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November 26, 2025

VIA EMAIL

Hon. Sherri L. Lewis
Secretary to the Board
Board of Public Utilities
44 South Clinton Ave., 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: In The Matter of The Merger Of American Water Works Company, Inc.
And Essential Utilities, Inc.
BPU Docket No. WM2511_____

Dear Secretary Lewis:

Enclosed for filing with the New Jersey Board of Public Utilities is a Joint Petition of American Water Works Company, Inc. ("American Water"), Essential Utilities, Inc. f/k/a Aqua America, Inc. ("Essential"), Aqua New Jersey, Inc. ("Aqua"), and Alpha Merger Sub, Inc. ("Merger Sub") for approval of (i) a change in control of Aqua to be effected by the merger of Essential and Merger Sub, a wholly-owned subsidiary of American Water, and (ii) Aqua's execution of certain affiliate service agreements with American Water Works Service Company, Inc. and American Water Capital Corp., which are designed to facilitate the provision of shared administrative, support and management services across the American Water and Essential systems post-Merger, as more fully described in the Joint Petition and associated exhibits.

In accordance with the March 19, 2020 and May 20, 2020 Board Orders in Docket No. EO20030254, hard copies are not being provided at this time, but will be submitted at a later time if required. Electronic copies have been served in accordance with the attached Certificate of Service.

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Hon. Sherri L. Lewis
November 26, 2025
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If you have any questions, please call me directly at 215.963.4603. Thank you.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Mark A. Lazaroff", written in a cursive style.

Mark A. Lazaroff

MAL/ap

Enclosure

c: Per Certificate of Service (w/encls.)

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon those listed below in accordance with the requirements of N.J.A.C. § 14:1-4.5.

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Dated: November 26, 2025

**BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE MERGER OF
AMERICAN WATER WORKS COMPANY, INC.
AND
ESSENTIAL UTILITIES, INC.
BPU Docket No. WM2511_____**

**Joint Petition
with
Exhibits & Testimony**

November 26, 2025

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE MERGER OF : BPU Docket No. WM2511____
AMERICAN WATER WORKS COMPANY, :
INC. AND ESSENTIAL UTILITIES, INC. : **CERTIFIED JOINT PETITION**

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

By this Certified Joint Petition (the “Petition”) American Water Works Company, Inc. (“American Water”), Essential Utilities, Inc. f/k/a Aqua America, Inc. (“Essential”),¹ Aqua New Jersey, Inc. (“Aqua”), and Alpha Merger Sub, Inc. (“Merger Sub”) (collectively, the “Joint Petitioners”), by and through counsel, respectfully request that the Board of Public Utilities (“Board”) approve the change in control of Aqua to be effected by the merger of Essential and Merger Sub, a wholly-owned subsidiary of American Water, as described herein pursuant to the provisions of N.J.S.A. 48:2-51.1 and 48:3-10, N.J.A.C. 14:1-5.10 and 14:1-5.14, and such other statutes and regulations as may be deemed relevant to this matter (the “Merger”). In addition to other approvals being sought herein, pursuant to N.J.S.A. 48:3-7.1 and N.J.A.C. 14-4:4.5, the Joint Petitioners also request that the Board approve Aqua’s execution of certain affiliate service agreements with American Water Works Service Company, Inc. (“AWWSC”) and American Water Capital Corp. (“AWCC”), which are designed to facilitate the provision of shared administrative, support and management services across the American Water and Essential systems, including Aqua. In support of the Joint Petition, the Joint Petitioners state as follows:

¹ Aqua America, Inc. changed its name to Essential Utilities, Inc. on February 3, 2020 following its acquisition of Peoples Natural Gas Company LLC.

I. INTRODUCTION

1. The Merger will combine the industry-leading water, wastewater and natural gas utilities of American Water and Essential and build on their shared mission to provide clean, safe, reliable and affordable essential utility service to customers. The enhanced scale and operational efficiency of the combined company will support continued investment in water and wastewater infrastructure in New Jersey and across the country, much of which is nearly a century old and in need of replacement. Together, American Water and Essential will be better able to maintain an average customer water bill that is affordable in the more than 2,000 communities that the combined company will serve.

2. As reflected in this Joint Petition and the accompanying testimony, the proposed Merger will yield numerous positive benefits to Aqua's customers and the State of New Jersey, and will have no adverse impact on competition, rates, service or employees of Aqua. The combined company will leverage operational and financial expertise from complementary platforms and deeper resources and capabilities to provide best-in-class water and wastewater service and drive a superior customer experience. The Merger unites two highly skilled and experienced teams in the regulated utility space with a greater ability to attract, develop, and retain water and wastewater utility employees and create long-term opportunities for career growth.

II. DESCRIPTION OF THE JOINT PETITIONERS AND THE OTHER COMPANIES INVOLVED IN THE PROPOSED MERGER

A. American Water and Its Subsidiaries

3. American Water is a public utility holding company that is incorporated in Delaware and maintains its corporate headquarters in Camden, New Jersey. With a history dating back to 1886, American Water is the largest and most geographically diverse investor-owned water and wastewater utility in the United States. American Water and its subsidiaries employ more

than 6,700 dedicated professionals who provide water and wastewater services to 3.5 million customer connections, or more than 14 million people in 14 states, including New Jersey, and on 18 military installations. American Water's utilities' primary operating assets include approximately 80 surface water treatment plants, 520 groundwater treatment plants, 190 wastewater treatment plants, 54,500 miles of transmission, distribution, and collection mains and pipes, 1,200 groundwater wells, 1,800 water and wastewater pumping stations, 1,100 treated water storage facilities, and 75 dams.

4. American Water's customer-focused company culture is grounded in its five core values: (i) safety first; (ii) trust, dignity and respect; (iii) one team; (iv) environmental leadership; and (v) high performance. American Water plans to invest nearly \$18 billion over the next five years across its footprint, including \$3.3 billion in 2025, to replace pipes and pumps, upgrade plants and otherwise support the resiliency of utility systems, as well as for acquisitions of water and wastewater systems, and improving delivery and water quality for additional communities. American Water utilities across the country support customer affordability by leveraging technology, working efficiently, and focusing on day-to-day operations.

5. American Water is a publicly traded company (NYSE: AWK) and has a strong financial track record and broad access to capital markets. As of December 31, 2024, American Water's enterprise-wide rate base totaled approximately \$22 billion. In 2024, American Water added \$417 million in rate base and about 69,500 customers through acquisitions and has binding commitments to add another \$600 million of acquisitions representing approximately 107,000 customers connections.

6. American Water has significant experience owning and managing public utility infrastructure in New Jersey. Its subsidiary, New Jersey-American Water Company ("NJAWC"),

is a regulated public utility corporation engaged in the production, treatment, and distribution of water and collection and treatment of sewage within its defined service territory within the State of New Jersey, which includes portions of the following counties: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union, and Warren. NJAWC serves approximately 672,000 water and fire service customers and 70,000 wastewater customers.²

7. Merger Sub is a Pennsylvania corporation and a wholly owned subsidiary of American Water that was formed for the sole purpose of effecting the Merger. If the Merger is completed, Merger Sub will cease to exist.

B. Essential and Its Subsidiaries

8. Essential is a publicly-traded public utility holding company organized under the laws of the Commonwealth of Pennsylvania and headquartered in Bryn Mawr, Pennsylvania. Essential provides water, wastewater, and natural gas service to approximately 5.5 million people through its operating subsidiaries in New Jersey, Pennsylvania, Ohio, North Carolina, Illinois, Indiana, Kentucky, Texas, and Virginia.

9. Aqua is a regulated public utility corporation of the State of New Jersey engaged in the collection, treatment, and distribution of water, and the collection and treatment of sewage, within its defined service territory within the State of New Jersey, which includes portions of the following counties: Atlantic, Burlington, Camden, Gloucester, Hunterdon, Mercer, Monmouth, Morris, Ocean, Sussex, and Warren. Aqua serves approximately 63,500 water and wastewater

² Annual Report of New Jersey-American Water Company, Inc. to the State of New Jersey Board of Public Utilities for the Year Ended December 31, 2024.

customers. Of particular note, regarding territories served, Aqua and NJAWC provide service to customers in the same counties, save for one – Sussex County, which is served only by Aqua.

III. OVERVIEW OF THE PROPOSED MERGER

10. Pursuant to the terms of an Agreement and Plan of Merger dated October 26, 2025 (the “Merger Agreement”), a copy of which is provided as Exhibit A hereto, and subject to regulatory approvals, Merger Sub will be merged with and into Essential and will cease to exist, and Essential will continue as the surviving corporation. When the Merger is complete, Essential will be a wholly-owned subsidiary of American Water. Upon consummation of the Merger, Essential shareholders will receive 0.305 shares of American Water common stock for each share of Essential common stock that they hold. Following completion of the Merger, the existing shareholders of American Water will own approximately 69% of the combined company, and the former shareholders of Essential will own approximately 31% of the combined company on a fully diluted basis.

11. American Water will remain the ultimate corporate parent of NJAWC and all other American Water subsidiaries and will become the ultimate corporate parent of Essential and all of its subsidiaries, including Aqua. To be clear, the Merger will not result in a change in control of NJAWC. Charts illustrating the pre-Merger organization structures of American Water and Essential are attached hereto as Exhibit B. A simplified chart showing the planned post-Merger corporate organization of the combined company is below:

Post-Closing Structure



12. The corporate headquarters of the combined company will be in Camden, New Jersey. Essential's offices in Bryn Mawr and Pittsburgh, Pennsylvania will each continue to maintain a strong operational presence, as will Aqua's principal business office located at 10 Black Forest Road, Hamilton, New Jersey 08691.

13. Following completion of the Merger, American Water will increase the size of its board of directors from 10 to 15 members. The combined company's 15-member board of directors will include the 10 directors serving on American Water's board of directors prior to closing of the Merger, including American Water's President and Chief Executive Officer ("CEO"), John C. Griffith, and five directors designated by Essential, including Essential's current Chairman and CEO, Christopher H. Franklin. Karl Kurtz, independent Chair of the American Water board of directors, will continue to serve in that role after the Merger.

14. Mr. Griffith will serve as CEO and President of the combined company following the Merger. Mr. Franklin will become the Executive Vice Chair of the board of directors of the combined company.

15. In connection with the Merger, the Joint Petitioners are offering a suite of commitments set forth in Exhibit C. As explained in Sections V and VI below and in the direct

testimony accompanying this Joint Petition, those commitments are significant positive benefits, including benefits for the customers of Aqua.

16. Upon consummation of the Merger, Aqua will continue to operate as a regulated New Jersey public utility, subject to the continuing jurisdiction of the Board and without any reduction in the Board's existing oversight or any diminishment in the authority of the Board over Aqua. Thus, the Merger will not adversely impact any of the day-to-day operations of Aqua. Indeed, as set forth in more detail below, the Merger will enhance the capabilities of Aqua to fulfill its obligation to provide clean, safe, reliable, and affordable service to its customers in New Jersey.

IV. REQUESTED BOARD APPROVALS AND LEGAL STANDARDS

A. Change in Control

17. The Board has jurisdiction over the Merger pursuant to N.J.S.A. 48:2-51.1, which requires the Joint Petitioners to obtain Board approval prior to the indirect acquisition of Aqua by means of a merger between Essential and Merger Sub. As set forth in N.J.A.C. 14:1-5.14(c), the Board should approve the Merger if it is satisfied that positive benefits will flow to customers and the State of New Jersey, and, at a minimum, that there will be no adverse impacts from the Merger on competition, rates, the employees of the affected public utilities, and on the provision of safe and adequate utility service at just and reasonable rates.

18. Jurisdiction may also arise under N.J.S.A. 48:3-10 and related regulations at N.J.A.C. 14:1-5.10, which provide that Board approval is required prior to making a sale or transfer of stock to a corporation that would vest control in such corporation of a majority interest in the capital stock of the public utility. In the context of the proposed Merger, there will be no direct transfer of Aqua stock, all of which is currently owned by Essential, and would remain owned by Essential, as a wholly-owned subsidiary of American Water. Nevertheless, approvals are sought under N.J.S.A. 48:3-10, to the extent the Board believes such approvals are necessary, in light of

the contemplated transfer of the common stock of Essential to American Water, which will result in American Water indirectly owning all of the stock of Aqua.

19. As explained herein and in the attached direct testimony, the proposed Merger is in the public interest and satisfies both the “no harm” standard contained in N.J.S.A. 48:2-51.1 and the “positive benefits” standard under N.J.A.C. 14:1-5.14(c). Indeed, the proposed Merger will result in significant positive benefits both for customers of Aqua and for the State of New Jersey. Absent the Merger, these benefits would not be available. Therefore, the Merger is in the public interest and should be expeditiously approved by the Board.

B. Affiliate Agreements

20. Both American Water and Essential have service company subsidiaries that make available to their respective operating company affiliates a broad range of accounting, financial, legal and other services. NJAWC is party to a service agreement with AWWSC that was approved by the Board in 1989 at BPU Docket No. WE89030322 and was reapproved on November 16, 2015 in Docket No. WO13050374.

21. American Water also has a subsidiary, AWCC, that was established to provide certain financial services, including short-term loans, long-term borrowings, and cash management to American Water and its regulated subsidiaries as cost-effectively as possible over the long-term. NJAWC is a party to a financial service agreement with AWCC that was approved by the Board on August 17, 2001 in Docket No. WF00040252.

22. The merging companies have established an integration task force to determine how the Essential utilities will be integrated into the American Water organization model. Currently, this effort is in preliminary stages. At the same time, however, the Joint Petitioners believe that substantial benefits can be derived by enabling AWWSC and AWCC to provide services to Essential’s utility subsidiaries, including Aqua. The Joint Petitioners therefore request that the

Board approve the following affiliate arrangements, to become effective upon closing of the Merger:

a. The execution of a service agreement by Aqua and AWWSC (a copy of the form of the agreement is provided in Exhibit D); and

b. The execution of a financial services agreement by Aqua and AWCC (a copy of the form of the agreement is provided in Exhibit E).

23. These affiliate agreements will give the combined company more operational flexibility to share best practices and to make the most productive use of all available resources as soon as possible after the Merger. If any additional changes to the scope, manner, terms or conditions of affiliate agreements are necessary or desired in the future, further Board approvals will be sought under N.J.S.A. 48:3-7.1 and N.J.A.C. 14:4-4.5 as needed.

V. THE PROPOSED MERGER WILL NOT HAVE AN ADVERSE IMPACT ON COMPETITION, RATES, UTILITY EMPLOYEES AND THE PROVISION OF SAFE, ADEQUATE, AND PROPER UTILITY SERVICE AT JUST AND REASONABLE RATES

24. As explained in this Joint Petition and the supporting direct testimony and exhibits submitted herewith, the proposed Merger will not have an adverse impact under the statutory criteria set out in N.J.S.A. 48:2-51.1, and will instead yield significant tangible positive benefits, both for Aqua's customers and the State of New Jersey. Therefore, the proposed Merger is in the public interest and should be approved.

A. Impact on the Provision of Safe, Adequate, and Proper Service

25. The Joint Petitioners are committed to providing adequate, efficient, safe, and reliable water and wastewater service while also adhering to safety and sustainability best practices, and the Merger will not diminish in any way Aqua's current provision of safe, adequate, and proper service to its customers. To the contrary, the Merger combines the expertise,

experience, and resources of American Water and Essential, which will permit the sharing of best practices and lead to operational efficiency and a long-term capital investment profile to support solutions to infrastructure challenges across the combined company's expanded footprint in New Jersey. These benefits are further discussed in the direct testimonies of Cheryl Norton, American Water's Executive Vice President and Chief Operating Officer ("COO"), and David Bowler, Executive Vice President and Chief Financial Officer ("CFO") of American Water.

B. Impact on Rates

26. The proposed Merger will not have any adverse impact on Aqua's rates for two reasons. First, Aqua's Board-approved rates, rules and regulations and the terms and conditions of service in effect when the Merger closes will not change as a result of the Merger. Second, Aqua will not seek rate recovery of any acquisition adjustment or "goodwill" associated with the Merger or of Merger transaction costs incurred by the Joint Petitioners or their affiliates. In fact, as explained in the direct testimony of Ms. Norton, the Joint Petitioners expect that the Merger will enable them to achieve efficiencies in the future, the benefits of which will accrue to Aqua and ultimately flow to customers in future rate cases. Those economies will help to offset future increases in the costs of providing regulated water and wastewater service and, thus, are expected to give rise, over time, to lower rates than otherwise would be the case.

27. In addition, pursuant to the terms of the Merger Agreement, American Water has agreed to continue to make charitable contributions at levels consistent with those historically provided by Aqua in its service areas for a period of two years following the closing of the Merger, and to increase those levels thereafter, to levels consistent with American Water's contributions in the areas it serves.

C. Impact on Employees

28. The proposed Merger will not have an adverse impact on the employees of Aqua. Rather, the Merger will offer expanded opportunities to Essential employees for career advancement and professional growth for those employees who remain with the combined company, some of which are further discussed in Ms. Norton's direct testimony. In addition, employee compensation and benefits are expected to stay the same following completion of the Merger. Further, consistent with the terms of the Merger Agreement, American Water has agreed to honor all Essential collective bargaining agreements and pension obligations.

D. Impact on Competition

29. The proposed Merger will not have an adverse impact on competition. Preliminarily, unlike in the electric and natural gas utility sectors, the Board has previously determined that there is no retail competition in the water and wastewater utility industry.³ In his direct testimony, Daniel Schuller, Executive Vice President and CFO of Essential, also explains why the proposed Merger will not adversely impact the acquisition of water and wastewater systems in New Jersey.

E. The Merger Will Yield Positive Benefits for Aqua's Customers and the State of New Jersey

30. Combining the utilities of two industry leaders will create the nation's largest regulated water and wastewater utility with a combined market capitalization of about \$40 billion that is well-positioned to renew crucial water infrastructure, improve affordability, drive sustainable service enhancements for customers, and support innovative technology today and for

³ *In re Joint Petition of American Water Works Company, Inc. and Environmental Disposal Corporation*, Docket No. WM15040492 (Order dated Dec. 16, 2015). *See also In Re Joint Petitioners of New Jersey American Water Company, Inc., S.J. Services, Inc., South Jersey Water Supply Company, Inc., and Pennsgrove Water Supply Company, Inc.*, Docket No. WM07020076 (Order dated Sept. 13, 2007).

years to come. The sharing of resources and best practices will build upon American Water's and Essential's long track records of delivering safe and reliable services and produce substantial public benefits in several important ways.

a. **Financial Strength and Operational Flexibility.** The increase scale and scope of the combined company will deliver operational efficiencies, enhanced customer service, broader customer reach, and a financially stronger parent company to compete for and attract capital on reasonable terms for its public utility subsidiaries. The combined company benefits from diversified service areas and regulatory exposure, as well as a broader customer and revenue base that should ensure more stable cash flow. In addition, the all-stock transaction is expected to improve financial metrics of the combined company. The Joint Petitioners are also confident that the Merger will generate synergies and result in overall aggregate cost saving opportunities for the combined company over the long-term.

b. **Enhanced Expertise in Infrastructure Improvement, Innovation, and Environmental Stewardship.** The combined company will be able to draw upon the intellectual capital, technical expertise, and experience of a deeper and more diverse workforce with particular skills in continuously improving infrastructure to provide clean, safe, reliable, and affordable essential utility services. The combined company should also be better able to invest in and deploy new processes and technologies, leveraging American Water's best in class research and development efforts, including its sophisticated Central Laboratory. Combining the complementary American Water and Essential businesses cements nationwide leadership in working closely with federal, state, and local officials to provide water and wastewater service using the highest environmental standards.

c. **Commitment to Employees.** As noted above, the Merger will benefit Essential employees and American Water has agreed to honor all Essential collective bargaining agreements and pension obligations.

d. **Community Presence.** American Water and Essential both have a legacy of volunteerism and generous support of communities in New Jersey, which will remain central to the combined company. In 2024, NJAWC and the American Water Charitable Foundation donated over \$1.6 million to community-based organizations across the State of New Jersey. NJAWC and American Water employees also volunteered for over 2,192 hours at community events throughout New Jersey. That philosophy of corporate responsibility will continue and Aqua will continue to be a strong and productive leader through charitable support and volunteerism in the New Jersey communities in which it serves. Further, consistent with the terms of the Merger Agreement, American Water has agreed to continue to make charitable contributions at levels consistent with those historically provided by Aqua in its service areas for the next two years after completion of the Merger and, thereafter, at levels consistent with American Water's contributions in the areas it serves.

VI. SUPPORTING TESTIMONY

31. With this Joint Petition, the Joint Petitioners are submitting the written testimony and supporting exhibits of the following four witnesses, which, subject to possible supplementation in response to positions, inquiries and issues set forth in the filings by other parties or in interim orders of the Board, will comprise the Joint Petitioners' case-in-chief:

a. **Cheryl Norton** is American Water's Executive Vice President and COO. Ms. Norton briefly describes the Merger and summarizes the significant positive benefits that it will produce. She also explains the factors that make American Water and Essential so complementary. (Joint Petitioners Statement No. 1)

b. **David Bowler** is Executive Vice President and CFO of American Water. He provides an overview of the Merger and financial benefits arising therefrom, including enhanced access to capital. Mr. Bowler also discusses post-Merger commitments and affiliate service agreements. (Joint Petitioners Statement No. 2)

c. **Colleen Arnold** is President of the Aqua companies of Essential. Ms. Arnold describes Aqua and its operations. She also provides an overview of the Merger's benefits. (Joint Petitioners Statement No. 3)

d. **Daniel Schuller** is Executive Vice President and CFO of Essential. Mr. Schuller provides an overview of Essential and its utility subsidiaries, as well as Essential's strategic rationale for the Merger. Mr. Schuller also addresses the "no harm" standard and demonstrates that the Merger will have no adverse impact. (Joint Petitioners Statement No. 4)

VII. ADDITIONAL FILING REQUIREMENTS SET FORTH IN N.J.A.C. 14:1-5.14

32. Joint Petitioners hereby provide the following additional information required pursuant to N.J.A.C. 14:1-5.14(b):

- a. N.J.A.C. 14:1-5.14(b)(1): the Merger Agreement is provided as Exhibit A.
- b. N.J.A.C. 14:1-5.14(b)(2): Copies of the corporation resolution of the stockholders of American Water and Essential will be provided when passed.
- c. N.J.A.C. 14:1-5.14(b)(3) and (4): recent balance sheets and income statements of American Water, Essential, and Aqua are provided in Exhibits F, Exhibit G, and Exhibit H, respectively. The Merger is not anticipated to result in any adjustment to the books maintained by Aqua.
- d. N.J.A.C. 14:1-5.14(b)(5): the certificates of incorporation of American Water, Essential and Aqua are provided in Exhibit I.

e. N.J.A.C. 14:1-5.14(b)(6) and (7): information regarding capital stock is provided in the Merger Agreement attached as Exhibit A and the Form S-4 Registration Statement to be subsequently submitted when filed.

f. N.J.A.C. 14:1-5.14(b)(8): no franchise of Aqua is proposed to be capitalized on American Water's books.

g. N.J.A.C. 14:1-5.14(b)(9): information regarding the officers, directors and principal stockholders of American Water post-Merger are provided in Section III above and in Mr. Bowler's direct testimony.

h. N.J.A.C. 14:1-5.14(b)(10): the benefits of the Merger are described in detail in this Joint Petition and supporting testimony and exhibits.

i. N.J.A.C. 14:1-5.14(b)(11): there are no proposed detrimental changes in Aqua's policies with respect to finances, operations, accounting, rates, depreciation, operating schedules, maintenance and management. As explained in the direct testimonies of Ms. Norton and Ms. Arnold, the Merger will facilitate the sharing of best practices by two industry leaders and is expected to lead to operational and service enhancements for the combined company.

j. N.J.A.C. 14:1-5.14(b)(12): proof of service of the proposed Merger on the public, municipalities served by Aqua, and the public utilities serving in Aqua's service areas will be provided as required.

k. N.J.A.C. 14:1-5.14(b)(13): the various approvals of other state and federal agencies are discussed in Section VIII below.

l. N.J.A.C. 14:1-5.14(b)(14): the total amount of fees and expenses to be incurred in connection with the Merger is not yet known. The Joint Petitioners have committed,

as reflected in Exhibit C, that transaction costs incurred in connection with the Merger will not be recovered in rates for utility service.

VIII. OTHER REQUIRED APPROVALS

33. In addition to approval from the Board, several other regulatory approvals will be required before the Merger can be concluded. These include expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approvals from the Pennsylvania Public Utility Commission, Illinois Commerce Commission, the Kentucky Public Service Commission, the North Carolina Public Utilities Commission, the Public Utility Commission of Texas, and the Virginia State Corporation Commission. The Merger also requires (i) the affirmative vote of a majority of the votes cast by all Essential shareholders entitled to vote on the Merger Agreement at a duly held meeting of the Essential shareholders; and (ii) the affirmative vote of holders of a majority of American Water stock present or represented and entitled to vote on the issuance of American Water shares in connection with the Merger at a duly held meeting of American Water shareholders.

IX. PROPOSED SCHEDULE

34. As explained in more detail above, the Merger will have no adverse impact on Aqua's rates or service and will provide positive benefits to customers and the State of New Jersey. The Joint Petitioners respectfully request that the Board take all reasonable measures to consider this Joint Petition on an expedited basis, including retention of this matter and appointing a Commissioner to preside over the disposition of the case, rather than transmitting the matter to the Office of Administrative Law. The Joint Petitioners believe the Board's retention of this matter will help to expedite and streamline the review process, allow the Board to retain a greater degree of control over any substantive and procedural issues that may arise, and enhance the Board's understanding of the issues and parties in this matter. The Joint Petitioners also request that the

presiding Board Commissioner hold an initial Pre-Hearing Conference as soon as practicable to assist the parties with the development of a procedural schedule. The Joint Petitioners request that a final decision be rendered by the Board on or before December 31, 2026.

X. NOTICES AND COMMUNICATIONS

35. All notices and communications with respect to this proceeding should be served on the Joint Petitioners' attorneys, as follows:

a. Counsel for American Water and Merger Sub:

Kenneth M. Kulak, Esq.
Mark A. Lazaroff, Esq.
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b. Counsel for Essential and Aqua:

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XI. ATTACHMENTS

36. Attached hereto are the following exhibits:

Exhibit A	Merger Agreement
Exhibit B	Diagrams of American Water and Essential pre-Merger corporate structure
Exhibit C	Commitments List

Exhibit D	Form of Service Agreement
Exhibit E	Form of Financial Services Agreement
Exhibit F	Most Recent American Water Annual Report
Exhibit G	Most Recent Essential Annual Report
Exhibit H	Aqua Balance Sheet and Income Statement (as of December 31, 2024)
Exhibit I	Certificates of Incorporation

XII. CONCLUSION

37. For all of the reasons set forth in and supported by this Joint Petition, the Merger will not have an adverse impact on competition, rates, employees or the provision of safe, adequate and proper utility service, and instead will provide substantial benefits for Aqua, its customers, and the State of New Jersey. Therefore, the Merger is in the public interest and satisfies the legal requirements for approval by this Board.

WHEREFORE, the Joint Petitioners respectfully request that the Board:

- a. grant approval of the proposed Merger and any other approvals as it may determine are necessary in order for the Merger to be lawfully consummated;
- b. find that the requirements of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14(c) and, as necessary, N.J.S.A. 48:3-10, are met;
- c. grant approval of the affiliate agreements described herein, pursuant to N.J.S.A. 48:3-7.1 and N.J.A.C. 14:4-4.5;
- d. determine to retain this matter for hearing by the Board directly, with a decision to be rendered no later than December 31, 2026; and
- e. grant such other relief as may be reasonable and necessary.

Respectfully submitted,



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*Counsel for Essential Utilities Inc. and Aqua
New Jersey, Inc.*

*Counsel for American Water Works Company,
Inc. and Alpha Merger Sub, Inc.*

Date: November 26, 2025

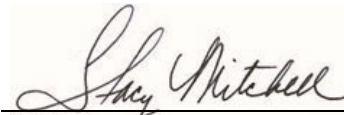
**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE MERGER OF : BPU Docket No. _____
AMERICAN WATER WORKS COMPANY, :
INC. AND ESSENTIAL UTILITIES, INC. :

CERTIFICATION

Stacy A. Mitchell, of full age, certifies as follows:

1. I am the Executive Vice President and General Counsel of American Water Works Company, Inc., and in that capacity I am authorized to make this Certification on behalf of American Water Works Company, Inc. and Alpha Merger Sub, Inc., Joint Petitioners in this matter.
2. I have reviewed the within Joint Petition and Exhibits thereto, and the information contained therein is true and correct to the best of my knowledge, information and belief.
3. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



Stacy A. Mitchell, EVP, General Counsel
American Water Works Company, Inc.

Dated: November 26, 2026

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE MERGER OF : BPU Docket No. _____
AMERICAN WATER WORKS COMPANY, :
INC. AND ESSENTIAL UTILITIES, INC. :

CERTIFICATION

Colleen Arnold, of full age, certifies as follows:

1. I am the President, Aqua of Essential Utilities, Inc. ("Essential"), and in that capacity I am authorized to make this Certification on behalf of Essential, a Joint Petitioner in this matter.
2. I have reviewed the within Joint Petition and Exhibits thereto, and the information contained therein is true and correct to the best of my knowledge, information and belief.
3. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



Colleen Arnold, President, Aqua
Essential Utilities, Inc.

Dated: November 26, 2025

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE MERGER OF : BPU Docket No. _____
AMERICAN WATER WORKS COMPANY, :
INC. AND ESSENTIAL UTILITIES, INC. :

CERTIFICATION

Daniel Schuller, of full age, certifies as follows:

1. I am the Executive Vice President and Chief Financial Officer of Aqua New Jersey, Inc., and in that capacity I am authorized to make this Certification on behalf of Aqua New Jersey, Inc., a Joint Petitioner in this matter.
2. I have reviewed the within Joint Petition and Exhibits thereto, and the information contained therein is true and correct to the best of my knowledge, information and belief.
3. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



Daniel Schuller, Executive Vice President and
Chief Financial Officer
Aqua New Jersey, Inc.

Dated: November 26, 2025

EXHIBIT A

Merger Agreement

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

by and among

AMERICAN WATER WORKS COMPANY, INC.,

ALPHA MERGER SUB, INC.

and

ESSENTIAL UTILITIES, INC.

Dated as of October 26, 2025

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EXHIBITS

- Exhibit A – Form of Articles of Incorporation of the Surviving Corporation
- Exhibit B – Form of Bylaws of the Surviving Corporation
- Exhibit C – Post-Closing Governance Matters
- Exhibit D – Post-Closing Executive Officer Matters

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of October 26, 2025 (this “Agreement”), is by and among American Water Works Company, Inc., a Delaware corporation (“Parent”), Alpha Merger Sub, Inc., a Pennsylvania corporation and a wholly owned subsidiary of Parent (“Merger Sub”), and Essential Utilities, Inc., a Pennsylvania corporation (the “Company” and, together with Parent and Merger Sub, the “Parties” and each, a “Party”).

WITNESSETH:

WHEREAS, the Parties intend that Merger Sub be merged with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of Parent;

WHEREAS, the Board of Directors of the Company (the “Company Board”) has unanimously adopted resolutions (a) determining that it is advisable, fair to and in the best interests of the Company and its shareholders to enter into this Agreement and to consummate the transactions contemplated hereby, including the Merger (collectively, the “Transactions”), (b) approving, adopting and declaring advisable this Agreement and the Transactions, including the Merger, (c) directing that this Agreement be submitted to a vote of the Company’s shareholders entitled to vote thereon at a duly held meeting of the Company’s shareholders for such purpose (the “Company Shareholder Meeting”) and (d) recommending that the Company’s shareholders adopt and approve this Agreement;

WHEREAS, the Board of Directors of Parent (the “Parent Board”) has, by the affirmative vote of all directors present, adopted resolutions (a) determining that the Transactions, including the Merger and the Parent Common Stock Issuance, are advisable, fair to and in the best interests of Parent and its stockholders, (b) approving, adopting and declaring advisable this Agreement and the Transactions, including the Merger and the Parent Common Stock Issuance, (c) directing that the Parent Common Stock Issuance be submitted to Parent’s stockholders for approval and (d) recommending that Parent’s stockholders approve the Parent Common Stock Issuance;

WHEREAS, the board of directors of Merger Sub has unanimously approved and declared advisable this Agreement and the Transactions, including the Merger, and Parent has executed and not revoked or withdrawn a shareholder consent which adopts and approves this Agreement and the Transactions, including the Merger, as the sole shareholder of Merger Sub;

WHEREAS, for U.S. federal income tax purposes, it is intended that the Merger will constitute a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code (the “Code”); and

WHEREAS, the Parties desire to make certain representations, warranties, covenants and agreements specified herein in connection with the Transactions and also to prescribe certain conditions to the Transactions.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained herein, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I

THE MERGER

Section 1.1 The Merger. At the Effective Time, upon the terms and subject to the conditions set forth in this Agreement and in accordance with the applicable provisions of the Pennsylvania Business Corporation Law of 1988 (the “PBCL”), the Pennsylvania Entity Transactions Law (the “PETL”) and the other applicable parts of the Pennsylvania Associations Code (together with the PBCL and the PETL, the “Pennsylvania Entity Laws”), Merger Sub shall be merged with and into the Company, whereupon the separate existence of Merger Sub shall cease, and the Company shall continue its existence under the Pennsylvania Entity Laws as the surviving corporation in the Merger (the “Surviving Corporation”) and a wholly owned subsidiary of Parent.

Section 1.2 Closing. Unless this Agreement has been terminated in accordance with Section 7.1, the closing of the Merger (the “Closing”) shall take place at 10:00 a.m. Eastern Time on a date no later than the third (3rd) Business Day after the satisfaction or waiver (to the extent permitted under applicable Law) of all of the conditions to the Closing set forth in Article VI (except for those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of such conditions), unless another time, date or place is mutually agreed to in writing by the Company and Parent. The Closing shall be effected remotely via telecommunication and, to the maximum extent practical, the digital exchange of documents and instruments. The date on which the Closing occurs is referred to herein as the “Closing Date.”

Section 1.3 Effective Time. Subject to the provisions of this Agreement, on the Closing Date, the Company and Merger Sub shall file a statement of merger providing for the Merger (the “Statement of Merger”), in each case in a form mutually agreed upon by Parent and the Company (acting reasonably), executed in accordance with, and containing such information as is required by, the relevant provisions of the Pennsylvania Entity Laws, with the Department of State of the Commonwealth of Pennsylvania (the “Pennsylvania DOS”). The Merger shall become effective at the time and on the date the Statement of Merger is duly filed with and accepted by the Pennsylvania DOS, or at such later time as is agreed by the Parties and specified in the Statement of Merger in accordance with the relevant provisions of the Pennsylvania Entity Laws (such date and time is hereinafter referred to as the “Effective Time”).

Section 1.4 Effects of the Merger. The effects of the Merger shall be as provided in this Agreement and in the applicable provisions of the Pennsylvania Entity Laws. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all property, rights, privileges, immunities, powers, franchises, licenses and authority of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities, obligations, restrictions and duties of each of the Company and Merger Sub shall become the debts, liabilities, obligations, restrictions and duties of the Surviving Corporation, all as provided under the Pennsylvania Entity Laws.

Section 1.5 Organizational Documents of the Surviving Corporation.

(a) Articles of Incorporation. As of the Effective Time, by virtue of the Merger and without any action by any Party or any other Person, the articles of incorporation of the Company in effect immediately prior to the Effective Time shall be amended and restated in their entirety in the form set forth on Exhibit A (with, to the fullest extent permitted by applicable Law, such changes as Parent and the Company may agree in writing prior to the Effective Time), and as so amended and restated, shall be the articles of incorporation of the Surviving Corporation until thereafter amended as provided therein or by applicable Law.

(b) Bylaws. The Parties shall take all necessary action such that, as of the Effective Time, the bylaws of the Company in effect immediately prior to the Effective Time shall be amended and restated in their entirety in the form set forth on Exhibit B (with, to the fullest extent permitted by applicable Law, such changes as Parent and the Company may agree in writing prior to the Effective Time), and as so amended and restated, shall be the bylaws of the Surviving Corporation until thereafter amended as provided therein or by applicable Law.

Section 1.6 Directors and Officers of the Surviving Corporation.

(a) Directors. The Parties shall take all necessary action such that, as of the Effective Time, the directors of Merger Sub as of immediately prior to the Effective Time shall be the directors of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

(b) Officers. The Parties shall take all necessary action such that, as of the Effective Time, the officers of Merger Sub as of immediately prior to the Effective Time shall be the officers of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected or qualified or appointed, as the case may be.

Section 1.7 Organizational Documents of Parent.

(a) Certificate of Incorporation. The certificate of incorporation of Parent in effect immediately prior to the Effective Time shall remain in effect and not be amended, restated, supplemented or otherwise modified as a result of the Merger or the other Transactions, until thereafter amended as provided therein or by applicable Law.

(b) Bylaws. The bylaws of Parent in effect immediately prior to the Effective Time shall remain in effect and not be amended, restated, supplemented or otherwise modified as a result of the Merger or the other Transactions, until thereafter amended as provided therein or by applicable Law.

Section 1.8 Directors and Officers of Parent.

(a) Directors. Prior to the Effective Time, Parent shall take all necessary action to implement the Parent Board, Parent Board committee and other related matters set forth in Exhibit C, in each case, in accordance with the provisions of Exhibit C.

(b) Officers. Unless otherwise mutually agreed in writing by Parent and the Company after the date of this Agreement:

(i) the chief executive officer of Parent as of immediately prior to the Effective Time (the “Parent CEO”); and

(ii) the individuals serving in executive vice president and senior executive positions of Parent who report to the Parent CEO as of immediately prior to the Effective Time,

in the case of (i) and (ii), shall continue in such positions as of the Effective Time until the earlier of such individual’s resignation or removal or until their respective successors are duly elected or qualified or appointed, as the case may be. Parent shall take all necessary action such that, as of the Effective Time, the individuals set forth on Exhibit D shall hold senior executive-level positions of Parent as of the Effective Time, in accordance with the provisions of Exhibit D.

ARTICLE II

CONVERSION OF SHARES; EXCHANGE OF CERTIFICATES AND BOOK-ENTRY SHARES

Section 2.1 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of any Party or any other Person:

(a) Conversion of Company Common Stock. Subject to Sections 2.1(b), 2.1(d) and 2.3, each share of common stock, par value \$0.50 per share, of the Company issued and outstanding immediately prior to the Effective Time (such shares, collectively, “Company Common Stock”), other than any Canceled Shares, shall thereupon be converted automatically into and shall thereafter represent the right to receive 0.305 (the “Exchange Ratio”) validly issued, fully paid and nonassessable shares of common stock, par value \$0.01 per share, of Parent (“Parent Common Stock,” and such per-share amount, the “Merger Consideration”). As a result of the Merger, at the Effective Time, each holder of shares of Company Common Stock shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration payable in respect of such shares of Company Common Stock which are issued and outstanding immediately prior to the Effective Time, any cash in lieu of fractional shares of Parent Common Stock payable pursuant to Section 2.1(d) and any dividends or other distributions payable pursuant to Section 2.2(c), all to be issued or paid, without interest, in consideration therefor upon the surrender of such shares of Company Common Stock in accordance with Section 2.2(b).

(b) Cancellation of Shares of Common Stock. Each share of Company Common Stock that is owned by Parent or Merger Sub, if any, immediately prior to the Effective Time or owned by the Company as treasury stock, if any, immediately prior to the Effective Time (in each case, other than the Company Restricted Shares) (the “Canceled Shares”) shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and no consideration shall be delivered in exchange for such cancellation.

(c) Conversion of Merger Sub Common Stock. Each share of common stock, par value \$0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one (1) validly issued, fully paid and nonassessable share of common stock, par value \$0.01 per share, of the Surviving Corporation and shall constitute the only outstanding shares of capital stock of the Surviving Corporation.

(d) Fractional Shares.

(i) No fractional shares of Parent Common Stock shall be issued upon the conversion of Company Common Stock pursuant to Section 2.1(a). In lieu of receiving any such fractional share interests, each holder of shares of Company Common Stock otherwise entitled to a fractional share of Parent Common Stock will be entitled to receive, from the Exchange Agent in accordance with the provisions of this Section 2.1(d), a cash payment in lieu of such fractional share of Parent Common Stock representing such holder's proportionate interest, if any, in the proceeds from the sale by the Exchange Agent (reduced by any fees of the Exchange Agent attributable to such sale) in one or more transactions of shares of Parent Common Stock equal to the excess of (A) the aggregate number of shares of Parent Common Stock to be delivered to the Exchange Agent by Parent pursuant to Section 2.2(a) representing the Merger Consideration over (B) the aggregate number of whole shares of Parent Common Stock to be distributed to the holders of shares of Company Common Stock pursuant to Section 2.2(b) (such excess being herein called the "Excess Shares"). The Parties acknowledge that payment of the cash consideration in lieu of issuing fractional shares of Parent Common Stock was not separately bargained-for consideration but merely represents a mechanical rounding off for purposes of avoiding the expense and inconvenience to Parent that would otherwise be caused by the issuance of fractional shares of Parent Common Stock. As soon as practicable after the Effective Time, the Exchange Agent, as agent for the holders of shares of Company Common Stock that would otherwise receive fractional shares of Parent Common Stock, shall sell the Excess Shares at the then-prevailing prices on the New York Stock Exchange (the "NYSE") in the manner provided in the following paragraph.

