

American Water Capital Corp.

Form 424B2

December 14, 2012

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)(3)
American Water Capital Corp. 4.300% Senior Notes due 2042	\$300,000,000	\$40,920
American Water Works Company, Inc. Support Agreement(3)		
Total	\$300,000,000	\$40,920

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

(2) This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in Registration Statement Nos. 333-181155 and 333-181155-01.

(3) The American Water Works Company, Inc. Support Agreement is being offered as a component of the American Water Capital Corp. 4.300% Senior Notes due 2042 for no additional consideration, therefore no additional fee is payable.

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Filed Pursuant to Rule 424(b)(2)
File Number 333-181155-01
File Number 333-181155

Prospectus Supplement to Prospectus dated May 4, 2012

\$300,000,000

American Water Capital Corp.

4.300% Senior Notes due 2042

This is an offering by American Water Capital Corp., which we refer to as AWCC or the issuer, of its 4.300% Senior Notes due 2042, which we refer to as the notes. We will pay interest on the notes on June 1 and December 1 of each year, beginning on June 1, 2013. The notes will mature on December 1, 2042. However, the issuer may at any time and from time to time redeem all or a portion of the notes at the redemption prices set forth in this prospectus supplement under "Description of the Notes—Optional Redemption by the Issuer." Notes will be issued only in registered form and in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

The notes will be unsecured, will rank equally with the issuer's existing and future senior debt and will rank senior to the issuer's future subordinated debt. The notes will rank effectively junior in right of payment to all of the issuer's future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will have the benefit of a support agreement from American Water Works Company, Inc., the issuer's parent company. The notes will not be guaranteed by any of American Water Works Company, Inc.'s subsidiaries. The issuer is a finance subsidiary whose activities are limited to borrowing funds through the issuance of debt securities and lending those funds under loan agreements with our operating subsidiaries.

Investing in these notes involves risks. See Risk Factors beginning on page S-9 of this prospectus supplement and Item 1A, Risk Factors, of our most recent Annual Report on Form 10-K to read about factors you should consider before buying these notes.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory body has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

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	Price to Public	Underwriting Discount	Proceeds to Us
Per Note	99.818%	0.875%	98.943%
Total	\$ 299,454,000	\$ 2,625,000	\$ 296,829,000

(1) Plus accrued interest from December 17, 2012, if settlement occurs after that date.
The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company on or about December 17, 2012.

Joint Book-Running Managers

BofA Merrill Lynch

Goldman, Sachs & Co.
Co-Managers

RBS

PNC Capital Markets

US Bancorp

TD Securities

BNY Mellon Capital Markets, LLC

Prospectus Supplement dated December 12, 2012.

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ABOUT THIS PROSPECTUS SUPPLEMENT

All references in this prospectus supplement to American Water, we, our, us and the Company refer to American Water Works Company, Inc. and its consolidated subsidiaries unless the context otherwise requires. All references in this prospectus supplement to the support provider refer to American Water Works Company, Inc. unless the context otherwise requires. All references in this prospectus supplement to AWCC or the issuer refer to American Water Capital Corp. unless the context otherwise requires.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters. The second part, the accompanying prospectus, gives more general information about us and our securities. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent information in this prospectus supplement conflicts with information in the accompanying prospectus, you should rely on the information in this prospectus supplement. You should rely only on the information contained in, or incorporated by reference in, this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information.

We are not making an offer or sale of these securities in any jurisdiction where the offer or sale is not permitted. The information which appears in this prospectus supplement, the accompanying prospectus and any document incorporated by reference is accurate as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since the date of such information.

American Water and its logos are our trademarks. Other service marks, trademarks and trade names referred to in this prospectus are the property of their respective owners.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, which we refer to as the SEC. These SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov> and our website at <http://www.amwater.com>. You may also read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

We have filed a registration statement on Form S-3 under the Securities Act of 1933, as amended, which we refer to as the Securities Act, with the SEC to register the securities offered by this prospectus supplement. This prospectus does not contain all the information contained in the registration statement because certain parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. The registration statement and the documents filed as exhibits to the registration statement are available for inspection and copying as described above.

