against the director.

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What vote is required to approve the other proposals?

Approval of the other proposals requires the affirmative vote of a majority of the votes cast at the meeting. Abstentions are counted as votes "against" a proposal, and broker non-votes are not counted as votes for or against the proposals. A "broker non-vote" occurs when a broker holding shares for the account of a beneficial owner is not permitted to vote on a matter because the broker has not received voting instructions from the beneficial owner. Under New York Stock Exchange rules, brokers are not permitted to vote on proposals 1, 3, 4, 5 and 6; brokers may vote on these matters only if you provide voting instructions.

Who counts the votes?

A representative from Broadridge Financial Solutions, Inc., an investor communications service, will serve as our inspector of election. In that capacity, Broadridge will tabulate the votes and certify the results.

How do I obtain the voting results?

Preliminary voting results will be announced at the Annual Meeting, and a webcast of our meeting will be archived on the Events and Presentation page which can be accessed through our Investor Relations page at www.amwater.com through June 15, 2015. Preliminary or, if then available, final voting results will be published in a Current Report on Form 8-K that we will file with the SEC within four business days after the meeting ends. If only preliminary voting results are available within four business days following the meeting date, we will file an amendment to the Form 8-K to provide final voting results within four business days following the receipt of those results. A copy of the Form 8-K and any amendment that we file will be available on the SEC Filings page of our web site after it is filed with the SEC, or can be obtained by calling Investor Relations at (877) 310-7174 and requesting a copy. To access the SEC Filings page, click on the Financial Reports link on our Investor Relations page and then click on the link that says "SEC filings."

Can American Water deliver only one set of Annual Meeting materials to multiple stockholders who share the same address?

Yes. The SEC's rules regarding the delivery to stockholders of Notices, proxy statements and annual reports permit us or an intermediary such as a broker to deliver a single copy of these documents to an address shared by two or more of our stockholders. This method of delivery is called "householding," and can significantly reduce printing and mailing costs. It also reduces the volume of mail you receive. This year, you may receive only one Notice, or if applicable, one proxy statement and Annual Report to Stockholders, addressed to multiple stockholders sharing a single address, unless you provide instructions to the contrary. If you would like to receive more than one copy of the Notice, or if applicable, the proxy statement and our Annual Report to Stockholders, or if you receive multiple copies of some or all of these materials and would prefer to receive a single copy, you should submit a request to your broker if your shares are held in a brokerage account or to Michael A. Sgro, Senior Vice President, General Counsel and Secretary, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, New Jersey, 08043, telephone: (856) 346-8200, if the shares are registered in your name. We will send promptly additional copies of the relevant materials following our receipt of a written or oral request for additional copies. The same phone number and address may be used to notify us that you wish to receive a separate Notice, or if applicable, annual report or proxy statement in the future, or to request delivery of a single copy of the Notice, or if applicable, annual report or proxy statement if you are receiving multiple copies.

Who will pay the costs for proxy solicitation?

The entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this proxy statement, the proxy card and any additional soliciting material furnished to stockholders, will be borne by us. We will pay the costs of the solicitation of proxies. We will also pay the fees of brokerage firms and other nominees of beneficial owners associated with their provision of the Notice, forwarding of proxy materials to beneficial owners and obtaining beneficial owners' voting instructions. We have retained MacKenzie Partners, Inc. to solicit proxies for a fee of approximately $14,500 plus a reasonable amount to cover expenses. In addition, MacKenzie Partners, Inc. and certain related persons will be indemnified against certain liabilities arising out of or in connection with the engagement.

In addition to soliciting by e-proxy and by mail, our directors, officers and employees also may solicit by telephone, electronically (including through the Internet) or in person. We will pay for the cost of these solicitations, but these individuals will receive no additional compensation for their solicitations.

(Proposal 1)

ELECTION OF DIRECTORS

Our board currently consists of nine (9) directors. All of our current directors have been nominated for election this year to hold office until the 2016 Annual Meeting of Stockholders or until their successors are duly elected and qualified. The board of directors believes that these nominees will be able to serve as directors if elected. If a nominee is not able to serve, proxies will be voted for another person nominated by the board of directors, unless the board of directors reduces the number of directors.

Our bylaws require that in order to be elected in an uncontested election, a director nominee must receive a majority of the votes cast (for this purpose, a majority of the votes cast means that the number of shares voted “for” a director nominee must exceed the number of votes cast “against” that nominee). All of our director nominees are currently serving on the board of directors. If a nominee who is currently serving as a director is not re-elected, Delaware law provides that the director would continue to serve on the board of directors until a successor is duly elected. Under our bylaws and corporate governance guidelines, each incumbent director nominee submits, prior to an annual meeting of stockholders, a contingent resignation that the board of directors may accept if the nominated incumbent director does not receive the vote of at least the majority of the votes cast at the annual meeting of stockholders. In that situation, our nominating/corporate governance committee would make a recommendation to the board of directors on whether to accept or reject the resignation, or whether to take other action. The board of directors would act on the resignation, taking into account the nominating/corporate governance committee’s recommendation, and publicly disclose its decision and the rationale behind it within 90 days from the date that the election results were certified. The nominated incumbent director who did not receive a majority of votes cast at the annual meeting of stockholders will not participate in the nominating/corporate governance committee’s recommendation or in the board’s decision. If a non-incumbent nominee fails to receive a majority of votes cast, the board may, in accordance with our bylaws, fill the resulting vacancy or decrease the size of the board.

Nominees for Election as Directors

Martha Clark Goss, 65, Director since 2003

Ms. Clark Goss has been a member of our board of directors since October 2003, and she served as Chair of the audit committee from December 2005 to May 2014. She currently serves on the finance and audit committees. Ms. Clark Goss has served on the board of trustees of the Neuberger Berman Mutual Funds since 2007, where she served as vice chair of the audit committee from 2010 until 2014 and the chair of the governance and nominating committee since 2014. Ms. Clark Goss served as Chief Operating Officer and Chief Financial Officer of Amwell Holdings/Hopewell Holdings LLC, a holding company and investment vehicle for investments in healthcare related companies, from 2003 until 2014. From March 2008 until October 2009 she served on the board of Parsons Brinckerhoff, Inc., where she also served as chair of the finance committee and served on the audit and governance and nominating committees. From July 2006 to March 2009, she served as the non-executive Chair of Channel Reinsurance Ltd. From February 2005 until May 2007 she served on the board of Claire's Stores Inc. where she served as chair of the compensation committee and as a member of the audit and governance and nominating committees. From July 2005 until May 2010 she served as a director of Ocwen Financial, where she served on the audit and governance and nominating committees. Previously, Ms. Clark Goss served as Chief Financial Officer of The Capital Markets Company from 1999 until 2001, the Chief Financial Officer of Booz-Allen & Hamilton from 1995 to 1999 and in various senior executive positions at Prudential Insurance Company from 1981 until 1995, including President of Prudential Power Funding Associates, the investment arm of Prudential responsible for its portfolio of assets in electric and gas utilities and alternative energy projects, and Treasurer of Prudential. She began her career at The Chase Manhattan Bank. Ms. Clark Goss received a Bachelor of Arts degree from Brown University and an MBA degree from The Harvard Business School. She served as a Trustee and Treasurer of Brown University from 1987 to 1998 and remains a Trustee Emerita, and she is currently a member of the Board of the Museum for American Finance. She is a member and Past President, director and audit committee chair of the Financial Women's Association of New York and is a member of The Committee of 200, a women's professional organization.

Ms. Clark Goss' extensive financial, investment, and governance experience provides valuable insights to both our audit committee and our board. In addition, her experience as President of an investment subsidiary of Prudential, responsible for substantial investments in electric and gas public utilities and alternative energy projects, enables her to share with the board her considerable knowledge regarding public utilities.

Julie A. Dobson, 58, Director since 2009

Ms. Dobson has been a member of our board of directors since June 2009 and the chair of our audit committee since 2014. She is also a member of our nominating/corporate governance committee. She most recently served as Chief Operating Officer and one of the founding principals of TeleCorp PCS, a wireless/mobile phone company serving more than a million customers when sold to AT&T Wireless in 2002. Prior to her tenure at TeleCorp PCS, Ms. Dobson served in a variety of leadership positions during an almost 20 year career with what has become Verizon Communications, Inc., including President of the New York Region of Bell Atlantic Mobile, vice president of Bell Atlantic Enterprises Corporation, and President and Chief Executive Officer of Bell Atlantic Business Systems International. Ms. Dobson currently serves on the board of directors of Safeguard Scientifics, Inc., where she chairs the compensation committee and serves on the nominating and governance committee, and the board of directors of RadioShack Corporation, where she chairs the management development and compensation committee. Ms. Dobson also served on the board of directors of PNM Resources, Inc. from September 2002 to May 2014, where she served most recently as lead independent director. In addition, until January 2010, Ms. Dobson served on the board of directors of LCC International, Inc., where she was non-executive Chairman of the Board and served on the audit, finance, compensation and nominating and governance committees at various times during her tenure. Ms. Dobson earned her Bachelor of Science degree from the College of William and Mary and an MBA from the University of Pittsburgh.

Ms. Dobson's executive experience with both regulated and unregulated subsidiaries of a major telecommunications company provides her with a substantive understanding of a variety of issues confronting our business, which includes both regulated and unregulated operations. Specifically, her experience includes management over several initiatives to expand deregulated lines of business, which enables her to assess similar expansion efforts relating to our market-based businesses. Her involvement in strategic planning and mergers and acquisitions at Bell Atlantic also enables her to provide insights with respect to our acquisition strategy.