(ii) The sale of the Excess Shares by the Exchange Agent shall be executed on the NYSE through one or more member firms of the NYSE and shall be executed in round lots to the extent reasonably practicable. Until the net proceeds of such sale or sales have been distributed to the holders of shares of Company Common Stock, the Exchange Agent shall hold such net proceeds in trust for the holders of shares of Company Common Stock that would otherwise receive fractional shares of Parent Common Stock (the "Common Shares Trust"). The Exchange Agent shall determine the portion of the Common Shares Trust to which each holder of shares of Company Common Stock shall be entitled, if any, by multiplying the amount of the aggregate net proceeds comprising the Common Shares Trust (after the sale of all Excess Shares) by a fraction, the numerator of which is the amount of the fractional shares to which such holder of shares of Company Common Stock would otherwise be entitled and the denominator of which is the aggregate amount of fractional shares to which all holders of shares of Company Common Stock would otherwise be entitled.

(iii) As soon as reasonably practicable after the determination of the amount of cash, if any, to be paid to holders of shares of Company Common Stock in lieu of any fractional shares of Parent Common Stock, the Exchange Agent shall make available such amounts to such holders of shares of Company Common Stock without interest, subject to and in accordance with Section 2.2.

(e) Adjustments to the Exchange Ratio. If at any time during the period between the date of this Agreement and the Effective Time the outstanding shares of capital stock of the Company or Parent shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, stock split (including a reverse stock split) or combination, exchange or readjustment of shares, or any stock dividend or stock distribution with a record date during such period, or any other similar event, other than pursuant to the Transactions, then the Exchange Ratio, the Merger Consideration and any other similarly dependent items shall be appropriately adjusted to provide to the holders of Company Common Stock and Parent Common Stock the same economic effect as contemplated by this Agreement prior to such action; provided that nothing in this Section 2.1(e) shall be construed to permit any Party to take any action that is otherwise prohibited or restricted by any other provision of this Agreement.

Section 2.2 Exchange of Shares.

(a) Exchange Agent. Prior to the Effective Time, Parent shall enter into an exchange agreement with the transfer agent of Parent or such other exchange agent determined by Parent and reasonably acceptable to the Company (the “Exchange Agent”) for the purpose of exchanging shares of Company Common Stock for the Merger Consideration. At or prior to the Effective Time, Parent shall deposit, or shall cause to be deposited, with the Exchange Agent, in trust for the benefit of holders of the shares of Company Common Stock, certificates representing the shares of Parent Common Stock issuable pursuant to Section 2.1(a) (or appropriate alternative arrangements shall be made by Parent if the shares of Parent Common Stock issuable will be uncertificated). Following the Effective Time, Parent agrees to make available to the Exchange Agent, from time to time as needed, cash sufficient to pay any dividends and other distributions pursuant to Section 2.2(c). All certificates representing shares of Parent Common Stock (including the amount of any dividends or other distributions payable with respect thereto pursuant to Section 2.2(c)) and cash in lieu of fractional shares of Parent Common Stock to be paid pursuant to Section 2.1(d) are hereinafter referred to as the “Exchange Fund.”

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time and in any event not later than the fourth (4th) Business Day following the Effective Time, Parent shall cause the Exchange Agent to send to each holder of record of shares of Company Common Stock represented by certificates as of the Effective Time (i) a letter of transmittal (which shall specify that delivery shall be effected, and that risk of loss and title to the shares of Company Common Stock shall pass, only upon delivery of the shares of Company Common Stock to the Exchange Agent and which shall be in form and substance reasonably satisfactory to Parent and the Company) and (ii) instructions for use in effecting the surrender of the shares of Company Common Stock in exchange for certificates representing whole shares of Parent Common Stock (or appropriate alternative arrangements made by Parent if uncertificated shares of Parent Common Stock will be issued), cash in lieu of any fractional shares of Parent Common Stock pursuant to Section 2.1(d) and any dividends or other distributions payable pursuant to Section 2.2(c). Exchange of any shares of Company Common Stock held in book-entry form shall be effected in accordance with the Exchange Agent’s customary procedures with respect to securities held in book-entry form. Notwithstanding anything to the contrary in this Agreement,

no holders of shares of Company Common Stock held in book-entry form shall be required to deliver a share certificate or an executed letter of transmittal to the Exchange Agent to receive the Merger Consideration in respect of such book-entry shares. Upon (A) in the case of shares of Company Common Stock represented by certificates, surrender of shares for cancellation to the Exchange Agent, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and (B) in the case of shares of Company Common Stock held in book-entry form, receipt by the Exchange Agent of an “agent’s message” in customary form (it being understood that the holders of such book-entry shares shall be deemed to have surrendered such book-entry shares upon receipt by the Exchange Agent of such “agent’s message” or such other evidence, if any, as the Exchange Agent may reasonably request), in each case together with such other customary documents as may reasonably be required by the Exchange Agent or Parent, the holder of such shares of Company Common Stock shall be entitled to receive in exchange therefor that number of whole shares of Parent Common Stock (after taking into account all shares of Company Common Stock surrendered by such holder) to which such holder is entitled pursuant to Section 2.1 (which shall be in uncertificated book-entry form), payment by cash or check in lieu of fractional shares of Parent Common Stock which such holder is entitled to receive pursuant to Section 2.1(d) and any dividends or distributions payable pursuant to Section 2.2(c), and the shares of Company Common Stock so surrendered shall forthwith be canceled. If any portion of the Merger Consideration is to be registered in the name of a Person other than the Person in whose name the applicable surrendered share of Company Common Stock is registered, it shall be a condition to the registration thereof that the surrendered share of Company Common Stock be in proper form for transfer and that the Person requesting such delivery of the Merger Consideration pay any and all transfer and other similar Taxes required to be paid as a result of such registration in the name of a Person other than the registered holder of such share of Company Common Stock or establish to the satisfaction of the Exchange Agent that such Taxes have been paid or are not payable. Until surrendered as contemplated by this Section 2.2(b), each share of Company Common Stock shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration (and any amounts to be paid pursuant to Section 2.1(d) or Section 2.2(c)) upon such surrender. No interest shall be paid or shall accrue on or with respect to the Merger Consideration or on or with respect to any amount payable pursuant to Section 2.1(d) or Section 2.2(c).

(c) Distributions with Respect to Unexchanged Shares. No dividends or other distributions with respect to shares of Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered share of Company Common Stock with respect to the shares of Parent Common Stock represented thereby, and no cash payment in lieu of fractional shares of Parent Common Stock shall be paid to any such holder pursuant to Section 2.1(d), until such share of Company Common Stock has been surrendered in accordance with this Article II. Subject to applicable Laws, following surrender of any such share of Company Common Stock, there shall be paid to the recordholder thereof, without interest, (i) promptly after such surrender, the number of whole shares of Parent Common Stock issuable in exchange therefor pursuant to this Article II, together with any cash payable in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 2.1(d) and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time and a payment date subsequent to such surrender payable with respect to such whole shares of Parent Common Stock.

(d) Withholdings. Each of the Parties, the Surviving Corporation and the Exchange Agent shall be entitled to deduct and withhold (or cause to be deducted and withheld), from any consideration payable or otherwise deliverable under this Agreement to any holder of record of a share of Company Common Stock immediately prior to the Effective Time or any other Person who is entitled to receive the Merger Consideration pursuant to this Article II, such amounts as are required to be withheld or deducted under the Code or any applicable Tax Law with respect to the making of such payment. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts shall be treated for all purposes of this Agreement as having been paid to the Person(s) to whom such amounts would otherwise have been paid.

(e) No Further Ownership Rights in Company Common Stock; Closing of Transfer Books. All shares of Parent Common Stock issued upon the surrender or exchange of shares of Company Common Stock in accordance with the terms of this Article II and any cash paid pursuant to Section 2.1(d) or Section 2.2(c) shall be deemed to have been issued (or paid) in full satisfaction of all rights pertaining to the shares of Company Common Stock. After the Effective Time, the stock transfer books of the Company shall be closed with respect to the shares of Company Common Stock that were outstanding immediately prior to the Effective Time, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, shares of Company Common Stock are presented to the Surviving Corporation or the Exchange Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund (including the proceeds of any investments thereof) that remains undistributed to the former holders of shares of Company Common Stock for one (1) year after the Effective Time shall be delivered to Parent upon demand, and any holders of shares of Company Common Stock who have not theretofore complied with this Article II shall thereafter look only to Parent for payment of such holder's claim for the Merger Consideration, any cash in lieu of fractional shares of Parent Common Stock pursuant to Section 2.1(d) and any dividends or distributions pursuant to Section 2.2(c).

(g) No Liability; Unclaimed Property. Notwithstanding anything in this Agreement to the contrary, none of the Parties, the Surviving Corporation, the Exchange Agent or any other Person shall be liable to any holder of shares of Company Common Stock for any portion of the Merger Consideration (or any portion of the Common Shares Trust or any dividends or distributions to which such holders are entitled pursuant to Section 2.2(c)) delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law. Notwithstanding any other provision of this Agreement to the contrary, any portion of the Merger Consideration (and any associated dividends or distributions to which such holders are entitled pursuant to Section 2.2(c)) that remains unclaimed as of immediately prior to the date on which any portion of such property would otherwise escheat to or become the property of any Governmental Entity shall, to the extent permitted by applicable Law, become the property of Parent free and clear of any claims or interest of any Person previously entitled thereto.

(h) Lost Certificates. If any certificate representing a share of Company Common Stock shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in such reasonable amount as Parent may require as indemnity against any claim that may be made against it with respect to such certificate, the Exchange Agent will deliver in exchange for such lost, stolen or destroyed certificate (i) the applicable Merger Consideration with respect to the shares of Company Common Stock formerly represented thereby, (ii) any cash in lieu of fractional shares of Company Common Stock to which such holders are entitled pursuant to Section 2.1(d) and (iii) any unpaid dividends and distributions to which such holders are entitled pursuant to Section 2.2(c) as the case may be, deliverable in respect thereof pursuant to this Agreement.

(i) Investment of Exchange Fund. The Exchange Agent shall invest any cash in the Exchange Fund, as directed by Parent, on a daily basis; provided that no gain or loss thereon shall affect the amounts payable to the holders of shares of Company Common Stock pursuant to the other provisions of this Article II, and such investment shall be in obligations of, or guaranteed by, the United States of America, in commercial paper obligations of issuers organized under the Law of a state of the United States of America, rated A-1 or P-1 or better by Moody's Investors Service, Inc. or Standard & Poor's Ratings Service, respectively, or in certificates of deposit, bank repurchase agreements or bankers' acceptances of commercial banks with capital exceeding \$10,000,000,000, or in mutual funds investing in such assets. Any interest and other income resulting from such investments shall be paid to, and be the property of, Parent. To the extent that there are any losses with respect to any investments of the funds deposited with the Exchange Agent, or the funds shall for any other reason not be sufficient for the Exchange Agent to make prompt payment of any amounts contemplated to be paid pursuant to this Article II, Parent shall promptly reimburse any such loss or otherwise provide additional funds so as to ensure that the funds are at all times maintained at a level sufficient for the Exchange Agent to make such payments contemplated by this Article II.

Section 2.3 Equity Awards.

(a) Conversion of Company Equity Awards. At the Effective Time, by virtue of the Merger and actions taken by the Company Board or a duly authorized committee thereof, each Company Equity Award outstanding as of immediately prior to the Effective Time shall be treated as follows, automatically and without any required action on the part of the recipient or holder thereof:

(i) Each Company Stock Option, whether vested or unvested, that is outstanding immediately prior to the Effective Time shall, as of the Effective Time, be assumed and converted into an option (each, as so converted and adjusted as follows, an "Adjusted Option") to acquire, on the same terms and conditions as were applicable under such Company Stock Option, including any "double trigger" vesting protections (except that, for any Company Stock Option subject to performance-based conditions, the vesting of the corresponding Adjusted Option will no longer be subject to achievement of the applicable performance goals), a number of shares of Parent Common Stock (rounded down to the nearest whole share) equal to the product of (A) the number of shares of Company Common Stock subject to such Company Stock Option and (B) the Exchange Ratio, at an exercise price per share of Parent Common Stock (rounded up to the nearest whole cent) equal to the quotient obtained by dividing (1) the aggregate exercise price for the shares of Company Common Stock subject to such Company Stock Option by (2) the Exchange Ratio.

(ii) Each award of Company Restricted Shares that is outstanding immediately prior to the Effective Time shall, as of the Effective Time, be assumed and converted into, on the same terms and conditions as were applicable under such Company Restricted Shares, including any “double trigger” vesting protections, a number of restricted shares of Parent Common Stock (as so converted and adjusted as follows, the “Adjusted Restricted Shares”) equal to the product of (A) the total number of shares of Company Common Stock subject to such award of Company Restricted Shares and (B) the Exchange Ratio, with any fractional shares rounded down to the nearest whole share of restricted Parent Common Stock.

(iii) Each Company RSU Award and each Company Performance Share Award that is outstanding immediately prior to the Effective Time shall, as of the Effective Time, be assumed and converted into a restricted stock unit award in respect of a number of shares of Parent Common Stock (each, as so converted and adjusted as follows, an “Adjusted RSU Award”) equal to the product obtained by multiplying (A) the total number of shares of Company Common Stock subject to the Company RSU Award or Company Performance Share Award, as applicable, as of immediately prior to the Effective Time by (B) the Exchange Ratio, with any fractional shares rounded down to the nearest whole share. For purposes of the immediately preceding sentence, the number of shares of Company Common Stock subject to each Company Performance Share Award as of immediately prior to the Effective Time shall be determined based on (1) for each outstanding Company Performance Share Award for which the applicable performance period is ongoing as of the Closing Date, the greater of (x) the number of shares of Company Common Stock subject to such Company Performance Share Award based on the attainment of the applicable performance goals from the beginning of the applicable performance period through the Closing Date or (y) the target number of shares of Company Common Stock subject to such Company Performance Share Award, or (2) for each outstanding Company Performance Share Award for which the applicable performance period is completed as of the Closing Date, the number of shares of Company Common Stock subject to such Company Performance Share Award based on the attainment of the applicable performance goals as of the end of the applicable performance period. Each Adjusted RSU Award shall otherwise be subject to the same terms and conditions applicable to the corresponding Company RSU Award or Company Performance Share Award (including any “double trigger” vesting protections), as applicable, under the Company Stock Plan and the applicable award agreement, including vesting terms, except that any Adjusted RSU Award corresponding to a Company Performance Share Award shall no longer be subject to any performance-based vesting conditions.

(b) Company ESPP. Prior to the Effective Time, the Company Board or a duly authorized committee thereof shall take all actions reasonably necessary, including adopting any resolutions or amendments and providing any notices to participants (which resolutions, amendments and notices, if applicable, shall be reasonably satisfactory to Parent) with respect to the Company ESPP to (i) cause the offering period (as defined in the Company ESPP) ongoing as of the date of this Agreement to be the final offering period under the Company ESPP and the options under the Company ESPP to be exercised on the earlier of (A) the scheduled purchase date for such offering period and (B) the date that is ten (10) Business Days prior to the Closing Date (with any participant payroll deductions not applied to the purchase of shares of Company Common Stock promptly returned to the participant), (ii) prohibit any individual who is not participating in the Company ESPP as of the date of this Agreement from commencing participation in the Company ESPP following the date of this Agreement, (iii) prohibit any individual who is participating in the Company ESPP as of the date of this Agreement from increasing their payroll deferrals under the Company ESPP following the date of this Agreement and (iv) terminate the Company ESPP as of, and subject to, the Effective Time.

(c) Termination of Company DRIP. Prior to the Effective Time, the Company Board or a duly authorized committee thereof shall take all actions reasonably necessary, including adopting any resolutions or amendments and providing any notices to participants (which resolutions, amendments and notices, if applicable, shall be reasonably satisfactory to Parent) with respect to the Company DRIP, to (i) terminate the Company DRIP effective as of the Effective Time and (ii) ensure that no purchase or other rights under the Company DRIP enable the holder of such rights to acquire any Parent Equity Securities as a result of such purchase or the exercise of such rights after the Effective Time.

(d) Company 401(k) Plan Stock Fund. Prior to the Effective Time, the Company Board or a duly authorized committee thereof shall take all actions reasonably necessary, including adopting any resolutions or amendments and providing any notices to participants (which resolutions, amendments and notices, as applicable, shall be reasonably satisfactory to Parent) with respect to the Company 401(k) Plan to prohibit any future investments in Corporation Stock (as defined in the Company 401(k) Plan) and to prohibit any future investments in “employer securities” (as defined in Section 407(d)(1) of ERISA), under the Company 401(k) Plan, effective as of immediately prior to the Effective Time (conditioned on the occurrence of the Effective Time) or prior thereto.

(e) Resolutions Adopting Company Board or Committee Actions. Prior to the Effective Time, the Company Board shall adopt resolutions and the Company shall take all other actions as are necessary or appropriate to effectuate the foregoing provisions of this Section 2.3. The adjustments provided in Section 2.3(a)(i) with respect to any Company Equity Awards to which Section 409A or 421(a) of the Code applies shall be and are intended to be effected in a manner which is consistent with Section 409A and 424(a) of the Code, respectively. As soon as practicable following the Effective Time, Parent shall deliver to the holders of Adjusted Options, Adjusted Restricted Shares and Adjusted RSU Awards appropriate notices evidencing the grants of such Adjusted Options, Adjusted Restricted Shares and Adjusted RSU Awards, which notices shall provide, among other things, that such Adjusted Options, Adjusted Restricted Shares and Adjusted RSU Awards (and the applicable award agreements between the Company and each holder governing the corresponding Company Equity Awards) have been assumed by Parent and shall continue in effect on the same terms and conditions following the Effective Time (subject to the adjustments required by Section 2.3(a) and giving effect to any other terms and conditions applicable to the corresponding Company Equity Awards resulting from the Transactions).

(f) Form S-8. As soon as practicable following the Effective Time, Parent shall prepare and file with the SEC a registration statement on Form S-8 (or another appropriate form) registering shares of Parent Common Stock subject to issuance upon the exercise of the Adjusted Options, Adjusted Restricted Shares, and Adjusted RSU Awards in respect of Parent Common Stock issuable in accordance with Section 2.3(a). The Surviving Corporation shall cooperate with, and assist Parent in the preparation of, such registration statement. Parent shall keep such registration statement effective (and maintain the current status of the prospectus required thereby) for so long as any Adjusted Options, Adjusted Restricted Shares, and Adjusted RSU Awards in respect of Parent Common Stock remain outstanding.

Section 2.4 No Dissenters' or Appraisal Rights. Pursuant to Section 1571(b)(1) of the PBCL, no dissenters' or appraisal rights shall be available to any holder of Company Common Stock with respect to the Merger or any of the other Transactions.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except (a) as disclosed in the Company SEC Documents publicly available and filed with or furnished to the SEC prior to the date of this Agreement (excluding any disclosures in any risk factors section, in any section related to forward-looking statements and any other disclosures or statements that are predictive or forward-looking in nature) where it is reasonably apparent on its face that such disclosure is applicable to any representation or warranty or (b) subject to Section 8.8, as set forth in the corresponding section of the disclosure schedule delivered by the Company to Parent concurrently with the execution and delivery by the Company of this Agreement (the "Company Disclosure Schedule"), the Company represents and warrants to Parent and Merger Sub as follows:

Section 3.1 Qualification; Organization; Subsidiaries.

(a) The Company is a corporation duly organized and subsisting under the laws of the Commonwealth of Pennsylvania.

(b) Each Company Subsidiary is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization (in the case of good standing, to the extent such jurisdiction recognizes such concept) and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets, to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, validly existing, qualified or in good standing, or to have such power or authority, would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c) The Company has made available to Parent true and complete copies of the articles of incorporation of the Company, as in effect as of the date of this Agreement (the “Company Charter”), and the bylaws of the Company, as in effect as of the date of this Agreement (together with the Company Charter, the “Company Organizational Documents”) and has made available to Parent true and complete copies of the Organizational Documents of each “significant subsidiary” (as such term is defined in Rule 1-02 of Regulation S-X promulgated by the SEC) of the Company, as in effect as of the date of this Agreement (other than those set forth in Section 3.1(c) of the Company Disclosure Schedule).

(d) Section 3.1(d) of the Company Disclosure Schedule lists each Company Subsidiary and its jurisdiction of organization or formation. All of the outstanding shares of capital stock, voting securities or other equity interests of each Company Subsidiary have been validly issued and are fully paid and nonassessable, as applicable. All of the outstanding shares of capital stock, voting securities and other equity interests of each Company Subsidiary are owned by (i) the Company, (ii) one or more Company Subsidiaries or (iii) the Company and one or more Company Subsidiaries, in each case, free and clear of all liens, claims, mortgages, encumbrances, pledges, security interests or charges of any kind or nature (collectively, “Liens”). Except for the capital stock, voting securities and other equity interests of the Company Subsidiaries, neither the Company nor any Company Subsidiary owns, directly or indirectly, any capital stock, voting securities or other equity interests in any other Person (including through participation in any joint venture or similar arrangement), other than the ownership of securities primarily for investment purposes as part of routine cash management or investments of two percent (2%) or less in publicly traded companies, and there are no Joint Ventures of the Company.

Section 3.2 Capitalization.

(a) The authorized capital stock of the Company consists of 600,000,000 shares of Company Common Stock and 1,770,819 shares of preferred stock, par value \$1.00 per share, of the Company (the “Company Preferred Stock”). As of the close of business on October 20, 2025 (the “Capitalization Date”), (i) (A) 282,975,137 shares of Company Common Stock were issued and outstanding, which includes no Company Restricted Shares outstanding as of such date, and (B) 3,427,257 shares of Company Common Stock were held in the Company’s treasury, (ii) Company Stock Options to purchase 1,079,266 shares of Company Common Stock (of which 794,059 Company Stock Options were exercisable) were outstanding with a weighted average exercise price of \$36.60, (iii) Company RSU Awards covering 301,181 shares of Company Common Stock were outstanding, (iv) Company Performance Share Awards covering 524,467 shares of Company Common Stock were outstanding (based on target performance), (v) 2,534,432 shares of Company Common Stock were reserved and available for issuance under the Company Stock Plan, (vi) 960,299 shares of Company Common Stock were reserved and available for issuance under the Company ESPP, (vii) 3,177,820 shares of Company Common Stock were reserved for issuance under the Company DRIP and (viii) no shares of Company Preferred Stock were issued or outstanding. All shares of Company Common Stock are duly authorized, validly issued, fully paid and nonassessable and were not issued in violation of any preemptive right, purchase option, call, right of first refusal or any similar right and all shares of Company Common Stock reserved for issuance as noted in this Section 3.2(a), when issued in accordance with the respective terms thereof, will be duly authorized, validly issued, fully paid and nonassessable and not issued in violation of any preemptive right, purchase option, call, right of first refusal or any similar right. No shares of Company Common Stock are held by any Company Subsidiary. Except as set forth in this Section 3.2(a), at the close of business on the Business Day immediately preceding the date of this Agreement, no shares of capital stock, voting securities or other equity interests of the Company were issued, reserved for issuance or outstanding.

(b) Except as set forth in Section 3.2(a), as of the date hereof, there are not issued, reserved for issuance or outstanding, and there are not any outstanding obligations of the Company or any Company Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, (i) any capital stock of the Company or any Company Subsidiary or any securities of the Company or any Company Subsidiary convertible into or exchangeable or exercisable for shares of capital stock or voting securities of, or other equity interests in, the Company or any Company Subsidiary or (ii) any subscriptions, options, warrants, calls, derivative contract, forward contract or other rights to acquire from the Company or any Company Subsidiary, or any other obligation of the Company or any Company Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, any capital stock or voting securities of, or other equity interests in, the Company or any Company Subsidiary (the foregoing clauses (i) and (ii), collectively, "Company Equity Securities").

(c) There is no outstanding Indebtedness of the Company or any Company Subsidiary, the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the shareholders of the Company or any Company Subsidiary on any matter.

(d) There are no voting trusts or other agreements or understandings to which the Company or any Company Subsidiary is a party with respect to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of, any Company Equity Securities.

(e) The Company has delivered or made available to Parent an accurate and complete copy of the Company Stock Plan and the form award agreements evidencing grants of Company Stock Options, Company Restricted Shares, Company Performance Share Awards and Company RSU Awards (collectively, "Company Equity Awards"). There have been no repricing of any Company Stock Options through amendments, cancellation and reissuance or other means during the current or prior two (2) calendar years. None of the Company Stock Options were granted with an exercise price below or deemed to be below fair market value on the date of grant. All grants of Company Equity Awards were validly made and properly approved by the Company Board (or a duly authorized committee or subcommittee thereof) in compliance with all applicable Laws and properly recorded on the consolidated financial statements of the Company in accordance with GAAP, and, where applicable, no such grants involved any "back dating," "forward dating" or similar practices with respect to grants of Company Stock Options.

(f) Section 3.2(f) of the Company Disclosure Schedule sets forth a schedule of all outstanding Company Equity Awards as of the Capitalization Date, including, for each award, as applicable, the holder, type of award (including, in the case of options, whether or not an "incentive stock option" within the meaning of Section 422 of the Code), the number of shares of Company Common Stock subject to the award, vesting schedule and portion vested, settlement date (including pursuant to any deferral election), per share exercise price and expiration date.

Section 3.3 Corporate Authority Relative to this Agreement; No Violation.

(a) The Company has all requisite corporate power and authority to execute and deliver this Agreement and to perform its covenants and agreements hereunder and, assuming that the representations and warranties of Parent contained in Section 4.15 are true and correct, to consummate the Transactions, including the Merger, subject, in the case of the Merger, to the Company Shareholder Approval. The execution and delivery of this Agreement and the consummation of the Transactions have been duly and validly authorized by the Company Board and, except for the Company Shareholder Approval, no other corporate proceedings on the part of the Company are necessary to authorize the Merger or the consummation of the Transactions. The Company Board, at a meeting duly called and held, unanimously adopted resolutions (i) determining that it is advisable, fair to and in the best interests of the Company and its shareholders to enter into this Agreement and to consummate the Transactions, including the Merger, (ii) approving, adopting and declaring advisable this Agreement and the Transactions, including the Merger, (iii) directing that this Agreement be submitted to a vote of the Company's shareholders entitled to vote thereon at the Company Shareholder Meeting and (iv) recommending that the Company's shareholders adopt and approve this Agreement (the "Company Board Recommendation") at the Company Shareholder Meeting, and such resolutions have not been subsequently rescinded, modified or withdrawn in any way. This Agreement has been duly and validly executed and delivered by the Company and, assuming this Agreement constitutes the legal, valid and binding agreement of Parent and Merger Sub, constitutes the legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms; provided that such enforcement may be subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law) (the "Bankruptcy and Equity Exceptions").

(b) Except for (i) such Consents or Filings as may be required under (A) the provisions of the Pennsylvania Entity Laws, (B) the Exchange Act, (C) the Securities Act, (D) the rules and regulations of the NYSE, (E) the HSR Act and (F) the rules and regulations of the Applicable PSCs (such Consents or Filings referred to in clause (F), collectively, the "Company Regulatory Approvals"), and (ii) pre-approvals of license transfers by the FCC, and, subject to the accuracy of the representations and warranties of Parent and Merger Sub in Section 4.3(b), no authorization, consent, order, license, permit or approval of (each, a "Consent"), or registration, declaration, notice, submission or filing (each, a "Filing") made to or with any Governmental Entity is necessary or required to be obtained or made under applicable Law in connection with the execution and delivery of this Agreement by the Company, the performance by the Company of its obligations hereunder or the consummation of the Transactions by the Company, except for such Consents or Filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c) Except as set forth in clauses (i) and (ii) of Section 3.3(b), the execution and delivery by the Company of this Agreement do not, and the consummation of the Transactions and compliance with the provisions hereof will not, (i) conflict with, result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, payment or acceleration of any obligation or to the loss of a benefit under any loan, guarantee of indebtedness or credit agreement, note, bond, mortgage, indenture, lease, agreement,

contract, instrument, permit, concession, franchise, right or license binding upon the Company or any Company Subsidiary or result in the creation of any Lien, other than any such Lien (A) for Taxes or governmental assessments, the charges or claims of payment for which are not yet due or payable, or that are being contested in good faith and for which adequate accruals or reserves have been established, (B) which is a carriers', warehousemen's, mechanics', materialmen's, repairmen's or other similar lien arising in the ordinary course of business consistent with past practice, (C) which is disclosed on the most recent consolidated balance sheet of the Company or notes thereto or securing liabilities reflected on such balance sheet, (D) which was incurred in the ordinary course of business consistent with past practice since the date of the most recent consolidated balance sheet of the Company or (E) which does not and would not reasonably be expected to materially impair the continued use and operation of the assets to which they relate as operated as of the date hereof or any property at which the material operations of the Company or any Company Subsidiary are conducted as of the date hereof (each of the foregoing (A) through (E), a "Company Permitted Lien"), upon any of the properties or assets of the Company or any Company Subsidiary, (ii) conflict with or result in any violation of any provision of the Company Organizational Documents or the Organizational Documents of any Company Subsidiary or (iii) conflict with or violate any applicable Laws, other than, in the case of clauses (i) and (iii), any such violation, conflict, default, termination, cancellation, payment, acceleration, right, loss or Lien that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.4 SEC Reports; Financial Statements; No Undisclosed Liabilities.

(a) Since January 1, 2023, the Company has furnished or filed on a timely basis all registration statements, prospectuses, reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) required to be furnished or filed by the Company with the SEC under the Exchange Act or the Securities Act (such documents, together with all exhibits, financial statements, including the Company Financial Statements, and schedules thereto and all information incorporated therein by reference, but excluding the Joint Proxy Statement, being collectively referred to as the "Company SEC Documents"). None of the Company Subsidiaries is or has been required to make or makes any filings with the SEC under the Exchange Act or the Securities Act. Each Company SEC Document (i) at the time furnished or filed, complied in all material respects with the applicable requirements of the Exchange Act, the Securities Act or the Sarbanes-Oxley Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Company SEC Document and the listing standards and corporate governance rules and regulations of the NYSE and (ii) did not at the time it was filed (or if amended or superseded by a filing or amendment prior to the date of this Agreement, then at the time of such filing or amendment) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments received from the SEC with respect to any of the Company SEC Document, and, to the Knowledge of the Company, none of the Company SEC Documents is the subject of any outstanding SEC comment or investigation. As of the date hereof, the Company is in compliance in all material respects with all current listing standards of the NYSE.

(b) Each of the consolidated financial statements of the Company (including any related notes) contained or incorporated by reference in the Company SEC Documents (the “Company Financial Statements”) (i) complied at the time it was filed as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) was prepared in accordance with GAAP (except, in the case of unaudited quarterly financial statements, as permitted by the SEC) applied on a consistent basis during the periods and as of the dates involved (except as may be indicated in the notes thereto), (iii) fairly presents in all material respects, in accordance with GAAP, the consolidated financial position of the Company and the Company Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods shown (subject, in the case of unaudited quarterly financial statements, to normal year-end audit adjustments that are not material and to any other adjustments described therein, including the notes thereto) and (iv) was prepared from, and in accordance with, the books and records of the Company and the Company Subsidiaries in all material respects. No financial statements of any Person other than the Company and the Company Subsidiaries are required by GAAP to be included in the Company Financial Statements. The books and records of the Company and the Company Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements. As of the date of this Agreement, PricewaterhouseCoopers LLP has not resigned (or informed the Company that it intends to resign) or been dismissed as independent public accountants of the Company.

(c) The Company maintains, and at all times since January 1, 2023 has maintained, a system of “internal control over financial reporting” (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act). Such internal control over financial reporting is sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP in all material respects. The Company maintains “disclosure controls and procedures” required by Rule 13a-15 or 15d-15 under the Exchange Act that are sufficient to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis to the individuals responsible for the preparation of the Company’s filings with the SEC and other public disclosure documents. The Company has disclosed in writing, based on its most recent evaluation prior to the date of this Agreement, to the Company’s outside auditors and the audit committee of the Company Board (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information and (ii) any fraud, known to the Company, whether or not material, that involves management or other employees who have a significant role in the Company’s internal controls over financial reporting. There is no reason to believe that the Company’s outside auditors and its chief executive officer and chief financial officer will not be able to give the certifications and attestations required pursuant to the rules and regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, without qualification, when next due. Since January 1, 2023, no executive officer of the Company has failed in any respect to make the certifications required of such executive officer under Section 302 or Section 906 of the Sarbanes-Oxley Act. Neither the Company nor any of its executive officers has received notice from any Governmental Entity challenging or questioning the accuracy, completeness, form or manner of filing of such certifications.

(d) Neither the Company nor any Company Subsidiary is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract (including any Contract or arrangement relating to any transaction or relationship between or among the Company or any Company Subsidiary, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity or person, on the other hand, or any “off-balance-sheet arrangements” (as defined in Item 303(a) of Regulation S-K under the Exchange Act)), where the result, purpose or intended effect of such Contract is to avoid disclosure of any material transaction involving, or material liabilities of, the Company or any Company Subsidiary in the Company Financial Statements or other Company SEC Documents.

(e) Since January 1, 2023, (i) none of the Company or any Company Subsidiary, nor, to the Knowledge of the Company, any director or officer of the Company or any Company Subsidiary, has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding accounting, internal accounting controls or auditing practices, procedures, methodologies or methods of the Company or any Company Subsidiary or any material complaint, allegation, assertion or claim from employees of the Company or any Company Subsidiary regarding questionable accounting or auditing matters with respect to the Company or any Company Subsidiary and (ii) to the Knowledge of the Company, no attorney representing the Company or any Company Subsidiary, whether or not employed by the Company or any Company Subsidiary, has reported evidence of a violation of securities laws, breach of fiduciary duty or similar violation by the Company, any Company Subsidiary or any of their respective officers, directors, employees or agents to the Company Board or any committee thereof, or to the chief executive officer of the Company or the general counsel of the Company.

(f) Except (i) as reflected or reserved against in the Company’s most recent audited consolidated balance sheets (or stated in the notes thereto) included in the Company SEC Documents filed prior to the date hereof, (ii) for liabilities and obligations incurred in the ordinary course of business consistent with past practice after the date of such balance sheet and (iii) liabilities incurred in connection with the Merger or any of the other Transactions or agreements contemplated by this Agreement, neither the Company nor any Company Subsidiary has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet of the Company and its consolidated Subsidiaries (or in the notes thereto), other than those which would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.5 Absence of Certain Changes or Events.

(a) Since January 1, 2025 through the date of this Agreement, there has not been any Change that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Since January 1, 2025 through the date of this Agreement, each of the Company and the Company Subsidiaries has conducted its respective business in the ordinary course of business consistent with past practice in all material respects, except in connection with the Transactions.

Section 3.6 Litigation. Neither the Company nor any Company Subsidiary is party to, and there is no Claim before any Governmental Entity pending or, to the Knowledge of the Company, threatened against the Company, any Company Subsidiary, or any of their current or former directors or executive officers that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. There is no Judgment outstanding against or, to the Knowledge of the Company, investigation by any Governmental Entity of the Company, any Company Subsidiary, any of their respective properties or assets, or any of their current or former directors or executive officers, that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.7 Information Supplied. None of the information provided or to be provided by the Company or the Company Subsidiaries for inclusion or incorporation by reference in the Form S-4 will, at the time the Form S-4 is filed with the SEC, at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; provided that, with respect to projected financial information provided by or on behalf of the Company, the Company represents only that such information was prepared in good faith by management of the Company on the basis of assumptions believed by such management to be reasonable as of the time made. None of the information provided by the Company or the Company Subsidiaries for inclusion or incorporation by reference in the Joint Proxy Statement will, at the date it is first mailed to the Company's shareholders or Parent's stockholders or at the time of the Company Shareholder Meeting or the Parent Stockholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that, with respect to projected financial information provided by or on behalf of the Company, the Company represents only that such information was prepared in good faith by management of the Company on the basis of assumptions believed by such management to be reasonable as of the time made. The Joint Proxy Statement (other than the portion thereof relating solely to the Parent Stockholder Meeting) will comply as to form in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations thereunder. Notwithstanding the foregoing provisions of this Section 3.7, no representation or warranty is made by the Company with respect to information or statements made or incorporated by reference in the Form S-4 or the Joint Proxy Statement that were not supplied by or on behalf of the Company.

Section 3.8 Compliance with Law; Permits.

(a) Except for matters that would not have or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, since January 1, 2023, (i) the Company and the Company Subsidiaries are in compliance with all applicable Laws and all Permits applicable to the business and operations of the Company and the Company Subsidiaries, (ii) the Company and each Company Subsidiary hold, and are in compliance with, all Permits required by Law for the conduct of their respective businesses as they are now being conducted and (iii) all Permits of the Company and the Company Subsidiaries are valid and in full

force and effect. None of the Company, the Company Subsidiaries or, to the Knowledge of the Company, their respective Representatives (A) is a Sanctioned Person, (B) is a Person that is owned or controlled by a Sanctioned Person, (C) is located, organized or resident in a Sanctioned Jurisdiction or (D) has or is now, in connection with the business of the Company or the Company Subsidiaries, engaged in any dealings or transactions (1) with any Sanctioned Person, (2) in any Sanctioned Jurisdiction or (3) otherwise in material violation of Sanctions.

(b) Since January 1, 2020, the Company, the Company Subsidiaries, and their respective directors, officers, employees, and, to the Knowledge of the Company, their Representatives have complied with applicable Anti-Corruption Laws. Neither the Company, the Company Subsidiaries, nor their directors, officers, employees, or, to the Knowledge of the Company, any Representative has, directly or indirectly, since January 1, 2020 given, offered, promised, or authorized the giving of any payment, gift or other item of value or similar benefit to any Person (including any foreign official, foreign political party, foreign political party official or candidate for foreign political office) in violation of any applicable Anti-Corruption Law. The Company has not (i) received written or oral notice of or made a voluntary, mandatory or directed disclosure to any Governmental Entity relating to any actual or potential violation of any Anti-Corruption Law or (ii) been a party to or the subject of any pending or, to the Knowledge of the Company, threatened action or investigation related to any actual or potential violation of Anti-Corruption Laws. The Company has implemented and maintains policies and procedures reasonably designed to ensure compliance by its directors, officers, employees, and Representatives with applicable Anti-Corruption Laws.

(c) Notwithstanding anything contained in this Section 3.8, no representation or warranty shall be deemed to be made in this Section 3.8 in respect of the matters referenced in Section 3.4, or in respect of Tax, employee benefits, labor or compliance with Environmental Laws.

Section 3.9 Tax Matters. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(a) Each of the Company and each of the Company Subsidiaries has (i) timely filed or caused to be filed (taking into account any extension of time within which to file) all Tax Returns required to have been filed by it, and all such Tax Returns were true, correct and complete, (ii) timely paid in full or caused to be paid in full to the appropriate Governmental Entity all Taxes required to be paid by it (whether or not shown as due on such Tax Returns), (iii) established adequate accruals and reserves, in accordance with GAAP, on the financial statements included in the Company SEC Documents for all Taxes payable by the Company and the Company Subsidiaries for all taxable periods and portions thereof through the date of such financial statements and (iv) not received any written notice of any deficiencies for any Tax of the Company or any of the Company Subsidiaries from any taxing authority for which there are not adequate accruals or reserves on the financial statements included in the Company SEC Documents.

(b) Neither the Company nor any Company Subsidiary is the subject of any currently ongoing examination, audit, litigation or other proceeding with respect to Taxes, nor has any examination, audit, litigation or other proceeding with respect to Taxes been proposed against any of them in writing, and any deficiencies asserted or assessments made as a result of any

examination, audit, litigation or other proceeding with respect to Taxes have been paid in full or are being contested in good faith and adequate accruals or reserves for such deficiencies or assessments have been established. There are no Liens for Taxes on any of the assets of the Company or any Company Subsidiary other than Company Permitted Liens. No claim has ever been made in writing by a taxing authority of a jurisdiction where the Company or any Company Subsidiary has not filed Tax Returns or paid taxes of a particular type that the Company or such Company Subsidiary is or may be subject to taxation by that jurisdiction, or is required to file Tax Returns or pay Taxes of such type in such jurisdiction.

(c) Neither the Company nor any Company Subsidiary (i) has ever been a member of any affiliated, combined, unitary or other similar group (other than any such group the common parent of which is the Company or any Company Subsidiary), (ii) is a party to or bound by any written Tax allocation, indemnification, sharing or similar agreement (other than an agreement exclusively between or among the Company and the Company Subsidiaries), except for customary commercial agreements entered into in the ordinary course of business the primary purpose of which is not related to Taxes, or (iii) has any liability for any Taxes of any Person (other than the Company or any Company Subsidiary) under Section 1.1502-6 of the Treasury regulations promulgated under the Code (or any analogous or similar provision of any state, local or non-U.S. Tax Law), as a transferee or successor, by contract (other than pursuant to customary commercial agreement entered into in the ordinary course of business the primary purpose of which is not related to Taxes), or otherwise by operation of Law.

(d) The Company and the Company Subsidiaries (A) have timely paid, deducted, withheld and collected all amounts required to be paid, deducted, withheld or collected by any of them with respect to any payment owing to, or received from, their employees, creditors, independent contractors, customers and other third parties (and have timely paid over, or set aside in accounts for such purpose, any amounts so withheld, deducted or collected to the appropriate Governmental Entity), and (B) have otherwise complied with all applicable Laws relating to the payment, withholding, collection and remittance of Taxes (including information reporting requirements).

(e) Neither the Company nor any Company Subsidiary has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355(a) of the Code within the past two (2) years or otherwise as part of a plan that includes the Merger.

(f) Neither the Company nor any Company Subsidiary has participated in any “listed transaction” within the meaning of Section 1.6011-4(b)(2) of the Treasury regulations promulgated under the Code (or any analogous or similar provision of state, local or non-U.S. Law).

(g) Neither the Company nor any Company Subsidiary (i) has filed or agreed to any extension of time within which to file any Tax Returns that have not been filed, except for automatic extensions of time to file income Tax Returns entered into in the ordinary course of business, (ii) has entered into any agreement or other arrangement waiving or extending the statute of limitations or the period of assessment or collection of any Taxes, (iii) has applied for a ruling from a taxing authority relating to any Taxes that has not been granted or has proposed to enter into an agreement with a taxing authority that is pending or (iv) is party to or bound by any “closing agreement” as described in Section 7121 of the Code (or any analogous or similar provision of state, local or non-U.S. Tax Law) or any private letter rulings, technical advice memoranda or similar agreement or rulings by or with any taxing authority.