We are incorporating by reference into this prospectus specific documents that we file with the SEC, which means that we can disclose important information to you by referring you to those documents that are considered part of this prospectus. Information that we file subsequently with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below, and any future documents that we file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, until the termination of the offering of the securities covered by this prospectus has been completed. This prospectus is part of a registration statement filed with the SEC.

We are incorporating by reference into this prospectus the following documents filed with the SEC (excluding any portions of such documents that have been furnished but not filed for purposes of the Exchange Act):

Filings	Period Covered or Date Filed
Annual Report on Form 10-K (including the portions of our Proxy Statement on Schedule 14A filed on March 30, 2012 that are incorporated by reference therein)	Year ended December 31, 2011
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2012, June 30, 2012 and September 30, 2012
Current Reports on Form 8-K	Filed on March 30, 2012, May 17, 2012 and October 31, 2012

We will provide to each person, including any beneficial owner, to whom this prospectus supplement and the accompanying prospectus are delivered, upon written or oral request and without charge, a copy of the documents referred to above that we have incorporated in this prospectus by reference. You can request copies of such documents if you call or write us at the following address or telephone number: American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, New Jersey 08043, Attention: General Counsel, (856) 346-8200.

This prospectus supplement and the accompanying prospectus contain summaries of certain agreements that we have filed as exhibits to various SEC filings, as well as certain agreements that we will enter into in connection with this offering. The descriptions of these agreements contained in this prospectus or information incorporated by reference herein do not purport to be complete and are subject to, or qualified in their entirety by reference to, the definitive agreements. Copies of the definitive agreements will be made available without charge to you by making a written or oral request to us.

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You should rely only upon the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or contained in any free writing prospectus prepared by or on behalf of us. We have not authorized anyone to provide you with different information. You should not assume that the information in this document is accurate as of any date other than that on the front cover of this prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein, in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified and superseded, to constitute a part of this prospectus.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It may not contain all the information that is important to you. You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference therein in their entirety before making an investment decision. For the definition of certain terms used in this prospectus supplement and the accompanying prospectus, please refer to the definitions set forth in the section entitled "Glossary."

Our Company

American Water Works Company, Inc. (the "Company"), a Delaware corporation, is the most geographically diversified, as well as the largest publicly traded, United States water and wastewater utility company, as measured by both operating revenue and population served. As a holding company, we conduct substantially all of our business operations through our subsidiaries. Our approximately 7,000 employees provide an estimated 15 million people with drinking water, wastewater and other water-related services in over 30 states and two Canadian provinces.

In 2011, our on-going operations generated \$2,666.2 million in total operating revenue and \$803.1 million in operating income. In 2010, our on-going operations generated \$2,555.0 million in total operating revenue and \$728.1 million in operating income. For the nine months ended September 30, 2012, we generated \$2,196.0 million in total operating revenue, \$758.0 million in operating income and net income of \$302.6 million.

We have two operating segments that are also the Company's two reportable segments: the Regulated Businesses and the Market-Based Operations.

For 2011, our Regulated Businesses segment generated \$2,368.9 million in operating revenue, prior to inter-segment eliminations, which accounted for 88.8% of total consolidated operating revenue. For the same period, our Market-Based Operations segment generated \$327.8 million in operating revenue, prior to inter-segment eliminations, which accounted for 12.3% of total consolidated operating revenue. For the nine months ended September 30, 2012, our Regulated Businesses generated \$1,960.2 million in operating revenue, prior to inter-segment eliminations, which accounted for 89.3% of total consolidated operating revenue. For the same period, our Market-Based Operations generated \$249.3 million in operating revenue, prior to inter-segment eliminations, which accounted for 11.4% of total consolidated operating revenue.