Paul J. Evanson, 73, Director since 2013

Mr. Evanson has been a member of our board of directors since March 2013 and serves on our compensation and finance committees. Mr. Evanson served as Chairman, Chief Executive Officer and President of Allegheny Energy, Inc., a company engaged in the operation of three electric public utility companies and in merchant power generation operations, from 2003 until the company's merger with FirstEnergy Corp. in February 2011. Following the merger, he served as Executive Vice Chair of FirstEnergy until his retirement in May 2011. Mr. Evanson previously served as President of Florida Power & Light Company, and president of Lynch Corporation. He also held leadership positions with Moore McCormack Resources and Arthur Anderson & Co. He served as Chairman of the Board of the Florida Reliability Coordinating Council, a non-profit company whose purpose is to ensure and enhance the reliability and adequacy of bulk electricity in Florida. In addition, he served on the board of directors of Edison Electric Institute, an association of shareholder-owned electric companies, and North American Electricity Reliability Council, a group that was formed in 1968 by electric companies to promote the reliability and adequacy of power supplies. Mr. Evanson received a Bachelor of Business Administration degree from St. John's University, a Juris Doctor degree from Columbia Law School, and Master of Laws degree from New York University School of Law. He also received a Doctor of Commercial Science degree (honorary) from St. John's University, where he sits on the board of trustees. Mr. Evanson also sits on the board of trustees of the Westmoreland Museum of American Art.

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

Richard R. Grigg, 66, Director since 2008

Mr. Grigg has been a member of our board of directors since August 2008. Mr. Grigg is chair of our finance committee and also serves on our nominating/corporate governance committee. Mr. Grigg most recently served as Executive Vice President of FirstEnergy Corp. and President of FirstEnergy Utilities Group, a diversified energy company headquartered in Akron, Ohio, until his retirement in April 2010. The business unit he led included FirstEnergy's Energy Delivery Group, which includes seven electric utility operating companies in Ohio, Pennsylvania and New Jersey, along with Customer Service and Federal Energy Regulatory Commission Compliance. He first joined FirstEnergy in 2004 as Executive Vice President and Chief Operating Officer. Prior to joining FirstEnergy, Mr. Grigg had a 34-year career at Wisconsin Energy Corporation, a public holding company, which we refer to as WEC, retiring as President and Chief Executive Officer of its subsidiary, WE Generation. He served in a variety of management positions at other WEC subsidiaries, including Wisconsin Electric Power Company and Wisconsin Gas Company, where he was President and Chief Operating Officer. Mr.Grigg also served as a director of WEC from 1995 to 2003. Mr. Grigg is currently on the Board of Trustees of the Akron Children's Hospital and he also serves on the board of directors of Tangent Energy Solutions, Inc., which provides commercial and industrial customers with technology solutions in the energy market. Mr. Grigg is a former member of the board of directors of the Northeast Ohio Council on Higher Education, where he served as an associate member of The President's Council, Cleveland, Ohio. Mr. Grigg was President and served on the board of the Association of Edison Illuminating Companies and is a member of the American Society of Mechanical Engineers. Mr. Grigg held professional engineer licenses in Ohio and Wisconsin.

Mr. Grigg's long career as a public utility executive, including experience as a senior executive at two large public utilities, and his engineering and technical expertise, enables him to provide valuable insights to the board on regulated utility financial structures and regulatory considerations in several states, including Pennsylvania and New Jersey, where we have significant regulated operations.

Julia L. Johnson, 52, Director since 2008

Ms. Johnson has been a member of our board of directors since August 2008 and is the chair of our nominating/corporate governance committee. She also serves on our compensation committee. Ms. Johnson is president of NetCommunications, LLC, a strategy consulting firm specializing in the communications, energy, and information technology public policy arenas. Ms. Johnson served on the Florida Public Service Commission from January 1992 until November 1999, serving as chairwoman from January 1997 to January 1999. Ms. Johnson has served on the board of directors of FirstEnergy Corp. since 2011, and the board of directors of Allegheny Energy, Inc. from 2003 until its merger with FirstEnergy Corp. In addition, Ms. Johnson also serves on the board of directors of MasTec, Inc., a provider of telecommunications and energy infrastructure construction, and Northwestern Corporation, a provider of electricity and natural gas.

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

Karl F. Kurz, 53, Director since 2015

Mr. Kurz joined our board in February 2015 and is a member of the nominating/corporate governance and finance committees. Mr. Kurz is currently a private investor in the energy industry. From September 2009 to September 2012, Mr. Kurz served as managing director, co-head of energy, and a member of the investment committee for CCMP Capital Advisors LLC, a leading global private equity firm. Prior to joining CCMP, Mr. Kurz spent nine years with Anadarko Petroleum Corporation, lastly serving as Chief Operating Officer responsible for overseeing the company's global exploration, production, marketing, midstream and technology businesses. Prior to joining Anadarko, Mr. Kurz was general manager of midstream and marketing for Vastar Resources, Inc. where he managed the company's marketing of oil, natural gas liquids, gas and gas processing. Prior to joining Vastar in 1995, Mr. Kurz held various management positions at ARCO Oil and Gas Company in reservoir engineering, production operations, and financial trading. Mr. Kurz holds a B.S. in Petroleum Engineering from Texas A&M University, graduating magna cum laude. He is also a graduate of Harvard Business School's Advanced Management Program. Mr. Kurz also serves as a director of Semgroup Corporation (a public energy midstream company) since 2009 and of WPX Energy (a public independent oil and gas company) since January 2014. Mr. Kurz also serves as the Chairman of Siluria Technologies Inc. (a private energy technology company) where he has been director since 2013.

Mr. Kurz’s long history of working in the oil and gas industry is invaluable as we continue our strategic growth in shale and pursue the potential opportunities in the national water-energy nexus discussion, smart water grid development, and water supply solutions. His experience in finance and capital markets brings additional insights for our company and board.

George MacKenzie, 66, Director since 2003

Mr. MacKenzie has been a member of our board of directors since August 2003 and Chairman of our board since May 2006. In addition to his role with American Water, Mr. MacKenzie has served on the board of directors of Safeguard Scientifics, Inc. since February 2003, where he is a member of the audit committee and nominating and corporate governance committee, and of Tractor Supply Co. since May 2007, where he also is a member of the audit committee and compensation committee. He previously served on the board of directors of C&D Technologies, Inc. from March 1999 until December 2010, Central Vermont Public Service Corp. from May 2001 to May 2006 and traffic.com from December 2005 to March 2007. He also serves on the board of directors of Weston Solutions, Inc., an environmental services company, and the Board of Trustees of the Medical Center of Delaware. Mr. MacKenzie previously served as Vice Chairman of the Board and Chief Financial Officer of Hercules Incorporated, a global manufacturer of chemical specialties, where he was employed from 1979 to 2001. During his 22-year career with Hercules, he served in a variety of senior management roles including President of the Chemical Specialty Division. From September 2001 to June 2002, Mr. MacKenzie was Executive Vice President and Chief Financial Officer of P.H. Glatfelter Company, a specialty paper manufacturer.

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

William J. Marrazzo, 65, Director since 2003

Mr. Marrazzo has been a member of our board of directors since October 2003. Mr. Marrazzo is the chair of our compensation committee and also serves on our audit committee. He has been the Chief Executive Officer and President of WHYY, Inc., a public television and radio company, since 1997. He served as Water Commissioner for the Philadelphia Water Department from 1971 to 1988 and Managing Director for the City of Philadelphia from 1983 to 1984. From 1988 to 1997, Mr. Marrazzo served as Chief Executive Officer of Roy F. Weston, Inc., an environmental and redevelopment firm that was a public company during his tenure. Mr. Marrazzo has been a member of the board of directors of Amerigas Partners, L.P. since April 2000, and currently serves as its chair of the audit committee and is a member of its compensation committee.

Mr. Marrazzo's distinguished public service career, including his responsibilities as Water Commissioner for the Philadelphia Water Department, one of the nation's largest, which serves the Greater Philadelphia region by providing integrated water, wastewater and stormwater services, coupled with his executive experience at an environmental firm, enables him to assist the board in addressing water system, environmental and sustainability issues, as well as regulatory and public policy matters. Mr. Marrazzo's experience as an executive of a public television and radio company enables him to assist the board in assessing our marketing and communications strategies. Moreover, his executive experience in both the public and private sector enables him to contribute meaningfully to board consideration of a variety of operational and financial matters.

Susan N. Story, 55, Director since 2014

Ms. Story has been our Chief Executive Officer since May 2014 and previously was our Senior Vice President and Chief Financial Officer since April 2013. Prior to joining American Water, she was employed for over 30 years by Southern Company, which owns and operates electric utilities in four states, and also is engaged in electric wholesale generation and telecommunications, including both wireless and wireline, fiber optic communications. Ms. Story was an executive officer of Southern Company from 2003 until she joined the Company. In addition, from January 2011 until she joined the Company, she served as the President and Chief Executive Officer of Southern Company Services, which provides shared services for all of Southern Company's subsidiaries, including information technology and cyber security efforts, human resources, procurement and supply chain management, marketing services, customer research and system transportation functions. From 2003 to December 2010, she was the President and Chief Executive Officer of Gulf Power Company, an electric utility serving the northwestern portion of Florida. She currently serves on the board of directors for the Bipartisan Policy Center and the Alliance to Save Energy (ASE), and is a member of the Moffitt Cancer Center Board of Advisors in Tampa, Florida.

Ms. Story's intimate knowledge regarding our operations, by virtue of her service as our Senior Vice President and Chief Financial Officer, enables her to provide valuable insights regarding our operations, as well as finance, administration and personnel matters. In addition, her long career at Southern Company, including her leadership role at Gulf Power Company, enables her to provide important insights on regulated utility operations, and her leadership experience at Southern Company Services enables her to provide meaningful insights on a variety of key areas pertaining to our operations, including information technology and human resources.

CORPORATE GOVERNANCE

Corporate Governance Guidelines and Other Corporate Governance Documents

Our corporate governance guidelines, including guidelines relating to director qualification standards, director responsibilities, the committees of the board, director access to management, employees and independent advisors, director compensation and other matters relating to our corporate governance, are available on the Corporate Governance page of our website, which can be accessed by clicking on the Investor Relations link on our homepage, www.amwater.com. Also available on the Corporate Governance page are other corporate governance documents, including our Code of Ethics and the charters of the compensation committee, audit committee, finance committee and nominating/corporate governance committee.