(h) Neither the Company nor any Company Subsidiary has taken or agreed to take any action, intends to take any action, or has Knowledge of any fact or circumstance, in each case, that could reasonably be expected to prevent or impede the Merger from qualifying as, or to cause the Merger to fail to qualify as, a “reorganization” within the meaning of Section 368(a)(1) of the Code.

(i) It is agreed and understood that no representation or warranty is made by the Company in respect of Tax matters in any Section of this Agreement other than Section 3.4, this Section 3.9 and Section 3.10.

Section 3.10 Employee Benefit Plans.

(a) Section 3.10(a) of the Company Disclosure Schedule sets forth a complete and accurate list of all material Company Benefit Plans. With respect to each material Company Benefit Plan, the Company has made available to Parent copies of such Company Benefit Plan and all amendments thereto and, if applicable, (i) any related trust, funding agreements or insurance policies, (ii) summary plan description and summaries of material modifications, (iii) the most recent IRS determination letter or foreign equivalent issued by a Governmental Entity, as may be applicable, (iv) actuarial reports and financial statements for the most recently completed fiscal year, (v) the most recent annual report (Form 5500) and all applicable schedules thereto or foreign equivalent and (vi) all material, non-routine documents and correspondence relating thereto received from or provided to any Governmental Entity during the past year.

(b) Each Company Benefit Plan has been operated and administered in all material respects in accordance with its terms and all applicable Laws, including ERISA and the Code. Each Company Benefit Plan intended to be “qualified” within the meaning of Section 401(a) of the Code is the subject of a favorable determination letter from the Internal Revenue Service as to its qualification and, to the Company’s Knowledge, no event has occurred that could reasonably be expected to result in the disqualification of such Company Benefit Plan. Since January 1, 2023, there have not been any actions pending against or involving or, to the Company’s Knowledge, threatened against or threatened to involve any Company Benefit Plan (other than routine claims for benefits). No events have occurred with respect to any Company Benefit Plan that has resulted in, or to the Company’s Knowledge, would reasonably be expected to result in, the assessment of any material excise Taxes or penalties against the Company. All contributions, premiums and payments that are due to have been made for each Company Benefit Plan within the time periods prescribed by the terms of such plan and applicable Law have been made.

(c) The Company does not sponsor, contribute to, have an obligation to contribute to or have any liability, and has not since January 1, 2019, sponsored, contributed to, had an obligation to contribute to or had any liability with respect to (i) a plan subject to Title IV of ERISA, including any defined benefit plan (as defined in Section 3(35) of ERISA), (ii) a multiple employer plan subject to Section 4063 or 4064 of ERISA, (iii) a plan subject to Section

302 of ERISA or Section 412 of the Code, (iv) a multiple employer welfare arrangement (as defined in Section 3(40)(A) of ERISA) or (v) a voluntary employees' beneficiary association under Section 501(c)(9) of the Code. Neither the Company nor any Company Subsidiary contributes to a "multiemployer plan" (as defined in Section 3(37) of ERISA). Other than routine claims for benefits, no liability under Title IV of ERISA has been incurred by the Company or any Company Subsidiary that has not been satisfied in full when due, and no condition exists that could reasonably be expected to result in a material liability to the Company or any Company Subsidiary under Title IV of ERISA.

(d) Except as set forth in Section 3.10(d) of the Company Disclosure Schedule, the consummation of the Transactions will not (i) entitle any current or former employee, director, consultant or other individual service provider of the Company or any Company Subsidiary to any compensation or benefits (including severance, retention or change in control pay, unemployment compensation or any other payment), (ii) accelerate the time of payment or vesting, or increase the amount, of compensation due any such current or former employee or director or (iii) limit or restrict the right of the Company and, after the consummation of the Transactions, Parent or the Surviving Corporation, to merge, amend or terminate any Company Benefit Plans.

(e) There are no material pending or, to the Company's Knowledge, threatened Claims against, by or on behalf of, or any Liens filed against or with respect to, any of the Company Benefit Plans or otherwise involving any Company Benefit Plan.

(f) Neither the Company nor any Company Subsidiary is a party to any agreement, contract or arrangement that would reasonably be expected to result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(g) The Company has no obligation to gross-up, indemnify or otherwise reimburse any current or former employee, director, consultant or other individual service provider for any Tax incurred by such individual, including under Section 409A or 4999 of the Code.

(h) No Company Benefit Plan provides any benefits, including death or medical benefits (whether or not insured), with respect to current or former employees or directors of the Company or any Company Subsidiary beyond their retirement or other termination of service, other than (i) health continuation coverage pursuant to Section 4980B of the Code, (ii) coverage mandated solely by applicable Law or (iii) benefits the full costs of which are borne by the current or former employee or director or his or her beneficiary.

(i) Each Company Benefit Plan that is in any part a "nonqualified deferred compensation plan" subject to Section 409A of the Code complies and has complied, both in form and operation, in all material respects, with the requirements of Section 409A of the Code and the final regulations and other applicable guidance thereunder.

Section 3.11 Employment and Labor Matters.

(a) (i) To the Knowledge of the Company, since January 1, 2023, no labor union, labor organization, employee association, or works council (each, a “Union”) has attempted to organize employees at the Company or any Company Subsidiary or filed a petition with the National Labor Relations Board seeking to be certified as the bargaining representative of any employees of the Company or any Company Subsidiary (“Company Employees”), (ii) since January 1, 2023, there have been no actual or, to the Knowledge of the Company, threatened (A) work stoppages, lock-outs or strikes, (B) slowdowns, boycotts, handbilling, picketing, walkouts, demonstrations, leafleting, sit-ins or sick-outs by Company Employees, causing significant disruption to the operations of a Company facility, or (C) other form of Union disruption at the Company or any Company Subsidiary, (iii) except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, there is no unfair labor practice, labor dispute, or labor arbitration proceeding pending or, to the Knowledge of the Company, threatened with respect to Company Employees and (iv) neither the Company nor any Company Subsidiary are required under applicable Law or Contract to provide notice to, or to enter into any consultation procedure with, any Union or similar foreign labor organization, in connection with the execution of this Agreement or the Transactions.

(b) Except for such matters that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) the Company and the Company Subsidiaries are, and since January 1, 2023 have been, in compliance with all applicable state, federal, and local Laws respecting labor and employment, including all Laws relating to discrimination, disability, labor relations, unfair labor practices, hours of work, payment of wages, employee benefits, retirement benefits, compensation, immigration, workers’ compensation, working conditions, occupational safety and health, family and medical leave, reductions in force, plant closings, notification of employees, and employee terminations and (ii) neither the Company nor any Company Subsidiary has any liabilities under the Worker Adjustment and Retraining Notification Act (“WARN Act”) or any state or local Laws requiring notice with respect to such layoffs or terminations.

(c) Except for such matters that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, since January 1, 2023, (i) no Governmental Entity has initiated or, to the Knowledge of the Company, threatened to initiate, any material complaints, charges, lawsuits, grievances, claims, arbitrations, administrative proceedings, or other proceeding(s) or investigation(s) with respect to the Company or the Company Subsidiaries arising out of, in connection with, or otherwise relating to any Company Employees or any Laws governing labor or employment, and (ii) no Governmental Entity has issued or, to the Knowledge of the Company, threatened to issue any significant citation, order, judgment, fine or decree against the Company or any of the Company Subsidiaries with respect to any Company Employees or any Laws governing labor or employment.

(d) To the Knowledge of the Company, no Company Employee is in any respect in violation of any term of any employment agreement, nondisclosure agreement, common law nondisclosure obligation, fiduciary duty, non-competition agreement, restrictive covenant or other obligation (i) to the Company or any Company Subsidiary or (ii) to a former employer of any such employee relating (A) to the right of any such employee to be employed by the Company or any Company Subsidiary or (B) to the knowledge or use of trade secrets or proprietary information.

(e) Since January 1, 2023, neither the Company nor any Company Subsidiary is or has been party to a settlement agreement with a current or former officer, employee or independent contractor of the Company or the Company Subsidiaries that involves allegations relating to harassment or discrimination of any kind by either (i) an officer of the Company or any Company Subsidiary or (ii) an employee of the Company or any Subsidiary at the level of Senior Vice President or above. To the Knowledge of the Company, since January 1, 2023, no allegations of harassment or discrimination of any kind have been made against (i) any officer of the Company or any Company Subsidiary or (ii) an employee of the Company or any Company Subsidiary at a level of Senior Vice President or above.

Section 3.12 Environmental Laws and Regulations.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(i) there is no pending or, to the Knowledge of the Company, threatened claim, lawsuit, or administrative proceeding against the Company or any Company Subsidiary, under or pursuant to any Environmental Law, and neither the Company nor any Company Subsidiary has received notice from any Person, including any Governmental Entity, alleging that the Company has been or is in violation or potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law, which violation or liability is unresolved;

(ii) the Company and the Company Subsidiaries are and, since January 1, 2020, have been in compliance with all applicable Environmental Laws and with all material permits, licenses and approvals required under Environmental Laws for the conduct of their business or the operation of their facilities;

(iii) the Company and the Company Subsidiaries have all material permits, licenses, authorizations and any other approvals required for the ownership operation of the businesses and their facilities pursuant to applicable Environmental Law, all such permits, licenses and approvals are in effect, and, to the Knowledge of the Company, there is no actual or threatened proceeding to revoke, modify or terminate such permits, licenses, authorizations and approvals;

(iv) there has been no release of Hazardous Materials at any real property currently or, to the Knowledge of the Company, formerly owned, leased, or operated by the Company or any Subsidiary in concentrations or under conditions or circumstances that (A) would reasonably be expected to result in liability to the Company or any Company Subsidiary under any Environmental Laws or (B) would require reporting, investigation, remediation, or other corrective or response action by the Company or any Subsidiary under any Environmental Law and that has not otherwise been addressed through such reporting, investigation, remediation, or other corrective or responsive action by the Company or any Subsidiary;

(v) the Company is not party to any order, judgment or decree that imposes any obligations under any Environmental Law and, to the Knowledge of the Company, has not, either expressly or by operation of Law, undertaken any such obligations, including any obligation for corrective or remedial action, of any other person; and

(vi) this Agreement and the Transactions will not trigger, or otherwise be subject to, any Environmental Law requiring the investigation or remediation of environmental conditions at any property currently owned or leased by the Company or any of the Company Subsidiaries as a result of such transactions, including the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and all implementing rules and regulations, and neither the Company nor any Company Subsidiary has any unresolved obligations under any such Environmental Laws.

(b) The Company has delivered or otherwise made available for inspection to Parent (including through documents or discussions) information reasonably describing any (i) material unresolved liabilities under Environmental Law, (ii) Hazardous Materials in, on, beneath or adjacent to any property currently or formerly owned, operated or leased by the Company or any of the Company Subsidiaries that would be reasonably likely to form the basis of any material claim against the Company or any of the Company Subsidiaries under Environmental Law or (iii) material non-compliance with Environmental Laws by the Company or any of the Company Subsidiaries.

Section 3.13 Insurance. Except as would not have or would not be reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) the Company and the Company Subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of the Company reasonably has determined in good faith to be prudent and consistent with industry practice, and the Company and the Company Subsidiaries are in compliance in all material respects with their insurance policies and are not in default under any of the terms thereof and (b) all material fire and casualty, general liability, director and officer, business interruption, product liability, and sprinkler and water damage insurance policies maintained by the Company or any Company Subsidiary ("Company Insurance Policies") are in full force and effect, all premiums due with respect to all Company Insurance Policies have been paid and neither the Company nor any Company Subsidiary has received any written notice of cancellation, invalidation or non-renewal of any Company Insurance Policy. The Company has made available to Parent a summary of the Company Insurance Policies.

Section 3.14 Required Vote of the Company Shareholders. The affirmative vote of a majority of the votes cast by all shareholders of the Company entitled to vote on this Agreement at the Company Shareholder Meeting (so long as a quorum is present) is the only vote of the holders of securities of the Company that is required to approve this Agreement and the Merger (the "Company Shareholder Approval").

Section 3.15 Lack of Ownership of Parent Common Stock. Neither the Company nor any Company Subsidiary beneficially owns, directly or indirectly, any shares of Parent Common Stock or other securities convertible into, exchangeable for or exercisable for shares of Parent Common Stock or any securities of any Parent Subsidiary (other than, for the avoidance of doubt, any shares of Parent Common Stock that may be held by Company Benefit Plans), and neither the Company nor any Company Subsidiary has any rights to acquire any shares of Parent Common Stock except pursuant to this Agreement. There are no voting trusts or other agreements or understandings to which the Company or any Company Subsidiary is a party with respect to the voting of the capital stock or other equity interest of Parent or any Parent Subsidiary.

Section 3.16 Antitakeover Laws; Rights Plan.

(a) Subject to the accuracy of the representations and warranties of Parent and Merger Sub in Section 4.15, the Company has taken all necessary actions, if any, so that the Transactions, including the Merger, are not subject to any “fair price,” “moratorium,” “control share acquisition,” “interested shareholder,” “affiliated transaction,” “business combination” or any other antitakeover Law (each, a “Takeover Law”), including any antitakeover provision in the Pennsylvania Entity Laws or of any other applicable U.S. state or federal Law, or any antitakeover provision in the Company Organizational Documents.

(b) Neither the Company nor any Company Subsidiary has any shareholders’ rights plan or similar plan or arrangement in effect.

Section 3.17 Regulatory Matters.

(a) Section 3.17(a) of the Company Disclosure Schedule lists each Company Subsidiary that is subject to regulation by a state regulatory commission as a public utility or public service company (or similar designation) and the states where such Company Subsidiary is subject to such regulation (the “Regulated Company Subsidiaries”). Other than as set forth in Section 3.17(a) of the Company Disclosure Schedule, as of the date hereof, neither the Company nor any Company Subsidiary is subject to regulation as a public utility or public service company (or similar designation) by any state in the U.S. or in any foreign country. No asset of the Company or any of the Regulated Company Subsidiaries is currently disallowed from recovery in rates based on its value and associated expenses in any ratemaking procedure before any Applicable PSC, as applicable.

(b) All filings (other than immaterial filings) required to be made by the Company or any Company Subsidiary since January 1, 2023 with any applicable state public utility commissions and under applicable state Law, as the case may be, have been made, including all forms, statements, reports, agreements and all documents, exhibits, amendments and supplements appertaining thereto, including all rates, tariffs, franchises, service agreements, and related documents, and all such filings complied, as of their respective dates, with all applicable requirements of applicable Laws, except for filings the failure of which to make or the failure of which to make in compliance with all applicable requirements of applicable Laws, would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c) Each of the Company and the Company Subsidiaries, as applicable, is legally entitled to provide services in all areas (i) where it currently provides service to its customers and (ii) as identified in its respective Permits, in each case, except for failures to be so entitled that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) As of the date hereof, neither the Company nor any Company Subsidiary all or part of whose rates or services are regulated by a Governmental Entity (i) is a party to any rate proceeding before a Governmental Entity with respect to rates charged by the Company or any Company Subsidiary other than in the ordinary course of business consistent with past practice, (ii) other than as set forth in Section 3.17(d) of the Company Disclosure Schedule, has rates in any amounts that have been or are being collected subject to refund, pending final resolution of any rate proceeding pending before a Governmental Entity or on appeal to a court (other than rates based on estimated costs or revenues that are subject to adjustment once the actual costs or revenues become known) or (iii) is a party to any contract with any Governmental Entity entered into other than in the ordinary course of business consistent with past practice imposing conditions on rates or services in effect as of the date hereof or which, to the Knowledge of the Company, are as of the date hereof scheduled to go into effect at a later time, except, in the case of clauses (i) through (iii), that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.18 Water Quality and Water Rights. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) the drinking water supplied by the Company and the Company Subsidiaries to their respective customers is and has been, since January 1, 2023, in compliance with all applicable federal and state drinking water standards and (b) the Company and the Company Subsidiaries have all rights, authorizations, permits, easements, prescriptive rights and rights of way, whether or not of record, which are necessary to extract and deliver water to their respective customers in a manner adequate and sufficient for the conduct of its business as currently conducted (the “Company Water Rights”). To the Knowledge of the Company, (i) there is not any existing breach or default by the Company or any Company Subsidiary under any of the Company Water Rights which (with or without notice, lapse of time or both) would cause any of the Company Water Rights to be lost, revoked or compromised or not be satisfied and (ii) there is no other reason to believe that any Company Water Rights will be lost, revoked or compromised or will not be satisfied, except, in each of clauses (i) and (ii), as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.19 Intellectual Property; Information Technology; Data Protection.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company and the Company Subsidiaries own or have a valid right to use all Intellectual Property Rights used in connection with and reasonably necessary for the business of the Company and the Company Subsidiaries as currently conducted. To the Knowledge of the Company, neither the Company nor any Company Subsidiary has infringed, misappropriated or violated in any material respect any Intellectual Property Rights of any third party except where such infringement, misappropriation or violation would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. To the Knowledge of the Company, no third party is infringing, misappropriating or violating any Intellectual Property Rights owned or exclusively licensed by or to the Company or any Company Subsidiary, except where such infringement, misappropriation or violation would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the computer systems (including the software, hardware, networks, platforms and related systems) used in connection with the business of the Company or any Company Subsidiary are adequate and sufficient for the operation of the business of the Company and the Company Subsidiaries as currently conducted.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, since January 1, 2023, the Company and the Company Subsidiaries have in all material respects Processed Personal Data in compliance with Information Privacy Requirements. Since January 1, 2023, to the Knowledge of the Company, no Claim or investigation has been filed, commenced or threatened in writing against the Company or any Company Subsidiary alleging, and neither the Company nor any Company Subsidiary have given any written Claim of, any material failure to comply with any Information Privacy Requirement. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, since January 1, 2023, the Company and the Company Subsidiaries have implemented and maintained industry standard administrative, technical, physical and organizational security measures, including written policies and procedures designed to protect the integrity, confidentiality and security of Personal Data Processed by the Company or the Company Subsidiaries.

Section 3.20 Real Property.

(a) Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, each of the Company and the Company Subsidiaries has either good, valid or marketable fee title to each parcel of real property owned in whole or in part by the Company or any Company Subsidiary, together with all buildings and other structures, facilities or improvements located thereon and all easements, licenses, rights and appurtenances of the Company or any Company Subsidiary relating to the foregoing (collectively, the “Company Owned Real Property”) free and clear of all Liens, other than Company Permitted Liens. Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, there are no outstanding agreements, options, rights of first offer or rights of first refusal, leases, licenses or other occupancy agreements granting to any third party any right to purchase, use, occupy or enjoy any Company Owned Real Property or any portion thereof or interest therein.

(b) Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, each of the Company and the Company Subsidiaries holds a valid and existing leasehold or other real property interest in all leasehold or subleasehold estates, license or occupancy agreements (collectively, the “Company Real Property Leases”), easements, rights of ways or other real property rights to the land, buildings, wires, pipes, structures and other improvements thereon and fixtures thereto necessary to permit it to conduct its business as currently conducted (whether written or oral), and all amendments or modifications thereto (collectively, the “Company Leased Real Property”). Except as would not reasonably be expected to interfere in any material respect with the current use and operation of the Company Leased Real Property by the Company and the Company Subsidiaries, each Company Real Property Lease is in full force and effect, and the Company or a Company Subsidiary holds a valid and existing leasehold or other real property interest in all of the Company Leased Real Property, free and clear of all subtenancies and other occupancy rights, and Liens other than Company Permitted Liens. All parties to each Company Real Property Lease are in material compliance with the terms thereof and there are no material defaults thereunder or events, which with the passage of time or notice, or both, would constitute a material default.

(c) With respect to each Company Owned Real Property and each Company Leased Real Property, (i) neither the Company nor any of the Company Subsidiaries has received written notice of any pending or threatened eminent domain, condemnation, or similar taking proceedings, (ii) neither the Company nor any of the Company Subsidiaries has received any written notice that would reasonably be likely to cause either the Company or any of the Company Subsidiaries to materially curtail its operations at such property, or that would reasonably be expected to materially impair such operations, (iii) to the Knowledge of the Company, each Company Owned Real Property and each Company Leased Real Property is in compliance with all applicable Laws, except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect and (iv) all utilities presently serving the Company Owned Real Property and Company Leased Real Property are presently adequate to service the existing normal operations of the Company and the Company Subsidiaries, in each case, except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company Owned Real Property and Company Leased Real Property, including all structures, buildings, fixtures, building systems, facilities, improvements or the like located thereon, are in good operating condition and repair, ordinary wear and tear and deferred maintenance excepted, and are sufficient for the uses in which such properties are presently employed.

Section 3.21 Material Contracts.

(a) Except for this Agreement, as set forth in Section 3.21 of the Company Disclosure Schedule and Company Benefit Plans, as of the date hereof, neither the Company nor any Company Subsidiary is a party to or bound by any Contract that:

(i) is a “material contract” (as such term is defined in Item 601(b)(10) of Regulation S-K promulgated by the SEC);

(ii) would, after giving effect to the Merger, materially limit or materially restrict the Surviving Corporation or any Company Subsidiary or any successor thereto, from engaging or competing in any line of business that it currently engages in or is a reasonable extension thereof (including with respect to Parent after the Effective Time) or in any geographic area (including through exclusivity, non-solicitation or “most favored nation” provisions with respect to customers);

(iii) limits or otherwise restricts the ability of the Company or any Company Subsidiary to pay dividends or make distributions to its shareholders;

(iv) (A) is an indenture, credit agreement, loan agreement, security agreement, guarantee, note, mortgage or other agreement or commitment that provides for or relates to any Indebtedness of the Company or any Company Subsidiary, including any sale and leaseback transactions or other similar financing arrangements or (B) provides for the guarantee, support, indemnification, assumption or endorsement by the Company or any Company Subsidiary of, or any similar commitment by the Company or any Company Subsidiary with respect to, the obligations, liabilities or Indebtedness of any other Person of the nature described in clause (A), in the case of each of clauses (A) and (B), in the principal amount of \$100,000,000 or more;

(v) is a settlement, consent or similar Contract to resolve litigation and that contains any material continuing obligations of the Company or any Company Subsidiary;

(vi) is a collective bargaining agreement, work rules or other agreement with any Union;

(vii) (A) is a joint venture, partnership or limited liability company agreement or other similar Contract relating to the formation, creation, operation, management or control of any Joint Venture of the Company (other than any such Contract solely among any of the Company and the wholly owned Company Subsidiaries), in each case, that is material to the Company and the Company Subsidiaries taken as a whole or (B) is a shareholder or stockholder agreement between the Company or any Company Subsidiary, on the one hand, and any other Person, on the other hand;

(viii) grants any right of first refusal, right of first offer, or right of first negotiation with respect to any assets, rights or properties of the Company or the Company Subsidiaries that are material to the Company and the Company Subsidiaries taken as a whole; or

(ix) relates to any past or pending acquisition or disposition of any Person, business or assets constituting a business and under which the Company or the Company Subsidiaries have any material continuing guarantee, “earnout” or other contingent, deferred or fixed payment obligations.

(b) Each Contract of the type described in this Section 3.21, whether or not set forth on Section 3.21 of the Company Disclosure Schedule and whether or not entered into on or prior to the date hereof, is referred to herein as a “Company Material Contract.” The Company has made available to Parent true, correct and complete copies of each Company Material Contract in effect as of the date hereof (other than any Contracts publicly available and filed as exhibits to the Company SEC Documents prior to the date of this Agreement), excluding any schedules, annexes, exhibits, work orders, statements of work or other ancillary documents with respect to any such Company Material Contracts that are no longer in force or effect or do not contain terms that are, individually or in the aggregate, material to the Company and the Company Subsidiaries, taken as a whole.

(c) Each Company Material Contract is a valid and binding obligation of the Company or the Company Subsidiary party thereto enforceable against the Company or such Company Subsidiary in accordance with its terms (except that such enforcement may be subject to the Bankruptcy and Equity Exceptions) and, to the Company’s Knowledge, each other party thereto, and is in full force and effect, and each of the Company and each of the Company

Subsidiaries which is a party thereto has performed in all material respects all obligations required to be performed by it to the date hereof under each Company Material Contract and, to the Company's Knowledge, each other party to each Company Material Contract has performed in all material respects all obligations required to be performed by it under such Company Material Contract, except, in each case, as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company has no Knowledge of, and none of the Company or any Company Subsidiary has received notice of, any violation of or default under (or any condition which with the passage of time or the giving of notice would cause such a violation of or default under) any Company Material Contract to which it is a party or by which it or any of its properties or assets is bound, except for violations or defaults that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.22 Opinion of Financial Advisor. The Company Board has received the oral opinion of Moelis & Company LLC, which opinion will be subsequently confirmed in writing, to the effect that, as of the date of such opinion and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein, the Exchange Ratio is fair from a financial point of view to the holders of shares of Company Common Stock, and such opinion has not been withdrawn, revoked or modified. The Company shall, promptly following receipt of such opinion in written form, furnish an accurate and complete copy of such opinion to Parent solely for informational purposes and on a non-reliance basis.

Section 3.23 Finders or Brokers. Except for Moelis & Company LLC (the fees and expenses of which will, prior to the Closing, be the responsibility of the Company), neither the Company nor any Company Subsidiary has employed any investment banker, broker or finder in connection with the Transactions who might be entitled to any fee or any commission in connection with or upon consummation of the Merger or the Transactions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Except (a) as disclosed in the Parent SEC Documents publicly available and filed with or furnished to the SEC prior to the date of this Agreement (excluding any disclosures in any risk factors section, in any section related to forward-looking statements and any other disclosures or statements that are predictive or forward-looking in nature) where it is reasonably apparent on its face that such disclosure is applicable to any representation or warranty or (b) subject to Section 8.8, as set forth in the corresponding section of the disclosure schedule delivered by Parent to the Company concurrently with the execution and delivery by Parent of this Agreement (the "Parent Disclosure Schedule"), Parent (on behalf of itself and Merger Sub) represents and warrants to the Company as follows:

Section 4.1 Qualification; Organization; Subsidiaries.

- (a) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Each Parent Subsidiary, including Merger Sub, is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization (in the case of good standing, to the extent such jurisdiction recognizes such concept) and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets, to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, validly existing, qualified or in good standing, or to have such power or authority, would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(c) Parent has made available to the Company true and complete copies of the certificate of incorporation of Parent, as in effect as of the date of this Agreement (the “Parent Charter”), and the bylaws of Parent, as in effect as of the date of this Agreement (together with the Parent Charter, the “Parent Organizational Documents”). Parent has provided to the Company true and complete copies of the Organizational Documents of Merger Sub and made available to the Company true and complete copies of the Organizational Documents of each “significant subsidiary” (as such term is defined in Rule 1-02 of Regulation S-X promulgated by the SEC) of Parent, in each case, as in effect as of the date of this Agreement (other than those set forth in Section 4.1(c) of the Parent Disclosure Schedule).

(d) Section 4.1(d) of the Parent Disclosure Schedule lists each Parent Subsidiary and its jurisdiction of organization or formation. All of the outstanding shares of capital stock, voting securities or other equity interests of each Parent Subsidiary have been validly issued and are fully paid and nonassessable, as applicable. All of the outstanding shares of capital stock, voting securities and other equity interests of each Parent Subsidiary are owned by (i) Parent, (ii) one or more Parent Subsidiaries or (iii) Parent and one or more Parent Subsidiaries, in each case, free and clear of all Liens. Except for the capital stock, voting securities and other equity interests of the Parent Subsidiaries, neither Parent nor any Parent Subsidiary owns, directly or indirectly, any capital stock, voting securities or other equity interests in any other Person (including through participation in any joint venture or similar arrangement), other than the ownership of securities primarily for investment purposes as part of routine cash management or investments of two percent (2%) or less in publicly traded companies, and there are no Joint Ventures of Parent.

Section 4.2 Capitalization.

(a) The authorized capital stock of Parent consists of 500,000,000 shares of Parent Common Stock and 50,000,000 shares of preferred stock, par value \$0.01 per share (“Parent Preferred Stock”). As of the close of business on the Capitalization Date, (i) (A) 195,123,565 shares of Parent Common Stock were issued and outstanding, which includes no Parent Restricted Shares outstanding as of such date, and (B) 5,453,167 shares of Parent Common Stock were held in Parent’s treasury, (ii) Parent RSU Awards covering 519,983 shares of Parent Common Stock were outstanding, (iii) no Parent Performance Share Awards covering shares of Parent Common Stock were outstanding (based on target performance), (iv) 5,608,197 shares of Parent Common Stock were reserved and available for issuance under the Parent Stock Plans, (v) 1,306,820 shares of Parent Common Stock were reserved and available for issuance under the Parent ESPP,

(vi) 4,203,946 shares of Parent Common Stock were reserved for issuance under the Parent DRIP and (vii) no shares of Parent Preferred Stock were issued or outstanding. All shares of Parent Common Stock are duly authorized, validly issued, fully paid and nonassessable and were not issued in violation of any preemptive right, purchase option, call, right of first refusal or any similar right and all shares of Parent Common Stock reserved for issuance as noted in this Section 4.2(a), when issued in accordance with the respective terms thereof, will be duly authorized, validly issued, fully paid and nonassessable and not issued in violation of any preemptive right, purchase option, call, right of first refusal or any similar right. No shares of Parent Common Stock are held by any Parent Subsidiary. Except as set forth in this Section 4.2(a), at the close of business on the Business Day immediately preceding the date of this Agreement, no shares of capital stock, voting securities or other equity interests of Parent were issued, reserved for issuance or outstanding.

(b) Except as set forth in Section 4.2(a), as of the date hereof, there are not issued, reserved for issuance or outstanding, and there are not any outstanding obligations of Parent or any Parent Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, (i) any capital stock of Parent or any Parent Subsidiary or any securities of Parent or any Parent Subsidiary convertible into or exchangeable or exercisable for shares of capital stock or voting securities of, or other equity interests in, Parent or any Parent Subsidiary or (ii) any subscriptions, options, warrants, calls, derivative contract, forward contract or other rights to acquire from Parent or any Parent Subsidiary, or any other obligation of Parent or any Parent Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, any capital stock or voting securities of, or other equity interests in, Parent or any Parent Subsidiary (the foregoing clauses (i) and (ii), collectively, "Parent Equity Securities").

(c) There is no outstanding Indebtedness of Parent or any Parent Subsidiary, the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of Parent or any Parent Subsidiary on any matter.

(d) There are no voting trusts or other agreements or understandings to which Parent or any Parent Subsidiary is a party with respect to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of, any Parent Equity Securities.

(e) Parent has delivered or made available to the Company an accurate and complete copy of each Parent Stock Plan and the forms of award agreement covering Parent Performance Share Awards, Parent Restricted Shares and Parent RSU Awards (collectively, "Parent Equity Awards"). All grants of Parent Equity Awards were validly made and properly approved by the Parent Board (or a duly authorized committee or subcommittee thereof) in compliance with all applicable Laws and properly recorded on the consolidated financial statements of Parent in accordance with GAAP.

(f) As of the date of this Agreement, the authorized capital stock of Merger Sub consists of one thousand (1,000) shares of common stock, par value \$0.01 per share, all of which are validly issued and outstanding. All of the issued and outstanding capital stock of Merger Sub is, and at the Effective Time will be, owned by Parent or a direct or indirect wholly owned Parent Subsidiary. Merger Sub has outstanding no option, warrant, right or any other agreement pursuant

to which any Person other than Parent may acquire any equity security of Merger Sub. Merger Sub is a newly formed entity for purposes of consummating the Transactions and has not conducted any business prior to the date hereof and has, and prior to the Effective Time will have, no assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement and the Transactions.

Section 4.3 Corporate Authority Relative to this Agreement; No Violation.

(a) Each of Parent and Merger Sub has all requisite corporate power and authority to execute and deliver this Agreement and to perform its covenants and agreements hereunder and, assuming that the representations and warranties of the Company contained in Section 3.15 are true and correct, to consummate the Transactions, including the Merger, subject, in the case of the Merger, to the Parent Stockholder Approval. The execution and delivery of this Agreement and the consummation of the Transactions have been duly and validly authorized by the Parent Board and the board of directors of Merger Sub and by Parent, as the sole stockholder of Merger Sub, and, except for the Parent Stockholder Approval, no other corporate proceedings on the part of Parent or Merger Sub are necessary to authorize the Merger, the Parent Common Stock Issuance or the consummation of the Transactions. The Parent Board, at a meeting duly called and held, by the affirmative vote of all directors present, adopted resolutions (i) determining that the Transactions, including the Merger and the issuance of shares of Parent Common Stock in connection with the Merger (the “Parent Common Stock Issuance”), are advisable, fair to and in the best interests of Parent and its stockholders, (ii) approving, adopting and declaring advisable this Agreement and the Transactions, including the Merger and the Parent Common Stock Issuance, (iii) directing that the Parent Common Stock Issuance be submitted to Parent’s stockholders for approval and (iv) recommending that Parent’s stockholders approve the Parent Common Stock Issuance (the “Parent Board Recommendation”) at a duly held meeting of Parent’s stockholders for such purpose (the “Parent Stockholder Meeting”), and such resolutions have not been subsequently rescinded, modified or withdrawn in any way. This Agreement has been duly and validly executed and delivered by Parent and Merger Sub, and, assuming this Agreement constitutes the legal, valid and binding agreement of the Company, this Agreement constitutes the legal, valid and binding agreement of each of Parent and Merger Sub, enforceable against Parent and Merger Sub in accordance with its terms; provided that such enforcement may be subject to the Bankruptcy and Equity Exceptions.

(b) Except for (i) such Consents or Filings as may be required under (A) the provisions of the Delaware General Corporation Law, (B) the Exchange Act, (C) the Securities Act, (D) the rules and regulations of the NYSE, (E) the HSR Act and (F) the rules and regulations of the Applicable PSCs (such Consents or Filings referred to in clause (F), collectively, the “Parent Regulatory Approvals”), and (ii) pre-approvals of license transfers by the FCC, and, subject to the accuracy of the representations and warranties of the Company in Section 3.3(b), no Consent of or Filing made to or with any Governmental Entity is necessary or required to be obtained or made under applicable Law in connection with the execution and delivery of this Agreement by Parent and Merger Sub, the performance by Parent and Merger Sub of their respective obligations hereunder or the consummation of the Transactions by Parent and Merger Sub, except for such Consents or Filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(c) Except as set forth in clauses (i) and (ii) of Section 4.3(b), the execution and delivery by Parent and Merger Sub of this Agreement do not, and the consummation of the Transactions and compliance with the provisions hereof will not, (i) conflict with, result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, payment or acceleration of any obligation or to the loss of a benefit under any loan, guarantee of indebtedness or credit agreement, note, bond, mortgage, indenture, lease, agreement, contract, instrument, permit, concession, franchise, right or license binding upon Parent or any Parent Subsidiary or result in the creation of any Lien, other than any such Lien (A) for Taxes or governmental assessments, the charges or claims of payment for which are not yet due or payable, or that are being contested in good faith and for which adequate accruals or reserves have been established, (B) which is a carriers', warehousemen's, mechanics', materialmen's, repairmen's or other similar lien arising in the ordinary course of business consistent with past practice, (C) which is disclosed on the most recent consolidated balance sheet of Parent or notes thereto or securing liabilities reflected on such balance sheet, (D) which was incurred in the ordinary course of business consistent with past practice since the date of the most recent consolidated balance sheet of Parent or (E) which does not and would not reasonably be expected to materially impair the continued use and operation of the assets to which they relate as operated as of the date hereof or any property at which the material operations of Parent or any Parent Subsidiary are conducted as of the date hereof (each of the foregoing (A) through (E), a "Parent Permitted Lien"), upon any of the properties or assets of Parent or any Parent Subsidiary, (ii) conflict with or result in any violation of any provision of the Parent Organizational Documents or the Organizational Documents of any Parent Subsidiary or (iii) conflict with or violate any applicable Laws, other than, in the case of clauses (i) and (iii), any such violation, conflict, default, termination, cancellation, payment, acceleration, right, loss or Lien that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.4 SEC Reports; Financial Statements; No Undisclosed Liabilities.

(a) Since January 1, 2023, Parent has furnished or filed on a timely basis all registration statements, prospectuses, reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) required to be furnished or filed by Parent with the SEC under the Exchange Act or the Securities Act (such documents, together with all exhibits, financial statements, including the Parent Financial Statements, and schedules thereto and all information incorporated therein by reference, but excluding the Joint Proxy Statement, being collectively referred to as the "Parent SEC Documents"). None of the Parent Subsidiaries is or has been required to make or makes any filings with the SEC under the Exchange Act or the Securities Act. Each Parent SEC Document (i) at the time furnished or filed, complied in all material respects with the applicable requirements of the Exchange Act, the Securities Act or the Sarbanes-Oxley Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Parent SEC Document and the listing standards and corporate governance rules and regulations of the NYSE and (ii) did not at the time it was filed (or if amended or superseded by a filing or amendment prior to the date of this Agreement, then at the time of such filing or amendment) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments received from the SEC with respect to any of the Parent SEC Document, and, to the Knowledge of Parent, none of the Parent SEC Documents is the subject of any outstanding SEC comment or investigation. As of the date hereof, Parent is in compliance in all material respects with all current listing standards of the NYSE.

(b) Each of the consolidated financial statements of Parent (including any related notes) contained or incorporated by reference in the Parent SEC Documents (the “Parent Financial Statements”) (i) complied at the time it was filed as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) was prepared in accordance with GAAP (except, in the case of unaudited quarterly financial statements, as permitted by the SEC) applied on a consistent basis during the periods and as of the dates involved (except as may be indicated in the notes thereto), (iii) fairly presents in all material respects, in accordance with GAAP, the consolidated financial position of Parent and the Parent Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods shown (subject, in the case of unaudited quarterly financial statements, to normal year-end audit adjustments that are not material and to any other adjustments described therein, including the notes thereto) and (iv) was prepared from, and in accordance with, the books and records of Parent and the Parent Subsidiaries in all material respects. No financial statements of any Person other than Parent and the Parent Subsidiaries are required by GAAP to be included in the Parent Financial Statements. The books and records of Parent and the Parent Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements. As of the date of this Agreement, PricewaterhouseCoopers LLP has not resigned (or informed Parent that it intends to resign) or been dismissed as independent public accountants of Parent.

(c) Parent maintains, and at all times since January 1, 2023 has maintained, a system of “internal control over financial reporting” (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act). Such internal control over financial reporting is sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP in all material respects. Parent maintains “disclosure controls and procedures” required by Rule 13a-15 or 15d-15 under the Exchange Act that are sufficient to ensure that information required to be disclosed by Parent in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis to the individuals responsible for the preparation of Parent’s filings with the SEC and other public disclosure documents. Parent has disclosed in writing, based on its most recent evaluation prior to the date of this Agreement, to Parent’s outside auditors and the audit committee of the Parent Board (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that are reasonably likely to adversely affect Parent’s ability to record, process, summarize and report financial information and (ii) any fraud, known to Parent, whether or not material, that involves management or other employees who have a significant role in Parent’s internal controls over financial reporting. There is no reason to believe that Parent’s outside auditors and its chief executive officer and chief financial officer will not be able to give the certifications and attestations required pursuant to the rules and regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, without qualification, when next due. Since January 1, 2023, no executive officer of Parent has failed in any respect to make the certifications required of such executive officer under Section 302 or Section 906 of the Sarbanes-Oxley Act. Neither Parent nor any of its executive officers has received notice from any Governmental Entity challenging or questioning the accuracy, completeness, form or manner of filing of such certifications.

(d) Neither Parent nor any Parent Subsidiary is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract (including any Contract or arrangement relating to any transaction or relationship between or among Parent or any Parent Subsidiary, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity or person, on the other hand, or any “off-balance-sheet arrangements” (as defined in Item 303(a) of Regulation S-K under the Exchange Act)), where the result, purpose or intended effect of such Contract is to avoid disclosure of any material transaction involving, or material liabilities of, Parent or any Parent Subsidiary in the Parent Financial Statements or other Parent SEC Documents.

(e) Since January 1, 2023, (i) none of Parent or any Parent Subsidiary, nor, to the Knowledge of Parent, any director or officer of Parent or any Parent Subsidiary, has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding accounting, internal accounting controls or auditing practices, procedures, methodologies or methods of Parent or any Parent Subsidiary or any material complaint, allegation, assertion or claim from employees of Parent or any Parent Subsidiary regarding questionable accounting or auditing matters with respect to Parent or any Parent Subsidiary and (ii) to the Knowledge of Parent, no attorney representing Parent or any Parent Subsidiary, whether or not employed by Parent or any Parent Subsidiary, has reported evidence of a violation of securities laws, breach of fiduciary duty or similar violation by Parent, any Parent Subsidiary or any of their respective officers, directors, employees or agents to the Parent Board or any committee thereof, or to the Parent CEO or the general counsel of Parent.

(f) Except (i) as reflected or reserved against in Parent’s most recent audited consolidated balance sheets (or stated in the notes thereto) included in the Parent SEC Documents filed prior to the date hereof, (ii) for liabilities and obligations incurred in the ordinary course of business consistent with past practice after the date of such balance sheet and (iii) liabilities incurred in connection with the Merger or any of the other Transactions or agreements contemplated by this Agreement, neither Parent nor any Parent Subsidiary has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet of Parent and its consolidated Subsidiaries (or in the notes thereto), other than those which would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.5 Absence of Certain Changes or Events.

(a) Since January 1, 2025 through the date of this Agreement, there has not been any Change that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(b) Since January 1, 2025 through the date of this Agreement, each of Parent and the Parent Subsidiaries has conducted its respective business in the ordinary course of business consistent with past practice in all material respects, except for in connection with the Transactions.