American Water Capital Corp.

Our financing activities, primarily focused on funding construction activities, include the issuance of long-term and short-term debt, primarily through our finance subsidiary, American Water Capital Corp. ("AWCC" or the "issuer"). AWCC loans all of the net proceeds of its long-term debt financings to American Water's Regulated Businesses, as well as to American Water. AWCC also provides liquidity to the Regulated Businesses and American Water through AWCC's committed bank credit facilities and commercial paper program. All of the proceeds of AWCC's long-term debt have been loaned to our Regulated Businesses or American Water and are evidenced by promissory notes issued to AWCC by the Regulated Businesses or American Water, as applicable. As of September 30, 2012, we had a total of \$5,465 million in total debt, including \$3,412 million in long-term debt and \$298 million in commercial paper borrowings at AWCC.

Our Industry

The United States water and wastewater industry has two main sectors: (i) utility ownership, which involves supplying water and wastewater services to consumers; and (ii) general services, which involves providing water and wastewater related services to water and wastewater utilities and other customers on a contract basis.

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The utility sector includes investor-owned as well as municipal systems that are owned and operated by local governments or governmental subdivisions. The Environmental Protection Agency (EPA) estimates that government-owned systems make up the vast majority of the United States water and wastewater utility segment, accounting for approximately 84% of all United States community water systems and approximately 98% of all United States community wastewater systems. Investor-owned water and wastewater systems account for the remainder of the United States water and wastewater community water systems.

The utility segment is characterized by high barriers to entry, given the capital intensive nature of the industry. Investor-owned water and wastewater utilities also face regulatory approval processes in order to do business, which may involve obtaining relevant operating approvals, including certificates of public convenience and necessity (or similar authorizations), pursuant to which state PUCs grant investor-owned utilities the right to provide service within an authorized service area. The utility segment of the United States water and wastewater industry is highly fragmented, with approximately 52,000 community water systems and approximately 16,000 community wastewater facilities, according to the EPA, and therefore presents opportunities for consolidation. Larger utilities, such as ours, that have greater access to capital are generally more capable of making mandated and other necessary infrastructure upgrades to water and wastewater systems.

Our Strengths

We believe that we are distinguished by the following key competitive strengths:

Market leader with broad national footprint and strong local presence. We are the most geographically diversified, as well as the largest publicly traded, United States water and wastewater utility company, as measured by both operating revenue and population served. Our scale provides us with a competitive advantage in procuring goods and services reliably and economically. Our geographic scope enables us to capitalize effectively on growth opportunities across our service areas, while helping to insulate us from adverse conditions relating to regulatory environments, weather and economic conditions in any one geographic area. Also, our active community involvement supports customer satisfaction.

Regulated Businesses provide financial stability. Our Regulated Businesses provide a high degree of financial stability because (i) high barriers to entry insulate us from competitive pressures, (ii) economic regulation promotes predictability in financial planning and long-term performance through the rate-setting process and (iii) our largely residential customer base promotes consistent operating results.

Experience in securing appropriate rates of return and promoting constructive regulatory frameworks. We seek appropriate rates of return on our investment and a return of our investment and recovery of prudently incurred operating expenses from state PUCs in the form of rate increases, which we refer to as rate relief. We have a strong track record of providing reliable service at cost-effective rates, which has generally allowed us to maintain positive relations with regulators. We have generally been granted rate relief in a timely manner after application.

Growth opportunities with a low risk business profile. We believe we are well positioned to benefit from favorable industry dynamics in the water and wastewater sectors, which provide opportunities for future growth in both our Regulated Businesses and complementary Market-Based Operations.

We intend to invest capital prudently to enable us to continue to provide essential services to our customers in the water and wastewater utility industry and to municipalities in meeting the capital challenges of making substantial required infrastructure upgrades.