You may also request a copy of these documents in printed form at no cost by writing to Michael A. Sgro, Senior Vice President, General Counsel and Secretary, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, New Jersey 08043, or by telephoning us at (856) 346-8200.

Our website is not part of this proxy statement; references to our website address in this proxy statement are intended to be inactive textual references only.

Determination of Independence of Directors

The board of directors is, among other things, responsible for determining whether each of the directors is “independent” within the meaning of New York Stock Exchange, which we refer to as the “NYSE,” listing standards. In addition, the board of directors has adopted the following categorical standards to assist it in making independence determinations. Under these standards a director is not independent if:

- the director is, or has been within the last three years, an employee of American Water, or an immediate family member of the director is, or has been within the last three years, an executive officer of American Water (employment as an interim CEO or other officer will not disqualify a director from being considered independent following that employment);
- the director or an immediate family member of the director is a current partner of a firm that is our internal or external auditor; the director is a current employee of the firm; an immediate family member of the director is a current employee of the firm and personally works on our audit; or the director or an immediate family member of the director is a former partner or employee of such a firm and personally worked on our audit within the last three years;
- the director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company’s compensation committee;
- the director or an immediate family member of the director received, during any 12 month period within the last three years, more than $120,000 in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). (Compensation received by a director for former service as an interim CEO or other executive officer need not be considered in determining independence under this test. Compensation received by an immediate family member for service as an employee of us (other than as an executive officer) need not be considered in determining independence under this standard);
- the director is a current employee or holder of more than 10 percent of the equity of another company, or an immediate family member of the director is a current executive officer or holder of more than 10 percent of the equity of another company, that has made payments to, or received payments from, us in any of the last three fiscal years of the other company, that exceeds the greater of $1 million or two percent of such other company’s

consolidated gross revenues; or

- the director is a current executive officer of a charitable organization to which we have made charitable contributions in any of the charitable organization's last three fiscal years that exceed the greater of $1 million or two percent of that charitable organization's consolidated gross revenues.

For purposes of the categorical standards set forth above, (a) a person's immediate family includes a person's spouse, parents, children, siblings, mother- and father-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone (other than domestic employees) who shares such person's home, and (b) the term "executive officer" has the same meaning as specified for the term "officer" in regulations under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Company's board of directors has affirmatively determined that each of Martha Clark Goss, Julie A. Dobson, Paul J. Evanson, Richard R. Grigg, Julia L. Johnson, Karl F. Kurz, George MacKenzie and William J. Marrazzo is independent.

Executive Sessions of Independent Directors

The board meets at regularly scheduled executive sessions without members of management present. Mr. MacKenzie, our board chairman, presides over these sessions.

Board Leadership Structure

Our corporate governance guidelines currently provide that the chairman of the board is to be an independent director. We believe that the oversight function of the board of directors is enhanced when an independent director, serving as chairman, is in a position to set the agenda for, and preside over, meetings of our board. We also believe that our leadership structure enhances the active participation of our independent directors.

Board Role in Risk Oversight

The board administers its risk oversight function principally through our finance committee and also through our audit committee and compensation committee. The finance committee oversees our enterprise risk management process. To gain an understanding of the magnitude of risks and to consider approval of risk management policies, the finance committee receives quarterly reports from management regarding our major financial and operational risk exposures and management's activities to monitor and mitigate these exposures. In addition, our audit committee routinely discusses our policies with respect to risk assessment and risk management. To assist the audit committee in addressing these matters, the finance committee reports to the audit committee at least annually regarding finance committee activities relating to enterprise risk management. In this regard, the chairman of the finance committee meets annually with management and the audit committee. The compensation committee also considers risk in the context of our incentive compensation programs and practices.

The board regularly receives reports with regard to the board committee risk assessments described above.

Board Role in Succession Planning

The board of directors believes that one of its primary responsibilities is planning for the succession of our CEO and other members of executive management.

Our corporate governance guidelines contemplate a collaborative effort between the board and CEO in connection with succession planning for our CEO and other executive officers. Specifically, the corporate governance guidelines provide that the CEO annually submits a succession plan for the CEO and other executive officers to the board for its review. The board retains full responsibility for CEO selection. The succession plan covers identification and assessment of internal candidates, development plans for internal candidates and, as appropriate, identification of external candidates.

The goal of our succession planning process is to identify executive talent at the Company and provide for continuity of effective leadership that can fulfill the long-term requirements of our business. Our corporate governance guidelines also call for the CEO to submit to the board annually an emergency succession plan if an unforeseen event prevents the CEO from continuing to serve.

Although the corporate governance guidelines contemplate an annual review and assessment process, consideration of management succession planning occurs throughout the year and involves regular interaction between and among the board, the CEO and management.

Code of Ethics

We have a Code of Ethics applicable to our directors, officers and employees. Among other things, the Code of Ethics is designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosures in periodic reports we are required to file; and to promote compliance with applicable governmental laws, rules and regulations. The Code of Ethics provides for the prompt internal reporting of violations of the Code to an appropriate person identified in the Code and contains provisions regarding accountability for adherence to the Code. The Code of Ethics is available at the web site address listed above, or can be requested, free of charge, by writing to the Office of the Secretary, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, New Jersey 08043. We intend to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision of the Code of Ethics by making disclosures concerning such matters available on the Investor Relations page of our website.

Assessment of Board and Committee Performance

The board conducts annual assessments regarding the performance of the board of directors and board committees.

Stockholder Communications to the Board

Stockholders may communicate directly with the board of directors or individual members of the board of directors including those wishing to express concerns relating to accounting, internal controls, audit matters, fraud or unethical behavior, by submitting written correspondence to American Water Works Company, Inc. Board of Directors, 1025 Laurel Oak Road, Voorhees, New Jersey 08043 or via email: contacttheboard@amwater.com. The Corporate Secretary reviews and provides summaries and/or copies of the communications to the Board and relevant committees. All communications are treated confidentially.

Our "whistleblower" policy prohibits American Water or any of its employees from retaliating or taking any adverse action against anyone for raising a concern in good faith. If an interested party nonetheless prefers to raise his or her concern to the board in a confidential or anonymous manner, the concern may be directed to our confidential ethics hotline at (877) 207-4888. Such matters raised on the hotline are investigated by the Ethics and Compliance Department and reviewed by the chair of the audit committee.

Board and Board Committee Meetings

During 2014, our board of directors held eleven meetings. In addition, there were five audit committee meetings, ten compensation committee meetings, nine nominating/corporate governance committee meetings and four finance committee meetings. Some of these meetings were conducted by telephone conference. All of the incumbent directors attended at least 75 percent of the total number of meetings of the board and board committees of which the director was a member during 2014. Although we do not have a formal policy regarding board member attendance at the annual meeting, we do encourage their attendance, and all of the directors attended last year's annual meeting.

Committees of the Board of Directors

Our board of directors conducts its business through four standing committees: the audit committee, the compensation committee, the finance committee and the nominating/corporate governance committee. In addition, from time to time, special committees may be established under the direction of our board of directors. All of the current committees of the board are comprised of directors who have been determined by our board of directors to be independent under currently applicable listing standards of the NYSE, and in the case of members of the audit and compensation committees, to have satisfied additional independence requirements applicable to audit and compensation committee members. Each of the board's four standing committees operates in accordance with the terms of a written charter, and each committee has the authority to retain outside advisors, including legal counsel or other experts, as it deems appropriate in its sole discretion and to approve the fees and expenses associated with such advisors. These committee charters are available on our website at http://ir.amwater.com under "Corporate Governance > Governance Documents" and are also available in print upon request.

The table below provides membership information for each board committee:

Director	Audit	Compensation	Nominating/ Corporate	Finance

			Governance	
George MacKenzie**				
Martha Clark Goss*	P			P
Julie A. Dobson*	Chair		P	
Paul J. Evanson**		P		P
Richard R. Grigg			P	Chair
Julia L. Johnson		P	Chair	
Karl F. Kurz			P	P
William J. Marrazzo*	P	Chair		

* Audit Committee Financial Expert
** Financial Expert
¿ Ex-Officio Member

Audit Committee

Our audit committee consists of Mses. Dobson (Chair), Clark Goss and Mr. Marrazzo. Our board of directors has determined that each member of the audit committee is an "audit committee financial expert," within the meaning of SEC regulations. The audit committee operates under a written charter, which is available at the website address provided above. The audit committee has responsibility for, among other things:

- appointing the independent registered public accounting firm to audit the consolidated financial statements of American Water and its subsidiaries;
- reviewing and discussing with management and the independent auditors the results of the audit of the consolidated financial statements;
- reviewing any significant deficiency or material weakness in the design or operation of internal accounting controls identified by the independent auditors and overseeing any remediation plans;
- reviewing all alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management;
- reviewing and discussing SEC filings with management and, to the extent that such filings contain financial information, with the independent auditors;
- discussing earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and ratings agencies;
- at least annually, discussing with the chair of the finance committee and management, our policies with respect to risk assessment and risk management, our major financial risk exposures and the steps management has taken to monitor and control these exposures;
- overseeing management's ethics and compliance program and reviewing reports from our chief ethics and compliance officer;
- overseeing the internal audit function and reviewing the reports of any internal auditor with respect to any financial safeguarding problem that has not resulted in corrective action or otherwise been resolved to the internal auditors' satisfaction; and
- reviewing with the General Counsel any legal matter that could have a significant impact on our financial statements.