Section 4.6 Litigation. Neither Parent nor any Parent Subsidiary is party to, and there is no Claim before any Governmental Entity pending or, to the Knowledge of Parent, threatened against Parent, any Parent Subsidiary, or any of their current or former directors or executive officers that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. There is no Judgment outstanding against or, to the Knowledge of Parent, investigation by any Governmental Entity of Parent, any Parent Subsidiary, any of their respective properties or assets, or any of their current or former directors or executive officers, that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.7 Information Supplied. None of the information provided or to be provided by Parent or the Parent Subsidiaries for inclusion or incorporation by reference in the Form S-4 will, at the time the Form S-4 is filed with the SEC, at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; provided that, with respect to projected financial information provided by or on behalf of Parent, Parent represents only that such information was prepared in good faith by management of Parent on the basis of assumptions believed by such management to be reasonable as of the time made. None of the information provided by Parent or the Parent Subsidiaries for inclusion or incorporation by reference in the Joint Proxy Statement will, at the date it is first mailed to Parent's stockholders or the Company's shareholders at the time of the Parent Stockholder Meeting or the Company Shareholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that, with respect to projected financial information provided by or on behalf of Parent, Parent represents only that such information was prepared in good faith by management of Parent on the basis of assumptions believed by such management to be reasonable as of the time made. The Form S-4 and the Joint Proxy Statement (other than the portion thereof relating solely to the Company Shareholder Meeting) will comply as to form in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations thereunder. Notwithstanding the foregoing provisions of this Section 4.7, no representation or warranty is made by Parent with respect to information or statements made or incorporated by reference in the Form S-4 or the Joint Proxy Statement that were not supplied by or on behalf of Parent.

Section 4.8 Compliance with Law; Permits.

(a) Except for matters that would not have or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, since January 1, 2023, (i) Parent and the Parent Subsidiaries are in compliance with all applicable Laws and all Permits applicable to the business and operations of Parent and the Parent Subsidiaries, (ii) Parent and each Parent Subsidiary hold, and are in compliance with, all Permits required by Law for the conduct of their respective businesses as they are now being conducted and (iii) all Permits of Parent and the Parent Subsidiaries are valid and in full force and effect. None of Parent, the Parent Subsidiaries or, to the Knowledge of Parent, their respective Representatives (A) is a Sanctioned Person, (B) is a Person that is owned or controlled by a Sanctioned Person, (C) is located, organized or resident in a Sanctioned Jurisdiction or (D) has or is now, in connection with the business of Parent or the Parent Subsidiaries, engaged in any dealings or transactions (1) with any Sanctioned Person, (2) in any Sanctioned Jurisdiction or (3) otherwise in material violation of Sanctions.

(b) Since January 1, 2020, Parent, the Parent Subsidiaries, and their respective directors, officers, employees, and, to the Knowledge of Parent, their Representatives have complied with applicable Anti-Corruption Laws. Neither Parent, the Parent Subsidiaries, nor their directors, officers, employees, or, to the Knowledge of Parent, any Representative has, directly or indirectly, since January 1, 2020 given, offered, promised, or authorized the giving of any payment, gift or other item of value or similar benefit to any Person (including any foreign official, foreign political party, foreign political party official or candidate for foreign political office) in violation of any applicable Anti-Corruption Law. Parent has not (i) received written or oral notice of or made a voluntary, mandatory or directed disclosure to any Governmental Entity relating to any actual or potential violation of any Anti-Corruption Law or (ii) been a party to or the subject of any pending or, to the Knowledge of Parent, threatened action or investigation related to any actual or potential violation of Anti-Corruption Laws. Parent has implemented and maintains policies and procedures reasonably designed to ensure compliance by its directors, officers, employees, and Representatives with applicable Anti-Corruption Laws.

(c) Notwithstanding anything contained in this Section 4.8, no representation or warranty shall be deemed to be made in this Section 4.8 in respect of the matters referenced in Section 4.4, or in respect of Tax, employee benefits, labor or compliance with Environmental Laws.

Section 4.9 Tax Matters. Except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect:

(a) Each of Parent and each of the Parent Subsidiaries has (i) timely filed or caused to be filed (taking into account any extension of time within which to file) all Tax Returns required to have been filed by it, and all such Tax Returns were true, correct and complete, (ii) timely paid in full or caused to be paid in full to the appropriate Governmental Entity all Taxes required to be paid by it (whether or not shown as due on such Tax Returns), (iii) established adequate accruals and reserves, in accordance with GAAP, on the financial statements included in the Parent SEC Documents for all Taxes payable by Parent and the Parent Subsidiaries for all taxable periods and portions thereof through the date of such financial statements and (iv) not received any written notice of any deficiencies for any Tax of Parent or any of the Parent Subsidiaries from any taxing authority for which there are not adequate accruals or reserves on the financial statements included in the Parent SEC Documents.

(b) Neither Parent nor any Parent Subsidiary is the subject of any currently ongoing examination, audit, litigation or other proceeding with respect to Taxes, nor has any examination, audit, litigation or other proceeding with respect to Taxes been proposed against any of them in writing, and any deficiencies asserted or assessments made as a result of any examination, audit, litigation or other proceeding with respect to Taxes have been paid in full or are being contested in good faith and adequate accruals or reserves for such deficiencies or assessments have been established. There are no Liens for Taxes on any of the assets of Parent or any Parent Subsidiary other than Parent Permitted Liens. No claim has ever been made in writing by a taxing authority of a jurisdiction where Parent or any Parent Subsidiary has not filed Tax Returns or paid taxes of a particular type that Parent or such Subsidiary is or may be subject to taxation by that jurisdiction, or is required to file Tax Returns or pay Taxes of such type in such jurisdiction.

(c) Neither Parent nor any Parent Subsidiary (i) has ever been a member of any affiliated, combined, unitary or other similar group (other than any such group the common parent of which is Parent or any Parent Subsidiary), (ii) is a party to or bound by any written Tax allocation, indemnification, sharing or similar agreement (other than an agreement exclusively between or among Parent and the Parent Subsidiaries), except for customary commercial agreements entered into in the ordinary course of business the primary purpose of which is not related to Taxes, or (iii) has any liability for any Taxes of any Person (other than Parent or any Parent Subsidiary) under Section 1.1502-6 of the Treasury regulations promulgated under the Code (or any analogous or similar provision of any state, local or non-U.S. Tax Law), as a transferee or successor, by contract (other than pursuant to customary commercial agreement entered into in the ordinary course of business the primary purpose of which is not related to Taxes), or otherwise by operation of Law.

(d) Parent and the Parent Subsidiaries (A) have timely paid, deducted, withheld and collected all amounts required to be paid, deducted, withheld or collected by any of them with respect to any payment owing to, or received from, their employees, creditors, independent contractors, customers and other third parties (and have timely paid over, or set aside in accounts for such purpose, any amounts so withheld, deducted or collected to the appropriate Governmental Entity), and (B) have otherwise complied with all applicable Laws relating to the payment, withholding, collection and remittance of Taxes (including information reporting requirements).

(e) Neither Parent nor any Parent Subsidiary has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355(a) of the Code within the past two (2) years or otherwise as part of a plan that includes the Merger.

(f) Neither Parent nor any Parent Subsidiary has participated in any “listed transaction” within the meaning of Section 1.6011-4(b)(2) of the Treasury regulations promulgated under the Code (or any analogous or similar provision of state, local or non-U.S. Law).

(g) Neither Parent nor any Parent Subsidiary (i) has filed or agreed to any extension of time within which to file any Tax Returns that have not been filed, except for automatic extensions of time to file income Tax Returns entered into in the ordinary course of business, (ii) has entered into any agreement or other arrangement waiving or extending the statute of limitations or the period of assessment or collection of any Taxes, (iii) has applied for a ruling from a taxing authority relating to any Taxes that has not been granted or has proposed to enter into an agreement with a taxing authority that is pending or (iv) is party to or bound by any “closing agreement” as described in Section 7121 of the Code (or any analogous or similar provision of state, local or non-U.S. Tax Law) or any private letter rulings, technical advice memoranda or similar agreement or rulings by or with any taxing authority.

(h) Neither Parent nor any Parent Subsidiary has taken or agreed to take any action, intends to take any action, or has Knowledge of any fact or circumstance, in each case, that could reasonably be expected to prevent or impede the Merger from qualifying as, or to cause the Merger to fail to qualify as, a “reorganization” within the meaning of Section 368(a)(1) of the Code.

(i) It is agreed and understood that no representation or warranty is made by Parent in respect of Tax matters in any Section of this Agreement other than Section 4.4, this Section 4.9 and Section 4.10.

Section 4.10 Employee Benefit Plans.

(a) Section 4.10(a) of the Parent Disclosure Schedule sets forth a complete and accurate list of all material Parent Benefit Plans. With respect to each material Parent Benefit Plan, Parent has made available to the Company copies of, as applicable, (i) each summary plan description and summaries of material modifications, (ii) the most recent IRS determination letter or foreign equivalent issued by a Governmental Entity, as may be applicable, (iii) actuarial reports and financial statements for the most recently completed fiscal year, (iv) the most recent annual report (Form 5500) and all applicable schedules thereto or foreign equivalent and (v) all material, non-routine documents and correspondence relating thereto received from or provided to any Governmental Entity during the past year.

(b) Each Parent Benefit Plan has been operated and administered in all material respects in accordance with its terms and all applicable Laws, including ERISA and the Code. Each Parent Benefit Plan intended to be “qualified” within the meaning of Section 401(a) of the Code is the subject of a favorable determination letter from the Internal Revenue Service as to its qualification and, to Parent’s Knowledge, no event has occurred that could reasonably be expected to result in the disqualification of such Parent Benefit Plan. Since January 1, 2023, there have not been any actions pending against or involving or, to Parent’s Knowledge, threatened against or threatened to involve any Parent Benefit Plan (other than routine claims for benefits). No events have occurred with respect to any Parent Benefit Plan that has resulted in, or to Parent’s Knowledge, would reasonably be expected to result in, the assessment of any material excise Taxes or penalties against Parent. All contributions, premiums and payments that are due to have been made for each Parent Benefit Plan within the time periods prescribed by the terms of such plan and applicable Law have been made.

(c) Parent does not sponsor, contribute to, have an obligation to contribute to or have any liability, and has not since January 1, 2019, sponsored, contributed to, had an obligation to contribute to or had any liability with respect to (i) a plan subject to Title IV of ERISA, including any defined benefit plan (as defined in Section 3(35) of ERISA), (ii) a multiple employer plan subject to Section 4063 or 4064 of ERISA, (iii) a plan subject to Section 302 of ERISA or Section 412 of the Code, (iv) a multiple employer welfare arrangement (as defined in Section 3(40)(A) of ERISA) or (v) a voluntary employees’ beneficiary association under Section 501(c)(9) of the Code. Neither Parent nor any Parent Subsidiary contributes to a “multiemployer plan” (as defined in Section 3(37) of ERISA). Other than routine claims for benefits, no liability under Title IV of ERISA has been incurred by Parent or any Parent Subsidiary that has not been satisfied in full when due, and no condition exists that could reasonably be expected to result in a material liability to Parent or any Parent Subsidiary under Title IV of ERISA.

(d) The consummation of the Transactions will not (i) entitle any current or former employee, director, consultant or other individual service provider of Parent or any Parent Subsidiary to any compensation or benefits (including severance, retention or change in control pay, unemployment compensation or any other payment), (ii) accelerate the time of payment or vesting, or increase the amount, of compensation due any such current or former employee or director or (iii) limit or restrict the right of Parent and, after the consummation of the Transactions, Parent or the Surviving Corporation, to merge, amend or terminate any Parent Benefit Plans.

(e) There are no material pending or, to Parent's Knowledge, threatened Claims against, by or on behalf of, or any Liens filed against or with respect to, any of the Parent Benefit Plans or otherwise involving any Parent Benefit Plan.

(f) Neither Parent nor any Parent Subsidiary is a party to any agreement, contract or arrangement that would reasonably be expected to result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(g) Parent has no obligation to gross-up, indemnify or otherwise reimburse any current or former employee, director, consultant or other individual service provider for any Tax incurred by such individual, including under Section 409A or 4999 of the Code.

(h) No Parent Benefit Plan provides any benefits, including death or medical benefits (whether or not insured), with respect to current or former employees or directors of Parent or any Parent Subsidiary beyond their retirement or other termination of service, other than (i) health continuation coverage pursuant to Section 4980B of the Code, (ii) coverage mandated solely by applicable Law, or (iii) benefits the full costs of which are borne by the current or former employee or director or his or her beneficiary.

(i) Each Parent Benefit Plan that is in any part a "nonqualified deferred compensation plan" subject to Section 409A of the Code complies and has complied, both in form and operation, in all material respects, with the requirements of Section 409A of the Code and the final regulations and other applicable guidance thereunder.

Section 4.11 Employment and Labor Matters.

(a) (i) To the Knowledge of Parent, since January 1, 2023, no Union has attempted to organize employees at Parent or any Parent Subsidiary or filed a petition with the National Labor Relations Board seeking to be certified as the bargaining representative of any employees of Parent or any Parent Subsidiary ("Parent Employees"), (ii) since January 1, 2023, there have been no actual or, to the Knowledge of Parent, threatened (A) work stoppages, lock-outs or strikes, (B) slowdowns, boycotts, handbilling, picketing, walkouts, demonstrations, leafleting, sit-ins or sick-outs by Parent Employees, causing significant disruption to the operations of a Parent facility, or (C) other form of Union disruption at Parent or any Parent Subsidiary, (iii) except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, there is no unfair labor practice, labor dispute, or labor arbitration proceeding pending or, to the Knowledge of Parent, threatened with respect to Parent Employees and (iv) neither Parent nor any Parent Subsidiary are required under applicable Law or Contract to provide notice to, or to enter into any consultation procedure with, any Union or similar foreign labor organization, in connection with the execution of this Agreement or the Transactions.

(b) Except for such matters that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, (i) Parent and the Parent Subsidiaries are, and since January 1, 2023 have been, in compliance with all applicable state, federal, and local Laws respecting labor and employment, including all Laws relating to discrimination, disability, labor relations, unfair labor practices, hours of work, payment of wages, employee benefits, retirement benefits, compensation, immigration, workers' compensation, working conditions, occupational safety and health, family and medical leave, reductions in force, plant closings, notification of employees, and employee terminations and (ii) neither Parent nor any Parent Subsidiary has any liabilities under the WARN Act or any state or local Laws requiring notice with respect to such layoffs or terminations.

(c) Except for such matters that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, since January 1, 2023, (i) no Governmental Entity has initiated or, to the Knowledge of Parent, threatened to initiate, any material complaints, charges, lawsuits, grievances, claims, arbitrations, administrative proceedings, or other proceeding(s) or investigation(s) with respect to Parent or the Parent Subsidiaries arising out of, in connection with, or otherwise relating to any Parent Employees or any Laws governing labor or employment, and (ii) no Governmental Entity has issued or, to the Knowledge of Parent, threatened to issue any significant citation, order, judgment, fine or decree against Parent or any of the Parent Subsidiaries with respect to any Parent Employees or any Laws governing labor or employment.

(d) To the Knowledge of Parent, no Parent Employee is in any respect in violation of any term of any employment agreement, nondisclosure agreement, common law nondisclosure obligation, fiduciary duty, non-competition agreement, restrictive covenant or other obligation (i) to Parent or any Parent Subsidiary or (ii) to a former employer of any such employee relating (A) to the right of any such employee to be employed by Parent or any Parent Subsidiary or (B) to the knowledge or use of trade secrets or proprietary information.

(e) Since January 1, 2023, neither Parent nor any Parent Subsidiary is or has been party to a settlement agreement with a current or former officer, employee or independent contractor of Parent or the Parent Subsidiaries that involves allegations relating to harassment or discrimination of any kind by either (i) an officer of Parent or any Parent Subsidiary or (ii) an employee of Parent or any Parent Subsidiary at the level of Senior Vice President or above. To the Knowledge of Parent, since January 1, 2023, no allegations of harassment or discrimination of any kind have been made against (i) any officer of Parent or any Parent Subsidiary or (ii) an employee of Parent or any Parent Subsidiary at a level of Senior Vice President or above.

Section 4.12 Environmental Laws and Regulations.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect:

(i) there is no pending or, to the Knowledge of Parent, threatened claim, lawsuit, or administrative proceeding against Parent or any Parent Subsidiary, under or pursuant to any Environmental Law, and neither Parent nor any Parent Subsidiary has received notice from any Person, including any Governmental Entity, alleging that Parent has been or is in violation or potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law, which violation or liability is unresolved;

(ii) Parent and the Parent Subsidiaries are and, since January 1, 2020, have been in compliance with all applicable Environmental Laws and with all material permits, licenses and approvals required under Environmental Laws for the conduct of their business or the operation of their facilities;

(iii) Parent and the Parent Subsidiaries have all material permits, licenses, authorizations and any other approvals required for the ownership operation of the businesses and their facilities pursuant to applicable Environmental Law, all such permits, licenses and approvals are in effect, and, to the Knowledge of Parent, there is no actual or threatened proceeding to revoke, modify or terminate such permits, licenses, authorizations and approvals;

(iv) there has been no release of Hazardous Materials at any real property currently or, to the Knowledge of Parent, formerly owned, leased, or operated by Parent or any Subsidiary in concentrations or under conditions or circumstances that (A) would reasonably be expected to result in liability to Parent or any Parent Subsidiary under any Environmental Laws or (B) would require reporting, investigation, remediation, or other corrective or response action by Parent or any Subsidiary under any Environmental Law and that has not otherwise been addressed through such reporting, investigation, remediation, or other corrective or responsive action by Parent or any Subsidiary;

(v) Parent is not party to any order, judgment or decree that imposes any obligations under any Environmental Law and, to the Knowledge of Parent, has not, either expressly or by operation of Law, undertaken any such obligations, including any obligation for corrective or remedial action, of any other person; and

(vi) this Agreement and the Transactions will not trigger, or otherwise be subject to, any Environmental Law requiring the investigation or remediation of environmental conditions at any property currently owned or leased by Parent or any of the Parent Subsidiaries as a result of such transactions, including the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and all implementing rules and regulations, and neither Parent nor any Parent Subsidiary has any unresolved obligations under any such Environmental Laws.

(b) Parent has delivered or otherwise made available for inspection to the Company (including through documents or discussions) information reasonably describing any (i) material unresolved liabilities under Environmental Law, (ii) Hazardous Materials in, on, beneath or adjacent to any property currently or formerly owned, operated or leased by Parent or any of the Parent Subsidiaries that would be reasonably likely to form the basis of any material claim against Parent or any of the Parent Subsidiaries under Environmental Law or (iii) material non-compliance with Environmental Laws by Parent or any of the Parent Subsidiaries.

Section 4.13 Insurance. Except as would not have or would not be reasonably expected to have, individually or in the aggregate, a Parent Material Adverse Effect, (a) Parent and the Parent Subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of Parent reasonably has determined in good faith to be prudent and consistent with industry practice, and Parent and the Parent Subsidiaries are in compliance in all material respects with their insurance policies and are not in default under any of the terms thereof and (b) all material fire and casualty, general liability, director and officer, business interruption, product liability, and sprinkler and water damage insurance policies maintained by Parent or any Parent Subsidiary ("Parent Insurance Policies") are in full force and effect, all premiums due with respect to all Parent Insurance Policies have been paid and neither Parent nor any Parent Subsidiary has received any written notice of cancellation, invalidation or non-renewal of any Parent Insurance Policy. Parent has made available to the Company a summary of the Parent Insurance Policies.

Section 4.14 Required Vote of Parent Stockholders: Merger Sub Approval.

(a) The affirmative vote of holders of a majority of the Parent Common Stock present or represented and entitled to vote on the Parent Common Stock Issuance at the Parent Stockholder Meeting (so long as a quorum is present) is the only vote of the holders of any class or series of Parent capital stock necessary to approve the Parent Common Stock Issuance (the "Parent Stockholder Approval"), and no other vote of the holders of any class or series of Parent capital stock is necessary to approve the Parent Common Stock Issuance or to approve this Agreement or the Transactions.

(b) The board of directors of Merger Sub, by written consent duly adopted prior to the date hereof, (i) determined that this Agreement and the Transactions are advisable and in the best interests of Merger Sub and its stockholder, (ii) duly approved this Agreement and the Transactions, which approval has not been rescinded or modified and (iii) submitted this Agreement for adoption, and the Transactions for approval, by Parent, as the sole stockholder of Merger Sub. Parent, as the sole stockholder of Merger Sub, has duly adopted this Agreement and approved the Transactions.

Section 4.15 Lack of Ownership of Company Common Stock. Neither Parent nor any Parent Subsidiary beneficially owns, directly or indirectly, any shares of Company Common Stock or other securities convertible into, exchangeable for or exercisable for shares of Company Common Stock or any securities of any Company Subsidiary (other than, for the avoidance of doubt, any shares of Company Common Stock that may be held by Parent Benefit Plans), and neither Parent nor any Parent Subsidiary has any rights to acquire any shares of Company Common Stock except pursuant to this Agreement. There are no voting trusts or other agreements or understandings to which Parent or any Parent Subsidiary is a party with respect to the voting of the capital stock or other equity interest of the Company or any Company Subsidiary.

Section 4.16 Regulatory Matters.

(a) Section 4.16(a) of the Parent Disclosure Schedule lists each Parent Subsidiary that is subject to regulation by a state regulatory commission as a public utility or public service company (or similar designation) and the states where such Parent Subsidiary is subject to such regulation (the "Regulated Parent Subsidiaries"). Other than as set forth in Section 4.16(a) of the Parent Disclosure Schedule, as of the date hereof, neither Parent nor any Parent Subsidiary is subject to regulation as a public utility or public service company (or similar designation) by any state in the U.S. or in any foreign country. No asset of Parent or any of the Regulated Parent Subsidiaries is currently disallowed from recovery in rates based on its value and associated expenses in any ratemaking procedure before any Applicable PSC, as applicable.

(b) All filings (other than immaterial filings) required to be made by Parent or any Parent Subsidiary since January 1, 2023 with any applicable state public utility commissions and under applicable state Law, as the case may be, have been made, including all forms, statements, reports, agreements and all documents, exhibits, amendments and supplements appertaining thereto, including all rates, tariffs, franchises, service agreements, and related documents, and all such filings complied, as of their respective dates, with all applicable requirements of applicable Laws, except for filings the failure of which to make or the failure of which to make in compliance with all applicable requirements of applicable Laws, would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(c) Each of Parent and the Parent Subsidiaries, as applicable, is legally entitled to provide services in all areas (i) where it currently provides service to its customers and (ii) as identified in its respective Permits, in each case, except for failures to be so entitled that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(d) As of the date hereof, neither Parent nor any Parent Subsidiary all or part of whose rates or services are regulated by a Governmental Entity (i) is a party to any rate proceeding before a Governmental Entity with respect to rates charged by Parent or any Parent Subsidiary other than in the ordinary course of business consistent with past practice, (ii) other than as set forth in Section 4.16(d) of the Parent Disclosure Schedule, has rates in any amounts that have been or are being collected subject to refund, pending final resolution of any rate proceeding pending before a Governmental Entity or on appeal to a court (other than rates based on estimated costs or revenues that are subject to adjustment once the actual costs or revenues become known) or (iii) is a party to any contract with any Governmental Entity entered into other than in the ordinary course of business consistent with past practice imposing conditions on rates or services in effect as of the date hereof or which, to the Knowledge of Parent, are as of the date hereof scheduled to go into effect at a later time, except, in the case of clauses (i) through (iii), that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.17 Water Quality and Water Rights. Except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, (a) the drinking water supplied by Parent and the Parent Subsidiaries to their respective customers is and has been, since January 1, 2023, in compliance with all applicable federal and state drinking water standards and (b) Parent and the Parent Subsidiaries have all rights, authorizations, permits, easements, prescriptive rights and rights of way, whether or not of record, which are necessary to extract and deliver water to their respective customers in a manner adequate and sufficient for the conduct of its business as currently conducted (the “Parent Water Rights”). To the Knowledge of Parent, (i) there is not any existing breach or default by Parent or any Parent Subsidiary under any of the Parent Water Rights which (with or without notice, lapse of time or both) would cause any of the Parent Water Rights to be lost, revoked or compromised or not be satisfied and (ii) there is no other reason to believe that any Parent Water Rights will be lost, revoked or compromised or will not be satisfied, except, in each of clauses (i) and (ii), as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.18 Intellectual Property; Information Technology; Data Protection.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, Parent and the Parent Subsidiaries own or have a valid right to use all Intellectual Property Rights used in connection with and reasonably necessary for the business of Parent and the Parent Subsidiaries as currently conducted. To the Knowledge of Parent, neither Parent nor any Parent Subsidiary has infringed, misappropriated or violated in any material respect any Intellectual Property Rights of any third party except where such infringement, misappropriation or violation would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. To the Knowledge of Parent, no third party is infringing, misappropriating or violating any Intellectual Property Rights owned or exclusively licensed by or to Parent or any Parent Subsidiary, except where such infringement, misappropriation or violation would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(b) Except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, the computer systems (including the software, hardware, networks, platforms and related systems) used in connection with the business of Parent or any Parent Subsidiary are adequate and sufficient for the operation of the business of Parent and the Parent Subsidiaries as currently conducted.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, since January 1, 2023, Parent and the Parent Subsidiaries have in all material respects Processed Personal Data in compliance with Information Privacy Requirements. Since January 1, 2023, to the Knowledge of Parent, no Claim or investigation has been filed, commenced or threatened in writing against Parent or any Parent Subsidiary alleging, and neither Parent nor any Parent Subsidiary have given any written Claim of, any material failure to comply with any Information Privacy Requirement. Except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, since January 1, 2023, Parent and the Parent Subsidiaries have implemented and maintained industry standard administrative, technical, physical and organizational security measures, including written policies and procedures designed to protect the integrity, confidentiality and security of Personal Data Processed by Parent or the Parent Subsidiaries.

Section 4.19 Real Property.

(a) Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, each of Parent and the Parent Subsidiaries has either good, valid or marketable fee title to each parcel of real property owned in whole or in part by Parent or any Parent Subsidiary, together with all buildings and other structures, facilities or improvements located thereon and all easements, licenses, rights and appurtenances of Parent or any Parent Subsidiary relating to the foregoing (collectively, the “Parent Owned Real Property.”) free and clear of all Liens, other than Parent Permitted Liens. Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, there are no outstanding agreements, options, rights of first offer or rights of first refusal, leases, licenses or other occupancy agreements granting to any third party any right to purchase, use, occupy or enjoy any Parent Owned Real Property or any portion thereof or interest therein.

(b) Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, each of Parent and the Parent Subsidiaries holds a valid and existing leasehold or other real property interest in all leasehold or subleasehold estates, license or occupancy agreements (collectively, the “Parent Real Property Leases”), easements, rights of ways or other real property rights to the land, buildings, wires, pipes, structures and other improvements thereon and fixtures thereto necessary to permit it to conduct its business as currently conducted (whether written or oral), and all amendments or modifications thereto (collectively, the “Parent Leased Real Property”). Except as would not reasonably be expected to interfere in any material respect with the current use and operation of the Parent Leased Real Property by Parent and the Parent Subsidiaries, each Parent Real Property Lease is in full force and effect, and Parent or a Parent Subsidiary holds a valid and existing leasehold or other real property interest in all of the Parent Leased Real Property, free and clear of all subtenancies and other occupancy rights, and Liens other than Parent Permitted Liens. All parties to each Parent Real Property Lease are in material compliance with the terms thereof and there are no material defaults thereunder or events, which with the passage of time or notice, or both, would constitute a material default.

(c) With respect to each Parent Owned Real Property and each Parent Leased Real Property, (i) neither Parent nor any of the Parent Subsidiaries has received written notice of any pending or threatened eminent domain, condemnation, or similar taking proceedings, (ii) neither Parent nor any of the Parent Subsidiaries has received any written notice that would reasonably be likely to cause either Parent or any of the Parent Subsidiaries to materially curtail its operations at such property, or that would reasonably be expected to materially impair such operations, (iii) to the Knowledge of Parent, each Parent Owned Real Property and each Parent Leased Real Property is in compliance with all applicable Laws, except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect and (iv) all utilities presently serving the Parent Owned Real Property and Parent Leased Real Property are presently adequate to service the existing normal operations of Parent and the Parent Subsidiaries, in each case, except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(d) Except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, the Parent Owned Real Property and Parent Leased Real Property, including all structures, buildings, fixtures, building systems, facilities, improvements or the like located thereon, are in good operating condition and repair, ordinary wear and tear and deferred maintenance excepted, and are sufficient for the uses in which such properties are presently employed.

Section 4.20 Material Contracts.

(a) Except for this Agreement, as set forth in Section 4.20 of the Parent Disclosure Schedule and Parent Benefit Plans, as of the date hereof, neither Parent nor any Parent Subsidiary is a party to or bound by any Contract that:

(i) is a “material contract” (as such term is defined in Item 601(b)(10) of Regulation S-K promulgated by the SEC);

(ii) would, after giving effect to the Merger, materially limit or materially restrict the Surviving Corporation or any of its Subsidiaries or any successor thereto, from engaging or competing in any line of business that it currently engages in or is a reasonable extension thereof (including with respect to Parent after the Effective Time) or in any geographic area (including through exclusivity, non-solicitation or “most favored nation” provisions with respect to customers);

(iii) limits or otherwise restricts the ability of Parent or any Parent Subsidiary to pay dividends or make distributions to its stockholders;

(iv) (A) is an indenture, credit agreement, loan agreement, security agreement, guarantee, note, mortgage or other agreement or commitment that provides for or relates to any Indebtedness of Parent or any Parent Subsidiary, including any sale and leaseback transactions or other similar financing arrangements or (B) provides for the guarantee, support, indemnification, assumption or endorsement by Parent or any Parent Subsidiary of, or any similar commitment by Parent or any Parent Subsidiary with respect to, the obligations, liabilities or Indebtedness of any other Person of the nature described in clause (A), in the case of each of clauses (A) and (B), in the principal amount of \$200,000,000 or more;

(v) is a settlement, consent or similar Contract to resolve litigation and that contains any material continuing obligations of Parent or any Parent Subsidiary;

(vi) is a collective bargaining agreement, work rules or other agreement with any Union;

(vii) (A) is a joint venture, partnership or limited liability company agreement or other similar Contract relating to the formation, creation, operation, management or control of any Joint Venture of Parent (other than any such Contract solely among any of Parent and the wholly owned Parent Subsidiaries), in each case, that is material to Parent and the Parent Subsidiaries taken as a whole or (B) is a shareholder or stockholder agreement between Parent or any Parent Subsidiary, on the one hand, and any other Person, on the other hand;

(viii) grants any right of first refusal, right of first offer, or right of first negotiation with respect to any assets, rights or properties of Parent or the Parent Subsidiaries that are material to Parent and the Parent Subsidiaries taken as a whole; or

(ix) relates to any past or pending acquisition or disposition of any Person, business or assets constituting a business and under which Parent or the Parent Subsidiaries have any material continuing guarantee, “earnout” or other contingent, deferred or fixed payment obligations.

(b) Each Contract of the type described in this Section 4.20, whether or not set forth on Section 4.20 of the Parent Disclosure Schedule and whether or not entered into on or prior to the date hereof, is referred to herein as a “Parent Material Contract.” Parent has made available to the Company true, correct and complete copies of each Parent Material Contract in effect as of the date hereof (other than any Contracts publicly available and filed as exhibits to the Parent SEC Documents prior to the date of this Agreement), excluding any schedules, annexes, exhibits, work orders, statements of work or other ancillary documents with respect to any such Parent Material Contracts that are no longer in force or effect or do not contain terms that are, individually or in the aggregate, material to Parent and the Parent Subsidiaries, taken as a whole.

(c) Each Parent Material Contract is a valid and binding obligation of Parent or the Parent Subsidiary party thereto enforceable against Parent or such Parent Subsidiary in accordance with its terms (except that such enforcement may be subject to the Bankruptcy and Equity Exceptions) and, to Parent’s Knowledge, each other party thereto, and is in full force and effect, and each of Parent and each of the Parent Subsidiaries which is a party thereto has performed in all material respects all obligations required to be performed by it to the date hereof under each Parent Material Contract and, to Parent’s Knowledge, each other party to each Parent Material Contract has performed in all material respects all obligations required to be performed by it under such Parent Material Contract, except, in each case, as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. Parent has no Knowledge of, and none of Parent or any Parent Subsidiary has received notice of, any violation of or default under (or any condition which with the passage of time or the giving of notice would cause such a violation of or default under) any Parent Material Contract to which it is a party or by which it or any of its properties or assets is bound, except for violations or defaults that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.21 Opinion of Financial Advisor. The Parent Board has received the oral opinion of BofA Securities, Inc., which opinion will be subsequently confirmed in writing, to the effect that, as of the date of such opinion and based upon and subject to the various factors, limitations, qualifications, assumptions and other matters set forth therein, the Exchange Ratio provided for in the Merger is fair, from a financial point of view, to Parent. Parent shall, promptly following receipt of said opinion in written form, furnish an accurate and complete copy of said opinion to the Company solely for informational purposes and on a non-reliance basis.

Section 4.22 Finders or Brokers. Except for BofA Securities, Inc. (the fees and expenses of which will be the responsibility of Parent), neither Parent nor any Parent Subsidiary has employed any investment banker, broker or finder in connection with the Transactions who might be entitled to any fee or any commission in connection with or upon consummation of the Merger or the Transactions.

ARTICLE V

COVENANTS AND AGREEMENTS

Section 5.1 Conduct of Business by the Company.

(a) Except (i) for matters set forth in Section 5.1(a) of the Company Disclosure Schedule or otherwise expressly contemplated or required by this Agreement, (ii) as required by applicable Law or (iii) with the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed), from and after the date of this Agreement until the earlier to occur of the Effective Time and the termination of this Agreement in accordance with Section 7.1 (the “Interim Period”), the Company shall, and shall cause each Company Subsidiary to, use commercially reasonable efforts to (A) conduct its business in the ordinary course of business consistent with past practice in all material respects and (B) preserve intact its present business organizations and maintain their relationships with Governmental Entities, customers and suppliers and others having significant business dealings with them; provided that no action by the Company or any Company Subsidiary with respect to matters specifically addressed by any provision of Section 5.1(b) shall be deemed a breach of this Section 5.1(a), unless such action would constitute a breach of Section 5.1(b).

(b) Without limiting the generality of the foregoing, except as set forth in Section 5.1(b) of the Company Disclosure Schedule or otherwise required or expressly contemplated by this Agreement, as required by applicable Law, or with the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed), during the Interim Period, the Company shall not, and shall not permit any Company Subsidiary to, do any of the following:

(i) Organizational Documents. (A) Amend the Company Organizational Documents or (B) amend any of the Organizational Documents of any Company Subsidiary, in the case of clause (B) in a manner that would be materially adverse to Parent or that would reasonably be expected to interfere with the consummation of the Merger;

(ii) Dividends. Declare, set aside or pay any dividends on or make any distribution with respect to any Company Equity Securities (whether in cash, assets, stock or other securities of the Company or any Company Subsidiary), except (A) the declaration and payment of quarterly cash dividends with respect to the Company Common Stock on a schedule consistent with the Company’s past practices in an amount per share of Company Common Stock not in excess of the amounts set forth in Section 5.1(b)(ii) of the Company Disclosure Schedule, (B) the declaration and payment of dividends from a Company Subsidiary to the Company or to another wholly owned Company Subsidiary and (C) dividend equivalents accrued or payable by the Company in respect of Company Equity Awards in accordance with the applicable award agreements;

(iii) Splits, Issuances and Repurchases of Company Equity Securities. (A) Split, combine, reclassify or take similar actions with respect to any Company Equity Securities or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for such Company Equity Securities or (B) repurchase, redeem or otherwise acquire any Company Equity Securities, except for transactions (1) among the Company, on the one hand, and any wholly owned Company Subsidiary, on the other hand, (2) among wholly owned Company Subsidiaries which remain wholly owned Company Subsidiaries after consummation of such transaction, (3) required by any Company Benefit Plan and (4) pursuant to the Company DRIP (in the case of the foregoing clauses (1) and (2), in the ordinary course of business consistent with past practice and that do not adversely affect the Company);

(iv) Company Equity Awards. Except for transactions (A) among the Company, on the one hand, and any wholly owned Company Subsidiary, on the other hand or (B) among the Company's wholly owned Subsidiaries, in each case, in the ordinary course of business consistent with past practice and that do not adversely affect the Company, issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any Company Equity Securities (except as otherwise provided by the terms of this Agreement or as required by the terms of any Company Benefit Plan or the Company DRIP), other than (1) issuances of shares of Company Common Stock in respect of any exercise of Company Stock Options and settlement of any Company Equity Awards outstanding on the date hereof or as may be granted after the date hereof as permitted under this Section 5.1(b) in accordance with their respective terms and (2) the issuances of Company Common Stock pursuant to the terms of the Company ESPP in respect of the current Company ESPP offering period;

(v) Liquidation; Merger; Reorganizations. Adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, or enter into a letter of intent or agreement in principle with respect thereto, other than the Merger and other than any merger, consolidation, restructuring or reorganization among wholly owned Company Subsidiaries in the ordinary course of business consistent with past practice and that do not adversely affect the Company;

(vi) Redemption of Indebtedness. Redeem, repurchase, defease, cancel or otherwise acquire any Indebtedness of the Company or any Company Subsidiary, other than (A) transactions among the Company, on the one hand, and any wholly owned Company Subsidiary, on the other hand, or among wholly owned Company Subsidiaries, in each case, in the ordinary course of business consistent with past practice and that do not adversely affect the Company, (B) any required amortization payments and mandatory prepayments and (C) Indebtedness arising under the agreements disclosed in Section 5.1(b)(vi) of the Company Disclosure Schedule, in each case, in accordance with the terms of the instrument governing such Indebtedness as in effect on the date hereof;

(vii) Incurrence of Indebtedness. Create, incur, assume or otherwise be liable with respect to any Indebtedness, other than (A) in the ordinary course of business consistent with past practice, (B) Indebtedness incurred by any Company Subsidiary under any loan permitted by Section 5.1(b)(ix), (C) in connection with a refinancing of existing Indebtedness on commercially reasonable terms, (D) for borrowings under the Company's and any Company Subsidiary's existing commercial paper programs or revolving credit

facilities, (E) guarantees and other credit support (including pursuant to support agreements) by the Company of existing Indebtedness of any wholly owned Company Subsidiary in the ordinary course of business or (F) guarantees and other credit support by any Company Subsidiary of obligations of any wholly owned Company Subsidiary in the ordinary course of business; provided that, in the case of each of clauses (A) through (F), (1) such actions are not reasonably likely to cause any of Fitch Ratings, Inc., S&P Global Ratings or Moody's Investors Service to recognize the Company's corporate credit rating to be less than investment grade and (2) in no event shall any Indebtedness incurred pursuant to this Section 5.1(b)(vii) or any amendment, modification or waiver to any Indebtedness include any term or provision pursuant to which the consummation of the Merger or the other Transactions would reasonably be expected to result in a breach, default or event of default with respect to such Indebtedness or permit the holders of any Indebtedness of the Company or any Company Subsidiary to accelerate payment of such Indebtedness or require the Company or any Company Subsidiary to voluntarily or involuntarily redeem, replace or repay such Indebtedness prior to its scheduled maturity;

(viii) Acquisitions; New Line of Business. (A) Acquire (whether by merger, consolidation, purchase or otherwise) any water or wastewater assets or any equity interests therein, or make investments in any other Person owning, operating or controlling such assets, in each case, except (1) in the ordinary course of business and consistent with past practice or (2) acquisitions of such assets that are reasonably expected to be included in the rate base of an applicable Regulated Company Subsidiary, (B) acquire (whether by merger, consolidation, purchase or otherwise) any assets that are not water or wastewater assets or any equity interests therein, or make investments in any other Person owning, operating or controlling such assets, or (C) enter into any new line of business or conduct any business outside the U.S.;

(ix) Capital Contributions. Make any loans, advances or capital contributions to any other Person, other than (A) in connection with actions permitted by Section 5.1(b)(vii) or Section 5.1(b)(viii), (B) in the ordinary course of business consistent with past practice, (C) between the Company, on the one hand, and any wholly owned Company Subsidiary, on the other hand, or between wholly owned Company Subsidiaries or (D) as required pursuant to any obligation in effect as of the date of this Agreement;

(x) Dispositions of Properties or Assets. Sell, lease, license, transfer, exchange or swap, mortgage (including securitizations), subject to any Lien, or otherwise dispose in any twelve (12)-month period of more than \$100,000,000 in the aggregate of its properties or assets, including the capital stock of Company Subsidiaries, except (A) dispositions among the Company, on the one hand, and any wholly owned Company Subsidiary, on the other hand, (B) dispositions among wholly owned Company Subsidiaries, (C) dispositions of obsolete equipment or assets or dispositions of assets being replaced, in each case in the ordinary course of business consistent with past practice, (D) dispositions by the Company or any Company Subsidiary of its assets in accordance with the terms of restructuring and divestiture plans mandated by any Governmental Entity, (E) Liens arising under existing first mortgage bond or other similar indentures and related securities and agreements of operating Company Subsidiaries, (F) provisions under existing credit facilities of the Company and the Company Subsidiaries that provide for the cash collateralization of letters of credit upon a default and (G) dispositions of accounts receivable of Company Subsidiaries under any accounts receivable financing, securitization, factoring or similar arrangements and Liens associated therewith;

(xi) Employee Matters. Except as required by the terms of a Company Benefit Plan set forth on Section 3.10(a) of the Company Disclosure Schedule as of the date of this Agreement, by any applicable collective bargaining agreement, by applicable Law, (A) materially increase the compensation or other benefits (including equity-based awards), payable or provided to the Company's directors, executives, officers, managers or employees; (B) terminate the employment of any current officer or employee of the Company with annual base pay in excess of \$200,000 other than for cause; (C) enter into any employment, change of control, separation, retention or similar agreement with any current or future employee of the Company; (D) establish, adopt, enter into, accelerate any rights or benefits under, or amend (other than any amendment that is immaterial or administrative in nature) any plan, policy, program or arrangement for the benefit of any current or former directors, officers or employees or any of their beneficiaries, except as permitted pursuant to clause (C) above; or (E) enter into, accelerate any rights or benefits under, amend or renew any collective bargaining agreement or any other labor-related agreement or arrangement with any Union except in the ordinary course of business consistent with past practice;

(xii) Employee Restrictive Covenants. Waive, release or amend the restrictive covenant obligations of any current or former director, officer, employee, or natural independent contractor of the Company or any Company Subsidiary;

(xiii) WARN Act Compliance. Engage in any "plant closing," "mass layoff" or similar act requiring notice under the WARN Act or any similar federal, state or local Law;

(xiv) Accounting Policies. Materially change financial accounting policies or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP, SEC rule or policy or applicable Law;

(xv) Taxes. (A) Settle or compromise any material liability for Taxes or any Tax examination, audit, governmental claim, litigation or other proceeding relating to a material amount of Taxes, (B) change or revoke any material Tax election, except in the ordinary course of business, (C) change any Tax accounting period or any material methods of Tax accounting, except as required by GAAP, (D) file any material amended Tax Return, other than any amended Tax Return that is not expected to result in any additional material Tax liability (such as an amended Tax Return that results in an overall Tax refund), (E) enter into any "closing agreement" within the meaning of Section 7121 of the Code (or any analogous or similar provision of state, local or non-U.S. Law), (F) agree to an extension or waiver of any statute of limitations regarding the assessment or collection of any material amount of Tax, except in the ordinary course of business, (G) surrender any right to claim a material refund of Taxes or (H) request any material ruling from any Governmental Entity with respect to Taxes (this Section 5.1(b)(xv) being the sole provision of this Section 5.1(b) governing Tax matters);

(xvi) Legal Proceedings. Pay or settle any material legal proceedings, other than payments or settlements (A) that do not exceed \$25,000,000 individually or \$50,000,000 in the aggregate in any consecutive twelve (12)-month period, (B) that have become due and payable prior to the date hereof or (C) in connection with regulatory proceedings before any Governmental Entities; provided that the exceptions set forth in this Section 5.1(b)(xvi) shall not apply to any proceedings arising out of or related to this Agreement or the Transactions; and

(xvii) agree or commit, in writing or otherwise, to take any of the foregoing actions.