Our Regulated Businesses provide a large platform on which to grow both organically and through consolidation from among the numerous water and wastewater systems in the United States.

Our geographic diversity increases our ability to make opportunistic investments in market-based businesses that are complementary to our Regulated Businesses.

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Industry leader in water quality, testing and research. We are experts in water quality testing, compliance and treatment and have established and own industry-leading water testing facilities. Our technologically advanced quality control and testing laboratory in Belleville, Illinois is certified in 24 states and Puerto Rico.

Our Strategy

Our goal is to consistently provide customers with safe, high quality drinking water and reliable water and wastewater services. Our business strategies include:

continuing to invest prudently in regulated water and wastewater infrastructure projects;

earning an appropriate rate of return on our investments from state PUCs;

optimizing our business through complementary acquisitions and strategic dispositions of assets that are not complementary to our operations; and

continuing to pursue public/private partnerships, including O&M and military contracts and services, and other market-based businesses that are complementary to our Regulated Businesses.

Our Executive Offices

We are a corporation incorporated under the laws of Delaware. Our principal executive offices are located at 1025 Laurel Oak Road, Voorhees, NJ 08043. Our telephone number is (856) 346-8200. Our internet address is www.amwater.com. **The information contained on or accessible from our website does not constitute a part of this prospectus and is not incorporated by reference herein.**

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The Offering

Issuer	American Water Capital Corp.
Securities Offered	\$300,000,000 aggregate principal amount of 4.300% Senior Notes due 2042.
Maturity Date	The notes will mature on December 1, 2042.
Interest Payment Dates	We will pay interest on the notes on each June 1 and December 1, beginning on June 1, 2013, to the holders of the notes as of the day that is 15 calendar days (whether or not a business day) prior to the relevant interest payment date and, if applicable, upon redemption.
Support Agreement	The notes will have the benefit of a support agreement from American Water, pursuant to which American Water has agreed to pay to any debt investor or lender any principal or interest owed by the issuer to such debt investor or lender that the issuer fails to pay on a timely basis, referred to herein as the support agreement.
Optional Redemption	We may redeem all or a portion of the notes at our option at any time or from time to time. The redemption price for the notes to be redeemed on any redemption date prior to June 1, 2042 will be equal to the greater of (1) 100% of the principal amount of the notes being redeemed on the redemption date; or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed on that redemption date (not including any portion of any payments of interest accrued to the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below) plus 25 basis points, as determined by the Reference Treasury Dealer (as defined below); plus, in each case, accrued and unpaid interest thereon to the redemption date. The redemption price for the notes to be redeemed on any redemption date on or after June 1, 2042 will be equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of redemption.
Ranking	<p>The notes will be the issuer's unsecured senior obligations and will:</p> <p>rank equal in right of payment to all of the issuer's existing and future unsecured obligations that are not, by their terms, expressly subordinated in right of payment to the notes;</p> <p>rank senior in right of payment to all of the issuer's future obligations that are, by their terms, expressly subordinated in right of payment to the notes; and</p> <p>rank effectively junior in right of payment to all of the issuer's future secured indebtedness to the extent of the value of the assets securing such indebtedness.</p>

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Similarly, the obligations of American Water under the support agreement will be unsecured senior obligations of American Water and will:

rank equal in right of payment to all existing and future unsecured obligations of American Water that are not, by their terms, expressly subordinated in right of payment to such obligations;

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rank senior in right of payment to any future obligations of American Water that are, by their terms, expressly subordinated in right of payment to such obligations; and

rank (i) effectively junior in right of payment to any future secured indebtedness of American Water to the extent of the value of the assets securing such indebtedness and (ii) structurally junior in right of payment to any liabilities of the applicable American Water subsidiaries.