Compensation Committee

Our compensation committee consists of Messrs. Marrazzo (Chair) and Evanson and Ms. Johnson. The compensation committee operates under a written charter, which is available at the website address provided above. The compensation committee has responsibility for, among other things:

- establishing and reviewing our overall compensation philosophy;
- reviewing and recommending to the board of directors the corporate goals and objectives relevant to the CEO's compensation, the CEO's performance in light of the goals and objectives approved by the board of directors and the compensation for our CEO, including annual base salary and annual and long-term performance-based compensation opportunities;
- approving, after receiving the CEO's recommendations and consulting with the CEO, the annual base salary and annual and long-term performance-based opportunities for our other executive officers, and the actual awards of performance-based compensation for our other executive officers;
- annually reviewing other benefit plans and perquisites;
- annually reviewing and recommending to the board of directors the form and amount of director and chairman compensation;
- reviewing and making recommendations to our board of directors, or approving, all awards of stock or stock options pursuant to our equity-based plans; and
- at least annually, reviewing and making recommendations to the board of directors regarding the compensation related risk assessment of our compensation policies and practices.

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In addition, the compensation committee annually reviews our short- and long-term incentive plans to determine the appropriate mix of fixed and at-risk components.

The compensation committee adopted a policy under which it will use only compensation consultants that are independent of American Water. A compensation consultant is deemed independent under the policy if the compensation consultant:

- is retained by the compensation committee, and reports solely to the compensation committee in connection with the compensation committee's discharge of its duties and responsibilities; and
- does not provide any other services or products to American Water or its management.

The compensation committee performs an annual assessment of its compensation consultant's independence.

The compensation committee has retained Hay Group as its independent compensation consultant, referred to below as "Hay Group", to assist the compensation committee with respect to executive and director compensation and, to a lesser extent, enterprise compensation matters in general. Hay Group did not provide any other services to us or our management.

Nominating/Corporate Governance Committee

Our nominating/corporate governance committee consists of Mses. Johnson (Chair) and Dobson and Messrs. Grigg and Kurz. The nominating/corporate governance committee operates under a written charter, which is available at the website address provided above. The nominating/corporate governance committee has responsibility for, among other things:

- establishing criteria for the selection of new directors to serve on our board of directors;
- identifying qualified candidates to serve on our board of directors and recommending their election to our board of directors;
- making recommendations to our board of directors as to whether members of our board of directors should stand for re-election;
- developing and recommending to our board of directors our corporate governance guidelines, assessing those guidelines annually and making recommendations to our board of directors in light of such assessments as may be appropriate; and
- reviewing the composition of each committee of the board of directors and recommending appropriate changes to the committees.

We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will enable the board of directors to fulfill its responsibilities. Therefore, the nominating/corporate governance committee considers diversity in identifying nominees for directors. In this regard, the nominating committee views diversity in a broad sense, including on the basis of business experience, public service experience, gender and ethnicity. In addition, our corporate governance guidelines provide that members of the board must be persons of good character and thus must possess all of the following personal characteristics:

- Integrity: Directors must demonstrate high ethical standards and integrity in their personal and professional dealings.
- Accountability: Directors must be willing to be accountable for their decisions as directors.
- Judgment: Directors must possess the ability to provide wise and thoughtful counsel on a broad range of issues.
- Responsibility: Directors must interact with each other in a manner which encourages responsible, open, challenging and informed discussion.

- High Performance Standards: Directors must have a history of achievement which reflects high standards for themselves and others.
- Commitment and Enthusiasm: Directors must be committed to, and enthusiastic about, their performance for American Water as directors, both in absolute terms and relative to their peers.
- Courage: Directors must possess the courage to express views openly, even in the face of opposition.

Our corporate governance guidelines also state that the board of directors should strive to have members with knowledge, experience and skills in the following core competencies: accounting and finance, business judgment, management, crisis response, industry knowledge, utility regulation, leadership and strategy/vision. In this regard, in evaluating a candidate’s experience and skills, the nominating/corporate governance committee will consider qualities such as an understanding of the water industry, utilities, marketing, finance, customer service, utility and environmental regulation and public policy issues. The nominating/corporate governance committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees.

In addition, the board is committed to being comprised of directors that add tangible value to our company with a diversity of ideas, approaches and experiences and the interpersonal capacity to foster effective communication within, and operation of, the board and with management. Annually, the nominating/corporate governance committee reviews the profile, engagement and performance of each director to determine whether he or she should be renominated for board service. The nominating/corporate governance committee also considers whether, in light of our strategy or trends in our market environment, new skill sets or experience would benefit our company and our stockholders. The board believes in balancing the value that longevity of director service can bring to our company with the value of new ideas and insights that can come through new members.

The process followed by the nominating/corporate governance committee to identify and evaluate candidates includes requests to members of the board of directors and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the nominating/corporate governance committee and other members of the board of directors. The nominating/corporate governance committee may engage a third party to assist in the search for director candidates or to assist in gathering information regarding a director candidate’s background and experience. If the nominating/corporate governance committee engages a third party, the nominating/corporate governance committee approves the fee that American Water pays for these services.

The nominating/corporate governance committee also will consider qualified director candidate recommendations by stockholders. A stockholder’s recommendation should be sent to: Office of the Secretary, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, NJ 08043. The recommendation must include the following information:

- the name, age, business address and residence address of the candidate;
- a resume describing the candidate’s qualifications;
- other information about the candidate that would be required to be included in a proxy statement under the rules of the SEC;
- a description of all arrangements or understandings relating to the nomination between or among the stockholder, the candidate and any other person or persons;
- the signed consent of the candidate to serve as a director if elected;
- the name and address of the stockholder who is submitting the recommendation; and
- evidence of the number of shares of American Water’s common stock that the recommending stockholder owns and the length of time the shares have been owned.

The nominating/corporate governance committee may seek additional information regarding the candidate. The committee will consider all potential candidates in the same manner regardless of the source of the recommendation.

Finance Committee

Our finance committee consists of Messrs. Grigg (Chair), Evanson and Kurz and Ms. Clark Goss. The finance committee operates under a written charter, which is available at the website address provided above. The finance committee is responsible for, among other things, monitoring, reviewing and evaluating:

- our financial forecasts, financial condition and our anticipated financing requirements;
- our capital structure and proposed short-and long-term changes in our capital structure, including changes resulting from new issuances, purchases or redemptions of debt and equity securities;
- our capital expenditure plan and strategies;
- our dividend payment policy and any proposed changes;

- the investment performance of the assets held under our employee benefits plans, and the investment guidelines of the Retirement and Benefits Plan Committee;
- our plans and strategies relating to the divestiture or disposition of assets;
- our cash management plans and strategies; and
- our growth opportunities, including acquisitions and business development proposals.

In addition, the finance committee oversees our enterprise risk management process and our insurance risk management policies and programs and approves our debt issuances within limits authorized by the board in our business plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Marrazzo and Evanson and Mses. Dobson and Johnson served as members of the Compensation Committee during fiscal year 2014. None of these individuals was an officer or employee of us or any of our subsidiaries during fiscal year 2014 or any prior fiscal year. None of these individuals had any relationship with us or any of our subsidiaries during 2014 pursuant to which disclosure would be required under applicable rules of the SEC pertaining to the disclosure of transactions with related persons. None of our executive officers served on the board of directors or compensation committee of any other entity that has or had one or more executive officers who served as a member of our board of directors or compensation committee during fiscal year 2014.

DIRECTOR COMPENSATION

In 2014, our non-employee directors received compensation for their services as described below:

Annual Retainer Fees (payable in quarterly installments):	
Chairman of the Board	$130,000
Chairs of the Audit Committee and the Compensation Committee	$95,000
Chairs of the Nominating/Corporate Governance Committee and the Finance Committee	$85,000
Other non-employee directors	$75,000

Meeting Fees:

- No separate fee for attendance at board of directors' or committee meetings; however, members of the special demand review committee (Messrs. MacKenzie, Evanson and Ms. Dobson) received a $15,000 special payment for serving on that committee.

The non-employee directors are reimbursed for expenses incurred in attending board and committee meetings.

In addition, each non-employee director and the Chairman of the Board receives annual equity compensation of $85,000 and $140,000, respectively in stock units. The actual number of stock units granted is based on the closing price of our common stock on the date of grant, as reported on the NYSE Composite Tape. The stock units vest on the date of grant and the shares underlying the stock units typically are distributed to the directors 15 months after the date of grant.

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

The Company has a Nonqualified Deferred Compensation Plan for Non-Employee Directors under which directors may defer up to 100 percent of their annual retainer on a tax-deferred basis. Directors may elect to receive their deferrals upon (i) separation from service or (ii) a specified distribution date, if earlier, a change in control, and may elect to receive their deferrals in the form of a lump sum or annual installments paid over a period of between two and 10 years. Amounts will be paid earlier upon the death of a director. Directors are immediately vested in their contributions to the plan. Accounts of directors are credited with returns in accordance with the deemed investment options elected by the director.

The following table provides information regarding compensation for our non-employee directors. The table does not include amounts paid for reimbursement of travel expenses related to attending board and board committee meetings, and does not include compensation paid to Susan N. Story, our President and Chief Executive Officer or Jeffry E. Sterba, our former President and Chief Executive Officer. It also does not include compensation paid to Karl F. Kurz, as Mr. Kurz did not serve as a director during 2014. See "Executive Compensation" for information relating to Ms. Story's and Mr. Sterba's compensation.

2014 Director Compensation

Name	Fees Earned or Paid in Cash ($)		Stock Unit Awards ($)(3)	Total ($)
Stephen P. Adik*	$26,786		$—	$26,786
Julie A. Dobson	$102,912	(1)	$84,980	$187,892
Paul J. Evanson	$90,000	(1)	$84,980	$174,980
Martha Clark Goss	$82,088		$84,980	$167,068
Richard R. Grigg	$85,000		$84,980	$169,980
Julia L. Johnson	$85,000	(2)	$84,980	$169,980
George MacKenzie	$145,000	(1)	$139,983	$284,983
William J. Marrazzo	$95,000	(2)	$84,980	$179,980

* Mr. Adik did not stand for re-election as a director in May 2014 and received no stock award in 2014.

(1) Includes $15,000 special payment for service on the Demand Review Committee.

(2) Ms. Johnson and Mr. Marrazzo elected to defer all of this amount under our Nonqualified Deferred Compensation Plan for Non-Employee Directors.