(c) Notwithstanding anything to the contrary herein, the Company may, and may cause any Company Subsidiary to, take reasonable good faith actions in compliance with applicable Law with respect to any operational emergencies (including any emergency restoration measures in response to any hurricane, snow storm or blizzard, strong winds, ice event, fire, tornado, tsunami, flood, earthquake or other natural or manmade disaster or severe weather-related event, circumstance or development), equipment failures, outages, or an immediate and material threat to the health or safety of natural Persons; provided that the Company shall reasonably consult with Parent with respect to any such actions (prior to taking such actions, to the extent reasonably practicable) and shall consider in good faith feedback from Parent with respect to such actions.

Section 5.2 Conduct of Business by Parent.

(a) Except (i) for matters set forth in Section 5.2(a) of the Parent Disclosure Schedule or otherwise expressly contemplated or required by this Agreement, (ii) as required by applicable Law or (iii) with the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed), during the Interim Period, Parent shall, and shall cause each Parent Subsidiary to, use commercially reasonable efforts to (A) conduct its business in the ordinary course of business consistent with past practice in all material respects and (B) preserve intact its present business organizations and maintain their relationships with Governmental Entities, customers and suppliers and others having significant business dealings with them; provided that no action by Parent or any Parent Subsidiary with respect to matters specifically addressed by any provision of Section 5.2(b) shall be deemed a breach of this Section 5.2(a) unless such action would constitute a breach of Section 5.2(b).

(b) Without limiting the generality of the foregoing, except as set forth in Section 5.2(b) of the Parent Disclosure Schedule or otherwise required or expressly contemplated by this Agreement, as required by applicable Law, or with the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed), during the Interim Period, Parent shall not, and shall not permit any Parent Subsidiary to, do any of the following:

(i) Organizational Documents. (A) Amend the Parent Organizational Documents or (B) amend any of the Organizational Documents of any Parent Subsidiary, in the case of clause (B) in a manner that would be materially adverse to the Company or that would reasonably be expected to interfere with the consummation of the Merger;

(ii) Dividends. Declare, set aside or pay any dividends on or make any distribution with respect to any Parent Equity Securities (whether in cash, assets, stock or other securities of Parent or any Parent Subsidiary), except (A) the declaration and payment of quarterly cash dividends with respect to Parent Common Stock on a schedule consistent with Parent's past practices in an amount per share of Parent Common Stock not in excess of the amounts set forth in Section 5.2(b)(ii) of the Parent Disclosure Schedule, (B) the declaration and payment of dividends from a Parent Subsidiary to Parent or to another wholly owned Parent Subsidiary and (C) dividend equivalents accrued or payable by Parent in respect of Parent Equity Awards in accordance with the applicable award agreements;

(iii) Splits, Issuances and Repurchases of Company Equity Securities. (A) Split, combine, reclassify or take similar actions with respect to any Parent Equity Securities or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for such Parent Equity Securities or (B) repurchase, redeem or otherwise acquire any Parent Equity Securities, except for transactions (1) among Parent, on the one hand, and any wholly owned Parent Subsidiary, on the other hand, (2) among wholly owned Parent Subsidiaries which remain wholly owned Parent Subsidiaries after consummation of such transaction, (3) required by any Parent Benefit Plan and (4) pursuant to the Parent DRIP (in the case of the foregoing clauses (1) and (2), in the ordinary course of business consistent with past practice and that do not adversely affect Parent);

(iv) Parent Equity Awards. Except for transactions (A) among Parent, on the one hand, and any wholly owned Parent Subsidiary, on the other hand or (B) among Parent's wholly owned Subsidiaries, in each case, in the ordinary course of business consistent with past practice and that do not adversely affect Parent, issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any Parent Equity Securities (except as otherwise provided by the terms of this Agreement or as required by the terms of any Parent Benefit Plan or the Parent DRIP), other than (1) issuances of shares of Parent Common Stock in respect of any settlement of any restricted share units (including performance share units), phantom shares, restricted stock or similar equity awards with respect to shares of Parent Common Stock outstanding on the date hereof or as may be granted after the date hereof as permitted under this Section 5.2(b)(iv) and (2) the grant of equity compensation awards in the ordinary course of business in accordance with Parent's customary compensation practices;

(v) Liquidation; Merger; Reorganizations. Adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, or enter into a letter of intent or agreement in principle with respect thereto, other than the Merger and other than any merger, consolidation, restructuring or reorganization among wholly owned Parent Subsidiaries in the ordinary course of business consistent with past practice and that do not adversely affect Parent;

(vi) Redemption of Indebtedness. Redeem, repurchase, defease, cancel or otherwise acquire any Indebtedness of Parent or any Parent Subsidiary, other than (A) transactions among Parent, on the one hand, and any wholly owned Parent Subsidiary, on the other hand, or among wholly owned Parent Subsidiaries, in each case, in the ordinary course of business consistent with past practice and that do not adversely affect Parent, (B) any required amortization payments and mandatory prepayments and (C) Indebtedness arising under the agreements disclosed in Section 5.2(b)(vi) of the Parent Disclosure Schedule, in each case, in accordance with the terms of the instrument governing such Indebtedness as in effect on the date hereof;

(vii) Incurrence of Indebtedness. Create, incur, assume or otherwise be liable with respect to any Indebtedness, other than (A) in the ordinary course of business consistent with past practice, (B) Indebtedness incurred by any Parent Subsidiary under any loan permitted by Section 5.2(b)(ix), (C) in connection with a refinancing of existing Indebtedness on commercially reasonable terms, (D) for borrowings under Parent's and any Parent Subsidiary's existing commercial paper programs or revolving credit facilities, (E) guarantees and other credit support (including pursuant to support agreements) by Parent of existing Indebtedness of any wholly owned Parent Subsidiary in the ordinary course of business or (F) guarantees and other credit support by any Parent Subsidiary of obligations of any wholly owned Parent Subsidiary in the ordinary course of business; provided that, in the case of each of clauses (A) through (F), (1) such actions are not reasonably likely to cause any of Fitch Ratings, Inc., S&P Global Ratings or Moody's Investors Service to recognize Parent's corporate credit rating to be less than investment grade and (2) in no event shall any Indebtedness incurred pursuant to this Section 5.2(b)(vii) or any amendment, modification or waiver to any Indebtedness include any term or provision pursuant to which the consummation of the Merger or the other Transactions would reasonably be expected to result in a breach, default or event of default with respect to such Indebtedness or permit the holders of any Indebtedness of Parent or any Parent Subsidiary to accelerate payment of such Indebtedness or require Parent or any Parent Subsidiary to voluntarily or involuntarily redeem, replace or repay such Indebtedness prior to its scheduled maturity;

(viii) Acquisitions; New Line of Business. (A) Acquire (whether by merger, consolidation, purchase or otherwise) any water or wastewater assets or any equity interests therein, or make investments in any other Person owning, operating or controlling such assets, in each case, except (1) in the ordinary course of business and consistent with past practice or (2) acquisitions of such assets that are reasonably expected to be included in the rate base of an applicable Regulated Parent Subsidiary, (B) acquire (whether by merger, consolidation, purchase or otherwise) any assets that are not water or wastewater assets or any equity interests therein, or make investments in any other Person owning, operating or controlling such assets, or (C) enter into any new line of business or conduct any business outside the U.S.;

(ix) Capital Contributions. Make any loans, advances or capital contributions to any other Person, other than (A) in connection with actions permitted by Section 5.2(b)(vii) or Section 5.2(b)(viii), (B) in the ordinary course of business consistent with past practice, (C) between Parent, on the one hand, and any wholly owned Parent Subsidiary, on the other hand, or between wholly owned Parent Subsidiaries or (D) as required pursuant to any obligation in effect as of the date of this Agreement;

(x) Dispositions of Properties or Assets. Sell, lease, license, transfer, exchange or swap, mortgage (including securitizations), subject to any Lien, or otherwise dispose in any twelve (12)-month period of more than \$200,000,000 in the aggregate of its properties or assets, including the capital stock of Parent Subsidiaries, except (A) dispositions among Parent, on the one hand, and any wholly owned Parent Subsidiary, on the other hand, (B) dispositions among wholly owned Parent Subsidiaries, (C) dispositions of obsolete equipment or assets or dispositions of assets being replaced, in each case in the ordinary course of business consistent with past practice, (D) dispositions by Parent or any Parent Subsidiary of its assets in accordance with the terms of restructuring and divestiture plans mandated by any Governmental Entity, (E) Liens arising under existing first mortgage bond or other similar indentures and related securities and agreements of operating Parent Subsidiaries, (F) provisions under existing credit facilities of Parent and the Parent Subsidiaries that provide for the cash collateralization of letters of credit upon a default and (G) dispositions of accounts receivable of Parent Subsidiaries under any accounts receivable financing, securitization, factoring or similar arrangements and Liens associated therewith;

(xi) Employee Matters. Except as required by the terms of a Parent Benefit Plan set forth on Section 4.10(a) of the Parent Disclosure Schedule as of the date of this Agreement, by any applicable collective bargaining agreement, by applicable Law or in the ordinary course of business consistent with past practice, (A) materially increase the compensation or other benefits (including equity-based awards), payable or provided to Parent's directors or officers with a title of Vice President and above; (B) terminate the employment of any current officer of Parent with a title of Senior Vice President and above other than for cause; (C) enter into any employment, change of control or retention agreement with any current or future employee of Parent; (D) establish, adopt, enter into, accelerate any rights or benefits under, or amend (other than any amendment that is immaterial or administrative in nature) any plan, policy, program or arrangement for the benefit of any current or former directors, officers or employees or any of their beneficiaries, except as permitted pursuant to clause (C) above; or (E) enter into, accelerate any rights or benefits under, amend or renew any collective bargaining agreement or any other labor-related agreement or arrangement with any Union except in the ordinary course of business consistent with past practice;

(xii) Employee Restrictive Covenants. Waive, release or amend the restrictive covenant obligations of any current or former director, officer, employee, or natural independent contractor of Parent or any Parent Subsidiary;

(xiii) WARN Act Compliance. Engage in any "plant closing," "mass layoff" or similar act requiring notice under the WARN Act or any similar federal, state or local Law;

(xiv) Accounting Policies. Materially change financial accounting policies or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP, SEC rule or policy or applicable Law;

(xv) Taxes. (A) Settle or compromise any material liability for Taxes or any Tax examination, audit, governmental claim, litigation or other proceeding relating to a material amount of Taxes, (B) change or revoke any material Tax election, except in the ordinary course of business, (C) change any Tax accounting period or any material methods of Tax accounting, except as required by GAAP, (D) file any material amended Tax Return, other than any amended Tax Return that is not expected to result in any additional material Tax liability (such as an amended Tax Return that results in an overall Tax refund), (E) enter into any “closing agreement” within the meaning of Section 7121 of the Code (or any analogous or similar provision of state, local or non-U.S. Law), (F) agree to an extension or waiver of any statute of limitations regarding the assessment or collection of any material amount of Tax, except in the ordinary course of business, (G) surrender any right to claim a material refund of Taxes or (H) request any material ruling from any Governmental Entity with respect to Taxes (this Section 5.2(b)(xv) being the sole provision of this Section 5.2(b) governing Tax matters);

(xvi) Legal Proceedings. Pay or settle any material legal proceedings, other than payments or settlements (A) that do not exceed \$50,000,000 individually or \$100,000,000 in the aggregate in any consecutive twelve (12)-month period, (B) that have become due and payable prior to the date hereof or (C) in connection with regulatory proceedings before any Governmental Entities; provided that the exceptions set forth in this Section 5.2(b)(xvi) shall not apply to any proceedings arising out of or related to this Agreement or the Transactions; and

(xvii) agree or commit, in writing or otherwise, to take any of the foregoing actions.

(c) Notwithstanding anything to the contrary herein, Parent may, and may cause any Parent Subsidiary to, take reasonable good faith actions in compliance with applicable Law with respect to any operational emergencies (including any emergency restoration measures in response to any hurricane, snow storm or blizzard, strong winds, ice event, fire, tornado, tsunami, flood, earthquake or other natural or manmade disaster or severe weather-related event, circumstance or development), equipment failures, outages, or an immediate and material threat to the health or safety of natural Persons; provided that Parent shall reasonably consult with the Company with respect to any such actions (prior to taking such actions, to the extent reasonably practicable) and shall consider in good faith feedback from the Company with respect to such actions.

Section 5.3 Access to Information; Confidentiality.

(a) Subject to applicable Law, Parent and the Company shall, and shall cause each of their respective Subsidiaries to, afford to the other Party and its Representatives reasonable access (at such Party’s sole cost and expense), during normal business hours and upon reasonable advance notice, during the Interim Period, to the material properties, books, contracts, commitments, personnel and records of such Party, and during such period, Parent and the

Company shall, and shall cause their respective Subsidiaries to, make available promptly to the other Party (i) to the extent not publicly available, a copy of each material Filing made by it during such period pursuant to the requirements of securities Laws or filed with or sent to the SEC and (ii) consistent with its obligations under applicable Law, all other information concerning its business, properties and personnel as such other Party may reasonably request, in each case, to the extent reasonably necessary to perform, and prepare for the consummation of the Transactions in accordance with its terms; provided, however, that none of Parent or the Company or any of their respective Subsidiaries or Representatives shall be required to provide access to or disclose information where such information or access would, in the reasonable judgment of such Party, (A) breach any agreement with any third party (provided that, to the extent any document or information is subject to the terms of confidentiality restrictions pursuant to an agreement with a third party, Parent and the Company, as applicable, shall use its reasonable best efforts to obtain the required consent of such third party to disclose such document or information, and develop an alternative to providing such information so as to address such matters that is reasonably acceptable to the other Party), (B) constitute a waiver of the attorney-client or other privilege held by such Party (provided that Parent and the Company, as applicable, shall use its reasonable best efforts to allow the disclosure of such document or information (or as much of it as possible) in a manner that does not result in a loss of attorney-client privilege), (C) result in access to or disclosure of commercially sensitive information (as determined in Parent's and the Company's, as applicable, reasonable discretion), (D) result in access to or the disclosure of (1) any information concerning a Company Competing Proposal (which shall be governed by Section 5.4) or a Parent Competing Proposal (which shall be governed by Section 5.5), as applicable or (2) any information regarding the deliberations of the Parent Board or Company Board, as applicable, with respect to the Transactions or any similar transaction or transactions with any other Person, the entry into this Agreement, or any materials provided to the Parent Board or Company Board, as applicable, in connection therewith or (E) otherwise violate any applicable Law; provided, further, that neither Parent nor the Company nor their respective Representatives shall have the right to conduct any environmental sampling or testing on, under, at or from any of the properties owned, leased or operated by the other Party or its Subsidiaries.

(b) The Parties hereby agree that all information provided to them or their respective Representatives in connection with this Agreement and the consummation of the Transactions shall be deemed to be "Proprietary Information," as such term is used in, and shall be treated in accordance with, the Confidentiality Agreement, dated as of August 25, 2025, between Parent and the Company (the "Confidentiality Agreement"). The Parties hereby agree, pursuant to Section 17 of the Confidentiality Agreement (which permits amendment by mutual written agreement), to amend the Confidentiality Agreement such that its term shall be extended until the earlier of (i) the Effective Time and (ii) twenty-four (24) months after the termination of this Agreement pursuant to Section 7.1.

Section 5.4 No Solicitation by the Company.

(a) The Company shall not, and shall cause the Company Subsidiaries not to, and shall use reasonable best efforts to cause its and their respective Representatives engaged in connection with the Transactions not to, directly or indirectly during the Interim Period: (i) solicit, initiate or knowingly encourage (including by way of furnishing nonpublic information) or knowingly facilitate any Company Competing Proposal or any inquiry regarding, or the making

of, a proposal that is or would reasonably be expected to lead to a Company Competing Proposal or (ii) participate in any discussions or negotiations with any Person (except for the Company's Affiliates and their respective Representatives or Parent and Parent's Affiliates and its and their respective Representatives) regarding, or furnish to any such Person, any nonpublic information with respect to, or knowingly cooperate in any way with any such Person with respect to, any Company Competing Proposal or any inquiry or proposal that would reasonably be expected to lead to a Company Competing Proposal (other than informing such Person of the existence of the provisions contained in this Section 5.4). The Company shall, and shall cause the Company Subsidiaries and its and their respective Representatives to, promptly cease and cause to be terminated all existing discussions or negotiations with any Person (except for the Company's Affiliates and their respective Representatives or Parent and Parent's Affiliates and its and their respective Representatives) with respect to any Company Competing Proposal, request the prompt return or destruction of all confidential information previously furnished to any such Person with respect to any such Company Competing Proposal, and terminate all physical and electronic data room access previously granted to any such Person with respect to any such Company Competing Proposal. Notwithstanding anything to the contrary herein, at any time prior to obtaining the Company Shareholder Approval, in response to the receipt of a bona fide written Company Competing Proposal made after the date of this Agreement that does not result from a material breach of this Section 5.4 and that the Company Board determines in good faith (after consultation with outside legal counsel and a financial advisor) constitutes or would reasonably be expected to lead to a Company Superior Proposal, the Company and its Representatives may (A) furnish nonpublic information with respect to the Company and the Company Subsidiaries to the Person making such Company Competing Proposal (and its Representatives) (provided that all such information has previously been provided to Parent or is provided or made available to Parent or its Representatives prior to or substantially concurrently with the provision of such information to such Person) pursuant to an Acceptable Confidentiality Agreement and (B) participate in discussions regarding the terms of such Company Competing Proposal, including the terms of a Company Competing Agreement with respect thereto, and the negotiation of such terms with the Person making such Company Competing Proposal (and such Person's Representatives). Notwithstanding anything to the contrary herein, the Company may (1) inform a Person that has made a Company Competing Proposal of the provisions of this Section 5.4 and (2) grant a waiver, amendment, modification or release under any confidentiality, standstill or similar agreement, solely to the extent that the Company Board determines in good faith, after consultation with its outside legal counsel, that failure to take such action would be inconsistent with the Company Board's fiduciary duties under applicable Law.

(b) Except as permitted by this Section 5.4(b), and except for the public disclosure of a Company Recommendation Change Notice, neither the Company Board nor any committee thereof shall (i) withdraw, change, qualify, withhold or modify in each case in any manner adverse to Parent, or propose publicly to withdraw, change, qualify, withhold or modify in any manner adverse to Parent, the Company Board Recommendation, (ii) adopt, approve or recommend, or propose publicly to adopt, approve or recommend, any Company Competing Proposal, (iii) fail to include in the Joint Proxy Statement the Company Board Recommendation, (iv) fail to send to its securityholders, within ten (10) Business Days after the commencement of any tender offer or exchange offer relating to shares of Company Common Stock (or, if earlier, at least two (2) Business Days prior to the Company Shareholder Meeting), a statement disclosing that the Company recommends rejection of such tender or exchange offer and reaffirming its

recommendation of this Agreement and the Merger or (v) fail to publicly reaffirm its recommendation of this Agreement and the Merger within ten (10) Business Days of Parent's written request to do so (or, if earlier, at least two (2) Business Days prior to the Company Shareholder Meeting) following the public announcement of any Company Competing Proposal (or any material amendment thereto, including any change to the price or form of consideration); provided that Parent shall not be entitled to make such written request, and the Company Board shall not be required to make such reaffirmation, more than once with respect to any particular Company Competing Proposal (or any material amendment thereto) (any action or failure to act in the foregoing clauses (i) through (v) being referred to as a "Company Adverse Recommendation Change"). Except as set forth in Section 5.4(a) (including the entry into an Acceptable Confidentiality Agreement), Section 5.4(c) and Section 5.4(e), the Company and the Company's officers and directors shall not, and the Company shall cause the Company Subsidiaries not to, and the Company shall instruct its and the Company Subsidiaries' Representatives engaged in connection with the Transactions not to, and use its reasonable best efforts to cause its and the Company Subsidiaries' Representatives not to, directly or indirectly, during the Interim Period, (A) authorize, permit, approve or recommend, or propose publicly to authorize, permit, approve or recommend, or allow the Company or any of the Company Subsidiaries to consummate, execute or enter into, any written letter of intent, memorandum of understanding, agreement in principle, agreement or commitment constituting, or that would reasonably be expected to lead to, any Company Competing Proposal, or requiring the Company to abandon or terminate this Agreement (a "Company Competing Agreement"), (B) take any action to make the restrictions of any Takeover Law inapplicable to any transactions contemplated by a Company Competing Proposal or (C) terminate, amend, release, modify or knowingly fail to enforce any provision of, or grant any permission, waiver or request under, any standstill, confidentiality or similar agreement entered into by the applicable party in respect of or in contemplation of a Company Competing Proposal.

(c) Notwithstanding anything to the contrary herein, at any time prior to obtaining the Company Shareholder Approval, the Company Board may make a Company Adverse Recommendation Change if (i) the Company has received a Company Superior Proposal that does not result from a material breach of this Section 5.4 and (ii) the Company Board determines in good faith (after consultation with outside legal counsel and a financial advisor) that the failure to effect a Company Adverse Recommendation Change would be inconsistent with the Company Board's fiduciary duties under applicable Law; provided, however, that the Company Board may not make such Company Adverse Recommendation Change unless (A) the Company Board has provided prior written notice (which itself shall not constitute a Company Adverse Recommendation Change) to Parent (a "Company Recommendation Change Notice") that it is prepared to effect a Company Adverse Recommendation Change at least four (4) Business Days prior to taking such action, which notice shall specify the basis for such Company Adverse Recommendation Change and attach the most current draft of any Company Competing Agreement with respect to such Company Superior Proposal or, if no draft exists, a summary of the material terms and conditions of such Company Superior Proposal (it being understood that if there has been any subsequent material revision or amendment to the terms of a Company Superior Proposal, a new notice to which the provisions of clauses (B) and (C) of this Section 5.4(c) shall apply *mutatis mutandis* except that, in the case of such a new notice, all references to four (4) Business Days in this Section 5.4(c) shall be deemed to be two (2) Business Days), (B) during the four (4)-Business Day period after delivery of the Company Recommendation Change Notice, if

requested by Parent, the Company and its Representatives negotiate in good faith with Parent and its Representatives regarding any revisions to this Agreement that Parent proposes to make to the terms of this Agreement and (C) at the end of such four (4)-Business Day period and taking into account any changes to the terms of this Agreement committed to in writing by Parent, the Company Board determines in good faith (after consultation with outside legal counsel and a financial advisor) that the failure to make such a Company Adverse Recommendation Change would be inconsistent with the Company Board's fiduciary duties under applicable Law and that such Company Competing Proposal still constitutes a Company Superior Proposal.

(d) The Company shall promptly (and in any event within twenty-four (24) hours) advise Parent in writing of the receipt of any Company Competing Proposal, the material terms and conditions of any such Company Competing Proposal and the identity of the Person making any such Company Competing Proposal. The Company shall (i) keep Parent reasonably informed in all material respects on a reasonably current basis (and in any event no later than twenty-four (24) hours) of the material terms and status (including any material change thereto) of any Company Competing Proposal and (ii) provide to Parent as soon as reasonably practicable after receipt or delivery thereof copies of any letter of intent, term sheet, memorandum of understanding or similar written materials (including drafts thereof) exchanged between the Company or any Company Subsidiary or any of their Representatives, on the one hand, and any Person making such proposal or any of its Representatives, on the other hand, in each case, that describes or contains any such proposal.

(e) Nothing contained in this Section 5.4 shall prohibit the Company from taking and disclosing to its shareholders a position contemplated by Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act or from issuing a "stop, look and listen" statement or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act pending disclosure of its position thereunder; provided that any such disclosure or statement that constitutes or contains a Company Adverse Recommendation Change shall be subject to the provisions of Section 5.5(c).

(f) For the avoidance of doubt, any violation of the restrictions contained in this Section 5.4 by any Company Subsidiary, or any Representatives of the Company or any Company Subsidiary, shall be deemed to be a breach of this Section 5.4 by the Company.

(g) For purposes of this Agreement:

(i) "Company Competing Proposal" means any proposal or offer, with respect to any (A) merger, consolidation, share exchange, other business combination, recapitalization, liquidation, dissolution or similar transaction in which any Person (or group of Persons) other than Parent and the Parent Subsidiaries (such Person (or group of Persons), a "Company Third Party") acquires or would acquire, directly or indirectly, (1) business or assets of the Company or the Company Subsidiaries representing 20% or more of the consolidated revenues, net income or fair market value of the consolidated assets of the Company and the Company Subsidiaries, taken as a whole or (2)(x) 20% or more of the outstanding Company Common Stock or (y) 20% or more of the aggregate voting power of the surviving entity or a resulting direct or indirect parent of the Company or such surviving entity, (B) sale, lease, contribution, transfer or other disposition, directly

or indirectly (including by way of merger, consolidation, share exchange, other business combination, partnership, joint venture, extraordinary dividend or distribution, sale of capital stock of or other equity interests in a Company Subsidiary or otherwise), pursuant to which any Company Third Party acquires or would acquire, directly or indirectly, business or assets of the Company or the Company Subsidiaries representing 20% or more of the consolidated revenues, net income or fair market value of the consolidated assets of the Company and the Company Subsidiaries, taken as a whole, (C) issuance, sale or other disposition, directly or indirectly, to any Company Third Party (or the direct or indirect equityholders of such Company Third Party or the resulting company) of securities (or options, rights or warrants to purchase, or securities convertible into or exchangeable for, such securities) representing direct or beneficial ownership of 20% or more of the voting power of the Company, (D) transaction (including any tender offer or exchange offer) in which any Company Third Party (or the direct or indirect equityholders of such Company Third Party or the resulting company) would acquire (in the case of a tender offer or exchange offer, if consummated), directly or indirectly, beneficial ownership, or the right to acquire beneficial ownership, or formation of any group which beneficially owns or has the right to acquire beneficial ownership of, 20% or more of any class of capital stock of the Company or (E) any combination of the foregoing, in each case, except for this Agreement and the Transactions.

(ii) “Company Superior Proposal” means a bona fide written Company Competing Proposal (provided that for purposes of this definition, the applicable percentage in the definition of Company Competing Proposal shall be “more than 50%” rather than “20% or more”), which the Company Board determines in good faith, after consultation with outside legal counsel and a financial advisor, and taking into account, to the extent applicable, the legal, financial, regulatory, timing and other aspects of such Company Competing Proposal, the identity of the Person making the proposal and any financing required for such proposal, the ability of the Person making such proposal to obtain such required financing and the level of certainty with respect to such required financing, and such other factors, in each case, that are deemed relevant by the Company Board, (A) if accepted, is reasonably likely to be consummated and (B) if consummated, would result in a transaction that is more favorable from a financial point of view to the holders of Company Common Stock than the Transactions (after taking into account all adjustments or modifications to the terms thereof, and any revisions to the terms of this Agreement that are committed to in writing by Parent, including pursuant to Section 5.4(c)).

Section 5.5 No Solicitation by Parent.

(a) Parent shall not, and shall cause the Parent Subsidiaries not to, and shall use reasonable best efforts to cause its and their respective Representatives engaged in connection with the Transactions not to, directly or indirectly, during the Interim Period, (i) solicit, initiate or knowingly encourage (including by way of furnishing nonpublic information) or knowingly facilitate any Parent Competing Proposal or any inquiry regarding, or the making of, a proposal that is or would reasonably be expected to lead to a Parent Competing Proposal or (ii) participate in any discussions or negotiations with any Person (except for Parent’s Affiliates and their respective Representatives or the Company and the Company’s Affiliates and its and their

respective Representatives) regarding, or furnish to any such Person, any nonpublic information with respect to, or knowingly cooperate in any way with any such Person with respect to, any Parent Competing Proposal or any inquiry or proposal that would reasonably be expected to lead to a Parent Competing Proposal (other than informing such Person of the existence of the provisions contained in this Section 5.5). Parent shall, and shall cause the Parent Subsidiaries and its and their respective Representatives to, promptly cease and cause to be terminated all existing discussions or negotiations with any Person (except Parent's Affiliates and their respective Representatives or the Company and the Company's Affiliates and its and their respective Representatives) with respect to any Parent Competing Proposal, request the prompt return or destruction of all confidential information previously furnished to any such Person with respect to any such Parent Competing Proposal, and terminate all physical and electronic data room access previously granted to any such Person with respect to any such Parent Competing Proposal. Notwithstanding anything to the contrary herein, at any time prior to obtaining the Parent Stockholder Approval, in response to the receipt of a bona fide written Parent Competing Proposal made after the date of this Agreement that does not result from a material breach of this Section 5.5 and that the Parent Board determines in good faith (after consultation with outside legal counsel and a financial advisor) constitutes or would reasonably be expected to lead to a Parent Superior Proposal, Parent and its Representatives may (A) furnish nonpublic information with respect to Parent and Parent Subsidiaries to the Person making such Parent Competing Proposal (and its Representatives) (provided that all such information has previously been provided to the Company or is provided or made available to the Company or its Representatives prior to or substantially concurrently with the provision of such information to such Person) pursuant to an Acceptable Confidentiality Agreement and (B) participate in discussions regarding the terms of such Parent Competing Proposal, including the terms of a Parent Competing Agreement with respect thereto, and the negotiation of such terms with the Person making such Parent Competing Proposal (and such Person's Representatives). Notwithstanding anything to the contrary herein, Parent may (1) inform a Person that has made a Parent Competing Proposal of the provisions of this Section 5.5 and (2) grant a waiver, amendment, modification or release under any confidentiality, standstill or similar agreement, solely to the extent that the Parent Board determines in good faith, after consultation with its outside legal counsel, that failure to take such action would be inconsistent with the Parent Board's fiduciary duties under applicable Law.

(b) Except as permitted by this Section 5.5(b), and except for the public disclosure of a Parent Recommendation Change Notice, neither the Parent Board nor any committee thereof shall (i) withdraw, change, qualify, withhold or modify in each case in any manner adverse to Parent, or propose publicly to withdraw, change, qualify, withhold or modify in any manner adverse to Parent, the Parent Board Recommendation, (ii) adopt, approve or recommend, or propose publicly to adopt, approve or recommend, any Parent Competing Proposal, (iii) fail to include in the Joint Proxy Statement the Parent Board Recommendation, (iv) fail to send to its securityholders, within ten (10) Business Days after the commencement of any tender offer or exchange offer relating to shares of Parent Common Stock (or, if earlier, at least two (2) Business Days prior to the Parent Stockholder Meeting), a statement disclosing that Parent recommends rejection of such tender or exchange offer and reaffirming its recommendation of this Agreement and the Merger or (v) fail to publicly reaffirm its recommendation of this Agreement and the Merger within ten (10) Business Days of the Company's written request to do so (or, if earlier, at least two (2) Business Days prior to the Parent Stockholder Meeting) following the public announcement of any Parent Competing Proposal (or any material amendment thereto,

including any change to the price or form of consideration); provided that the Company shall not be entitled to make such written request, and the Parent Board shall not be required to make such reaffirmation, more than once with respect to any particular Parent Competing Proposal (or any material amendment thereto) (any action or failure to act in the foregoing clauses (i) through (v) being referred to as a “Parent Adverse Recommendation Change”). Except as set forth in Section 5.5(a) (including the entry into an Acceptable Confidentiality Agreement), Section 5.5(c) and Section 5.5(e), Parent and Parent’s officers and directors shall not, and Parent shall cause the Parent Subsidiaries not to, and Parent shall instruct its and the Parent Subsidiaries’ Representatives engaged in connection with the Transactions not to, and use its reasonable best efforts to cause its and the Parent Subsidiaries’ Representatives not to, directly or indirectly, during the Interim Period, (A) authorize, permit, approve or recommend, or propose publicly to authorize, permit, approve or recommend, or allow Parent or any of the Parent Subsidiaries to consummate, execute or enter into, any written letter of intent, memorandum of understanding, agreement in principle, agreement or commitment constituting, or that would reasonably be expected to lead to, any Parent Competing Proposal, or requiring Parent to abandon or terminate this Agreement (a “Parent Competing Agreement”), (B) take any action to make the restrictions of any Takeover Law inapplicable to any transactions contemplated by a Parent Competing Proposal or (C) terminate, amend, release, modify or knowingly fail to enforce any provision of, or grant any permission, waiver or request under, any standstill, confidentiality or similar agreement entered into by the applicable party in respect of or in contemplation of a Parent Competing Proposal.

(c) Notwithstanding anything to the contrary herein, at any time prior to obtaining Parent Stockholder Approval, the Parent Board may make a Parent Adverse Recommendation Change if (i) Parent has received a Parent Superior Proposal that does not result from a material breach of this Section 5.5 and (ii) the Parent Board determines in good faith (after consultation with outside legal counsel and a financial advisor) that the failure to effect a Parent Adverse Recommendation Change would be inconsistent with the Parent Board’s fiduciary duties under applicable Law; provided, however, that the Parent Board may not make such Company Adverse Recommendation Change unless (A) the Parent Board has provided prior written notice (which itself shall not constitute a Parent Adverse Recommendation Change) to the Company (a “Parent Recommendation Change Notice”) that it is prepared to effect a Parent Adverse Recommendation Change at least four (4) Business Days prior to taking such action, which notice shall specify the basis for such Parent Adverse Recommendation Change and attach the most current draft of any Parent Competing Agreement with respect to such Parent Superior Proposal or, if no draft exists, a summary of the material terms and conditions of such Parent Superior Proposal (it being understood that if there has been any subsequent material revision or amendment to the terms of a Parent Superior Proposal, a new notice to which the provisions of clauses (B) and (C) of this Section 5.5(c) shall apply *mutatis mutandis* except that, in the case of such a new notice, all references to four (4) Business Days in this Section 5.5(c) shall be deemed to be two (2) Business Days), (B) during the four (4)-Business Day period after delivery of Parent Recommendation Change Notice, if requested by the Company, Parent and its Representatives negotiate in good faith with the Company and its Representatives regarding any revisions to this Agreement that the Company proposes to make to the terms of this Agreement and (C) at the end of such four (4)-Business Day period and taking into account any changes to the terms of this Agreement committed to in writing by the Company, the Parent Board determines in good faith (after consultation with outside legal counsel and a financial advisor) that the failure to make such a Parent Adverse Recommendation Change would be inconsistent with the Parent Board’s fiduciary duties under applicable Law and that such Parent Competing Proposal still constitutes a Parent Superior Proposal.

(d) Parent shall promptly (and in any event within twenty-four (24) hours) advise the Company in writing of the receipt of any Parent Competing Proposal, the material terms and conditions of any such Parent Competing Proposal and the identity of the Person making any such Parent Competing Proposal. Parent shall (i) keep the Company reasonably informed in all material respects on a reasonably current basis (and in any event no later than twenty-four (24) hours) of the material terms and status (including any material change thereto) of any Parent Competing Proposal and (ii) provide to the Company as soon as reasonably practicable after receipt or delivery thereof copies of any letter of intent, term sheet, memorandum of understanding or similar written materials (including drafts thereof) exchanged between Parent or any Parent Subsidiary or any of their Representatives, on the one hand, and any Person making such proposal or any of its Representatives, on the other hand, in each case, that describes or contains any such proposal.

(e) Nothing contained in this Section 5.5 shall prohibit Parent from taking and disclosing to its shareholders a position contemplated by Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act or from issuing a “stop, look and listen” statement or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act pending disclosure of its position thereunder; provided that any such disclosure or statement that constitutes or contains a Parent Adverse Recommendation Change shall be subject to the provisions of Section 5.4(c).

(f) For the avoidance of doubt, any violation of the restrictions contained in this Section 5.5 by any Parent Subsidiary, or any Representatives of Parent or any Parent Subsidiary, shall be deemed to be a breach of this Section 5.5 by Parent.

(g) For purposes of this Agreement:

(i) “Parent Competing Proposal” means any proposal or offer, with respect to any (A) merger, consolidation, share exchange, other business combination, recapitalization, liquidation, dissolution or similar transaction in which any Person (or group of Persons) other than the Company and the Company Subsidiaries (such Person (or group of Persons) a “Parent Third Party”) acquires or would acquire, directly or indirectly, (1) business or assets of Parent or the Parent Subsidiaries representing 20% or more of the consolidated revenues, net income or fair market value of the consolidated assets of Parent and the Parent Subsidiaries, taken as a whole or (2)(x) 20% or more of the outstanding Parent Common Stock or (y) 20% or more of the aggregate voting power of the surviving entity or a resulting direct or indirect parent of Parent or such surviving entity, (B) sale, lease, contribution, transfer or other disposition, directly or indirectly (including by way of merger, consolidation, share exchange, other business combination, partnership, joint venture, extraordinary dividend or distribution, sale of capital stock of or other equity interests in a Parent Subsidiary or otherwise) pursuant to which any Parent Third Party acquires or would acquire, directly or indirectly, business or assets of Parent or the Parent Subsidiaries representing 20% or more of the consolidated revenues, net income or fair market value of the consolidated assets of Parent and the Parent Subsidiaries, taken as a

whole, (C) issuance, sale or other disposition, directly or indirectly, to any Parent Third Party (or the direct or indirect equityholders of such Parent Third Party or the resulting company) of securities (or options, rights or warrants to purchase, or securities convertible into or exchangeable for, such securities) representing direct or beneficial ownership of 20% or more of the voting power of Parent, (D) transaction (including any tender offer or exchange offer) in which any Parent Third Party (or the direct or indirect equityholders of such Parent Third Party or the resulting company) would acquire (in the case of a tender offer or exchange offer, if consummated), directly or indirectly, beneficial ownership, or the right to acquire beneficial ownership, or formation of any group which beneficially owns or has the right to acquire beneficial ownership of, 20% or more of any class of capital stock of Parent or (E) any combination of the foregoing, in each case, except for this Agreement and the Transactions.

(ii) “Parent Superior Proposal” means a bona fide written Parent Competing Proposal (provided that, for purposes of this definition, the applicable percentage in the definition of Parent Competing Proposal shall be “more than 50%” rather than “20% or more”), which the Parent Board determines in good faith, after consultation with outside legal counsel and a financial advisor, and taking into account, to the extent applicable, the legal, financial, regulatory, timing and other aspects of such Parent Competing Proposal, the identity of the Person making the proposal and any financing required for such proposal, the ability of the Person making such proposal to obtain such required financing and the level of certainty with respect to such required financing, and such other factors, in each case, that are deemed relevant by the Parent Board, (A) if accepted, is reasonably likely to be consummated and (B) if consummated, would result in a transaction that is more favorable from a financial point of view to the holders of Parent Common Stock than the Transactions (after taking into account all adjustments or modifications to the terms thereof, and any revisions to the terms of this Agreement that are committed to in writing by Parent, including pursuant to Section 5.5(c)).

Section 5.6 Preparation of the Form S-4 and the Joint Proxy Statement; Meetings.

(a) As promptly as reasonably practicable following the date of this Agreement, (i) Parent and the Company shall jointly prepare (A) a proxy statement relating to the Parent Stockholder Meeting and a proxy statement relating to the Company Shareholder Meeting (together with any amendments or supplements thereto, the “Joint Proxy Statement”) in preliminary form and (B) a registration statement on Form S-4, which shall include the Joint Proxy Statement as a prospectus relating to the registration of shares of Parent Common Stock to be issued in connection with the Merger (the “Form S-4”), and (ii) Parent shall file the Form S-4 and Joint Proxy Statement with the SEC, in coordination with the Company. Each of the Parties shall use their respective reasonable best efforts to have the Form S-4 declared effective under the Securities Act as promptly as reasonably practicable after such filing and to keep the Form S-4 effective as long as necessary to consummate the Merger. Each of the Parties shall furnish all information concerning itself and its Affiliates to the other Party, and provide such other assistance, as may be reasonably requested by the other Party or its outside legal counsel in connection with the preparation, filing and distribution of the Form S-4 and the Joint Proxy Statement.