As of September 30, 2012:

The issuer had \$3,709.9 million of senior indebtedness, including (i) \$3,089.4 million of currently outstanding senior notes, (ii) \$322.6 million of tax-exempt indebtedness, (iii) \$297.9 million of short-term debt and (iv) no subordinated indebtedness;

American Water had no indebtedness other than its obligations under the support agreement with respect to the issuer's indebtedness and its borrowings from AWCC; and

the subsidiaries of American Water (other than the issuer) had approximately \$1,776.7 million of indebtedness and other liabilities.

Certain Covenants

The indenture governing the notes contains certain covenants that, among other things, limit our ability to:

create or assume liens; and

enter into sale and leaseback transactions.

These limitations are subject to a number of significant exceptions. See [Description of the Notes](#) [Certain Covenants](#).

Use of Proceeds

We estimate that the proceeds from this offering, net of discounts and expenses, will be approximately \$296.3 million. We intend to use the net proceeds from this offering to finance certain redemptions of long-term debt and to fund the repayment of short-term debt. See [Use of Proceeds](#).

Risk Factors

Investing in the notes involves risk. See [Risk Factors](#) beginning on page S-9 of this prospectus supplement and Item 1A, [Risk Factors](#), in our most recent Annual Report on Form 10-K for a discussion of factors that you should refer to and carefully consider before deciding to invest in these notes.

Governing Law

The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York.

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RISK FACTORS

An investment in the notes involves risks. This prospectus supplement does not describe all of these risks. You should carefully consider the risks described below and the risks described in Item 1A, Risk Factors, in our most recent Annual Report on Form 10-K, as updated in subsequent filed reports with the SEC, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks.

The issuer's ability to service its debt and our ability to make payments pursuant to our obligations under the support agreement depend on the performance of our operating subsidiaries and their continued ability to make distributions to us or repayments to the issuer. There can be no assurance that we or the issuer will continue to receive such distributions or repayments or, if they are received, that they will be in amounts similar to past distributions or repayments.

The notes are being issued by AWCC, our finance subsidiary. The issuer has no substantial assets, other than our obligations and those of our operating subsidiaries to repay loans made by AWCC. We have entered into a support agreement with the issuer pursuant to which we have agreed to pay to any debt investor or lenders of the issuer any principal or interest amounts owed by the issuer to such debt investor or lender that the issuer fails to pay on a timely basis. Because substantially all of our operations are conducted through our subsidiaries other than the issuer, our ability to fulfill our obligations under the support agreement will be dependent upon our receipt of sufficient cash distributions from our operating subsidiaries. Similarly, the issuer's ability to make interest and principal payments on the notes will be dependent upon its receipt of sufficient payments of principal and interest pursuant to the terms of its loans to us and our operating subsidiaries. The distributions we receive from our operating subsidiaries and the repayments the issuer receives from us and our operating subsidiaries might not be adequate to permit us to make required payments of interest and principal pursuant to the support agreement or the issuer to make required payments under the notes, as applicable, on a timely basis, or at all.

Our obligations under the support agreement are effectively subordinated to all of the obligations of our subsidiaries other than the issuer.

We have signed a support agreement with the issuer. The notes are not guaranteed by any of our subsidiaries and are the obligations only of the issuer and us, by virtue of the support agreement. We are a holding company that derives substantially all of our income from our operating subsidiaries, and the issuer is a financing subsidiary with no material operations of its own, other than making loans to us and our affiliates. Our operating subsidiaries are separate and distinct legal entities and, other than the issuer, have no obligation to make any payments on the notes or to make any funds available for such payment. Therefore, our obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed, incurred or issued by our subsidiaries other than the issuer.

The notes do not restrict our ability to incur additional indebtedness, which could adversely affect our ability to pay our obligations under the notes.

