



AMERICAN WATER WORKS COMPANY, INC.

COMPENSATION COMMITTEE

OF THE BOARD OF DIRECTORS

CHARTER

I. PURPOSE OF THE COMMITTEE

The Compensation Committee (the “Committee”) of the Board of Directors of American Water Works Company, Inc. (the “Company”):

- A. assists and represents the Board of Directors in discharging its responsibilities to the shareholders with respect to the Company’s compensation programs and compensation of the Company’s directors and executives;
- B. prepares an annual “Compensation Committee Report” for inclusion in the Company’s annual proxy statement or annual report, in accordance with the applicable rules and regulations of the New York Stock Exchange, Inc. (the “NYSE”) and the U.S. Securities and Exchange Commission (the “SEC”); and
- C. develops and implements policies and principles regarding succession planning for the CEO and key executives.

II. STRUCTURE AND OPERATIONS

Composition and Qualifications

The Committee consists of at least three members of the Board of Directors. Each member of the Committee shall be independent. In each case the Board of Directors shall determine “independence” in accordance with the rules of the NYSE and the Corporate Governance Guidelines.

Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors from among its members, considering the recommendations of the Nominating/Corporate Governance Committee. Each member shall serve until such member’s successor is duly elected and qualified or until such member’s earlier death, resignation or removal. The actual number of members shall be determined from time to time by resolution of the Board of Directors.



Chairman/Secretary

The Board of Directors shall designate a chairman of the Committee from among its members, considering the recommendations of the Nominating/Corporate Governance Committee. The Committee chairman will preside at, and prepare an agenda for, each Committee meeting. The Committee chairman shall appoint a secretary (who need not be a member of the Committee) to take written minutes of the meetings. In the absence of the chairman during any Committee meeting, the Committee may designate a chairman pro tempore.

III. MEETINGS

The Committee shall meet at least twice annually, or more frequently as circumstances require. The Chairman of the Board or any member of the Committee may call meetings of the Committee. All meetings of the Committee may be held telephonically. At least a majority of members constitute a quorum and a quorum is required for the transaction of all business. Notice of a meeting of the Committee may be made by any reasonable means, including via e-mail. Notice of a meeting shall be given to each member of the Committee (and to each member of the Board of Directors) at least two days in advance of such meeting unless notice is waived by all members of the Committee. The Committee shall act only on the affirmative vote of a majority of its members at a meeting or by unanimous written consent.

As part of its review and establishment of the performance criteria and compensation of designated key executives, the Committee shall meet separately at least on an annual basis with the CEO, the Company's principal human resources executive, and any other officers, as it deems appropriate. However, the Committee should meet regularly without such officers present, and in all cases such officers shall not be present at meetings at which their performance and compensation are being discussed and determined.

Subject to the final sentence of this paragraph, all independent directors who are not members of the Committee may attend meetings of the Committee, but may not vote. Additionally, the Committee may invite to its meetings any director, member of management and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons (other than a member of the Committee) it deems appropriate in order to carry out its responsibilities.



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IV. RESPONSIBILITIES AND DUTIES

The following functions are the recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors, from time to time, related to the purposes of the Committee outlined in Section I of this Charter.

The Committee shall:

Compensation for Executive Officers

1. establish and review the overall compensation philosophy of the Company;
2. survey and review executive compensation practices of comparable companies;
3. at least annually, for the Company's CEO and the other executive officers of the Company (a) review and approve the corporate goals and objectives relevant to their compensation, (b) evaluate each executive officer's performance in light of these goals and objectives and (c) set each executive officer's compensation (including (i) annual base salary, (ii) annual incentive opportunity, (iii) long-term incentive opportunity (including awards of stock options and restricted stock) and deferral opportunity and (iv) any special supplemental benefits) based on this evaluation;
4. in setting compensation, consider all factors deemed relevant, including the Company's performance and relative shareholder return, the value of similar incentive awards to those with similar responsibilities at comparable companies and the awards given by the Company in prior years;
5. review, on a periodic basis, the operations of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s);