(b) Parent agrees that (i) none of the information supplied or to be supplied by Parent for inclusion or incorporation by reference in the Joint Proxy Statement will, at the date it is first sent to Parent's stockholders and the Company's shareholders or at the time of the Parent Stockholder Meeting and the Company Shareholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading and (ii) except with respect to any information supplied by the Company for inclusion or incorporation by reference in the Joint Proxy Statement, the Joint Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder. The Company agrees that (i) none of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the Joint Proxy Statement will, at the date it is first sent to Parent's stockholders and the Company's shareholders or at the time of the Parent Stockholder Meeting and the Company Shareholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading and (ii) except with respect to any information supplied by Parent for inclusion or incorporation by reference in the Joint Proxy Statement, the Joint Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder.

(c) Each of Parent and the Company shall promptly notify the other Party after the receipt of any comments from the SEC with respect to, or any request from the SEC for amendments or supplements to, the Joint Proxy Statement and shall provide the other Party with copies of all correspondence between it and its Affiliates and Representatives, on the one hand, and the SEC, on the other hand. Each of Parent and the Company shall:

(i) use its reasonable best efforts to (A) respond as promptly as reasonably practicable to any comment from the SEC with respect to, or any request from the SEC for amendments or supplements to, the Joint Proxy Statement and (B) have the SEC advise Parent and the Company as promptly as reasonably practicable that the SEC has no further comments on the Joint Proxy Statement;

(ii) file the Joint Proxy Statement in definitive form with the SEC and cause such definitive Joint Proxy Statement to be sent to the stockholders of Parent and the shareholders of the Company as promptly as reasonably practicable after the SEC advises Parent and the Company that the SEC has no further comments on the Joint Proxy Statement; and

(iii) subject to Section 5.4(c) and Section 5.5(c), include the Parent Board Recommendation and the Company Board Recommendation in the preliminary and definitive Joint Proxy Statements.

Notwithstanding anything to the contrary herein, prior to filing the Form S-4 or the Joint Proxy Statement in preliminary form with the SEC, responding to any comment from the SEC with respect to, or any request from the SEC for amendments or supplements to, the Joint Proxy Statement or mailing the Joint Proxy Statement in definitive form to the stockholders of Parent or to the shareholders of the Company, each of Parent and the Company shall provide the other Party with a reasonable opportunity to review and comment on such document or response and consider in good faith any of the other Party's comments thereon.

(d) If, prior to the Effective Time, any event occurs with respect to the Company or any Company Subsidiary, or any change occurs with respect to other information supplied by the Company for inclusion in the Joint Proxy Statement, that is required to be described in an amendment of, or a supplement to, the Joint Proxy Statement, the Company shall promptly notify Parent of such event, and the Company and Parent shall cooperate in the prompt filing with the SEC of any necessary amendment or supplement to the Joint Proxy Statement so that such document would not include any misstatement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading, and, as required by Law, in disseminating the information contained in such amendment or supplement to Parent's stockholders and the Company's shareholders. Nothing in this Section 5.6(d) shall limit the obligations of any Party under Section 5.6(a).

(e) If prior to the Effective Time, any event occurs with respect to Parent or any Parent Subsidiary, or any change occurs with respect to other information supplied by Parent for inclusion in the Joint Proxy Statement, that is required to be described in an amendment of, or a supplement to, the Joint Proxy Statement, Parent shall promptly notify the Company of such event, and Parent and the Company shall cooperate in the prompt filing with the SEC of any necessary amendment or supplement to the Joint Proxy Statement so that such document would not include any misstatement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading and, as required by Law, in disseminating the information contained in such amendment or supplement to Parent's stockholders and the Company's shareholders. Nothing in this Section 5.6(e) shall limit the obligations of any Party under Section 5.6(a).

(f) Parent (in consultation with the Company) shall set a single record date for Persons entitled to notice of, and to vote at, the Parent Stockholder Meeting and shall not change such record date (whether in connection with the Parent Stockholder Meeting or any adjournment or postponement thereof) without the prior written consent of the Company (such consent not to be unreasonably withheld, conditioned or delayed). Parent shall, as soon as practicable after the Form S-4 is declared effective under the Securities Act, duly call, give notice of, convene and hold the Parent Stockholder Meeting in accordance with the Delaware General Corporation Law and the rules of the NYSE for the purpose of obtaining the Parent Stockholder Approval, and, subject to Section 5.5(c), through the Parent Board, recommend to its stockholders and solicit in favor of the approval of the Parent Common Stock Issuance. Except with the Company's prior written consent, Parent may only postpone or adjourn the Parent Stockholder Meeting (i) to solicit additional proxies for the purpose of obtaining the Parent Stockholder Approval, (ii) for the absence of a quorum and (iii) to allow reasonable additional time for the filing or mailing of any supplemental or amended disclosure that Parent has determined after consultation with outside legal counsel is reasonably likely to be required under applicable Law and for such supplemental or amended disclosure to be disseminated and reviewed by stockholders of Parent prior to the Parent Stockholder Meeting; provided that Parent shall postpone or adjourn the Parent Stockholder Meeting once for up to thirty (30) days upon the reasonable request of the Company.

(g) The Company (in consultation with Parent) shall set a single record date for Persons entitled to notice of, and to vote at, the Company Shareholder Meeting and shall not change such record date (whether in connection with the Company Shareholder Meeting or any adjournment or postponement thereof) without the prior written consent of Parent (such consent not to be unreasonably withheld, conditioned or delayed). The Company shall, as soon as practicable after the Form S-4 is declared effective under the Securities Act, duly call, give notice of, convene and hold the Company Shareholder Meeting in accordance with the Pennsylvania Entity Laws and the rules of the NYSE for the purpose of obtaining the Company Shareholder Approval and, subject to Section 5.4(c), through the Company Board, recommend to its shareholders and solicit in favor of adoption of the this Agreement. Except with Parent's prior written consent, the Company may only postpone or adjourn the Company Shareholder Meeting (i) to solicit additional proxies for the purpose of obtaining the Company Shareholder Approval, (ii) for the absence of a quorum and (iii) to allow reasonable additional time for the filing or mailing of any supplemental or amended disclosure that the Company has determined after consultation with outside legal counsel is reasonably likely to be required under applicable Law and for such supplemental or amended disclosure to be disseminated and reviewed by shareholders of the Company prior to the Company Shareholder Meeting; provided that the Company shall postpone or adjourn the Company Shareholder Meeting once for up to thirty (30) days upon the reasonable request of Parent.

(h) Each of the Company and Parent shall use reasonable best efforts to hold the Company Shareholder Meeting and the Parent Stockholder Meeting, respectively, at the same time and on the same date as the other Party and as soon as reasonably practicable after the date of this Agreement.

(i) Without the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed), the only matters to be voted upon at the Company Shareholder Meeting are (i) the Merger, (ii) any adjournment of the Company Shareholder Meeting, (iii) any other matters of a purely administrative nature and as mutually agreed by Parent and the Company and (iv) any other matters that are required by applicable Law.

(j) Unless this Agreement has been terminated in accordance with Section 7.1, the Company's obligation to call, give notice of and hold the Company Shareholder Meeting in accordance with Section 5.6(g) shall not be limited or otherwise affected by the commencement, disclosure, announcement or submission of any Company Superior Proposal or Company Competing Proposal, or by any Company Adverse Recommendation Change.

(k) Without the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed), the only matters to be voted upon at the Parent Stockholder Meeting are (i) the Parent Common Stock Issuance, (ii) any adjournment of the Parent Stockholder Meeting, (iii) any other matters of a purely administrative nature as mutually agreed by the Company and Parent and (iv) any other matters that are required by applicable Law.

(l) Unless this Agreement has been terminated in accordance with Section 7.1, Parent's obligation to call, give notice of and hold the Parent Stockholder Meeting in accordance with Section 5.6(f) shall not be limited or otherwise affected by the commencement, disclosure, announcement or submission of any Parent Superior Proposal or Parent Competing Proposal, or by any Parent Adverse Recommendation Change.

Section 5.7 Employee Matters.

(a) From the Effective Time until the end of the calendar year following the calendar year during which the Effective Time occurs, Parent shall provide, or shall cause to be provided, to each Company Employee who is employed by the Company immediately prior to the Effective Time whose employment with the Company (or Parent or any Parent Subsidiary) continues after the Effective Time (each, a "Continuing Employee") (other than such employees covered by collective bargaining agreements), while employed (i) base salary or wage rate, target annual cash incentive opportunity and target long-term performance opportunity that are no less favorable, in the aggregate, than the base salary or wage rate, target annual cash incentive opportunity and target long-term performance opportunity provided to such Continuing Employee as of immediately prior to the Effective Time; provided that (A) Parent shall provide, or shall cause to be provided, to each Continuing Employee with at least the same base salary or wage rate as provided to such Continuing Employee as of immediately prior to the Effective Time and (B) any long-term performance opportunities provided may be cash-based or equity-based as determined by Parent in its sole discretion, and (ii) employee benefits (excluding defined benefit pension benefits, retiree health or welfare benefits, equity-based compensation or change in control, transaction or retention bonuses (collectively, the "Excluded Benefits") that are substantially comparable in the aggregate to the employee benefits (other than the Excluded Benefits) provided to such Continuing Employee under Company Benefit Plans as of immediately prior to the Closing Date. In the case of any Continuing Employee whose terms and conditions of employment are subject to a collective bargaining agreement, Parent shall provide for such continued employment to be on such terms and conditions as may be required under that collective bargaining agreement. Nothing contained in this Section 5.7 whether express or implied shall require Parent, any Parent Subsidiary or the Surviving Corporation to continue the employment of any Continuing Employee.

(b) Any Continuing Employee whose employment is terminated by Parent, the Company or any Affiliate thereof without cause during the twelve (12)-month period following the Effective Time, and who is not eligible to receive severance benefits pursuant to an individual agreement with the Company or a Company Subsidiary, shall be eligible to receive severance benefits as specified in Section 5.7(b) of the Company Disclosure Schedule, subject to the Continuing Employee entering into a customary release of claims.

(c) For purposes of vesting, eligibility to participate and accrual and level of benefits under the employee benefit plans of Parent and the Parent Subsidiaries providing benefits to any Company Employees after the Effective Time (the "New Plans"), each Company Employee shall be credited for his or her years of service with the Company and the Company Subsidiaries and their respective predecessors before the Effective Time, to the same extent as such Company Employee was entitled, before the Effective Time, to credit for such service under any similar Company employee benefit plan in which such Company Employee participated or was eligible to participate immediately prior to the Effective Time; provided, however, that the foregoing shall

not apply to the extent that its application would result in a duplication of benefits or to benefit accrual under a defined benefit pension plan or retiree welfare benefit plan unless otherwise required by a collective bargaining agreement. In addition, and without limiting the generality of the foregoing, (i) Parent shall use commercially reasonable efforts to cause each Company Employee to be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan replaces coverage under a Company Benefit Plan set forth on Section 3.10(a) of the Company Disclosure Schedule in which such Company Employee participated immediately before the Effective Time (such plans, collectively, the “Old Plans”) and (ii) for purposes of each New Plan providing medical, dental, pharmaceutical or vision benefits to any Company Employee, Parent shall use commercially reasonable efforts to (A) cause all pre-existing condition exclusions and actively-at-work requirements of such New Plan to be waived for such employee and his or her covered dependents, unless such conditions would not have been waived under the comparable plans of the Company or the Company Subsidiaries in which such employee participated immediately prior to the Effective Time, and (B) cause any eligible expenses incurred by such employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such employee’s participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

(d) The Parties agree to the matters set forth in Section 5.7(d) of the Company Disclosure Schedule.

(e) Prior to the Effective Time, the Company shall cause the applicable Company Subsidiaries to satisfy all legal or contractual requirements to provide notice to, or to enter into any consultation procedure with, any Union which is representing any Company Employee in connection with the Transactions contemplated by this Agreement.

(f) Following the Effective Time, Parent shall cause the Surviving Corporation’s applicable Subsidiaries to continue to honor the terms of each applicable collective bargaining agreement until such collective bargaining agreement otherwise expires pursuant to its terms or is modified by the parties thereto.

(g) The Parties acknowledge and agree that all provisions contained in this Section 5.7 are included for the sole benefit of the Parties, and that nothing in this Section 5.7, whether express or implied, (i) shall create any third-party beneficiary or other rights (A) in any other Person, including any current or former employees or other service providers of the Company or any Affiliate of the Company, any Continuing Employee, or any dependent or beneficiary thereof or (B) to continued employment with Parent or any of its Affiliates (including, following the Effective Time, the Surviving Corporation), (ii) shall be treated as an amendment or other modification of any Old Plan or New Plan or (iii) shall limit the right of Parent or its Affiliates (including, following the Effective Time, the Surviving Corporation) to amend, terminate or otherwise modify any Old Plan or New Plan.

Section 5.8 Regulatory Approvals; Third-Party Consents; Reasonable Best Efforts.

(a) Subject to the terms and conditions set forth in this Agreement, the Parties shall use their respective reasonable best efforts (subject to, and in accordance with, applicable Law) to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws to consummate and make effective the Transactions, including (i) the obtaining of all necessary actions or nonactions and Consents, including the HSR Clearance, the Company Regulatory Approvals and the Parent Regulatory Approvals, from Governmental Entities and the making of all necessary Filings and the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Entity and (ii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the Transactions.

(b) Subject to the terms and conditions herein provided and without limiting the foregoing, the Company and Parent shall use their respective reasonable best efforts to:

(i) make, or cause to be made, in consultation and cooperation with the other Party, at a mutually agreeable time after the date of this Agreement, (A) an appropriate Filing pursuant to the HSR Act relating to the Merger and thereafter any other required submissions under the HSR Act, (B) all other necessary Filings relating to the Merger under any other applicable Antitrust Law and (C) all necessary Filings with the FCC;

(ii) make, or cause to be made, in consultation and cooperation with the other Party, all necessary Filings with other Governmental Entities relating to the Merger, including any such Filings with the Applicable PSCs, as promptly as practicable after the date hereof (and use reasonable best efforts to make, or cause to be made, such Filings within sixty (60) days after the date hereof, which may be extended by mutual agreement of the Parties (such consent not to be unreasonably withheld, conditioned or delayed));

(iii) shall furnish to the other Party all assistance, cooperation and information reasonably required for any such Filing made by such Party and in order to achieve the effects set forth in this Section 5.8; and

(iv) subject to Section 5.8(e), (A) take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective the Transactions, including taking all such further action as may be necessary to resolve such objections, if any, the FTC, the DOJ or the Applicable PSCs may assert under Regulatory Law with respect to the Transactions so as to enable the Closing to occur as soon as reasonably practicable (and in any event no later than the End Date), including (1) proposing, negotiating, committing to and effecting, by consent decree, hold separate order or otherwise, the sale, divestiture or disposition of such assets or businesses of Parent or the Parent Subsidiaries or Parent's Affiliates or of the Company or the Company Subsidiaries or the Company's Affiliates and (2) otherwise taking or committing to take actions that after the Closing Date would limit Parent's or any Parent Subsidiary's (including the Surviving Corporation's) or Parent's Affiliates' freedom of

action with respect to, or its or their ability to retain, one or more of Parent's or any Parent Subsidiary's (including the Surviving Corporation's) businesses, product lines or assets, in each case, as may be required in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any suit or proceeding which would otherwise have the effect of preventing or materially delaying the Closing, and (B) subject to applicable legal limitations and the instructions of any Governmental Entity, keep each other apprised of the status of matters relating to the completion of the transactions contemplated thereby, including promptly furnishing the other Party with copies of notices or other communications received by the Company or Parent, as the case may be, or any of their respective Subsidiaries, from any third party or any Governmental Entity with respect to such transactions. The Company and Parent shall permit counsel for the other Party reasonable opportunity to review in advance, and consider in good faith the views of the other Party in connection with any proposed written communication to any Governmental Entity. Each of the Company and Parent agrees not to participate in any substantive meeting or discussion, either in person, by telephone or other telecommunication, with any Governmental Entity in connection with the proposed transactions unless it consults with the other Party in advance and, to the extent not prohibited by such Governmental Entity, gives the other Party the opportunity to attend and participate.

(c) Parent and the Company shall jointly be responsible for, and Parent shall take the lead in, scheduling and conducting any meeting with any Governmental Entity or any intervenor in any proceeding relating to the HSR Clearance, a Parent Regulatory Approval or a Company Regulatory Approval, coordinating, preparing and making any applications and Filings with, and communicating with and resolving any investigation or other inquiry of, any agency or other Governmental Entity, and determining the strategy and timing for, and making all material decisions relating to, obtaining the HSR Clearance, the Parent Regulatory Approvals and Company Regulatory Approvals and any other approvals from any Governmental Entity or other Person necessary, proper or advisable to consummate the Merger.

(d) In furtherance and not in limitation of the covenants of the Parties contained in this Section 5.8, if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as violative of any Regulatory Law, each of the Company and Parent shall cooperate in all respects with each other and shall use their respective reasonable best efforts to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the Transactions. Notwithstanding the foregoing or any other provision of this Agreement, nothing in this Section 5.8 shall limit a Party's right to terminate this Agreement pursuant to Section 7.1(b) or 7.1(c) so long as such Party has, prior to such termination, complied with its obligations under this Agreement, including this Section 5.8.

(e) Notwithstanding anything in this Agreement to the contrary, nothing in this Section 5.8 shall be construed to require the Company, Parent or any of their respective Affiliates to undertake any efforts or take any action (including agreeing to accept or accepting any terms, conditions, liabilities, obligations, commitments, sanctions or other measures and proposing, negotiating, committing to and effecting, by consent decree, hold separate order or otherwise, the sale, divestiture, licensing or disposition of assets or businesses of the Company, Parent or any of their respective Affiliates) as may be required to resolve objections, if any, of the FTC, the DOJ or Applicable PSC (or any other Governmental Entity that may assert jurisdiction under applicable Law and to which the Parties deem it necessary, proper or advisable to obtain or make a Consent or Filing with such Governmental Entity to consummate the Merger), if the taking of such efforts or action with respect thereto would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, condition (financial or otherwise), properties, results of operations, liabilities, assets or operations of Parent and the Parent Subsidiaries and Parent's Affiliates, taken as a whole, or the Company and the Company Subsidiaries and the Company's Affiliates, taken as a whole (any of the foregoing effects, a "Burdensome Effect"); provided that, for purposes of determining whether a potential adverse effect would constitute a Burdensome Effect, Parent and the Parent Subsidiaries and Parent's Affiliates, taken as a whole, shall be deemed to be a consolidated group of entities that is the size and scale of the Company and the Company Subsidiaries and the Company's Affiliates, taken as a whole. Notwithstanding the foregoing, no undertakings, commitments, actions, terms, conditions or obligations set forth in Section 1.7, Section 1.8 or Section 5.20 shall constitute or be taken into account in determining whether there has been a Burdensome Effect. Neither Parent nor the Company shall accept, or agree to accept, any commitments, actions or conditions in connection with the Merger pursuant to any settlement or otherwise with any Applicable PSC or any other Person without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed. Nothing in this Section 5.8 shall obligate Parent or the Company or any of their respective Subsidiaries or Affiliates to take any action that is not conditioned on the Closing.

(f) Neither the Company nor Parent shall, and each shall cause its respective Subsidiaries and Affiliates not to, take any action, including acquiring any asset, property, business or Person (by way of merger, consolidation, share exchange, investment, other business combination, asset, stock or equity purchase, or otherwise), that would reasonably be expected to (i) materially increase the risk of not obtaining any Consent or Filing contemplated by this Section 5.8 prior to the End Date or (ii) result in a Consent being required from a state public utility commission (other than an Applicable PSC) in connection with the consummation of the Transactions, and, subject to applicable Law, including any Antitrust Law, each of the Company and Parent shall promptly notify and consult with the other Party with respect to any contemplated action of the type described in clauses (i) or (ii).

Section 5.9 Takeover Laws. If any Takeover Law becomes applicable to the Transactions, each of Parent, the Parent Board, the Company and the Company Board shall use reasonable best efforts to grant such approvals and take such actions as are reasonably necessary so that the Transactions may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of such Takeover Law on the Transactions.

Section 5.10 Public Announcements. Except with respect to (a) a Company Adverse Recommendation Change (or any response thereto) or a Company Recommendation Change Notice (or any response thereto), (b) a Parent Adverse Recommendation Change (or any response thereto) or a Parent Recommendation Change Notice (or any response thereto), (c) any dispute between or among the Parties regarding this Agreement or the Transactions and (d) a press release

or other public statement that is consistent in all material respects with previous press releases, public disclosures or public statements made by a Party in accordance with this Agreement, including in investor conference calls, SEC Filings, Q&As or other publicly disclosed documents, in each case under this clause (d), to the extent such disclosure is still accurate in all material respects, the Company and Parent shall consult with each other before issuing, and give each other the reasonable opportunity to review and comment upon, any press release or making any other public statement with respect to this Agreement or the Transactions, including the Merger, and shall not issue any such press release or make any such public statement prior to such consultation, except as such Party reasonably concludes (based upon advice of its outside legal counsel) is required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system. The Company and Parent agree that the initial press release to be issued with respect to this Agreement shall be in a form agreed to by the Parties.

Section 5.11 Indemnification and Insurance.

(a) From and after the Effective Time, Parent shall cause the Surviving Corporation to honor all rights to exculpation, indemnification and advancement of expenses now existing in favor of Company Personnel as provided in the Company Organizational Documents or the Organizational Documents of the Company Subsidiaries or in any agreement to which the Company or any Company Subsidiary is a party, which rights shall survive the Merger and shall continue in full force and effect to the extent permitted by Law. For a period of six (6) years from the Effective Time, Parent shall cause the Surviving Corporation to maintain in effect the exculpation, indemnification and advancement of expenses provisions of the Company Organizational Documents and any Organizational Documents of the Company Subsidiaries in effect as of the date hereof or in any indemnification agreements of the Company or the Company Subsidiaries with any of their respective directors, officers or employees in effect immediately prior to the Effective Time, and shall not amend, repeal or otherwise modify any such provisions in any manner that would adversely affect the rights thereunder of any individuals who immediately before the Effective Time were current or former directors, officers or employees of the Company or any Company Subsidiary; provided, however, that all rights to indemnification in respect of any Claim pending, asserted or made within such period shall continue until the disposition or resolution of such Claim. Parent shall assume, be jointly and severally liable for, and honor, guaranty and stand surety for, and shall cause the Surviving Corporation and its Subsidiaries to honor, in accordance with their respective terms, each of the covenants contained in this Section 5.11.

(b) From and after the Effective Time, each of Parent and the Surviving Corporation shall, to the fullest extent permitted under applicable Law, indemnify and hold harmless (and advance funds in respect of each of the foregoing) each Company Personnel and each Person who served as a director, officer, member, trustee or fiduciary of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise if such service was at the request or for the benefit of the Company or any Company Subsidiary (each, together with such Person's heirs, executors or administrators, an "Indemnified Party") against any costs or expenses (including advancing attorneys' fees and expenses in advance of the final disposition of any Claim to each Indemnified Party to the fullest extent permitted by Law), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement (provided that any Claim may

only be settled with the prior written consent of Parent, not to be unreasonably withheld) in connection with any actual or threatened Claim, arising out of, relating to or in connection with any action or omission occurring or alleged to have occurred before or at the Effective Time (including acts or omissions in connection with such Persons serving as an officer, director or other fiduciary in any entity if such service was at the request or for the benefit of the Company). In the event of any such Claim, Parent and the Surviving Corporation shall cooperate with the Indemnified Party in the defense of any such Claim.

(c) For a period of six (6) years from the Effective Time, Parent shall cause to be maintained in effect the coverage provided by the policies of directors' and officers' liability insurance and fiduciary liability insurance in effect as of the Closing Date maintained by the Company and the Company Subsidiaries with respect to matters arising on or before the Effective Time either through the Company's existing insurance provider or another provider reasonably selected by Parent; provided, however, that after the Effective Time, Parent shall not be required to pay annual premiums in excess of three hundred percent (300%) of the last annual premium paid by the Company prior to the date hereof in respect of the coverages required to be obtained pursuant hereto, but in such case shall purchase as much coverage as reasonably practicable for such amount; provided, further, that in lieu of the foregoing insurance coverage, Parent may direct the Company to purchase "tail" insurance coverage, at a cost no greater than the aggregate amount which the Surviving Corporation would be permitted to spend during the six (6)-year period provided for in this Section 5.11(c), that provides coverage not materially less favorable than the coverage described above.

(d) Parent shall pay all reasonable expenses, including reasonable attorneys' fees, that may be incurred by any Indemnified Party in enforcing the indemnity and other obligations provided in this Section 5.11.

(e) The rights of each Indemnified Party hereunder shall be in addition to, and not in limitation of, any other rights such Indemnified Party may have under the Company Organizational Documents or the Organizational Documents of the Company Subsidiaries or the Surviving Corporation, any other indemnification arrangement, the Pennsylvania Entity Laws or otherwise. The provisions of this Section 5.11 shall survive the consummation of the Merger and expressly are intended to benefit, and are enforceable by, each of the Indemnified Parties.

(f) In the event that the Surviving Corporation or any of its respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then in each such case, proper provision shall be made so that the successors and assigns of the Surviving Corporation shall assume the obligations set forth in this Section 5.11.

Section 5.12 Integration Planning Committee. Subject to applicable Law, including any Antitrust Law, as soon as reasonably practicable after the date hereof, the Parties shall create a special transition committee to oversee integration planning, including consulting with respect to operations and major regulatory decisions, and after the expiration or termination of the waiting periods (and any extensions thereof) under the HSR Act applicable to the Merger and the Transactions, providing post-Closing operations recommendations (the "Integration Planning

Committee”). The Integration Planning Committee shall be co-led by a designee of each of Parent and the Company. Notwithstanding anything herein to the contrary, the members of the Integration Planning Committee designated by Parent shall have the authority, on behalf of Parent, to provide any consents or approvals required to be given by Parent pursuant to Section 5.1, and the members of the Integration Planning Committee designated by the Company shall have the authority, on behalf of the Company, to provide any consents or approvals required to be given by the Company pursuant to Section 5.2.

Section 5.13 Control of Operations. Without in any way limiting any Party’s rights or obligations under this Agreement, the Parties acknowledge and agree that:

(a) (i) nothing contained in this Agreement shall give Parent, directly or indirectly, the right to control or direct the operations of the Company or any Company Subsidiary prior to the Effective Time and (ii) prior to the Effective Time, the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and the Company Subsidiaries’ respective operations; and

(b) (i) nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct the operations of Parent or any Parent Subsidiary prior to the Effective Time and (ii) prior to the Effective Time, Parent shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and the Parent Subsidiaries’ respective operations.

Section 5.14 Section 16 Matters. Prior to the Effective Time, Parent and the Company shall take all such steps as may be required to cause any dispositions of Company Common Stock (including derivative securities with respect to Company Common Stock) or acquisitions of Parent Common Stock (including derivative securities with respect to Parent Common Stock) resulting from the Transactions by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company or will become subject to such reporting requirements with respect to Parent to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Section 5.15 Tax Matters.

(a) Parent shall reasonably promptly notify the Company, and the Company shall reasonably promptly notify Parent, in each case, if such Party becomes aware of any fact or circumstance that would reasonably be likely to prevent the Merger from qualifying as a “reorganization” within the meaning of Section 368(a) of the Code (the “Intended Tax Treatment”).

(b) Each of Parent and the Company shall use reasonable best efforts to obtain, and reasonably cooperate with the other Party in connection with the issuance to Parent or the Company of any Tax opinion(s) of counsel (i) required to be issued in connection with the declaration of effectiveness of the Form S-4 by the SEC regarding the U.S. federal income tax treatment of the Merger or (ii) reasonably necessary to confirm (or otherwise permit one or more of the Parties to report the Merger consistently with) the Intended Tax Treatment, in each case, including using reasonable best efforts to deliver to the relevant counsel certificates (dated as of the necessary date and signed by an officer of Parent or of the Company, as applicable) that contain customary representations reasonably necessary or appropriate for such counsel to render such opinions.

(c) Each of Parent and the Company shall (and shall cause its respective Subsidiaries and Affiliates to) use its commercially reasonable efforts (i) to cause the Merger to qualify for the Intended Tax Treatment with respect to which Parent and the Company will each be a “party to the reorganization” within the meaning of Section 368(b) of the Code and (ii) not to, and not permit or cause any of its respective Subsidiaries or Affiliates to, take or cause to be taken any action, or fail to take or cause to be taken any action, which action, failure or cessation, as applicable, could reasonably be expected to cause the Merger to fail to or cease to qualify for the Intended Tax Treatment; provided, however, that taking, permitting or causing to be taken any action, or any failure to act, in each case, that is required or specifically contemplated by any other provision of this Agreement shall not constitute a breach of this Section 5.15(c).

(d) Except as prohibited by applicable Law, the Parties shall (and shall cause their respective Subsidiaries and Affiliates to) report and treat the Merger for U.S. federal, state and other applicable income tax purposes in accordance with the Intended Tax Treatment (and comply with all reporting and recordkeeping requirements applicable to the Merger that are prescribed by the Code, the Treasury Regulations or forms, instructions or other publications of the Internal Revenue Service, including the recordkeeping and information-filing requirements prescribed by Treasury Regulations Section 1.368-3) and take no tax position inconsistent with reporting and treating the Merger for U.S. federal, state and other applicable income tax purposes in accordance with the Intended Tax Treatment.

(e) Any liability arising out of any real estate transfer Tax with respect to interests in real property owned directly or indirectly by the Company or any Company Subsidiary immediately prior to the Merger, if applicable and due with respect to the Merger, shall be borne by the Surviving Corporation and expressly shall not be a direct liability of shareholders of the Company.

Section 5.16 Stock Exchange Listing. Parent shall use its reasonable best efforts to cause the shares of Parent Common Stock to be issued as Merger Consideration to be listed on the NYSE, subject to official notice of issuance, prior to the Effective Time. The Company shall use its reasonable best efforts to cooperate with Parent in connection with the foregoing, including by providing information reasonably requested by Parent in connection therewith.

Section 5.17 Stock Exchange Delisting; Deregistration. Prior to the Effective Time, the Parties shall use their respective reasonable best efforts to facilitate the commencement of the delisting of the Company and of the Company Common Stock from the NYSE and the deregistration of such Company Common Stock under the Exchange Act as promptly as practicable after the Effective Time. Prior to the Effective Time, the Company shall not voluntarily delist the Company Common Stock from the NYSE.

Section 5.18 Transaction Litigation. Each of the Company and Parent shall promptly notify the other Party of any litigation commenced after the date of this Agreement of which it has received notice relating to this Agreement, the Merger or the other Transactions that is brought against the Company or Parent or members of the Company Board or the Parent Board ("Transaction Litigation"). Each of the Company and Parent shall reasonably consult with the other Party with respect to the defense or settlement of any Transaction Litigation and shall provide such other Party the opportunity to participate in (but not control) such defense and settlement and shall not settle or compromise or agree to settle or compromise any Transaction Litigation without the other Party's consent (not to be unreasonably withheld, conditioned or delayed).

Section 5.19 Dividends. During the Interim Period, each of the Company and Parent shall coordinate with the other Party regarding the declaration and payment of dividends in respect of Company Common Stock and Parent Common Stock and the record dates and payment dates relating thereto, it being the intention of the Company and Parent that no holder of Company Common Stock or Parent Common Stock shall receive two (2) dividends, or fail to receive one (1) dividend, for any single calendar quarter with respect to its shares of Company Common Stock or Parent Common Stock (including Parent Common Stock issued in connection with the Merger), as the case may be.

Section 5.20 Headquarters and Operations of Parent.

(a) Following the Effective Time, Parent shall:

- (i) retain its current name; and
- (ii) maintain its headquarters and principal corporate offices in Camden, New Jersey.

(b) Following the Effective Time, Parent shall, and shall cause its Subsidiaries to, maintain substantial operations within the Commonwealth of Pennsylvania, including (i) maintaining the Company's office complex located in Bryn Mawr, Pennsylvania for a period of five (5) years immediately following the Effective Time and (ii) maintaining the headquarters and principal corporate offices for the Company's gas business in Pittsburgh, Pennsylvania, in the case of clause (ii), in accordance with the Company's settlement with the Pennsylvania Public Utility Commission in connection with the acquisition of the Company's gas business.

Section 5.21 Charitable Contributions. During the two (2)-year period immediately following the Effective Time, Parent shall provide, directly or indirectly, community development and charitable contributions within the service areas of the Company and the Company Subsidiaries that are utilities at levels consistent with the levels of community development and charitable contributions historically provided by the Company and the Company Subsidiaries, and thereafter, at levels consistent with those provided by Parent and the Parent Subsidiaries within their service areas.

Section 5.22 Indebtedness.

(a) During the Interim Period, the Parties shall cooperate in good faith to mutually determine and use commercially reasonable efforts to implement any necessary, appropriate or desirable arrangements, in anticipation of the consummation of the Merger and the other Transactions, regarding each Party's and its Subsidiaries' credit agreements, indentures or other documents governing or relating to Indebtedness of the Parties and their Subsidiaries, including arrangements by way of amendments, consents, redemption, payoff, new financing or

otherwise, with respect to refinancing or retaining a Party's or its Subsidiaries' credit agreements or notes. Notwithstanding the foregoing, and without limiting Section 5.23, in the event that a Specified Debt Amendment has not been obtained in respect of the Specified Debt Agreement prior to the date that is thirty (30) days prior to the anticipated Closing Date, the Company shall use commercially reasonable efforts to deliver (or cause to be delivered) to Parent, on or prior to the Closing Date (with drafts delivered at least five (5) Business Days prior to the anticipated Closing Date), a fully executed copy of a customary payoff letter with respect to the obligations under the Specified Debt Agreement.

(b) Notwithstanding the foregoing, and without limiting Section 5.23, as soon as reasonably practicable, the Company shall use its commercially reasonable efforts to (i) (A) commence offers to prepay (including change in control offers) all of the notes issued pursuant to the 2016 Note Purchase Agreement on such terms and conditions that are set forth in Section 8.7 thereof and (B) cause the Company Subsidiaries, and direct its and their respective non-legal Representatives, to provide all cooperation reasonably requested by Parent in connection with any such prepayment or (ii) obtain a waiver of, or an amendment or modification to the 2016 Note Purchase Agreement such that the consummation of the Merger shall not constitute a "Change in Control" or a "Control Event" (each term as defined in the 2016 Note Purchase Agreement); provided that, in the case of clauses (i) and (ii), any such prepayment, waiver, amendment or modification must be conditioned on the occurrence of the Closing and consummated or executed and delivered on or prior to the Closing Date.

Section 5.23 Third Party Consents. Prior to the Closing, each Party shall use its commercially reasonable efforts, subject to and in accordance with applicable Law, to obtain, and to cooperate in obtaining, all Consents from third parties (other than Governmental Entities) necessary to consummate and make effective the Transactions; provided that any material amendment, waiver or other modification to the Specified Debt Agreement or the 2016 Note Purchase Agreement that is not contemplated by Section 5.22 shall be in form and substance reasonably satisfactory to Parent; provided, further, that no Party shall be required to (a) incur any liability or pay any consent fees in order to obtain any such Consent which would require any such fees to be payable prior to the Closing Date, (b) agree to any amendment to, or modification of, any Contract, or to waive any rights thereunder, as a condition to obtaining such Consent if such amendment, modification or waiver would be effective prior to the Closing Date or (c) unreasonably interfere with any customer relationship of such Party or any of its Affiliates.

ARTICLE VI

CONDITIONS TO THE MERGER

Section 6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each Party to effect the Merger shall be subject to the satisfaction or waiver (to the extent permitted by applicable Law) at or prior to the Effective Time of the following conditions:

(a) Shareholder and Stockholder Approvals. Each of the Company Shareholder Approval and the Parent Stockholder Approval shall have been obtained.

(b) No Legal Restraint. No (i) Judgment issued by any court or Governmental Entity that prevents, makes illegal or prohibits the consummation of the Merger, whether preliminary, temporary or permanent, shall be in effect and (ii) Law shall have been enacted, entered, promulgated or enforced by any Governmental Entity after the date of this Agreement which prevents, makes illegal or prohibits the consummation of the Merger (any such Judgment or Law, a “Legal Restraint”).

(c) Form S-4. The Form S-4 shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Form S-4 shall have been issued by the SEC and no proceedings for that purpose shall have been initiated by the SEC and not withdrawn.

(d) NYSE Listing. The shares of Parent Common Stock to be issued in the Merger shall have been approved for listing on the NYSE, subject to official notice of issuance.

Section 6.2 Conditions to Obligation of the Company to Effect the Merger. The obligation of the Company to effect the Merger is further subject to the satisfaction or the waiver by the Company on or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth herein (i) with respect to Section 4.1(a), Section 4.1(b), Section 4.2(b), Section 4.3(a), Section 4.5(a) and Section 4.14 shall be true and correct both when made and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), in all material respects, (ii) with respect to Section 4.2(a) shall be true and correct both when made and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), in all respects (except for *de minimis* inaccuracies), and (iii) with respect to all other representations and warranties shall be true and correct both when made and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except in the case of clause (iii) where the failure of such representations and warranties to be so true and correct (without giving effect to any limitation as to “materiality” or “Parent Material Adverse Effect” set forth therein) does not have, and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(b) Performance of Covenants and Agreements. Each of Parent and Merger Sub shall have in all material respects performed or complied with all covenants and other agreements required by this Agreement to be performed or complied with by it prior to the Effective Time.

(c) No Parent Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any Change that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(d) Officer’s Certificates. The Company shall have received from Parent a certificate, dated as of the Closing Date and signed by an executive officer of Parent, certifying to the effect that the conditions set forth in Sections 6.2(a), 6.2(b) and 6.2(c) have been satisfied.

(e) Required Regulatory Approvals. (i) The Company Regulatory Approvals and the Parent Regulatory Approvals shall have been obtained and the expiration or termination of the waiting periods or agreements between the Parties and a Governmental Entity not to close the transaction embodied in a “timing agreement” (and any extensions thereof) required under the HSR Act applicable to the Merger and the Transactions (such termination or expiration, the “HSR Clearance”) shall have occurred at or prior to the Effective Time, and such approvals shall have become Final Orders and (ii) such Final Orders shall not impose terms or conditions that, individually or in the aggregate, constitute a Burdensome Effect. For purposes of this Article VI, a “Final Order” means a Judgment by the relevant Governmental Entity that (A) has not been reversed, stayed, enjoined, set aside, annulled or suspended and is in full force and effect and (B) with respect to which, if applicable, any mandatory waiting period expressly prescribed by Law before the Merger may be consummated has expired or been terminated; provided that the HSR Clearance (i.e., the expiration or termination of the waiting periods (and any extensions thereof) required under the HSR Act) shall constitute a Final Order once such waiting periods or agreements between the Parties and a Governmental Entity not to close the transaction embodied in a “timing agreement” have expired or been terminated.

Section 6.3 Conditions to Obligation of Parent to Effect the Merger. The obligation of Parent and Merger Sub to effect the Merger is further subject to the satisfaction or the waiver by Parent on or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Company set forth herein (i) with respect to Section 3.1(a), Section 3.1(b), Section 3.2(b), Section 3.3(a), Section 3.5(a) and Section 3.14 shall be true and correct both when made and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), in all material respects, (ii) with respect to Section 3.2(a), shall be true and correct both when made and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), in all respects (except for *de minimis* inaccuracies), and (iii) with respect to all other representations and warranties shall be true and correct both when made and at and as of the Closing Date, as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except in the case of clause (iii) where the failure of such representations and warranties to be so true and correct (without giving effect to any limitation as to “materiality” or “Company Material Adverse Effect” set forth therein) does not have, and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Performance of Covenants and Agreements. The Company shall have in all material respects performed and complied with all covenants and other agreements required by this Agreement to be performed or complied with by it prior to the Effective Time.

(c) No Company Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any Change that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) Officer’s Certificates. Parent shall have received from the Company a certificate, dated as of the Closing Date and signed by an executive officer of the Company, certifying to the effect that the conditions set forth in Sections 6.3(a), 6.3(b) and 6.3(c) have been satisfied.

(e) Required Regulatory Approvals. (i) The Company Regulatory Approvals and the Parent Regulatory Approvals shall have been obtained and the HSR Clearance shall have occurred at or prior to the Effective Time, and such approvals shall have become Final Orders and (ii) such Final Orders shall not impose terms or conditions that, individually or in the aggregate, constitute a Burdensome Effect.