Although the terms of the notes restrict our ability and the ability of our subsidiaries to incur certain liens and to enter into certain sale and leaseback transactions, the incurrence of other indebtedness or other liabilities by any of our subsidiaries is not prohibited in connection with the notes and could adversely affect our ability to pay our obligations on the notes. As of September 30, 2012, total liabilities of our subsidiaries other than the issuer were \$1,776.7 million. As of September 30, 2012, the indebtedness of our subsidiaries other than the issuer, excluding intercompany liabilities and obligations of a type not required to be reflected on a balance sheet in accordance with generally accepted accounting principles, that would effectively have been senior to the notes, was approximately \$1,688.8 million. We anticipate that from time to time our subsidiaries will incur additional debt and other liabilities. Any debt incurred by our subsidiaries other than the issuer will be effectively senior to our obligations under the support agreement.

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We have not agreed to any financial covenants in connection with the notes. Consequently, we are not required in connection with the notes to meet any financial tests, such as those that measure our working capital, interest coverage, fixed charge or net worth, in order to maintain compliance with the terms of the notes.

If an active trading market does not develop for the notes you may not be able to resell them.

Currently, there is no public market for the notes. If no active trading market develops, you may not be able to resell the notes at their fair market value or at all.

The liquidity of any market for the notes will depend upon various factors, including:

the number of holders of the notes;

the interest of securities dealers in making a market for the notes;

our financial performance or prospects; and

the prospects for companies in our industry generally.

Accordingly, we cannot assure you that a market or liquidity will develop for the notes.

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FORWARD-LOOKING STATEMENTS

We have made statements under **Risk Factors** and in other sections of this prospectus supplement and in the documents incorporated by reference herein that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as intend, plan, estimate, believe, anticipate, expect, predict, project, forecast, outlook, future, potential, should and could and similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, our growth strategies, our ability to repay debt, our ability to finance current operations and growth initiatives, trends in our industry, regulatory or legal developments or rate adjustments.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees of any outcomes, financial results or levels of performance, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of risks and uncertainties, and new risks and uncertainties of which we are not currently aware or which we do not currently perceive may arise in the future from time to time. Should any of these risks or uncertainties materialize, or should any of our expectations or assumptions prove incorrect, then our results may vary materially from those discussed in the forward-looking statements herein and in the documents incorporated by reference herein. Factors that could cause actual results to differ from those discussed in forward-looking statements include, but are not limited to, the factors discussed under **Risk Factors** in this prospectus supplement and Item 1A, **Risk Factors**, in our most recent Annual Report on Form 10-K, as updated or amended in subsequent filed reports with the SEC, and the following factors:

the decisions of governmental and regulatory bodies, including decisions to raise or lower rates;

the timeliness of regulatory commissions' actions concerning rates;

changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;

changes in laws, governmental regulations and policies, including environmental, health and water quality and public utility regulations and policies;

weather conditions, patterns or events, including drought or abnormally high rainfall;

our ability to effect significant changes to our business processes and corresponding technology;

our ability to appropriately maintain current infrastructure and manage expansion of our business;

our ability to obtain permits and other approvals for projects;

changes in our capital requirements;

our ability to control operating expenses and to achieve efficiencies in our operations;

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our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;

our ability to successfully acquire and integrate water and wastewater systems that are complementary to our operations and the growth of our business or potentially dispose of assets or lines of business that are not complementary to our operations and the growth of our business;

cost overruns relating to improvements or the expansion of our operations;

changes in general economic, business and financial market conditions;

access to sufficient capital on satisfactory terms;

fluctuations in interest rates;

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restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or affect our ability to borrow, make payments on debt or pay dividends;

fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;

our ability to utilize our U.S. and state net operating loss carryforwards;

migration of customers into or out of our service territories;

difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions;

the incurrence of impairment charges;

labor actions, including work stoppages;

ability to retain and attract qualified employees; and

civil disturbance or terrorist threats or acts or public apprehension about future disturbances or terrorist threats or acts.