(3) The amounts shown in this column reflect the grant date fair value of the stock units granted to the directors as part of their annual retainer. The grant date fair value was computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation-Stock Compensation", which we refer to as "FASB ASC Topic 718". See Note 8-Stockholders' Equity in the notes to American Water's audited consolidated financial statements included in American Water's Annual Report on Form 10-K for the year ended December 31, 2014 for the assumptions used in determining grant date fair value.

The following table shows the aggregate number of stock options and stock units held by each non-employee director as of December 31, 2014:

Name	Stock Options (#)	Stock Units (#)
Ms. Dobson	—	1,837
Mr. Evanson	—	1,837
Ms. Goss	—	1,837

Mr. Grigg	—	1,837
Ms. Johnson	—	1,837
Mr. MacKenzie	—	3,026
Mr. Marrazzo	—	1,837

We did not grant stock options to non-employee directors in 2014 and none of the non-employee directors held any stock options as of December 31, 2014.

SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the shares of our common stock beneficially owned, as of March 17, 2015, by our directors and executive officers. Except as noted, all such persons possess sole voting and dispositive powers with respect to the shares listed. Under applicable SEC rules, the definition of beneficial ownership for purposes of this table includes shares over which a person has sole or shared voting or investment power, and stock options that are vested and exercisable or that will become vested and/or exercisable within 60 days of March 17, 2015. An asterisk in the column listing the percentage of shares outstanding indicates that the person owns less than 1% of the common stock outstanding.

Name	Number of Shares (1)	Exercisable Options (2)	Total	% of Shares Outstanding (3)	Other Stock-Based Items (4)	Total Stock-Based Ownership
Directors						
Martha Clark Goss	18,724	—	18,724	*	1,837	20,561
Julie A. Dobson	11,367	—	11,367	*	4,218	15,585
Paul J. Evanson	13,835	—	13,835	*	1,837	15,672
Richard R. Grigg	14,907	—	14,907	*	1,837	16,744
Julia L. Johnson	14,805	—	14,805	*	6,661	21,466
Karl F. Kurz	—	—	—	*	364	364
George MacKenzie	22,490	—	22,490	*	3,026	25,516
William J. Marrazzo	12,675	—	12,675	*	5,251	17,926
Named Executive Officers						
Susan N. Story	32,099	33,940	66,039	*	—	66,039
Jeffry E. Sterba	—	495,000	495,000	*	—	495,000
Linda G. Sullivan	1,119	7,260	8,379	*	—	8,379
Walter J. Lynch	65,543	180,803	246,346	*	—	246,346
Kellye L. Walker	27,850	—	27,850	*	—	27,850
Loyd A. Warnock	292	4,091	4,383	*	—	4,383
All Directors and Named Executive Officers	235,706	721,094	956,800	*	25,031	981,831
All Directors and Executive Officers as a Group (25 Persons)	360,938	437,748	798,686	*	25,031	823,717

(1) Represents the number of outstanding shares beneficially owned.
(2) Represents shares which may be acquired through the exercise of stock options within 60 days of March 17, 2015.
(3) Based on 179,907,031 shares outstanding on March 17, 2015.
(4) Includes a notional interest in shares of our common stock held in the form of stock units or deferred stock units. While the notional interest in shares of our common stock may not be voted or transferred, the shares subject to the

notional interest have been included in the table above as they represent an economic interest in our common stock that is subject to the same market risk as ownership of actual shares of our common stock.

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SECURITY OWNERSHIP OF CERTAIN STOCKHOLDERS

The table below indicates the persons or entities known to us to be the beneficial holders of more than 5% of our common stock, as of March 17, 2015.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	% of Shares Outstanding
BlackRock, Inc. (1) 55 East 52nd Street New York, NY 10022	18,055,325	10.04%
The Vanguard Group (2) 100 Vanguard Boulevard Malvern, PA 19355	11,396,129	6.33%

(1) BlackRock, Inc. (“BlackRock”) is the beneficial owner of the 18,055,325 shares listed in the table. BlackRock Inc. is a holding company of subsidiaries that hold the shares, including BlackRock Japan Co. Ltd, BlackRock Advisors (UK) Limited, BlackRock Institutional Trust Company N.A., BlackRock Fund Advisors, BlackRock Asset Management Canada Limited, BlackRock Advisors LLC, BlackRock Capital Management, BlackRock Financial Management, Inc., BlackRock Investment Management, LLC, BlackRock Investment Management (Australia), Limited, BlackRock (Luxembourg) S.A., BlackRock (Netherlands) B.V., BlackRock Asset Management North Asia Limited, BlackRock Asset Management Ireland Limited, BlackRock Investment Management (UK) Limited, BlackRock International Limited, BlackRock Fund Management Ireland Limited, BlackRock Fund Managers Ltd, and BlackRock Life Limited. BlackRock Inc. holds sole voting power with respect to 16,196,150 shares and sole dispositive power with respect to all of the shares listed in the table. The information in this footnote is derived from an amendment to Schedule 13G, filed by BlackRock with the SEC on January 9, 2015. The information is as of December 31, 2014, and the number of shares beneficially owned by BlackRock may have changed subsequently.

(2) The Vanguard Group (“Vanguard”), an investment management company, is the beneficial owner of the 11,396,129 shares of the Company’s common stock listed in the table. Vanguard holds sole power to vote or direct to vote 190,361 shares, sole power to dispose of or to direct the disposition of 11,236,432 shares, and shared power to dispose or to direct disposition of 159,697 shares. The information in this footnote is derived from an amendment to Schedule 13G, filed by Vanguard with the SEC on February 11, 2015. The information is as of December 31, 2014, and the number of shares beneficially owned by Vanguard may have changed subsequently.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company’s directors and executive officers and persons who own more than 10% of our common stock to file with the SEC an initial report of beneficial ownership and subsequent reports of changes in beneficial ownership resulting from transactions in our common stock, generally within two business days of a reportable transaction. As a practical matter, we seek to assist our directors and executives by monitoring transactions and completing and filing these reports on their behalf. To our knowledge, based on our review of these reports, we believe that the applicable Section 16(a) reporting requirements were complied with for all transactions that occurred during the fiscal year ended December 31, 2014, except that, due to administrative error, one Form 4 filing was made late on behalf of each of Messrs. John Bigelow, Mark Chesla, Walter Lynch, William Rogers, Nick Rowe, Mark Smith, Jeffry E. Sterba, Mark Strauss and William Varley and Mses. Sharon Cameron, Maureen Duffy, Kathy Pape, Susan N. Story and Kellye Walker, reporting shares withheld to cover taxes that occurred on January 1, 2014, and an additional Form 4 filing was made late on behalf of Ms. Walker, reporting an open market sale of shares that occurred on November 13, 2014.

COMPENSATION DISCUSSION AND ANALYSIS

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

- Susan N. Story, President and Chief Executive Officer
- Jeffry E. Sterba, our former President and Chief Executive Officer. In accordance with a succession plan approved by our Board of Directors, Mr. Sterba was succeeded by Ms. Story on May 9, 2014.
- Linda G. Sullivan, Senior Vice President and Chief Financial Officer
- Walter J. Lynch, President and Chief Operating Officer, Regulated Operations

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- Kellye L. Walker, our former Senior Vice President, General Counsel and Secretary
- Loyd A. Warnock, Senior Vice President of External Affairs, Communications and Public Policy

EXECUTIVE SUMMARY

Operating Performance

Our 2014 performance demonstrates continued execution of our strategic goals. By focusing on delivering outstanding customer service, effectively managing costs, investing capital where needed, maintaining strong regulatory relationships and growing strategically, we continue to create value for our stockholders. Operating highlights for 2014 include the following:

- Total stockholder return (market price plus dividends) increased 29.4 percent over 2013 compared to an increase of 28.1 percent for the Dow Jones U.S. Utilities Total Return Index.
- Adjusted net income from continuing operations, excluding the charge related to the Freedom Industries chemical spill in West Virginia, increased by ten percent over 2013 (A non-GAAP measure. See the reconciliation table in Appendix A).
- Our Regulated Businesses showed continued improvement in their O&M efficiency ratio. (A non-GAAP measure. See the reconciliation table in Appendix A). For the 12 months ended December 31, 2014, the O&M efficiency ratio was 36.7 percent, compared to 38.5 percent for the same 12-month period in 2013.
- Our Regulated Businesses completed 13 regulated acquisitions in 2014, representing 4,500 additional new customers, and we have 10 pending acquisitions representing about 20,000 additional new customers.
- In our market-based businesses, our Military Services group won two competitively bid contracts with the U.S. Department of Defense, and our Homeowner Services group expanded into eight new states and received a notice of intent to be awarded an exclusive service line protection agreement with the city of Orlando.

Return to Stockholders

We have returned significant value to stockholders over the past five years. The following chart shows how a $100 investment in our common stock on December 31, 2009 would have grown to $276.32 on December 31, 2014, assuming dividend reinvestment. As shown in the chart, this return compares favorably to the return that would have been obtained through the same investment in the Standard & Poor's 500 Index and the Dow Jones U.S. Utilities Total Return Index, assuming dividend reinvestment, during the same period:

	12/31/09	12/31/10	12/30/11	12/31/12	12/31/13	12/31/14
American Water	$100.00	$117.25	$152.47	$183.88	$213.52	$276.32
S&P 500	$100.00	$115.06	$117.49	$136.30	$180.44	$205.14
DJ U.S. Utilities Index	$100.00	$107.80	$128.44	$130.70	$150.57	$192.86

Compensation Philosophy

Our executive compensation program is designed to reward our named executive officers for delivering results and building long term sustainable value for our stockholders. We believe our program's performance measures align the interests of our stockholders and the NEOs by correlating pay to our short- and long-term performance.