ARTICLE VII

TERMINATION

Section 7.1 Termination. Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated at any time prior to the Effective Time, whether before or after any approval of the matters presented in connection with the Merger by the shareholders of the Company or the stockholders of Parent:

(a) by the mutual written consent of the Company and Parent;

(b) by either the Company or Parent if the Merger shall not have been consummated on or prior to the eighteen (18)-month anniversary of the date hereof (the “End Date”); provided, however, that if all of the conditions to Closing contained in Article VI shall have been satisfied or shall be then capable of being satisfied (other than the conditions set forth in Section 6.1(b) (*No Legal Restraints*), Section 6.2(e) (*Required Regulatory Approvals*) or Section 6.3(e) (*Required Regulatory Approvals*)), the End Date shall automatically be extended by an additional three (3) months after the End Date (the “First Extended End Date”); provided, further, that if, on the First Extended End Date, all of the conditions to Closing contained in Article VI shall have been satisfied or shall be then capable of being satisfied (other than the conditions set forth in Section 6.1(b) (*No Legal Restraints*), Section 6.2(e) (*Required Regulatory Approvals*) or Section 6.3(e) (*Required Regulatory Approvals*)), then either the Company or Parent may, by written notice to the other Party, further extend the End Date for an additional three (3) months (the “Second Extended End Date”); provided, further, that if the End Date shall occur (i) during any mandatory waiting period prescribed by Law, the End Date shall be extended until the third (3rd) Business Day after the expiration of such waiting period or (ii) during the three (3)-Business Day period referred to in Section 1.2, the End Date shall be extended until the Business Day immediately after the expiration of such three (3)-Business Day period, and all references to the term “End Date” herein shall mean the End Date as extended pursuant to this Section 7.1(b), including, as applicable, the First Extended End Date and the Second Extended End Date; provided, moreover, that the right to terminate this Agreement pursuant to this Section 7.1(b) shall not be available to a Party if such Party is then in material breach of any of its covenants or other agreements under this Agreement and such breach has been the principal cause of or principally resulted in the failure of the Closing to have occurred prior to the End Date;

(c) by either the Company or Parent if any Legal Restraint having any of the effects set forth in Section 6.1(b) shall be in effect and shall have become final and nonappealable; provided that the right to terminate this Agreement under this Section 7.1(c) shall not be available to any Party if such failure to satisfy the condition set forth in Section 6.1(b) was principally caused by or principally resulted from a material breach by such Party of its covenants or other agreements under this Agreement;

(d) by either the Company or Parent if the Company Shareholder Meeting (including any adjournments or postponements thereof) shall have concluded and the Company Shareholder Approval contemplated by this Agreement shall not have been obtained;

(e) by either the Company or Parent if the Parent Stockholder Meeting (including any adjournments or postponements thereof) shall have concluded and the Parent Stockholder Approval contemplated by this Agreement shall not have been obtained;

(f) by the Company, if Parent or Merger Sub shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 6.2(a) or Section 6.2(b) and (ii) cannot be cured or, if curable, is not cured prior to the earlier of (A) thirty (30) days after written notice thereof is given by the Company to Parent and (B) three (3) Business Days prior to the End Date; provided that the right to terminate this Agreement pursuant to this Section 7.1(f) shall not be available to the Company if the Company is then in breach of any of its representations, warranties, covenants or other agreements contained in this Agreement such that any of the conditions set forth in Section 6.3(a) or Section 6.3(b) would not be capable of being satisfied;

(g) by Parent, if the Company shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 6.3(a) or Section 6.3(b) and (ii) cannot be cured or, if curable, is not cured prior to the earlier of (A) thirty (30) days after written notice thereof is given by Parent to the Company and (B) three (3) Business Days prior to the End Date; provided that the right to terminate this Agreement pursuant to this Section 7.1(g) shall not be available to Parent if Parent or Merger Sub is then in breach of any of its representations, warranties, covenants or other agreements contained in this Agreement such that any of the conditions set forth in Section 6.2(a) or Section 6.2(b) would not be capable of being satisfied;

(h) by the Company, at any time prior to obtaining the Company Shareholder Approval, in order to enter into a written definitive agreement for a Company Superior Proposal, if the Company has complied with its obligations under Section 5.4(c); provided that any such purported termination by the Company pursuant to this Section 7.1(h) shall be void and of no force or effect unless the Company pays to Parent the Company Termination Fee substantially concurrently with such termination in accordance with Section 7.2 (provided, further, that Parent shall have provided wiring instructions for such payment or, if not, then such payment shall be paid promptly following delivery of such instructions);

(i) by Parent, at any time prior to obtaining the Parent Stockholder Approval, in order to enter into a written definitive agreement for a Parent Superior Proposal, if Parent has complied with its obligations under Section 5.5(c); provided that any such purported termination by Parent pursuant to this Section 7.1(i) shall be void and of no force or effect unless Parent pays to the Company the Parent Termination Fee substantially concurrently with such termination in accordance with Section 7.2 (provided, further, that the Company shall have provided wiring instructions for such payment or, if not, then such payment shall be paid promptly following delivery of such instructions);

(j) by the Company, if there has been a Parent Adverse Recommendation Change; provided, however, that the right to terminate this Agreement under this Section 7.1(j) shall not be available to the Company if the Parent Stockholder Approval has been obtained at the Parent Stockholder Meeting; and

(k) by Parent, if there has been a Company Adverse Recommendation Change; provided, however, that the right to terminate this Agreement under this Section 7.1(k) shall not be available to Parent if the Company Shareholder Approval has been obtained at the Company Shareholder Meeting.

In the event of termination of this Agreement pursuant to this Section 7.1, this Agreement shall terminate (except for the last sentence of Section 5.3(b), Section 7.2, and the applicable provisions of Article VIII), and there shall be no other liability on the part of the Company or Parent to the other Party except for liabilities or damages (which, the Parties acknowledge and agree, (i) in the case of liabilities or damages payable by Parent, shall be based upon the loss of the benefit of the bargain by the Company and its shareholders (including any lost premium), and (ii) in the case of liabilities or damages payable by the Company, shall be based upon the loss of the benefit of the bargain by Parent and its stockholders) incurred or suffered as a result of a Willful Breach by such Party of its covenants or other agreements set forth in this Agreement or as provided for in the Confidentiality Agreement, in which case the aggrieved Party shall be entitled to all rights and remedies available at law or in equity.

Section 7.2 Effect of Termination.

(a) Parent and the Company agree that:

(i) if this Agreement is terminated by (A) Parent pursuant to Section 7.1(k) (*Company Adverse Recommendation Change*) or (B) the Company pursuant to Section 7.1(h) (*Company Superior Proposal*); or

(ii) (A) if this Agreement is terminated (1) by Parent pursuant to Section 7.1(g) (*Breach of Company Representations or Covenants*) and the breach or other circumstance giving rise to such termination was willful or (2) by the Company or Parent pursuant to Section 7.1(b) (*End Date*) or Section 7.1(d) (*No Company Shareholder Approval*), (B) prior to any such termination, any Person shall have made a Company Competing Proposal which shall have been publicly announced or disclosed and not publicly withdrawn, and (C) within twelve (12) months after such termination of this Agreement, the Company shall have entered into a Company Competing Agreement,

then the Company shall pay to Parent the Company Termination Fee. Any Company Termination Fee shall be paid to Parent by the Company in immediately available funds (x) upon termination of this Agreement in the case of a termination pursuant to Section 7.2(a)(i)(B), (y) within five (5) Business Days after termination in the case of a termination pursuant to Section 7.2(a)(i)(A) and (z) upon the execution of or entry into a Company Competing Agreement in the case of a termination pursuant to Section 7.2(a)(ii).

(b) Parent and the Company agree that:

(i) if this Agreement is terminated by (A) the Company pursuant to Section 7.1(j) (*Parent Adverse Recommendation Change*) or (B) Parent pursuant to Section 7.1(i) (*Parent Superior Proposal*); or

(ii) (A) if this Agreement is terminated (1) by the Company pursuant to Section 7.1(f) (*Breach of Parent Representations or Covenants*) and the breach or other circumstance giving rise to such termination was willful or (2) by the Company or Parent pursuant to Section 7.1(b) (*End Date*) or Section 7.1(e) (*No Parent Stockholder Approval*), (B) prior to any such termination, any Person shall have made a Parent Competing Proposal which shall have been publicly announced or disclosed and not publicly withdrawn, and (C) within twelve (12) months after such termination of this Agreement, Parent shall have entered into a Parent Competing Agreement,

then Parent shall pay to the Company the Parent Termination Fee. Any Parent Termination Fee shall be paid to the Company by Parent in immediately available funds (x) upon termination of this Agreement in the case of a termination pursuant to Section 7.2(b)(i)(B), (y) within five (5) Business Days after termination in the case of a termination pursuant to Section 7.2(b)(i)(A) and (z) upon the execution of or entry into a Parent Competing Agreement in the case of a termination pursuant to Section 7.2(b)(ii).

(c) Solely for purposes of this Section 7.2, “Company Competing Proposal” and “Parent Competing Proposal” shall have the meanings ascribed thereto in Section 5.4(g)(i) and Section 5.5(g)(i), respectively, except that all references to twenty percent (20%) shall be changed to fifty percent (50%).

(d) Notwithstanding anything to the contrary in this Agreement, if this Agreement is terminated under circumstances in which the Company Termination Fee or the Parent Termination Fee, as applicable, is required to be paid pursuant to this Section 7.2, and the Company Termination Fee or the Parent Termination Fee, as applicable, is paid, then payment of such fee, together with any costs, expenses and interest payable pursuant to Section 7.2(e), shall be the sole and exclusive remedy of the other Party and its shareholders or stockholders, as applicable, and the paying Party shall have no further liability to the other Party or any of its respective Affiliates or Representatives or such Party’s shareholders or stockholders, as applicable, with respect to this Agreement or the Transactions; provided that, in all circumstances in which this Agreement is terminated and the Company Termination Fee or the Parent Termination Fee, as applicable, is not required to be paid pursuant to this Section 7.2, nothing herein shall release any Party from liability or damages incurred or suffered as a result of a Willful Breach by such Party of its covenants or other agreements set forth in this Agreement. The Parties acknowledge and agree that in no event shall a Party be required to pay the Company Termination Fee or the Parent Termination Fee on more than one occasion.

(e) Each Party acknowledges and agrees that the agreements contained in this Section 7.2 are integral parts of the Transactions and that, without these agreements, such Party would not enter into this Agreement. Each Party further acknowledges and agrees that payment of the Company Termination Fee and Parent Termination Fee, as applicable, if, as and when required pursuant to this Section 7.2, shall not constitute a penalty but rather will constitute liquidated damages, in a reasonable amount that will compensate the Party receiving such amount in the circumstances in which it is payable for the efforts and resources expended and opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the Transactions, which amount would otherwise be impossible to calculate with precision. Accordingly, (i) if Parent fails to pay the Parent Termination Fee pursuant to Section 7.2(b) when due, and, in order to obtain such payment, the Company commences a Claim that results in a Judgment against Parent for the Parent Termination Fee, Parent shall pay to the Company, together with the Parent Termination Fee, the Company's costs and expenses (including reasonable and documented attorneys' fees) in connection with such Claim, and interest on the Parent Termination Fee for the period commencing as of the date such payment was required to be made and ending on the date such payment is actually paid to the Company at a rate per annum equal to the Prime Rate in effect on the date such payment was required to be made, or (ii) if the Company fails to pay the Company Termination Fee pursuant to Section 7.2(a) when due, and, in order to obtain such payment, Parent commences a Claim that results in a Judgment against the Company for the Company Termination Fee, the Company shall pay to Parent, together with the Company Termination Fee, Parent's costs and expenses (including reasonable and documented attorneys' fees) in connection with such Claim, and interest on the Company Termination Fee for the period commencing as of the date such payment was required to be made and ending on the date such payment is actually paid to Parent at a rate per annum equal to the Prime Rate in effect on the date such payment was required to be made.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 No Survival of Representations, Warranties, Covenants and Agreements; Recourse Limitations.

(a) None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Merger, except for covenants and agreements which contemplate performance after the Effective Time or otherwise expressly by their terms survive the Effective Time.

(b) Any opinion, projection, forecast, statement, budget, estimate, advice or other information with respect to the projections, budgets, or estimates of future revenues, results of operations (or any component thereof), cash flows, financial condition (or any component thereof) or the future business and operations of another Party or its Subsidiaries (collectively, "Projections") that may have been provided or made available by such Party or its Representatives has been provided on a non-reliance basis without any representation or warranty. Except for the representations and warranties expressly set forth in Article III (as modified by the Company Disclosure Schedule), in Article IV (as modified by the Parent Disclosure Schedule) or in any certificate delivered by a Party to another Party in accordance with the terms hereof (the "Express Representations"), each Party (i) specifically acknowledges and agrees that none of the Parties or any of their Representatives or any other Person makes, or has made, any other express or implied representation or warranty whatsoever (whether at law or in equity), including with respect to such Party or its Subsidiaries or Affiliates or any of their respective businesses, assets, employees,

Permits, liabilities, operations, prospects, condition (financial or otherwise) or any Projection, and hereby expressly waives and relinquishes any and all rights, Claims or causes of action (whether in contract or in tort or otherwise, or whether at law or in equity) based on, arising out of or relating to any such other representation or warranty or any Projection, (ii) specifically acknowledges and agrees to each other Party's express disclaimer and negation of any such other representation or warranty or any Projection and of all liability and responsibility for any such other representation or warranty or any Projection, (iii) expressly waives and relinquishes any and all rights, Claims and causes of action (whether in contract or in tort or otherwise, or whether at law or in equity) against any Person (including any other Party) based on, arising out of, relating to or in connection with any Projection or any other information provided by or on behalf of any other Party (including the accuracy, completeness or materiality thereof) and (iv) agrees that the sole recourse under this Agreement shall be against the other Parties and that no other Person (including the Representatives, stockholders or shareholders of the other Parties) shall have any liability or obligation (and, in furtherance thereof, hereby expressly waives and relinquishes any and all rights, Claims and causes of action (whether in contract or in tort or otherwise, or whether at law or in equity) against any such Person) based on, arising out of, relating to or in connection this Agreement (or the negotiation, execution, performance or subject matter of this Agreement) or the Transactions (including for any alleged nondisclosure or misrepresentations made by any such Person). Each Party acknowledges and agrees that it has conducted to its satisfaction its own independent investigation of the Transactions and, in making its determination to enter into this Agreement and proceed with the Transactions, has relied solely on the Express Representations, and except for such Express Representations, it has not relied on, or been induced by, any representation, warranty or other statement of or by any other Party (or the Affiliates or other Representatives of any Party) or any other Person, including any Projection, in determining to enter into this Agreement and proceed with the Transactions.

Section 8.2 Expenses. Except as otherwise provided in Section 7.2, whether or not the Merger is consummated, all costs and expenses incurred in connection with the Merger, this Agreement and the Transactions shall be paid by the Party incurring or required to incur such expenses, except that (a) the HSR Act filing fees, (b) the costs and expenses incurred in connection with the printing, filing and mailing of the Form S-4 and Joint Proxy Statement (including applicable SEC filing fees or registration fees) and (c) any filing fees in connection with the applications to the Applicable PSCs in connection with the Transactions shall be borne equally by Parent and the Company.

Section 8.3 Counterparts; Effectiveness. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one and the same agreement. An executed copy of this Agreement delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement.

Section 8.4 Governing Law. This Agreement, and all claims or causes of action of the Parties (whether in contract or in tort or otherwise, or whether at law or in equity) that may be based on, arise out of or relate to this Agreement or the negotiation, execution, performance or subject matter hereof, shall be governed by and construed in accordance with the Laws of the State of Delaware, without regard to principles of conflict of laws; provided that, notwithstanding the foregoing, the Merger and matters related to the fiduciary obligations of the Company Board shall be governed by, and construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania.

Section 8.5 Jurisdiction; Specific Enforcement. The Parties acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, in addition to any other remedy that may be available to it, including monetary damages, each of the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the Delaware Court of Chancery (or, if such court does not have subject matter jurisdiction, any federal or state court in the State of Delaware, to whose jurisdiction and venue the Parties unconditionally consent and submit). The Parties further agree that no Party to this Agreement shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 8.5 and each Party waives any objection to the imposition of such relief or any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. In addition, each of the Parties irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other Party or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery (or, if such court does not have subject matter jurisdiction, any federal or state court in the State of Delaware, to whose jurisdiction and venue the Parties unconditionally consent and submit). Each of the Parties hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid court and agrees that it will not bring any action relating to this Agreement or any of the Transactions in any court other than the aforesaid court. Each of the Parties hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above named court for any reason other than the failure to serve in accordance with this Section 8.5, (b) any claim that it or its property is exempt or immune from jurisdiction of such court or from any legal process commenced in such court (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by the applicable Laws, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such court.

Section 8.6 WAIVER OF JURY TRIAL. EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS.

Section 8.7 Notices. Any notice, request, instruction or other document to be given hereunder by any Party to any other Party shall be in writing and shall be given and shall be deemed to have been given (a) when personally delivered or one (1) day after deposit with a nationally recognized overnight courier service for delivery on an overnight basis or (b) when sent in the form of an email (provided that there is no automated return email indicating the email address is

no longer valid or active or the recipient thereof is unavailable) between 9:00 a.m. and 5:00 p.m. (New York time) on any Business Day (and, when sent outside of such hours, at 9:00 a.m. (New York time) on the next Business Day) (provided, however, that delivery of email notice pursuant to Section 5.4(d) and Section 5.5(d) shall be deemed to have been given at the time sent, regardless of the time or day of delivery), and shall be directed to the address or email address set forth below (or at such other address, facsimile number or email address as such Party shall designate by like notice).

To Parent or Merger Sub:

American Water Works Company, Inc.
1 Water Street
Camden, NJ 08102
Attention: Stacy Mitchell, General Counsel
Email: stacy.mitchell@amwater.com

with copies to:

American Water Works Company, Inc.
1 Water Street
Camden, NJ 08102
Attention: Jordan Mersky
Email: jordan.mersky@amwater.com

and

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, DC 20005
Attention: Pankaj Sinha; Emily Prezioso Walsh
Email: psinha@skadden.com; emily.walsh@skadden.com

To the Company:

Essential Utilities, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010
Attention: Christopher Luning
Email: CPLuning@essential.co

with copies to:

Gibson, Dunn & Crutcher LLP
1700 M Street N.W.
Washington, DC 20036
Attention: George Stamas; Alexander Fine; Evan D'Amico
Email: gstamas@gibsondunn.com; afine@gibsondunn.com;
edamico@gibsondunn.com

Section 8.8 Disclosure Schedules. The Parties acknowledge and agree that (a) any reference in a particular Section of either the Company Disclosure Schedule or the Parent Disclosure Schedule shall be deemed to be an exception to (or, as applicable, a disclosure for purposes of) (i) the representations and warranties (or covenants, as applicable) of the relevant Party that are contained in the corresponding Section of this Agreement and (ii) any other representations and warranties of such Party that are contained in this Agreement (regardless of the absence of an express reference or cross-reference in a particular Section of this Agreement or a particular Section of either the Company Disclosure Schedule or Parent Disclosure Schedule), but only if the relevance of that reference as an exception to (or a disclosure for purposes of) such representations and warranties would be reasonably apparent and (b) the fact that any item of information is disclosed in the Company Disclosure Schedule or the Parent Disclosure Schedule shall not be construed to mean that such information is required to be disclosed by this Agreement, and such information and the dollar thresholds set forth herein shall not be used as a basis for interpreting the terms “material,” “material adverse effect” or other similar terms in this Agreement.

Section 8.9 Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties without the prior written consent of the other Parties. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

Section 8.10 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

Section 8.11 Entire Agreement; No Third-Party Beneficiaries. This Agreement (including the exhibits and schedules hereto) and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, between the Parties, or any of them, with respect to the subject matter hereof and thereof and, except for the provisions of Section 5.11, is not intended to and shall not confer upon any person other than the Parties any rights or remedies hereunder.

Section 8.12 Amendments; Waivers. At any time prior to the Effective Time, any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Company, Parent and Merger Sub or, in the case of a waiver, by the Party against whom the waiver is to be effective; provided, however, that after receipt of the Company Shareholder Approval, if any such amendment or waiver shall be by applicable Law or in accordance with the rules and regulations of the NYSE require further approval of the shareholders of the Company, the effectiveness of such amendment or waiver shall be subject to the approval of the shareholders of the Company. Notwithstanding the foregoing, no failure or delay by the Company or Parent in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder.

Section 8.13 Headings. Headings of the Articles and Sections of this Agreement are for convenience of the Parties only and shall be given no substantive or interpretive effect whatsoever. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE IX

DEFINITIONS AND INTERPRETATION

Section 9.1 Certain Defined Terms. For purposes of this Agreement, each of the following terms has the meaning specified in this Section 9.1:

“2016 Note Purchase Agreement” means that certain Note Purchase Agreement, dated as of November 3, 2016 (as amended, restated or otherwise modified from time to time), by and among the Company (f/k/a Aqua America, Inc.) and the note purchasers thereto, with respect to \$35,000,000 3.01% Senior Notes, Series A, due November 3, 2031, \$30,000,000 3.19% Senior Notes, Series B, due November 3, 2034, \$25,000,000 3.25% Senior Notes, Series C, due November 3, 2035, \$10,000,000 3.41% Senior Notes, Series D, due November 3, 2038 and \$25,000,000 3.57% Senior Notes, Series E, due November 3, 2041.

“Acceptable Confidentiality Agreement” means a confidentiality agreement that contains confidentiality provisions that are no less favorable in the aggregate to Parent or the Company, as applicable, than those contained in the Confidentiality Agreement; provided that such confidentiality agreement shall not include any provision calling for an exclusive right to negotiate with any Party to this Agreement or otherwise conflicting with the obligations of any Party under this Agreement and shall permit the disclosures contemplated by Section 5.4 or Section 5.5, as applicable.

“Affiliate” means, as to any Person, any other Person which, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. As used in this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the ability to elect the members of the board of directors or other governing body of a Person, and the terms “controlled” and “controlling” have correlative meanings.

“Anti-Corruption Laws” means any Laws concerning or relating to bribery or corruption (governmental or commercial), including the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010, and all national and international Laws enacted to implement the Organisation for Economic Co-operation and Development’s Convention on Combating Bribery of Foreign Officials in International Business Transactions.

“Antitrust Laws” means the Sherman Act, the Clayton Act, the HSR Act, the Federal Trade Commission Act, all applicable state, foreign or supranational Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

“Applicable PSCs” means collectively the state public utility commissions set forth in Section 9.1 of the Company Disclosure Schedule and Section 9.1 of the Parent Disclosure Schedule.

“Business Day” means a day, other than a Saturday or Sunday or other day on which commercial banks in New York, New York are authorized or required by Law to close.

“Change” means any fact, circumstance, effect, change, condition, occurrence, event or development.

“Claim” means any demand, claim, action, suit, proceeding, investigation, complaint or indictment (whether at law or in equity, civil, criminal, administrative or investigative) or any other arbitration, mediation or similar proceeding, in each case, by or before any Governmental Entity.

“Company 401(k) Plan” means the Essential Utilities, Inc. 401(k) Plan, as amended.

“Company Benefit Plan” means each “employee benefit plan” (as defined in Section 3(3) of ERISA), whether or not subject to ERISA, and each bonus, stock, stock purchase, stock option or other equity or equity-based compensation arrangement or plan, incentive compensation, deferred compensation, retirement or supplemental retirement, severance plan or policy, termination pay, employment, consulting, change-in-control, retention, transaction bonus, profit sharing, pension, retirement, vacation, cafeteria, dependent care, medical care, death and disability benefit, flexible benefits, supplemental unemployment benefit, employee assistance program, education or tuition assistance program, and each insurance and other fringe or employee benefit plan, program or arrangement, in each case, (a) that is sponsored, maintained, entered into, contributed to or required to be contributed to by the Company or any Company Subsidiary or any of their ERISA Affiliates, (b) for the benefit of current or former employees, directors, individual consultants or other individual service providers (or any dependent or beneficiary thereof) of the Company or any Company Subsidiary or any of their ERISA Affiliates or (c) with respect to which the Company, any Company Subsidiary has or may have any obligation or liability (whether actual or contingent), other than any plan to which the Company or any Company Subsidiary (or has an obligation to contribute) pursuant to applicable Law and that is sponsored or maintained by a Governmental Entity.

“Company DRIP” means the Company’s Dividend Reinvestment and Direct Stock Purchase Plan.

“Company ESPP” means the Aqua America, Inc. 2012 Employee Stock Purchase Program.

“Company Material Adverse Effect” means any Change that has, individually or in the aggregate with all other Changes, a material adverse effect on the business, condition (financial or otherwise), properties, results of operations, liabilities, assets or operations of the Company and the Company Subsidiaries, taken as a whole, or on the ability of the Company to consummate the Transactions, but shall not be deemed to include any Change resulting from or arising out of: (a)(i) Changes generally affecting the economy, legislative or political conditions; (ii) Changes generally affecting any financial, securities, commodities or other capital markets; or (iii) Changes in prevailing interest rates, in each case of the foregoing clauses (i), (ii) and (iii), whether in the U.S. or elsewhere in the world, (b) Changes generally affecting the industry or industries in which the Company or the Company Subsidiaries operate, (c) the execution and delivery of this Agreement or the public announcement, pendency or performance of the Merger or any of the other Transactions, including (x) any action taken by the Company or any Company Subsidiary that is expressly required pursuant to this Agreement, or the failure to take any action specifically prohibited by this Agreement (in each case, excluding any such actions required to be taken or not taken pursuant to Section 5.1) or (y) any adverse change in customer, supplier, employee, regulatory, partner or similar relationships resulting therefrom, (d) any taking of any action at the written request or with the written consent of Parent or Merger Sub, (e) any Claim brought or threatened by shareholders of the Company or stockholders of Parent asserting allegations of breach of fiduciary duty or other violation of applicable Law relating to this Agreement or the Transactions, (f) any change or proposed change after the date hereof in applicable Law, (g) any change or proposed change after the date hereof in GAAP or accounting standards or interpretations thereof, (h) geopolitical conditions, the outbreak or escalation of hostilities, any act of war, sabotage or terrorism, any civil unrest, or any escalation or worsening of any of the foregoing, (i) any public health emergency (including any epidemic or pandemic), (j) any hurricane, snow storm or blizzard, strong winds, ice event, fire, tornado, tsunami, flood, earthquake or other natural or manmade disaster or severe weather-related event, circumstance or development, (k) any reduction in the credit rating or outlook of the Company or any of the Company Subsidiaries (other than a change to a rating, or an outlook contemplating a change to a rating, below investment grade) (it being understood that the facts or occurrences giving rise to or contributing to such change may, if not otherwise excluded from being, or being taken into account in determining whether, a Company Material Adverse Effect has occurred or would reasonably be expected to occur, be deemed to constitute, or be taking into account in determining whether there has or will be, a Company Material Adverse Effect), (l) any failure in and of itself by the Company or any Company Subsidiary to meet any internal or public projection, budget, forecast, estimate or prediction in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts or occurrences giving rise to or contributing to such failure may, if not otherwise excluded from being, or being taken into account in determining whether, a Company Material Adverse Effect has occurred or would reasonably be expected to occur, be deemed to constitute, or be taken into account in determining whether there has or will be, a Company Material Adverse Effect), (m) any change in and of itself in the market price or trading volume of shares of Company Common Stock on the NYSE (it being understood that the facts or occurrences giving rise to or contributing to such change may, if not otherwise excluded from being, or being taken into account in determining whether, a Company Material Adverse Effect has occurred or would reasonably be expected to occur, be deemed to constitute, or be taking into account in determining whether there has or will be, a Company Material Adverse Effect), or (n) any Change arising from any requirements imposed by or commitment offered to any

Governmental Entities as a condition to obtaining the HSR Clearance, the Company Regulatory Approvals or the Parent Regulatory Approvals; provided, however, that any Change described in each of clauses (a), (b), (f), (g), (h), (i) or (j) above may be taken into account in determining whether a Company Material Adverse Effect has occurred solely to the extent such Change has had or would reasonably be expected to have a disproportionate adverse effect on the Company and the Company Subsidiaries, taken as a whole, relative to other participants in the industries in which the Company and the Company Subsidiaries operate (in which case, only the incremental disproportionate effect of such Change may be taken into account in determining whether there has been, or would be, a Company Material Adverse Effect, to the extent such Change is not otherwise excluded from being taken into account under this definition).

“Company Performance Share Award” means each restricted stock unit awarded under the Company Stock Plan that is outstanding as of immediately prior to the Effective Time and is subject to one or more performance-based vesting conditions.

“Company Personnel” means any current or former director, officer or employee of the Company or any Company Subsidiary.

“Company Restricted Share” means each share of Company Common Stock awarded under the Company Stock Plan that is outstanding as of immediately prior to the Effective Time that is subject to one or more vesting conditions.

“Company RSU Award” means each restricted stock unit awarded under the Company Stock Plan that is outstanding as of immediately prior to the Effective Time and is subject to solely time-based vesting conditions.

“Company Stock Option” means each stock option awarded under the Company Stock Plan that is outstanding immediately prior to the Effective Time.

“Company Stock Plan” means the Aqua America, Inc. Amended & Restated Omnibus Equity Compensation Plan.

“Company Subsidiary” means any Subsidiary of the Company.

“Company Termination Fee” means \$370,000,000.

“Contract” means any written or oral agreement, undertaking, contract, commitment, lease, license, permit, franchise, concession, deed of trust, contract, note, bond, mortgage, indenture, arrangement or other instrument or obligation.

“Environment” means any ambient air, surface water, drinking water, groundwater, land surface (whether below or above water), subsurface strata, sediment, plant or animal life and natural resources.

“Environmental Law” means any Law issued or entered by or with any Governmental Entity relating to (a) the protection of the Environment, including pollution, contamination, cleanup, preservation, protection and reclamation of the Environment, (b) any release or threatened release of any Hazardous Materials, including investigation, assessment, testing, monitoring, containment, removal, remediation and cleanup of any such release or threatened release, (c) the management of any Hazardous Materials, including the use, labeling, processing, disposal, storage, treatment, transport or recycling of any Hazardous Materials or (d) the presence of Hazardous Materials in any building, physical structure, product or fixture.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means with respect to any entity, trade or business, any other entity, trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first entity, trade or business, or that is, or was at the relevant time, a member of the same “controlled group” as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

“Exchange Act” means the Securities Exchange Act of 1934.

“FCC” means the U.S. Federal Communications Commission.

“GAAP” means U.S. generally accepted accounting principles.

“Governmental Entity” means any U.S. or foreign federal, state, provincial or local governmental authority, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing, including any governmental, quasi-governmental or nongovernmental body administering, regulating, or having general oversight over any energy-related markets, or any court, arbitrator, arbitration panel or similar judicial body.

“Hazardous Materials” means any regulated pollutant or contaminant (including any constituent, raw material, product or by-product thereof), hazardous or toxic substance, petroleum, asbestos or asbestos-containing material, per- and poly-fluoroalkyl substances, polychlorinated biphenyls, lead paint, any hazardous, industrial or solid waste, and any other substance, material or agent regulated under Environmental Law due to its deleterious substances.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

“Indebtedness” means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money (other than intercompany indebtedness), (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person evidenced by letters of credit, bankers’ acceptances or similar facilities to the extent drawn upon by the counterparty thereto, (d) all capitalized lease obligations of such Person and (e) all guarantees or other assumptions of liability for any of the foregoing.

“Information Privacy Requirements” means (a) with respect to the Company and the Company Subsidiaries, collectively, all of the following to the extent applicable to the Company and the Company Subsidiaries: (i) applicable privacy Laws and (ii) the Company’s and the Company Subsidiaries’ written notices, policies and procedures related to privacy, security or the Processing of Personal Data and (b) with respect to Parent and the Parent Subsidiaries, collectively, all of the following to the extent applicable to Parent and the Parent Subsidiaries: (i) applicable privacy Laws and (ii) Parent’s and the Parent Subsidiaries’ written notices, policies and procedures related to privacy, security or the Processing of Personal Data.

“Intellectual Property Rights” means all intellectual property rights in any jurisdiction, including all (a) patents and patent applications, (b) trademarks, service marks, trade dress, logos, slogans, brand names, trade names, Internet domain names and corporate names (whether or not registered), and other indicia of origin, and all applications and registrations in connection therewith, (c) all copyrights (whether or not published), and all applications and registrations in connection therewith, (d) mask works and industrial designs, and all applications and registrations in connection therewith and (e) trade secrets and other intellectual property rights in confidential and proprietary information (including intellectual property rights, if any, in inventions, research and development information, know how, formulas, compositions, technical data, designs, drawings, financial, marketing and business data, customer and supplier lists, algorithms, pricing and cost information, business and marketing plans and proposals, and databases and compilations of data).

“Joint Venture” means, as to any Person, any other Person or other entity which is not a Subsidiary of such Person and in which (a) such Person, directly or indirectly, owns or controls any shares of any class of the outstanding voting securities or other equity interests (other than the ownership of securities primarily for investment purposes as part of routine cash management or investments of two percent (2%) or less in publicly traded companies) or (b) such Person is a general partner.

“Judgment” means a judgment, order, decree, ruling, writ, assessment or arbitration award of a Governmental Entity.

“Knowledge” means (a) with respect to the Company, the actual knowledge of the individuals listed in Section 1.1 of the Company Disclosure Schedule and (b) with respect to Parent, the actual knowledge of the individuals listed in Section 1.1 of the Parent Disclosure Schedule, in the case of each of clause (a) and (b), after making reasonable inquiry of such individual’s direct reports having primary responsibility for such matter.

“Law” means any applicable federal, state, local or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree or agency requirement of any Governmental Entity, including common law or the interpretation thereof.

“Organizational Documents” means any corporate, partnership or limited liability organizational documents, including certificates or articles of incorporation, bylaws, certificates of formation, operating agreements (including limited liability company agreement and agreements of limited partnership), certificates of limited partnership, partnership agreements, shareholder agreements and certificates of existence, as applicable.

“Parent Benefit Plan” means each “employee benefit plan” (as defined in Section 3(3) of ERISA), whether or not subject to ERISA, and each bonus, stock, stock purchase, stock option or other equity or equity-based compensation arrangement or plan, incentive compensation, deferred compensation, retirement or supplemental retirement, severance plan or policy, termination pay, employment, consulting, change-in-control, retention, transaction bonus, profit sharing, pension,

retirement, vacation, cafeteria, dependent care, medical care, death and disability benefit, flexible benefits, supplemental unemployment benefit, employee assistance program, education or tuition assistance program, and each insurance and other fringe or employee benefit plan, program or arrangement, in each case, (a) that is sponsored, maintained, entered into, contributed to or required to be contributed to by Parent or any Parent Subsidiary or any of their ERISA Affiliates, (b) for the benefit of current or former employees, directors, individual consultants or other individual service providers (or any dependent or beneficiary thereof) of Parent or any Parent Subsidiary or any of their ERISA Affiliates or (c) with respect to which Parent or any Parent Subsidiary has or may have any obligation or liability (whether actual or contingent), other than any plan to which Parent or any Parent Subsidiary contributes (or has an obligation to contribute) pursuant to applicable Law and that is sponsored or maintained by a Governmental Entity.

“Parent DRIP” means Parent’s Dividend Reinvestment and Direct Stock Purchase Plan.

“Parent ESPP” means the Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019.

“Parent Material Adverse Effect” means any Change that has, individually or in the aggregate with all other Changes, a material adverse effect on the business, condition (financial or otherwise), properties, results of operations, liabilities, assets or operations of Parent and the Parent Subsidiaries, taken as a whole, or on the ability of Parent to consummate the Transactions, but shall not be deemed to include any Change resulting from or arising out of: (a)(i) Changes generally affecting the economy, legislative or political conditions; (ii) Changes generally affecting any financial, securities, commodities or other capital markets; or (iii) Changes in prevailing interest rates, in each case of the foregoing clauses (i), (ii) and (iii), whether in the U.S. or elsewhere in the world, (b) Changes generally affecting the industry or industries in which Parent or the Parent Subsidiaries operate, (c) the execution and delivery of this Agreement or the public announcement, pendency or performance of the Merger or any of the other Transactions, including (x) any action taken by Parent or any Parent Subsidiary that is expressly required pursuant to this Agreement, or the failure to take any action specifically prohibited by this Agreement (in each case, excluding any such actions required to be taken or not taken pursuant to Section 5.2) or (y) any adverse change in customer, supplier, employee, regulatory, partner or similar relationships resulting therefrom, (d) any taking of any action at the written request or with the written consent of the Company, (e) any Claim brought or threatened by shareholders of the Company or stockholders of Parent asserting allegations of breach of fiduciary duty or other violation of applicable Law relating to this Agreement or the Transactions, (f) any change or proposed change after the date hereof in applicable Law, (g) any change or proposed change after the date hereof in GAAP or accounting standards or interpretations thereof, (h) geopolitical conditions, the outbreak or escalation of hostilities, any act of war, sabotage or terrorism, any civil unrest, or any escalation or worsening of any of the foregoing, (i) any public health emergency (including any epidemic or pandemic), (j) any hurricane, snow storm or blizzard, strong winds, ice event, fire, tornado, tsunami, flood, earthquake or other natural or manmade disaster or severe weather-related event, circumstance or development, (k) any reduction in the credit rating or outlook of Parent or any of the Parent Subsidiaries (other than a change to a rating, or an outlook contemplating a change to a rating, below investment grade) (it being understood that the facts or occurrences giving rise to or contributing to such change may, if not otherwise excluded from being, or being taken into account

in determining whether, a Parent Material Adverse Effect has occurred or would reasonably be expected to occur, be deemed to constitute, or be taking into account in determining whether there has or will be, a Parent Material Adverse Effect), (l) any failure in and of itself by Parent or any Parent Subsidiary to meet any internal or public projection, budget, forecast, estimate or prediction in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts or occurrences giving rise to or contributing to such failure may, if not otherwise excluded from being, or being taken into account in determining whether, a Parent Material Adverse Effect has occurred or would reasonably be expected to occur, be deemed to constitute, or be taken into account in determining whether there has or will be, a Parent Material Adverse Effect), (m) any change in and of itself in the market price or trading volume of shares of Parent Common Stock on the NYSE (it being understood that the facts or occurrences giving rise to or contributing to such change may, if not otherwise excluded from being, or being taken into account in determining whether, a Parent Material Adverse Effect has occurred or would reasonably be expected to occur, be deemed to constitute, or be taking into account in determining whether there has or will be, a Parent Material Adverse Effect), or (n) any Change arising from any requirements imposed by or commitment offered to any Governmental Entities as a condition to obtaining the HSR Clearance, the Company Regulatory Approvals or the Parent Regulatory Approvals; provided, however, that any Change described in each of clauses (a), (b), (f), (g), (h), (i) or (j) above may be taken into account in determining whether a Parent Material Adverse Effect has occurred solely to the extent such Change has had or would reasonably be expected to have a disproportionate adverse effect on Parent and the Parent Subsidiaries, taken as a whole, relative to other participants in the industries in which Parent and the Parent Subsidiaries operate (in which case, only the incremental disproportionate effect of such Change may be taken into account in determining whether there has been, or would be, a Parent Material Adverse Effect, to the extent such Change is not otherwise excluded from being taken into account under this definition).

“Parent Performance Share Award” means each restricted stock unit awarded under a Parent Stock Plan that is outstanding as of immediately prior to the Effective Time and is subject to one or more performance-based vesting conditions.

“Parent Restricted Share” means each share of Parent Common Stock awarded under a Parent Stock Plan that is outstanding as of immediately prior to the Effective Time that is subject to one or more vesting conditions.

“Parent RSU Award” means each restricted stock unit awarded under a Parent Stock Plan that is outstanding as of immediately prior to the Effective Time and is subject to solely time-based vesting conditions.

“Parent Stock Plan” means each of Parent’s 2017 Omnibus Equity Compensation Plan and Parent’s 2007 Omnibus Equity Compensation Plan.

“Parent Subsidiary” means any Subsidiary of Parent.

“Parent Termination Fee” means \$835,000,000.

“Permits” means any Consents, franchises, grants, easements, variances, exceptions, certificates, clearances, permissions, qualifications and registrations and orders of any Governmental Entity.

“Person” means an individual, firm, body corporate (wherever incorporated), partnership, limited liability company, association, joint venture, trust, works council or employee representative body (whether or not having separate legal personality) or other entity or organization, including a government, state or agency of a state or a Governmental Entity.

“Personal Data” means (a) any information relating to an identified or identifiable natural person or that is reasonably capable of being used to identify a natural person and (b) any data or information defined as “public data,” “personal information,” “personally identifiable information,” or similar phrases under any applicable Law relating to data protection, data transfer, data processing, data breach notification.

“Prime Rate” means, as of any determination date, the rate per annum published in *The Wall Street Journal* as the prime lending rate prevailing as of such date.

“Process,” “Processed” or “Processing” means any operation or set of operations which is performed on information, including Personal Data, such as the use, collection, processing, storage, recording, organization, adaption, alteration, transfer, retrieval, consultation, disclosure, dissemination, combination or disposal of such information, or is considered “processing” by any applicable Information Privacy Requirements.

“Regulatory Law” means any Antitrust Law and the rules and regulations of the Applicable PSCs.

“Representatives” means with respect to a Person, such Person’s Affiliates and any of such Person’s and such Person’s Affiliates’ respective officers, directors, principals, partners, managers, employees, consultants, service providers, attorneys, accountants, agents, financial advisors, or other authorized representatives.

“Sanctioned Jurisdiction” means any country or territory that is itself the subject or target of any comprehensive Sanctions (at the time of this Agreement, Cuba, Iran, North Korea, Syria, the Crimea region, the so-called Luhansk People’s Republic, the so-called Donetsk People’s Republic regions of Ukraine and the non-government controlled areas of Ukraine in the oblasts of Kherson and Zaporizhzhia).

“Sanctioned Person” means any Person that is the target of Sanctions, including (a) any Person appearing on any Sanctions-related list (including export-control-related lists of restricted parties), (b) any Person located, organized, or resident in a Sanctioned Jurisdiction or (c) any Person directly or indirectly owned fifty percent (50%) or more or controlled, individually or in the aggregate, by one or more Persons described in the foregoing clauses (a) or (b).

“Sanctions” means any economic or financial sanctions or trade embargoes imposed, administered or enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the government of Canada, Global Affairs Canada, Public Safety Canada, the Department of Justice Canada, the United Nations Security Council, the European Union, any European Union member state, or the United Kingdom.

“Sarbanes-Oxley Act” means the Sarbanes-Oxley Act of 2002.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933.

“Specified Debt Agreement” means the agreement set forth in Section 5.23 of the Company Disclosure Schedule.

“Specified Debt Amendment” means an amendment, waiver or other modification to the Specified Debt Agreement, in form and substance reasonably satisfactory to Parent, the purpose of which is to waive a “Change in Control” (as defined in the Specified Debt Agreement) or similar event that would occur as a result of the consummation of the Transactions.