The risks and uncertainties referenced above are not intended to be exhaustive. See "Risk Factors" beginning on page S-9 of this prospectus supplement and our most recent Annual Report on Form 10-K, including the information in Item 1A, "Risk Factors," therein, and other documents filed with the SEC for an expanded discussion of the risks and uncertainties described above and additional risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. All forward-looking statements contained in or incorporated by reference in this prospectus are based upon information available to us on the date such statements are made and speak only as of the date of such statements. Except as required by law, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise.

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INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus supplement concerning the water and wastewater industry, its segments and related markets and our general expectations concerning such industry and its segments and related markets are based on management estimates. Such estimates are derived from publicly available information released by third-party sources, as well as data from our internal research and on assumptions made by us based on such data and our knowledge of such industry and markets, which we believe to be reasonable. We have estimated the number of people served by our water and wastewater systems (i) by multiplying the number of residential water and wastewater connections by average people per household based on 2010 United States Census data by state (average people per household varies by state but is generally between 2.3 to 3.1 individuals per household); (ii) by adjusting for weather fluctuations, for some other customer classes, including commercial customers, and for bulk water sales and (iii) by reconciling drinking water and wastewater connections to avoid double counting population served where the same user has both drinking water and wastewater service. In some instances, population estimates for our Market-Based Operations are based on either (i) specific population estimates from the client or (ii) population estimates based on the average volume of water processed by the applicable facilities. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed in Item 1A, Risk Factors, in our most recent Annual Report on Form 10-K for the year ended December 31, 2011 and other documents incorporated by reference in this prospectus supplement.

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USE OF PROCEEDS

The issuer estimates that it will receive net proceeds of approximately \$296.3 million from this offering after deducting underwriting discounts and estimated offering expenses.

The issuer intends to use the net proceeds from this offering, in part, to lend funds to American Water's operating subsidiaries, which American Water expects will be used to redeem approximately \$152 million aggregate principal amount of long-term debt issued by such subsidiaries, as follows:

\$23,015,000 principal amount of 5.05% Pennsylvania private activity bonds due 2029

\$20,000,000 principal amount of 5.25% New Jersey private activity bonds due 2032

\$35,000,000 principal amount of 5.125% New Jersey private activity bonds due 2022

\$5,615,000 principal amount of 5.15% Illinois private activity bonds due 2023

\$11,700,000 principal amount of 5.00% Illinois private activity bonds due 2028

\$29,815,000 principal amount of 5.10% Illinois private activity bonds due 2029

\$5,670,000 principal amount of 5.00% Illinois private activity bonds due 2028

\$13,720,000 principal amount of 5.25% Illinois private activity bonds due 2027

\$7,460,000 principal amount of 5.00% Indiana private activity bonds due 2028

The issuer also intends to use the net proceeds from this offering to lend funds to (i) American Water's operating subsidiaries, which American Water expects will be used to make repayments of short-term borrowings of approximately \$128.3 million, and (ii) American Water, which American Water expects will be used to make repayments of short-term borrowings of approximately \$16.0 million. All of the issuer's loans to American Water's operating subsidiaries or American Water will be evidenced by promissory notes having final maturities, interest rates, and interest payment dates that are the same as the final maturity, interest rate and interest payment dates of the notes.

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RATIO OF EARNINGS TO FIXED CHARGES

For purposes of calculating the ratio of earnings to fixed charges, earnings consists of income (loss) from continuing operations before income taxes including the effect of allowance for funds used during construction, which we refer to as AFUDC, plus fixed charges. Fixed charges consist of interest expense, amortization of debt issuance costs, dividends on mandatory redeemable preferred shares and a portion of rent expense that management believes is representative of the interest component of rental expense. Fixed charges have not been reduced for the effect of AFUDC.

American Water's ratio of earnings to fixed charges was less than 1.00x for the years ended December 31, 2007, 2008 and 2009.

American Water's and the issuer's ratio of earnings to fixed charges for each of the periods indicated was as follows:

	For the Year Ended December 31,	For the Nine Months Ended September 30, 2012
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