Monitoring Incentive and Equity-Based Compensation Plans

6. review and make recommendations to the Board of Directors concerning, or approve, any contracts or other transactions with current or former executive officers of the Company, including consulting arrangements, employment contracts, severance or termination arrangements;



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7. review and make recommendations to the Board of Directors with respect to the Company's incentive and equity-based compensation plans, including the adoption of new plans and changes to existing plans;
8. review and approve all payments under the Company's incentive compensation plans before such payments are made;
9. review and approve all equity-based compensation plans of the Company that are not otherwise subject to the approval of the Company's shareholders;
10. review and make recommendations to the Board of Directors, or approve, all awards of stock or stock options pursuant to the Company's equity-based plans;
11. review and make recommendations to the Board of Directors concerning the Company's policies on compliance by executive officers with the rules and guidelines of the Company's equity-based plans;
12. review and monitor employee retirement, and other benefit plans, including plan design, features and funding;
13. appoint the members of, and oversee the activities of, the Company's Retirement/Benefits Committee, which is responsible for overseeing the administration and investment performance of such plans;

Succession Planning Process

14. oversee and approve the management succession planning process;
15. annually review and evaluate the short and long-term succession plans relating to the CEO and other executive officer positions and make recommendations to the Board of Directors with respect to the selection of individuals to occupy these positions, taking into consideration the policies and principles set forth in this Charter and the Corporate Governance Guidelines;

Regulatory Matters

16. in consultation with management, oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility (including, as and when required, for compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended, establishing performance goals and certifying that such performance goals and any other material terms have been attained);

Director Compensation



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17. at least annually, review and recommend to the Board of Directors the form and amount of director compensation (including perquisites and other benefits), and any additional compensation to be paid for service on Board committees or for service as a chairman of a committee;

Chairman Compensation

18. at least annually, review and recommend to the Board of Directors the form and amount of the compensation of the Chairman of the Board (including perquisites and other benefits);
19. if and for so long as the Chairman of the Board is a member of the Committee, the responsibilities set forth in item 18 above shall be discharged by a subcommittee of the Committee consisting of all members of the Committee other than the Chairman;

Reports

20. review and discuss the Compensation Discussion and Analysis disclosure with management, prior to the filing of the Company's proxy statement for the annual meeting of stockholders (or annual report on Form 10-K), and based on such review and discussions, the Committee shall recommend to the Board of Directors whether the Compensation Discussion and Analysis should be included (or incorporated by reference, as applicable) into the Company's annual report on Form 10-K and proxy statement; and
21. report regularly to the Board of Directors (i) the matters discussed at regular or special meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and (iii) with respect to such recommendations as the Committee may deem appropriate, such reports to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

V. RESOURCES AND AUTHORITY OF THE COMMITTEE

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. The Committee has authority to select, retain and/or replace, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Committee. In that connection, in the event the Committee retains a compensation



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consultant, the Committee shall have the sole authority to approve such consultant's fees and other retention terms. The Committee also has the authority to (i) retain other outside advisors, including legal counsel, as it deems appropriate in its sole discretion, (ii) approve the fees and expenses of such advisors and (iii) incur such other ordinary administrative expenses as are necessary or appropriate in carrying out its duties.

VI. ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

VII. DISCLOSURE OF CHARTER

This Charter shall be made available on the Company's website.

VIII. DATE OF ADOPTION

This Charter was adopted by the Board of Directors effective September 14, 2007, and amended on September 4, 2009.

IX. COMPLIANCE

The Committee, as a whole, and each of the individual members of the Committee shall be in compliance with the provisions of this Charter, to the extent practical, upon their adoption and, in any case, within 30 days of the date upon which the Company's securities are registered under the Securities Exchange Act of 1934, as amended.