Our focus on pay for performance is demonstrated by the way we have structured our three key elements of compensation designed to implement our compensation objectives: Base Salaries, Annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP). Particularly for our NEOs, the allocation among these elements of compensation is designed to provide a significant level of variability and compensation risk tied to performance. The following graphic represents the percentage of total compensation for each of these elements (assuming annual and long-term incentive awards are paid at target levels) for our CEO and the average percentage of total compensation for each of these elements for the other NEOs as a group in 2014:

[1]Reflects Susan N. Story who became our CEO on May 9, 2014

[2]Excludes Susan N. Story and Jeffry E. Sterba

In addition, we provide employee retirement and health and welfare benefit plans, as well as an executive severance policy. We designed the plans and policy to provide competitive supplemental benefits, as described below under "Ongoing and Post-Employment Arrangements and Benefit Plans."

Set forth below is summary information regarding payments made in 2014 with respect to our three key elements of compensation.

Base Salaries

For 2014, salary adjustments for our continuing NEOs (other than Ms. Story, who received an incremental increase in salary upon assuming responsibilities as President and Chief Executive Officer) ranged from no increase to an increase of approximately 3 percent. The salaries of newly-employed NEOs were based on the terms of the employment agreements we negotiated with each of them. For further information see "2014 Compensation-Base Salaries."

Annual Incentive Plan

For our NEOs, we believe our AIP again provided appropriate incentive opportunities. Subject to certain adjustments described below, AIP awards are based upon the product of each NEO’s respective target award times the "Corporate Multiplier," which is computed based upon five performance measures and can be reduced depending on the overall performance of the company. For business unit heads, such as Mr. Lynch, achievement with respect to business unit performance measures is also taken into account.

The following graphic indicates the percentage of the Corporate Multiplier represented by each component performance measure:

We believe that the measures used in computing the amount of the Corporate Multiplier collectively provide a strong indication of our overall performance and, therefore, effectively tie pay to performance. In 2014, the Corporate Multiplier -- which is calculated based on business segment performance against the goals -- equaled 104.3 percent. The actual payout was lower than the Corporate Multiplier as our CEO used discretion to reduce the AIP pool to reflect the impact of parent company expenses, and each NEO's award was reduced accordingly and is consistent with the AIP pool for the non-NEO participants. Mr. Lynch's award was also reduced in a consistent manner below the Corporate Multiplier which represents half of his payout calculation, even though the performance of the regulated businesses was somewhat above the overall corporate performance, as reflected by the Corporate Multiplier. For further information, see "2014 Compensation—Annual Incentive Plan," below.

Long Term Incentives

The LTIP is designed to incentivize eligible participants to help us achieve our long-term business objectives by providing an opportunity to earn equity awards that are tied to our long-term goals and continued employment with the Company. Our LTIP for 2014 included stock options, restricted stock units or "RSUs," and performance stock units, or "PSUs." As described in more detail below, the extent to which shares of our common stock are issued with respect to the PSUs is based on our achievement, over a three-year period, relative to three performance measures:

As in the past, we based the target value of LTIP awards on a percentage of the NEO's salary. The compensation committee applied 20 percent of an NEO's LTIP target award to stock options, 20 percent to RSUs and 60 percent to PSUs. With regard to newly hired NEOs, we provided additional LTIP grants, designed to replace a portion of the benefits the NEOs forfeited as a result of terminating employment with their respective former employers. For further information, see "2014 Compensation—Long Term Incentive Plan," below.

In 2012, we granted PSUs to our executives and other employees for which the performance period ended in 2014. The PSUs were subject to the same performance measures as the PSUs granted under the LTIP in 2014. Based on our performance with respect to these measures, a number of shares equal to 166.86 percent of the PSUs granted with respect to all measures were performance vested. For further information, see "2014 Compensation – Performance Vesting of PSUs Granted in 2012," below.

Stockholder Advisory Vote

At our 2014 annual meeting, the stockholders approved, on a non-binding basis, the compensation paid to our NEOs, as disclosed under the compensation disclosure rules of the SEC, including the compensation discussion and analysis, the compensation tables and any related materials disclosed in the proxy statement for the 2014 annual meeting. The stockholder vote in favor of NEO compensation totaled approximately 96.6 percent of the votes cast (including abstentions). We considered the results of the advisory vote and determined that, in light of the strong favorable vote of our stockholders, no specific action need be taken in response to the vote. At the 2015 Annual Meeting of Stockholders, we will again hold an advisory vote on the compensation of our NEOs. In making its decisions regarding executive compensation, the compensation committee will consider the results of the advisory vote, as well as feedback from stockholders throughout the course of the year.

Summary of Executive Compensation Practices

Set forth below are compensation practices that we have implemented because we believe they are consistent with our stockholder interests and practices we have not implemented because we do not believe they are consistent with those interests.

What We Do	What We Don’t Do
PProvide for a considerable portion of executive pay to be “at risk” and based on our actual performance;	XProvide separate change of control agreements;
PUtilize performance-based stock units with vesting requirements;	XProvide tax gross-ups;
PRequire our executives to retain a meaningful portion of our common stock derived from equity grants;	XReprice underwater stock options; and
PProvide limited perquisites, principally executive physicals, which serve a reasonable business purpose;	XPermit hedging or pledging of our common stock by Named Executive Officers or directors.
PUse a representative and relevant peer group;	
PMaintain a clawback policy;	
PUse an independent compensation consultant retained by the compensation committee; and	
PProvide reasonable severance arrangements.	

COMPENSATION DETERMINATIONS AND PAY COMPETITIVENESS IN 2014

For 2014, the compensation committee reviewed and approved all compensation paid to our executive officers including Mr. Sterba and Ms. Story. Upon Ms. Story’s appointment as President and Chief Executive Officer, the independent members of the board of directors, after consideration of the recommendation of the compensation committee, approved her compensation. Mr. Sterba and Ms. Story did not participate in the compensation committee’s decision-making regarding his or her own compensation and were excused from those portions of the committee and board meetings during which his or her compensation was discussed and determined.

The compensation committee considered Mr. Sterba’s and, following her appointment as President and Chief Executive Officer, Ms. Story's assessment of the performance of the other executive officers, as well as Ms. Story's compensation recommendations regarding each executive officer's AIP award. The compensation committee, with Ms. Story's participation, discussed the 2014 performance of each executive officer, and then approved Ms. Story's recommendations for them in February 2015.

In making executive compensation determinations for 2014, we referenced data provided by Hay Group to gauge the comparability of our executive compensation to the compensation of executives of other companies with generally corresponding responsibilities. Hay Group has served as an independent consultant to the compensation committee since 2011, and assists the compensation committee in its review of compensation for executive officers. Aside from also providing, with the approval of the compensation committee, compensatory information to us relevant to specified non-executive officer functions, Hay Group does not perform any other services for us.

The compensation consultant provided data to the compensation committee focused on compensation paid by a peer group of 16 companies that had revenues in the range of approximately 47 to 256 percent of our revenues. We believe there is a strong likelihood that an executive officer's skills will be transferable among these companies, so we would expect to compete with these companies for executive officer talent. We updated our comparator group in 2014 to set 2015 compensation and added two more companies – Ameren Corp. and Avista Corp. The comparator group used to set 2014 compensation was unchanged from the previous year. The group was as follows:

AGL Resources, Inc.	Piedmont Natural Gas Company, Inc.	Vectren Corp.
Alliant Energy Corp.	Pinnacle West Capital Corp.	Weststar Energy, Inc.
Atmos Energy Corp.	PNM Resources, Inc.	WGL Holdings, Inc.
Great Plains Energy, Inc.	SCANA Corp.	Wisconsin Energy Corp.
Northeast Utilities	TECO Energy, Inc.	
NV Energy, Inc.	UNS Energy Corp.	

While the compensation committee reviewed and discussed the data with Hay Group for purposes of benchmarking, it was only a part of the information considered by the compensation committee in its determinations regarding our NEOs' compensation. For instance, Hay Group also provided data based on a Towers Watson survey reflecting a blend of energy utility and general industry data, as well as the Hay Group 2014 General Industry Executive Compensation Report. The compensation committee also considered information provided by Hay Group regarding other U.S. publicly traded water utilities, although the comparability of these companies is limited due to the significantly larger size of American Water's operations. The compensation committee referenced all of this data to obtain an understanding of general industry, utility industry and peer group compensation practices.

2014 COMPENSATION

Compensation Philosophy and Objectives

Our executive compensation program is designed to reward our named executive officers for delivering results and building long term sustainable value for our stockholders. We believe our program's performance measures align the interests of our stockholders and the NEOs by correlating pay to our short- and long-term performance.

Our compensation objectives remained largely unchanged in 2014, although we eliminated our focus on our business transformation goal because the project was essentially implemented by 2014. Accordingly, we focused on the following objectives in making compensation decisions in 2014:

- Promote our success in achieving both superior financial performance and outstanding non-financial performance relating to workplace safety, environmental compliance, customer service quality and customer satisfaction.
- Compensate our executive officers at competitive levels that reflect their responsibilities and contributions, with a focus on pay for performance and the compensation environment in our comparator companies and the utilities industry generally.
- Condition a significant portion of an executive officer's total compensation on a combination of short and long-term performance, with a proportionately greater emphasis on long-term, performance-based compensation than on annual incentive compensation.
-

Align executive officer and stockholder interests as an incentive to increase stockholder value by requiring consistent, meaningful equity ownership.

Promotion of Susan N. Story

Under a succession plan approved by our Board of Directors, Mr. Sterba was succeeded by Ms. Story as President and Chief Executive Officer following our 2014 Annual Meeting. In connection with the succession plan, we entered into an agreement with Mr. Sterba amending his March 2012 employment agreement. Among other things, the amended agreement provided for Mr. Sterba to serve as an advisor to Ms. Story through January 1, 2015. He continued to participate in the LTIP for 2014 with his target awards based on his salary prior to the conclusion of his tenure as our President and Chief Executive Officer; his 2014 AIP was based upon the actual salary paid to him in 2014. In addition, Mr. Sterba's equity awards vested on January 1, 2015 (in the case of his PSUs, subject to Company performance over the three year performance period). See "Annual Incentive Plan" and "Long Term Incentive Plan," below for additional information.

In accordance with the succession plan, Ms. Story became our President and Chief Executive Officer on May 9, 2014. Previously, she served as our Senior Vice President and Chief Financial Officer. In connection with this promotion, we increased Ms. Story's base salary to $700,000, increased her target award under the AIP as a percentage of salary to 100 percent and her target award under the LTIP to 200 percent. In connection with the increase in her LTIP target award, we also provided incremental grants under the LTIP, prorated to reflect the portion of the year she was serving as our President and Chief Executive Officer. These grants are described below under "2014 Compensation – Long Term Incentive Plan." The Board increased Ms. Story’s base salary from $700,000 to $800,000 for the 2015 Performance Period, effective March 16, 2015. The Board also increased Ms. Story’s LTIP target award from 200 percent to 225 percent for the 2016 LTIP grant. Ms. Story’s AIP as a percentage of salary will remain at 100 percent for the 2015 Performance Period.

Employment Agreement with Linda G. Sullivan

In 2014, the compensation of Linda G. Sullivan, our Senior Vice President and Chief Financial Officer, was largely based on the terms of the employment agreement we negotiated with her in connection with the commencement of her employment in April 2014. In addition to standard components of her compensation described below, we provided an additional equity award under our 2014 LTIP of $500,000; 70 percent of which was allocated to PSUs and 30 percent to RSUs. In addition, we granted AIP and LTIP awards to Ms. Sullivan for the full 2014 year, without proration. See "2014 Compensation – Long-Term Incentive Plan" for additional Information regarding her LTIP awards. We made these accommodations in light of the benefits provided by her former employer that she forfeited by accepting employment with us.

Employment Agreement with Loyd Warnock

In 2014, the compensation of Loyd Warnock, our Senior Vice President of External Affairs, Communications and Public Policy, was largely based on the terms of an employment agreement we negotiated with him in connection with the commencement of his employment in April 2014. In addition to the standard components of his compensation described below, we paid a $220,000 cash sign-on bonus to Mr. Warnock and he received a sign on equity grant of $220,000 all of which was allocated to RSUs. In addition, we granted AIP and LTIP awards to Mr. Warnock for the full 2014 year, without proration. We made these accommodations in light of the benefits provided by his former employer that he forfeited by accepting employment with us.

Base Salaries

For 2014, salary determinations for our NEOs were as follows:

- Ms. Story's base salary continued to be $535,000, until it was increased to $700,000 upon her assumption of duties as our President and Chief Executive Officer. The Board increased Ms. Story’s base salary from $700,000 to $800,000, effective March 16, 2015.
- Mr. Sterba's annual base salary was adjusted from $787,500 to $20,000 per month for the remaining seven months of 2014, as he was relinquishing his role as President and Chief Executive Officer to Advisor in accordance with the succession plan approved by the Board of Directors.
- Mr. Lynch's and Ms. Walker's salaries were increased by 2.94 percent and 1.28 percent, respectively.
- Ms. Sullivan's and Mr. Warnock's salaries were set at $460,000 and $360,000, respectively, in accordance with the terms of their respective employment agreements.

Annual Incentive Plan

The AIP is designed to incentivize eligible participants to help us achieve our annual business objectives by providing an opportunity to earn cash award payouts that are tied primarily to corporate performance. The measures chosen for 2014 reflected our primary objectives for financial performance, safety, environmental stewardship, customer satisfaction and service quality. We maintained earnings per share as our principal performance measure (55 percent weighting) because we continue to believe this measure has a meaningful effect on stockholder value. We eliminated business transformation implementation as a performance measure because implementation of our enterprise asset management and customer information systems and analysis regarding the implementation process was essentially completed in 2013. In lieu of the 25 percent weighting previously allocated to business transformation process, we increased our safety performance weighting to 15 percent from 5 percent and increased the weighting of each of our other three non-financial performance measures by 5 percent which increased each measure to 10 percent. The determination of awards under the AIP with respect to the NEOs was made as follows:

- The 2014 target award opportunity for each NEO is equal to a percentage of each NEO's base salary, based on the individual's position with American Water. The following table indicates the percentage of salary used to determine the target AIP award for each NEO. Continuing NEOs, other than Ms. Story, maintained the same target award as a percentage of salary as in 2013. Ms. Story's target award percentage was increased from 75 percent to 100 percent upon her assumption of duties as our President and Chief Executive Officer. Ms. Sullivan's and Mr. Warnock's target award percentages were fixed in accordance with the terms of their respective employment agreements. All other NEO target awards as a percentage of salary were unchanged from 2013.

Name	Percentage of Salary	Target Award	
Susan N. Story	75/100%	$ 594,414	(1)
Jeffry E. Sterba	100%	$ 468,125	
Linda Sullivan	75%	$ 345,000	
Walter J. Lynch	75%	$ 393,750	
Kellye L. Walker	55%	$ 217,250	
Loyd A. Warnock	50%	$ 180,000	

(1) Ms. Story's target award as a percentage of salary initially was 75% and was applied to her $535,000 annual salary. Upon her appointment as our President and Chief Executive Officer, Ms. Story's annual salary was increased to $700,000 and her target award as a percentage of salary was increased to 100%. Her target award was prorated based on the portion of the year she served as our President and Chief Executive Officer.

The actual payout may be lower or higher than the target award opportunity depending, in the case of the NEOs, on corporate and, in rare instances, individual performance against specific goals. Cash awards under the AIP are distributed to participants in March following the performance year.

- The Board evaluated Ms. Story's 2014 performance based generally upon corporate performance and achievements compared to the targets contained in the Corporate Multiplier. These expectations focused on advancements in the Company's strategic goals, including safety performance, environmental compliance, service quality and customer satisfaction. The Board without assigning a specific score for each or all of the strategic goals, assessed Ms. Story's performance as "Highly Effective" and awarded her an AIP payment of $587,243, which was 98.8% as described below under the Corporate Multiplier Table.

- As noted earlier, in 2014 the Corporate Multiplier -- which is calculated based on business segment performance against the goals -- equaled 104.3%. The actual payout was lower than the Corporate Multiplier, as our CEO used discretion to reduce the AIP pool to reflect the impact of parent company expenses, and each NEO's award was reduced accordingly and consistent with the AIP pool for the non-NEO participants. Mr. Lynch's award was also reduced in a consistent manner below the Corporate Multiplier, which represents half of his payout calculation.
- For 2014, the Corporate Multiplier represented the sum of five percentage amounts, each determined based upon our level of achievement against company-wide performance measures that are objective. Of the five performance measures, one was a financial measure (55 percent of the target Corporate Multiplier) and four were non-financial measures (45 percent of the target Corporate Multiplier). The Corporate Multiplier could have ranged from 0 percent to 150 percent of the target Corporate Multiplier (which is 100 percent), depending on how well we performed against the financial and non-financial measures. For 2014, the Corporate Multiplier was 104.3 percent, subject to the adjustments discussed above. The actual percentage included in the Corporate Multiplier with respect to each performance measure is set forth in the Corporate Multiplier Table below under the caption, "Determination of the Corporate Multiplier." In the case of Mr. Lynch, one-

half of his award is based on the Corporate Multiplier, while the other half is based on the 105.6 percent level of achievement of our regulated operations against five specified performance metrics.

- While the NEOs are subject to individual performance goals as well as the corporate goals comprising the Corporate Multiplier, the 2014 AIP awards reflect an NEO's target award times the adjusted Corporate Multiplier of 98.8% (and against regulated operations goals in the case of Mr. Lynch), without adjustment for individual performance. The compensation committee has adhered to this convention based on the recommendation of Ms. Story that NEOs should assume principal responsibility for, and their awards generally should be based upon, performance of the entire corporation, except with respect to those NEOs who lead a profit center, such as Mr. Lynch, in which case performance of the relevant business units also will be reflected.

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Determination of the Corporate Multiplier

The following table provides information regarding the performance measures used to determine the Corporate Multiplier:

Performance Measure	Percentage Amount at Target Included in the Corporate Multiplier	How we calculate the measure	Why we use this measure
Earnings Per Share	55%	EPS means basic earnings per share, adjusted to eliminate the impact of a $0.04 per share charge related to the impact of the Freedom Industries chemical spill in West Virginia; we do not believe management should be penalized for this event, over which it had no control.	EPS is a key metric affecting our stock price. In addition, increasing EPS enhances our capacity to raise the financing necessary to make prudent capital improvements in our water and wastewater systems as well as provides greater total return to our stockholders.
Safety Performance	15%	Determined by reference to the total Occupational Safety and Health Administration Recordable Incident Rate or “ORIR” for American Water. ORIR is a measure of injuries and illnesses requiring treatment beyond first aid for every 200,000 hours worked.	We want to continue our momentum toward becoming an industry leader with respect to the safety and well-being of our workforce. The benefits of improved safety are tangible, from the standpoint of the welfare of our employees as well as increased efficiency due to fewer lost workdays.
Environmental Compliance	10%	Based on the number of notices of violation (NOVs) for which we are responsible in accordance with our reporting practices for environmental non-compliance. An NOV is a written formal notification from a governmental agency, local health department or other regulatory agency that a system exceeded an acceptable limit, failed to perform required monitoring, failed to record the required documentation or	We are committed to protecting the environment and to maintaining our consistent history of materially complying with, and in many cases surpassing, minimum

		failed to meet another Federal, state, or local requirement. All drinking water maximum contaminant limit (MCL) and monitoring and reporting (MR) NOVs are counted for purposes of calculating this measure. NOVs for our wastewater systems that are directly within our control, such as deficiencies in monitoring, are counted for purposes of calculating this measure. The NOVs for our market-based operations, where we operate but do not own the water or wastewater systems, are considered our responsibility and are counted for purposes of calculating this measure unless it can be shown that (1) the NOV was outside the scope of the contract and (2) we formally notified the owner of the system in writing of the need for changes or improvements in order to maintain compliance, but the owner did not approve the changes or improvements.	standards required by applicable laws and regulations. The NOV target was established based upon our goals to outperform the U.S. EPA published industry averages and to lead the water industry in environmental compliance.
Service Quality	10%	Based on our Service Quality Survey, which is conducted throughout the year for customers whose request for service resulted in completion of a service order by our field service representatives, and contains the following question: “Overall, how satisfied were you with the outcome of your service contact?” The question contains a five category response scale, ranging from Extremely Satisfied to Very Dissatisfied. Responses in the top two categories are indicative of overall service quality satisfaction levels.	Service Quality is key to our ability to maintain customer and brand loyalty.
Customer Satisfaction	10%	Based on an annual survey, which is conducted throughout the year for customers having had recent contact with one of our customer service or field service representatives, and that contains the following question (modified to identify the applicable American Water subsidiary): “Overall, how satisfied have you been with American Water in general during the past twelve months?” The question has a five category response scale, ranging from Extremely Satisfied to Very Dissatisfied. Responses in the top three categories are indicative of overall customer satisfaction levels.	Customer Satisfaction is key to our ability to maintain customer and brand loyalty. In addition, the quality of our service and issues raised by customers is a principal focus of state public utility commissions in evaluating a rate case.

The percentage added to the Corporate Multiplier with respect to each measure was dependent on actual performance with regard to each measure. The following table includes (i) the minimum performance threshold requirement for the measure, (ii) the performance required for achievement of the target and (iii) the performance required to achieve the maximum contribution to the Corporate Multiplier for that measure. The table also indicates the percentage that would be included in the Corporate Multiplier for threshold, target and maximum performance. If the minimum performance threshold requirement for a performance measure was not met, no additional percentage would be added to the Corporate Multiplier. No AIP awards would have been made if EPS had been below 90 percent of the target EPS.

Performance Measure	Threshold Performance (and percentage to be added to Corporate Multiplier)	Target Performance (and percentage to be added to Corporate Multiplier)	Maximum Performance (and percentage to be added to Corporate Multiplier)
EPS	$2.27 (13.75%)	$2.42 (55.0%)	$2.49 (82.5%)
Safety Performance	3.15 ORIR (7.5%)	2.75 ORIR (15.0%)	2.55 ORIR (22.5%)
Environmental Compliance	17 NOVs (5.0%)	13 NOVs (10.0%)	7 NOVs (15%)
Service Quality	80% of Surveyed Customers (5.0%)	85% of Surveyed Customers (10.0%)	90% of Surveyed Customers (15.0%)
Customer Satisfaction	85% of Surveyed Customers (5.0%)	90% of Surveyed Customers (10.0%)	95% of Surveyed Customers (15.0%)

Corporate Multiplier Table

Based upon our performance with regard to the financial and non-financial performance measures, the board approved the Corporate Multiplier of 104.3 percent. The Corporate Multiplier of 104.3% was adjusted to 98.8% for our NEOs other than Mr. Lynch due to the following adjustments: (a) certain parent company costs; (b) allocation of $150,000 to create an Executive Leadership Team discretionary award pool for members of the executive leadership team to award high performers on their team, if appropriate; and (c) payment of certain executive severance benefits as required by their agreement. Mr. Lynch's award was 99.5% as discussed below subject to the above adjustments.

The Corporate Multiplier was determined as follows:

Performance	Percentage	Target	Actual	Percentage Amount

Measure	Amount at Target for Inclusion in the Corporate Multiplier		Performance	Included in Calculation of Corporate Multiplier Based on Actual Performance
EPS (1)	55%	$2.42	$2.43	110%
Safety Performance	15%	2.75 ORIR	3.03	65%
Environmental Compliance	10%	13 NOVs	9	137.5%
Service Quality	10%	85% IP Surveyed Customers	85.9%	109%
Customer Satisfaction	10%	90% of Surveyed Customers	89.3%	93%
			TOTAL	104.3%

(1) As adjusted to eliminate the impact of $.04 per share from the Freedom Industries chemical spill in West Virginia.

Determination of Individual AIP Awards for NEOs

The actual awards paid to each NEO, other than Ms. Story, were recommended by Ms. Story and, after review, approved by the compensation committee, based on the application of the adjusted Corporate Multiplier. Ms. Story advised the compensation committee that there were no factors of a magnitude that would cause her to recommend an adjustment for any of the other NEOs based on his or her individual performance. Therefore, Ms. Story recommended that each of the NEOs receive an award equal to the Corporate Multiplier times the executive's target award. The compensation committee accepted Ms. Story's recommendation.

Mr. Lynch's award was structured so that 50 percent was based on achievement with respect to the adjusted Corporate Multiplier and 50 percent was based on performance of the regulated operations with respect to five specified performance measures: net income, safety, NOVs, customer satisfaction and service quality. The performance of regulated operations resulted in achievement equal to 105.6 percent of target performance. After applying the same adjustment as was applied to the Corporate Multiplier, as described in footnote 2 to the Corporate Multiplier Table above, Mr. Lynch's award was adjusted to 99.5 percent.

We have set forth the awards paid to our NEOs under the Non-Equity Incentive Plan Compensation column of the 2014 Summary Compensation Table.

Long Term Incentive Plan

Our LTIP for 2014 included stock option grants, PSUs and RSUs. As described in more detail below, the PSUs are awarded contingently, and the extent to which they are earned and the underlying shares of our common stock are distributed will be based on our achievement, over a three-year period, with respect to three performance measures.

We based the target value of LTIP awards on a percentage of the NEOs salary. The percent of salary on which the LTIP targets are based, and the total dollar values of the respective target LTIP awards for the NEOs, were as follows:

Name	LTIP Target Award as Percentage of Salary	Value of LTIP Target Award	
Susan N. Story	150/200%	$1,190,875	(1)
Jeffry E. Sterba	250%	$1,968,750	
Linda G. Sullivan	125%	$575,000	(2)
Walter J. Lynch	150%	$765,000	
Kellye L. Walker	110%	$429,000	
Loyd A. Warnock	90%	$324,000	(3)

(1) Ms. Story's LTIP Target Award as a percentage of salary initially was 150% and was applied to her $535,000 annual salary. Upon her appointment as President and Chief Executive Officer, Ms. Story's annual salary was increased to $700,000, and her LTIP Target Award as a percentage of salary was increased to 200%. Accordingly, Ms. Story was provided incremental stock option, PSU and RSU grants to reflect the increases in her salary and

LTIP award as a percentage of salary, prorated for the portion of 2014 during which she served as our President and Chief Executive Officer. The Board increased Ms. Story’s 2016 LTIP target award from 200% to 225%.

(2) In addition to the amount shown in the table, and under the terms of Ms. Sullivan's employment agreement, we agreed to provide an additional $500,000 in equity, of which 30% was allocated to RSUs and 70% was allocated to PSUs. The additional amount was designed to replace a portion of benefits Ms. Sullivan forfeited as a result of terminating employment with her former employer.

(3) In addition to the amount shown in the table, and under the terms of Mr. Warnock's employment agreement, we agreed to provide an additional $220,000, all of which was allocated to RSUs. The additional amount was designed to replace a portion of the benefits Mr. Warnock forfeited as a result of terminating employment with his former employer.

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Except as noted in the footnotes to the table above, the compensation committee applied 20 percent of an NEOs LTIP target award to stock options, 20 percent to RSUs and 60 percent to PSUs. We divided long-term compensation in this manner because we believe it provides an appropriate balance between two related but discrete goals. RSUs and stock options are designed to align the executive officer's interests with stockholder interests, since the value of RSUs and the intrinsic value of stock options is a function of our stock price. We introduced RSUs in 2013 to reflect trends in compensation, which indicate companies' increasing use of RSUs to encourage continued employment and declining use of stock options. As explained in more detail below, the PSUs are designed to encourage long-term performance both from the standpoint of favorable stock performance in relation to the other companies in the Dow Jones U.S. Utilities Total Return Index (which we refer to below as the "Comparator Group"), and from the standpoint of specific company-wide performance measures. We chose to provide the largest percentage weighting for PSUs because we believe the greater emphasis should be on out-performing similarly situated companies and on the satisfaction of long-term operational goals.

In determining the number of shares underlying stock option grants, we used the $5.36 ($5.19 in the case of an incremental stock option granted to Ms. Story in connection with her assumption of duties as our President and Chief Executive Officer and $5.28 in the case of Ms. Sullivan and Mr. Warnock) grant date fair value per underlying share of the options, calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, which we refer to below as ASC 718. In accordance with ASC 718, the grant date fair value of stock options is calculated using the closing market price of the underlying common stock and assumptions related to specified items, determined as of the grant date. Ms. Story's incremental stock option was granted on May 9, 2014, and Ms. Sullivan's and Mr. Warnock's stock options were granted on April 28, 2014, resulting in grant date fair values that differed from the grant date fair values of the stock options granted to the other NEOs (stock options were granted to the other NEOs on February 20, 2014). Mr. Sterba's stock options vested on January 1, 2015 rather than over a three year period, as is the case for the options granted to the other NEOs, which resulted in a lower grant date fair value per underlying share of $2.72 for Mr. Sterba's stock options. Based on the applicable grant date fair value, the number of shares underlying stock options was calculated as follows:

Name	LTIP Target Award Allocated to Stock Options		Number of Shares Underlying Stock Options
Susan N. Story	$ 238,175	(1)	44,910
Jeffry E. Sterba	$ 393,750		144,761
Linda G. Sullivan	$ 115,000		21,780
Walter J. Lynch	$ 153,000		28,545
Kellye L. Walker	$ 85,800		16,007
Loyd A. Warnock	$ 64,800		12,273

(1) Includes an incremental target award allocation provided to Ms. Story upon her appointment as President and Chief Executive Officer. See "Promotion of Susan N. Story," above.

In determining the number of RSUs, we used the $44.06 ($46.45 in the case of Ms. Sullivan and Mr. Warnock, and $46.26 in the case of Ms. Story's incremental grant) grant date fair value of an RSU, calculated in accordance with ASC 718. Based on the applicable grant date fair value, the number of RSUs was calculated as follows:

Name