“Subsidiary” means, with respect to a Person, any other Person (a) of which fifty percent (50%) or more of the outstanding capital stock, voting securities, limited liability company or membership interests, partnership interests or other voting equity interests are owned, directly or indirectly, by such first Person, (b) of which such first Person is entitled to elect, directly or indirectly, at least a majority of the board of directors or other persons performing similar functions or (c) if such other Person is a limited partnership or limited liability company, of which such first Person or one of its Subsidiaries is a general partner or managing member of has the power to direct the policies, management or affairs of such other Person.

“Tax Return” means any return (including any information return), report, declaration, estimate, claim for refund, statement, notice, notification, form, election, certificate, or other document, information, or similar filing (including any elections, notifications, declarations, schedules or attachments thereto, and any amendment thereof) required to be filed or submitted to any Governmental Entity with respect to Taxes.

“Taxes” means any and all U.S. federal, state, local, non-U.S. or other taxes, fees, levies, duties, imposts, obligations and other charges or assessments of the same or similar nature (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed, imposable, collected or collectable by any Governmental Entity, including any income, franchise, windfall or other profits, net worth, gross receipts, occupation, real or personal property, transfer, sales, use, goods and services, license, stamp, fuel, production, capital stock, payroll, employment, unemployment, social security, workers’ compensation, unemployment compensation, disability, welfare, alternative or add-on minimum, severance, gift, estate, recording, premium, registration, environmental, excise, withholding, ad valorem, value added or estimated tax, whether disputed or not.

“Willful Breach” means a material breach of a covenant or agreement set forth in this Agreement that is a consequence of an act or failure to act by the breaching Party with knowledge that the taking of such act or failure to act would, or would reasonably be expected to, cause or constitute a material breach of such covenant or agreement.

Section 9.2 Index of Other Defined Terms

. Each of the following capitalized terms has the respective meaning specified on the page set forth opposite such term below:

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Section 9.3 Other Definitional and Interpretative Provisions. When a reference is made in this Agreement to an Article, Section or Exhibit, such reference shall be to an Article, Section or Exhibit of this Agreement unless otherwise indicated. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word “or” shall have the inclusive meaning represented by the phrase “and/or.” All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or Law defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or Law as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of Laws) by succession of comparable successor laws and any rules or regulations promulgated thereunder, and references to all attachments thereto and instruments incorporated therein. Each of the Parties has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of authorship of any of the provisions of this Agreement. References to any Person include the successors and permitted assigns of that Person. Any reference in this Agreement to a “day” or a number of “days” (without explicit reference to “Business Days”) shall be interpreted as a reference to a calendar day or number of calendar days. If any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action may be deferred until the next Business Day. Any reference in this Agreement to “U.S.” means the United States of America. All documents or other materials that were uploaded to the Intralinks virtual data room titled “Project Summit” and the Firmex virtual data room titled “Project Summit – Epsilon’s VDR” as of 11:59 p.m. on the date that is two (2) Business Days immediately preceding the date hereof shall be deemed to have been “made available” to the Company and Parent, respectively, as for all purposes of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ JOHN C. GRIFFITH

Name: John C. Griffith

Title: President and Chief Executive Officer

ALPHA MERGER SUB, INC.

By: /s/ JOHN C. GRIFFITH

Name: John C. Griffith

Title: President and Chief Executive Officer

[Signature Page to Agreement and Plan of Merger]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

ESSENTIAL UTILITIES, INC.

By: /s/ CHRISTOPHER H. FRANKLIN

Name: Christopher H. Franklin

Title: Chief Executive Officer

[Signature Page to Agreement and Plan of Merger]

Exhibit A

Form of Articles of Incorporation of the Surviving Corporation

COMMONWEALTH OF PENNSYLVANIA

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

ESSENTIAL UTILITIES, INC.

Dated as of []

The Amended and Restated Articles of Incorporation of Essential Utilities, Inc. (the “Corporation”) are hereby amended and restated in their entirety to read as follows:

1. Name. The name of the Corporation is Essential Utilities, Inc.

2. Registered Office. The location and address of the registered office of the Corporation in this Commonwealth is 762 West Lancaster Avenue, Bryn Mawr, Montgomery County, Pennsylvania 19010.

3. Statute. The Corporation was incorporated under the provisions of the Pennsylvania Business Corporation Law of 1933, as amended (the “BCL”).

4. Capital Stock. The aggregate number of shares of Common Stock which the Corporation shall have authority to issue is One Thousand (1,000) shares each with a par value of One Cent (\$0.01).

5. Term. The term for which the Corporation is to exist is perpetual.

6. Authority of Board of Directors. The Board of Directors shall have the full authority permitted by law to fix by resolution full, limited, multiple or fractional, or no voting rights, and such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights and other special or relative rights of any class or any series of any class that may be desired.

7. Cumulative Voting Rights. Shareholders of the Corporation shall not have the right to cumulate their votes for the election of Directors of the Corporation.

8. Bylaws. All conditions, qualifications, requirements, privileges and regulations regarding the Board of Directors and the shareholders, including voting rights, shall be fixed and governed by the Bylaws of the Corporation.

9. Personal Liability of Directors and Officers. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the Corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director. The provisions of this Article shall be deemed to be a contract with each director of the Corporation who serves as such at any time while this Article is in effect and each such director shall be deemed to be so serving in reliance on the provisions of this Article. Any amendment or repeal of this Article or adoption of any Bylaw or provision of the Articles of the Corporation which has the effect of increasing director liability shall operate prospectively only and shall not have any effect with respect to any action taken, or any failure to act, by a director prior thereto.

10. Indemnification of, and Advancement of Expenses.

(a) Except as prohibited by law, every director and officer of the Corporation shall be entitled as of right to be indemnified by the Corporation against expenses and any liabilities paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the Corporation or otherwise, in which he or she may be involved in any manner, as a party, witness or otherwise, or is threatened to be made so involved, by reason of such person being or having been a director or officer of the Corporation or of a subsidiary of the Corporation or by reason of the fact that such person is or was serving at the request of the Corporation as a director, officer, employee, fiduciary or other representative of another company, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as an “Action”) to the fullest extent permitted under the BCL. Such right shall be a contract right and as such shall run to the benefit of any director or officer who is elected and accepts the position of director or officer of the Corporation or elects to continue to serve as a director or officer of the Corporation while this Article is in effect. Any repeal or amendment of this Article shall be prospective only and shall not limit the rights of any such director or officer or the obligations of the Corporation with respect to any claim arising from or related to the services of such director or officer in any of the foregoing capacities prior to any such repeal or amendment to this Article. Persons who are not directors or officers of the Corporation may be similarly indemnified in respect of service to the Corporation or to another such entity at the request of the Corporation to the extent the Board of Directors at any time denominates any of such persons as entitled to the benefits of this Article. Without limiting the generality of the foregoing, to the extent permitted by then applicable law, the grant of mandatory indemnification pursuant to this Article shall extend to proceedings involving the negligence of such person. As used in this Article, “indemnatee” shall include each director and officer of the Corporation and each other person denominated by the Board of Directors as entitled to the benefits of this Article, “expenses” shall mean all expenses actually and reasonably incurred, including fees and expenses of counsel selected by an indemnitee, and “liabilities” shall mean amounts of judgments, excise taxes, fines, penalties and amounts paid in settlement.

(b) Right to Advancement of Expenses. Every indemnitee shall be entitled as of right to have his or her expenses in investigating or defending any Action paid in advance by the Corporation prior to final disposition of such Action, provided that the Corporation receives a written undertaking by or on behalf of the indemnitee to repay the amount advanced if it should ultimately be determined that the indemnitee is not entitled to be indemnified for such expenses.

(c) Additional Rights. If a claim for indemnification or advancement of expenses hereunder is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall also be entitled to be paid the expenses of prosecuting such claim. It shall be a defense to any such action that such indemnification or advancement of costs of defense is not permitted under the BCL, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or shareholders) to have made its determination prior to the commencement of such action that indemnification of, or advancement of costs of defense to, the claimant is permissible in the circumstances nor an actual determination by the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or shareholders) that such indemnification or advancement is not permissible shall be a defense to the action or create a presumption that such indemnification or advancement is not permissible. In the event of the death of any person having a right of indemnification under the foregoing provisions, such right shall inure to the benefit of his or her heirs, executors, administrators, and personal representatives. The rights conferred above shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, resolution of shareholders or directors, agreement, or otherwise.

IN TESTIMONY WHEREOF, the undersigned, being the sole shareholder of the Corporation, has signed these Amended and Restated Articles of Incorporation as of the date first written above.

AMERICAN WATER WORKS COMPANY, INC., as Sole
Shareholder

By: _____
Name:
Title:

Exhibit B

Form of Bylaws of the Surviving Corporation

AMENDED AND RESTATED BYLAWS

OF

ESSENTIAL UTILITIES, INC.

Dated as of []

(A Pennsylvania Business Corporation)

The Amended and Restated Bylaws of Essential Utilities, Inc. (the "Corporation") are hereby amended and restated in their entirety to read as follows:

ARTICLE 1

OFFICES

Section 1.01 Registered Office. The registered office of the Corporation in the Commonwealth of Pennsylvania shall be located at 762 West Lancaster Avenue, Bryn Mawr, Montgomery County, Pennsylvania 19010 until otherwise established by an amendment of the Articles of Incorporation or by the Board of Directors of the Corporation (the "Board of Directors" or the "Board"), and a statement of such change is filed with the Department of State of the Commonwealth of Pennsylvania in the manner provided by law.

Section 1.02 Offices. The principal office of the Corporation and any other offices of the Corporation shall be located at such places, within and without the Commonwealth of Pennsylvania, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE 2

MEETINGS OF SHAREHOLDERS

Section 2.01 Place of Meeting. Meetings of shareholders of Corporation shall be held at such place, within the Commonwealth of Pennsylvania or elsewhere, as may be fixed from time to time by the Board of Directors; *provided, however*, if a meeting is held by means of the Internet or other electronic communications technology in a fashion pursuant to which shareholders have the opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote on matters submitted to the shareholders and pose questions to the directors, the meeting need not be held at a particular geographic location.

Section 2.02 Annual Meeting. There shall be an annual meeting of shareholders that shall be held at such time and place as the Board may determine, at which the shareholders shall elect directors and transact such other business as may properly be brought before the meeting.

Section 2.03 Special Meetings. Special meetings of the shareholders may be called at any time by the Board of Directors, any member of the Board or the President. Business transacted at all special meetings shall be confined to the objects stated in the call and matters germane thereto.

Section 2.04 Notice of Meetings. Except as provided in Section 1707 of the Pennsylvania Business Corporation Law of 1988, as amended (the “BCL”), written notice of every meeting of shareholders shall be given in any manner permitted by law or at the direction of the Secretary or such other person as is authorized by the Board of Directors to each shareholder of record entitled to receipt thereof, at least one day prior to the day named for the meeting, unless a greater period of notice is required by law in a particular case.

Section 2.05 Organization. At every meeting of the shareholders, the Chair of the Board, or in his or her absence, the President, or in their absence, a person chosen by the shareholders, shall act as chair of the meeting; and the Secretary, or in his or her absence, a person appointed by the chair of the meeting, shall act as secretary of the meeting.

Section 2.06 Quorum. Shareholders may take action on a matter at a meeting only if a quorum exists with respect to that matter. Except as otherwise provided by law, a majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. Once a share is represented for any purpose at a meeting (other than solely to object to the holding of the meeting), it is deemed present for quorum purposes for the remainder of the meeting and the shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of sufficient shareholders to leave less than a quorum. The holders of a majority of the outstanding shares represented at a meeting, whether or not a quorum is present, may adjourn the meeting from time to time.

Section 2.07 Voting. Except as otherwise provided herein or in the Articles of Incorporation of the Corporation, every shareholder shall have the right at every meeting of shareholders to one vote for every share standing in the name of such shareholder on the books of the Corporation which is entitled to vote at such meeting. Except as otherwise specified herein or in the Articles of Incorporation or provided by law, whenever any corporate action is to be taken by vote of shareholders, it shall be authorized by a majority of the votes cast, in person or by proxy, at a duly organized meeting of shareholders by the holders of shares entitled to vote thereon.

Section 2.08 Consent in Lieu of Meetings. Any action required to be taken or which may be taken at any meeting of shareholders, whether annual or special, may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which all shareholders entitled to vote were present and voted. Prompt notice of the taking of corporate action by less than unanimous written consent shall be given to those shareholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting. The action must be evidenced by one or more written consents, describing the action taken, signed and dated by the shareholders entitled to take action without a meeting, and delivered to the Corporation at its registered office or to the officer having charge of the Corporation’s minute book.

Section 2.09 Record Date. The Board of Directors may fix any time whatsoever prior to the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares will be made or will go into effect, or for any other purpose, as a record date for the determination of the shareholders entitled to notice of, or to vote at any such meeting, or entitled to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such change, conversion or exchange of shares, except that in the case of a meeting of shareholders (other than an adjourned meeting) such record date may not be more than 90 days prior to the date of the meeting of shareholders.

ARTICLE 3

DIRECTORS

Section 3.01 Management by Board of Directors. The business and affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the shareholders.

Section 3.02 Number. The Board of Directors of the Corporation shall consist of one or more members, as shall be designated from time to time by resolution of the Board of Directors. The directors of the Corporation shall be elected at each annual meeting of the shareholders to hold office until the next year's annual meeting of the shareholders. Each director shall serve until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Section 3.03 Removal; Resignations. Any or all of the directors may be removed by the affirmative vote of holders of not less than a majority of the Common Stock then issued and outstanding and voting as a single class, and any of the directors may be removed by action of the Board of Directors. Any director may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. The resignation shall be effective upon receipt thereof or at such subsequent time as may be specified in the notice of resignation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.04 Regular Meetings. Regular meetings of the Board of Directors shall be held on such day and at such hour as the Board shall from time to time designate. Notice of regular meetings of the Board of Directors need not be given.

Section 3.05 Special Meetings. Special meetings of the Board of Directors may be called by the Chair of the Board, by the President or by two or more of the directors, and shall be held at such time and place as shall be designated in the call for the meeting. Notice of each special meeting shall be given by or at the direction of the person or persons authorized to call such meeting to each director at least one day prior to the day named for the meeting.

Section 3.06 Quorum. A majority of the total number of directors shall constitute a quorum for transaction of business. The act of a majority of directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as provided by law, the Articles of Incorporation, or these Bylaws.

Section 3.07 Consent in Lieu of Meetings. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, such writing or writings to be filed with the minutes or proceedings of the Board or committee.

Section 3.08 Organization. Every meeting of the Board of Directors shall be presided over by the Chair of the Board, if present, and, if not, the President, or in the absence of the Chair of the Board and the President, a chair of the meeting chosen by a majority of the directors present. The Secretary, or in his or her absence, a person appointed by the chair of the meeting, shall act as secretary of the meeting.

Section 3.09 Committees. The Board of Directors may, by resolution adopted by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of two or more directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and exercise the authority of the Board of Directors in the management of the business and affairs of the Corporation. Vacancies in the membership of any committee shall be filled by the Board of Directors at a regular or special meeting of the Board of Directors. Each Committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

Section 3.10 Vacancies. Newly created directorships resulting from an increase in the number of directors and vacancies occurring on the Board of Directors for any reason may be filled by vote the Board of Directors or by the shareholders. A director elected to fill a vacancy, unless elected by the shareholders, shall hold office until the next meeting of shareholders at which the election of directors is in the regular order of business, and until his or her successor has been elected and qualified, and any director elected by the shareholders to fill a vacancy shall hold office for the unexpired term of his or her predecessor unless, in either case, he or she shall sooner die, resign or be removed.

ARTICLE 4

OFFICERS

Section 4.01 Number. The officers of the Corporation shall be a President, a Secretary and a Treasurer, and may include one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as the Board of Directors may authorize from time to time.

Section 4.02 Qualifications. The President, Secretary and Treasurer shall be natural persons of full age.

Section 4.03 Election and Term of Office. The officers of the Corporation shall be elected or appointed by the Board of Directors and each shall serve at the pleasure of the Board.

Section 4.04 Resignations. Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. The resignation shall be effective upon receipt thereof or at such subsequent time as may be specified in the notice of resignation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.05 Chair of the Board. If there is a Chair of the Board, the Chair of the Board shall preside at the meetings of the Board of Directors and at meetings of shareholders. Such Chair of the Board shall also perform such other duties as may be specified by the Board of Directors from time to time and as do not conflict with the duties of the President.

Section 4.06 The President. Except as otherwise expressly directed by the Board of Directors, the President shall be the chief executive officer and shall have general supervision of all of the departments and business of the Corporation; he or she shall prescribe the duties of the other officers and employees and see to the proper performance thereof. The President shall be responsible for having all orders and resolutions of the Board of Directors carried into effect. As authorized by the Board of Directors, he or she shall execute on behalf of the Corporation and may affix or cause to be affixed a seal to all instruments requiring such execution, except to the extent that signing and execution thereof shall have been expressly delegated to some other officer or agent of the Corporation. The President shall perform such other duties as may be prescribed by the Board of Directors.

Section 4.07 The Vice Presidents. The Vice Presidents shall perform such duties and do such acts as may be prescribed by the Board of Directors or the President. Subject to the provisions of this Section, the Vice Presidents shall perform the duties and have the powers of the President in the event of his or her absence or disability.

Section 4.08 The Secretary. The Secretary shall act under the direction of the President. Unless a designation to the contrary is made at a meeting, the Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and record all of the proceedings of such meetings, and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the President or the Board of Directors. If one is obtained, the Secretary shall keep in safe custody the seal of the Corporation, and, when authorized by the President or the Board of Directors, cause it to be affixed to any instruments requiring it.

Section 4.09 Assistant Secretaries. In the absence or disability of the Secretary or when so directed by the Secretary, any Assistant Secretary may perform all the duties of the Secretary, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Secretary. The Assistant Secretaries shall perform such other duties as from time to time may be assigned to them respectively by the Board of Directors, the President, or the Secretary.

Section 4.10 The Treasurer. The Treasurer shall be the chief financial officer and shall act under the direction of the President. Subject to the direction of the President, he or she shall have custody or control of the Corporation funds and shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit or cause to be deposited all moneys in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse or cause to be disbursed the funds of the Corporation as may be ordered by the President, taking appropriate vouchers for such disbursements, and shall on request render to the President and the Board of Directors, at its meetings, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation.

Section 4.11 Assistant Treasurers. In the absence or disability of the Treasurer or when so directed by the Treasurer, any Assistant Treasurer may perform all the duties of the Treasurer, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Treasurer. The Assistant Treasurers shall perform such other duties as from time to time may be assigned to them respectively by the Board of Directors, the President, or the Treasurer.

ARTICLE 5

PERSONAL LIABILITIES OF DIRECTORS AND INDEMNIFICATION

Section 5.01 Personal Liabilities of Directors. A director of this Corporation shall not be personally liable, as such, for monetary damages for any action taken, or any failure to take any action, unless: (a) the director has breached or failed to perform the duties of his or her office under Chapter 17, Subchapter B of the BCL; and (b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. This Section shall not limit a director's liability for monetary damages to the extent prohibited by Section 1713(b) of the BCL.

Section 5.02 Indemnification. The Corporation shall indemnify any person who was or is a party to or witness in, or is threatened to be made a party to or a witness in, any threatened, pending or completed action, suit or proceeding, including actions by or in the right of the Corporation, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving while a director or officer of the Corporation at the request of the Corporation as a director, officer,

employee, agent, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines, excise taxes and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding unless the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted self-dealing, willful misconduct or recklessness, subject to any limitations prescribed by state or federal law, rule or regulation or interpretations thereof.

Section 5.03 Advancement of Expenses. Expenses incurred by an officer or director of the Corporation in connection with participating in a civil or criminal action, suit or proceeding as described in Section 5.02 shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that the person is not entitled to be indemnified by the Corporation, subject to any limitations prescribed by state or federal law, rule or regulation or interpretations thereof.

Section 5.04 Other Rights. The indemnification and advancement of expenses provided by or pursuant to this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Corporation's Articles of Incorporation, any insurance or other agreement, vote of shareholders or directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 5.05 Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of these Bylaws.

Section 5.06 Modification. The duties of the Corporation to indemnify and to advance expenses to a director or officer provided in this Article shall be in the nature of a contract between the Corporation and each such director or officer, and no amendment or repeal of any provision of this Article shall alter, to the detriment of such director or officer, the right of such person to the advance of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment, repeal or termination.

Section 5.07 Exception. Notwithstanding anything in this Article 5 to the contrary, the Corporation shall not be obligated to indemnify any person under Section 5.02 or advance expenses under Section 5.03 with respect to an action, suit or proceeding commenced by such person, other than mandatory counterclaims, affirmative defenses or to enforce the right to indemnification under Section 5.02 or advancement of expenses under Section 5.03.

ARTICLE 6

SHARE CERTIFICATES; TRANSFER

Section 6.01 Share Certificates. Shares of stock in the Corporation shall be uncertificated and shall not initially be represented by certificates, except to the extent as may be required by applicable law, as requested by a shareholder or as may otherwise be authorized by the Board of Directors. In the event shares of stock are represented by certificates, such share certificates shall be in the form prescribed by the Board of Directors and shall be signed by the President or a Vice President and by the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer of the Corporation, but such signatures may be facsimiles, engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon any share certificate shall have ceased to be such officer because of death, resignation, or otherwise, before the certificate is issued, it may be issued by the Corporation with the same effect as if the officer had not ceased to be such at the date of its issue.

Section 6.02 Transfer of Shares. Transfers of stock shall be made on the books of the Corporation, and in the case of certificated shares of stock, the Corporation shall maintain books in which the ownership and transfer of the Corporation's shares shall be definitively registered. Transfer of share certificates and the shares represented thereby shall be made only on the books of the Corporation by the owner thereof or by the owner's attorney thereunto authorized, by a power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender of the share certificates.

Section 6.03 Lost, Destroyed and Mutilated Certificates. The Board of Directors, by standing resolution or by resolutions with respect to particular cases, may authorize the issue of new share certificates in lieu of share certificates lost, destroyed or mutilated, upon such terms and conditions as the Board may direct.

Section 6.04 Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

ARTICLE 7

MISCELLANEOUS

Section 7.01 Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

Section 7.02 Corporate Seal. If one is obtained, the corporate seal of the Corporation shall have inscribed thereon the name of the Corporation, the year of its organization, the words "Corporate Seal", and the name of the State of Incorporation. The seal may be used by any person authorized by the Board of Directors of the Corporation or by these Bylaws by causing the seal or a facsimile thereof to be impressed or affixed, or in any manner reproduced.

Section 7.03 Execution of Documents. Except as otherwise required by law, the Articles of Incorporation or these Bylaws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be general or confined to specific instances as the Board may determine.

Section 7.03 Notice. Whenever written notice is required to be given to any person, it may be given to such person, either personally or by sending a copy thereof through the United States mail, or by email or other electronic communication, or facsimile, charges prepaid, to his or her address appearing in the books of the Corporation, or supplied by him or her to the Corporation for the purpose of notice. If the notice is sent by mail it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail. If the notice is sent by facsimile, e-mail or other electronic communication, it shall be deemed to have been given when sent at the date and time shown on the written transmission of such communication. If such notice is related to a meeting, the notice shall specify the place, day, and hour of the meeting, and, in the case of a special meeting of shareholders, the purpose of and general nature of the business to be transacted at such special meeting.

Section 7.04 Waiver of Notice. Whenever any written notice is required by law, or by the Articles of Incorporation or by these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of shareholders, neither the business to be conducted at nor the purpose of the meeting need be specified in the waiver of notice of the meeting. Attendance of a person either in person or by proxy, at any meeting, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully convened or called.

ARTICLE 8

AMENDMENTS

Section 8.01 Amendments. Except as otherwise provided by the BCL, these Bylaws may be altered, amended or repealed by the affirmative vote of the holders of at least a majority of the outstanding shares of common stock at any regular or special meeting duly convened after notice to the shareholders of that purpose, or by a majority vote of the members of the Board of Directors at any regular or special meeting thereof duly convened after notice to the directors of that purpose.

Exhibit C
Post-Closing Governance Matters

1. Parent Board Size. Prior to the Effective Time, Parent shall take all necessary action to increase the size of the Parent Board such that, at the Effective Time, the Parent Board shall be composed of fifteen (15) directors.
2. Parent Board Composition. All ten (10) of the directors on the Parent Board as of immediately prior to the Effective Time (the “Parent Designees”) shall continue as directors as of the Effective Time, subject to their ability and willingness to serve. The Company shall designate five (5) of the directors of the Company who are directors of the Company on the date hereof (the “Company Designees”) and, following reasonable consultation with Parent with respect to the selection of such directors, and subject to compliance by such directors with (i) the Parent Organizational Documents, (ii) Parent’s Corporate Governance Guidelines, (iii) Parent’s typical procedures with respect to new directors (including completion of Parent’s director questionnaire) and (iv) other than with respect to the Executive Vice Chair, the independence requirements of the NYSE listing standards, such individuals shall be added as directors to the Parent Board as of the Effective Time, subject to such individual’s ability and willingness to serve. One (1) of the Company Designees shall be the CEO of the Company as of immediately prior to the Effective Time (the “Company CEO”). If any Company Designee is unable or unwilling to serve as a director of Parent as of the Effective Time, the Company shall designate a replacement, following reasonable consultation with Parent, which replacement shall be deemed a Company Designee for all purposes of the Agreement.
3. Parent Board Committees. As of the Effective Time, the standing committees of the Parent Board shall consist of Parent’s existing committees. The allocation of the Parent Designees and the Company Designees on the committees of the Parent Board shall be approximately proportional in the aggregate to the representation of the Parent Designees and the Company Designees on the Parent Board.
4. Parent Board Chair. The chair of the Parent Board as of immediately prior to the Effective Time (the “Parent Board Chair”) shall continue in such position as of the Effective Time. If the individual designated as the Parent Board Chair is unable or unwilling to serve in such position as of the Effective Time, the Parent Board shall designate a replacement from among the Parent Designees.
5. Executive Vice Chair. For a period of two (2) years after the Effective Time, the Company CEO shall serve as Executive Vice Chair of the Parent (“Executive Vice Chair”). The Executive Vice Chair shall have such roles and responsibilities as described below.
 - a. *Parent Board Responsibilities*
 - i. The Executive Vice Chair shall support the Parent Board Chair in leading the Parent Board and maintaining effective governance.
 - ii. The Executive Vice Chair shall preside over meetings in the Parent Board Chair’s absence. In the Executive Vice Chair’s absence, such other director as the Parent Board may determine shall preside over meetings.

- iii. The Executive Vice Chair shall serve on the executive committee of the Parent Board, should one be created.
 - iv. The Executive Vice Chair may provide input to the Parent Board Chair and the Parent President and CEO (the “Parent CEO”) on the formulation of the Parent Board agenda.
 - v. The Executive Vice Chair may advise the Parent CEO as to the quality, quantity and timeliness of the information sent to the Parent Board by management.
 - vi. The Executive Vice Chair may assist in proposing to the Nominating/Corporate Governance Committee potential Parent Board candidates and mentoring future Parent Board leaders.
- b. *Strategic Oversight*
- i. The Executive Vice Chair shall provide input on long-term planning, including infrastructure upgrades, water resource management, mergers and acquisitions and sustainability initiatives.
 - ii. The Executive Vice Chair shall assist in monitoring performance metrics such as service reliability, water quality, customer satisfaction, rate strategy and financial health.
- c. *Limited Operating Responsibilities*
- i. The Executive Vice Chair and the Parent CEO shall work collaboratively to achieve integration of Parent’s and the Company’s board members, management teams and operating units.
 - ii. The Executive Vice Chair shall consult with the Parent CEO on regulatory and legislative matters and shall engage with regulators and legislators with approval of the Parent CEO.
 - iii. The Executive Vice Chair shall act as executive sponsor and shall oversee the Integration Task Force.
- d. *Reporting and Role*
- i. The Executive Vice Chair shall report to the Parent Board.
 - ii. In general, the Executive Vice Chair primarily would interface with: (i) the Parent Board with respect to matters included in Section 5(a) of this Exhibit C and (ii) the Parent CEO with respect to matters included in Sections 5(b) and 5(c) of this Exhibit C.
 - iii. It is intended that the Executive Vice Chair shall continue to serve as a director of the Parent Board after the initial two-year Executive Vice Chair assignment is completed. This is subject to the Parent Board governance and election process.

6. Integration Task Force. As of the Effective Time, Parent shall establish an Integration Task Force, which shall be comprised of a group of managers with equal representations from both Parties. The Integration Task Force shall evaluate and recommend the “best-in- breed” individuals, other than as described in the Agreement and organizational structures for Parent post-closing. The Integration Task Force shall operate for one (1) year after Closing, at which time it shall be dissolved, and all future decisions on management and organization shall be under the responsibility of the Parent CEO and his management team, with the exception of Named Executive Officers, which would continue to be recommended by the Parent CEO and approved by the Parent Board.

Exhibit D
Post-Closing Executive Officer Matters

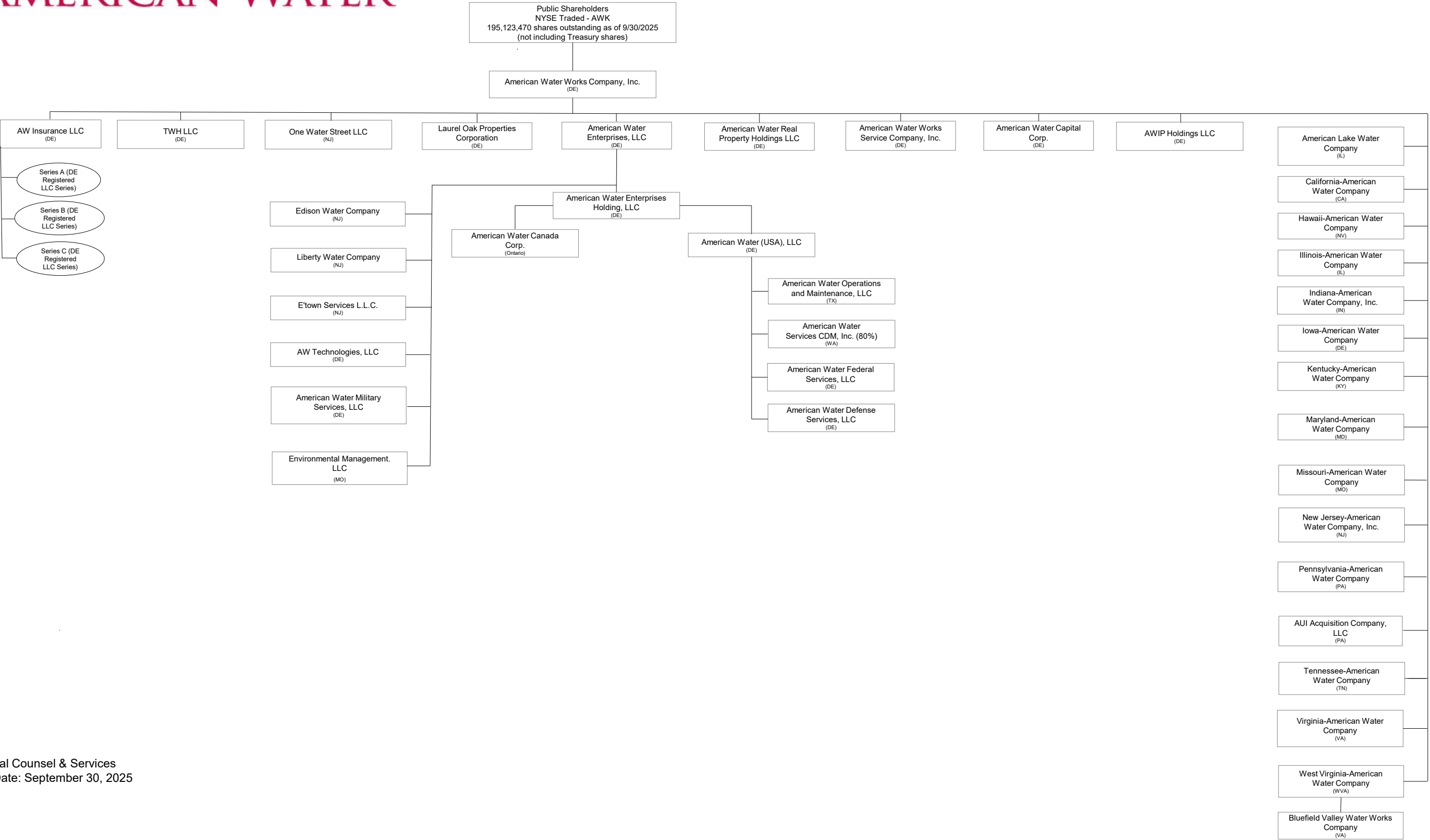
Parent shall take all necessary action such that, as of the Effective Time, (i) Colleen Arnold shall hold a senior executive-level position with Parent as President, Regulated Operations, and (ii) Daniel Schuller shall hold a senior executive-level position with Parent as Executive Vice President and Chief Strategy Officer (each individual, an “Officer Designee”), in each case subject to compliance by such Officer Designee with Parent’s typical procedures with respect to new senior executives and subject to such Officer Designee’s ability and willingness to serve.

EXHIBIT B

Diagrams of American Water and Essential Pre-Merger Corporate Structure



Organizational Chart – American Water Works Company, Inc.



Essential Utilities, Inc. Corporate Organizational Structure

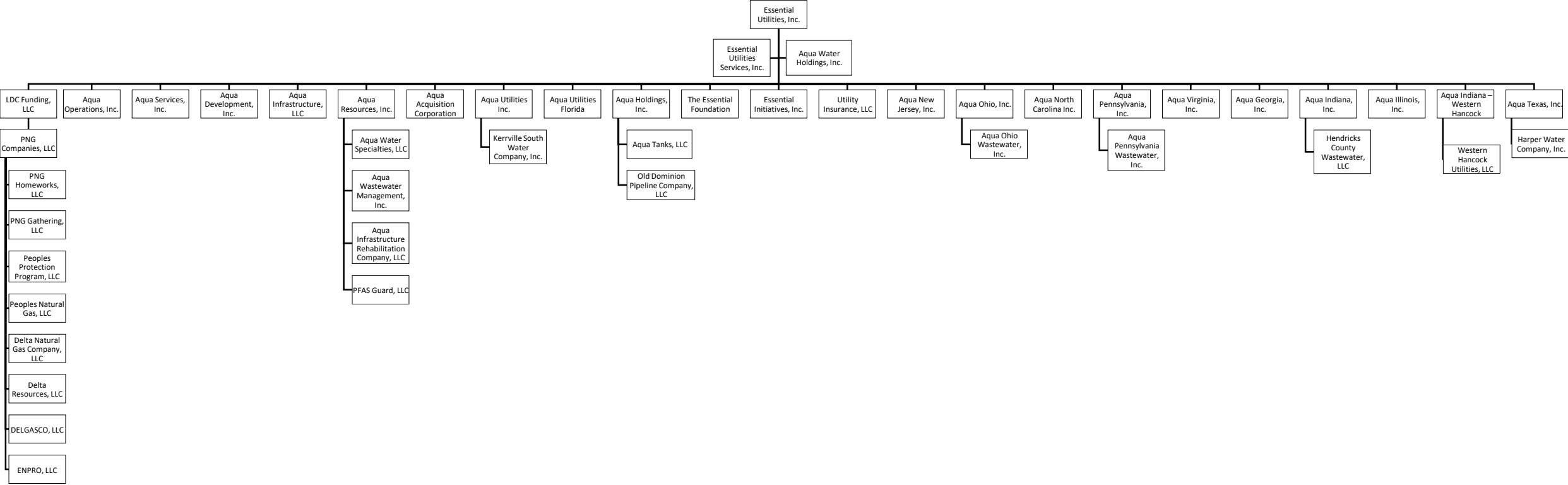


EXHIBIT C

Commitments List

EXHIBIT C
JOINT PETITIONERS' MERGER COMMITMENTS

In furtherance of their shared mission to provide clean, safe, reliable, and affordable water and wastewater service, the Joint Petitioners make the following commitments:

Merger Impact on Rates

- Aqua New Jersey, Inc. (“Aqua NJ”) will not seek recovery in rates of: (1) any transaction costs incurred in connection with the Merger by American Water Works Company, Inc. (“American Water”), Essential Utilities, Inc. (“Essential”) or their subsidiaries; or (2) any acquisition adjustment or “goodwill” associated with the Merger. As such, the goodwill associated with the Merger will not be recorded on Aqua NJ’s books.
- Aqua NJ’s New Jersey Board of Public Utilities (“Board”) approved rates and tariffs in effect when the Merger closes will not change as a result of the Merger.

Quality of Service

- Aqua NJ will continue to devote the necessary resources to maintain, at a minimum, current service quality. American Water is committed to providing clean, safe, reliable and affordable utility services to customers.
- American Water will continue to invest in infrastructure replacement, renewal, upgrades or additions to support the provision of clean, safe, reliable and affordable service.

Local Presence and Commitments to Employees

- Aqua NJ’s day-to-day operations will continue to be locally managed by dedicated local employees serving our customers and living in and giving back to our communities.
- American Water commits to maintaining sufficient workforce, operational facilities and offices to continue to provide clean, safe, reliable and affordable water and wastewater utility

services to customers. This includes honoring all Essential collective bargaining agreements under their current terms, as well as Aqua NJ's pension obligations to employees.

Charitable Contributions and Community Support

- American Water will continue to make charitable contributions at levels consistent with those historically provided by Aqua NJ in its service areas for the next two years after completion of the Merger and, thereafter, at levels consistent with American Water's contributions in the areas it serves.

Corporate Organization and Financial Integrity

- Aqua NJ will continue to maintain separate financial statements reflecting its own assets and liabilities for so long as it remains a separate legal entity.
- Aqua NJ has and will continue to have (for so long as it remains a separate legal entity) its own capital structure, which is a function of its own debt and equity.
- American Water will provide Aqua NJ with no less than the same access to short-term debt, commercial paper and other liquidity that Aqua NJ currently has in place. If this does not provide sufficient liquidity for day-to-day needs, additional short-term loans, at market rates, will be available. Neither American Water nor any of its affiliates will make any loan to Aqua NJ that bears interest at rates that are greater than the rates being paid at the time of such loan by American Water or such other affiliate on its own debt issued at the same time.
- Aqua NJ will not assume liability for debts issued by American Water or its financing subsidiary, American Water Capital Corp. ("AWCC"). Although Aqua NJ may become a party to a financing services agreement with AWCC and AWCC may issue debt for the benefit of several operating companies, each company, including Aqua NJ, will be liable only for its individual borrowings or issuances under those arrangements.

- The Joint Applicants will not use Aqua NJ assets to secure debt for the benefit of utilities or operations in other states.
- Unless first approved by the Board, Aqua NJ will not transfer any material asset to an affiliate except in an arm's length transaction and in compliance with New Jersey law.

EXHIBIT D

Form of Service Agreement
American Water Works Service Company, Inc./Aqua New Jersey, Inc.

AGREEMENT

Agreement dated _____ between AMERICAN WATER WORKS SERVICE COMPANY, INC., a Delaware corporation (hereinafter "Service Company"), and _____ a _____ corporation (hereinafter "Water Company").

The background of this Agreement is that:

1. Both Service Company and Water Company are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American").
2. Water Company has been organized for and is presently engaged in the business of providing water and wastewater as a public utility in the State of _____.
3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business, including the development, business and property of Water Company, and are experienced in the efficient management, financing, accounting and operation of water utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise Water Company in its business operations through the services to be performed under this Agreement.
4. Service Company has provided administrative and operating services to water and wastewater regulated affiliates for over fifty years. Because Water Company is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into an agreement with Service Company more specifically defining the types of services available to it.
5. Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated water and wastewater companies (hereinafter collectively "Water Companies").
6. The services to be rendered under this agreement are to be rendered by Service Company to Water Companies at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the Water Company and Service Company agree that:

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

1.1 During the term of this agreement and upon the terms and conditions hereinafter set forth, Service Company shall provide corporate guidance for Water Company. In addition to the guidance provided by the officers and employees of Service Company through the coordination of functional activities for all subsidiaries of American, the officers and employees of Service Company shall furnish and Water Company shall purchase from Service Company, the following services: Accounting, Administration, Communication, Corporate Secretarial, Engineering, Financial, Human Resources, Information Systems, Operation, Rates and Revenue, Risk Management and Water Quality, together with such other services as Water Company and Service Company may agree; provided, however, that Water Company may perform the service with its own personnel or by mutual consent engage another company or person to provide those services on its behalf. Service Company by mutual consent may engage another Company or person to provide such services on its behalf.

1.2 Service Company shall employ qualified officers and employees and those persons shall be available for election by Water Company to serve as officers of Water Company.

1.3 Without limitation, services to be provided by the Service Company shall be rendered as follows:

A. **Accounting**: Service Company shall assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulations of governmental authorities having jurisdiction and review Water Company's monthly financial reports, annual reports and other reports to stockholders and to any governmental authorities. It shall advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. Service Company shall maintain accounting records as required by Water Company. When appropriate, Service Company shall cooperate and consult with Water Company's independent certified public accountants.

Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Water Company.

B. **Administration**: Service Company shall make qualified employees available to perform or assist in the performance of Water Company's corporate activities. Those employees shall keep themselves informed on all aspects of Water Company's operations and shall regularly visit Water Company's facilities. They shall

make recommendations to Water Company for operating expenditures and for additions to and improvements of property, plant and equipment. They shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Service Company shall provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Water Company and submit reports thereon.

C. **Communications:** Service Company shall recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches), plant tours, public exhibits and displays and other related services to inform the public.

D. **Corporate Secretarial:** Service Company shall maintain, in such places and manner as may be required by applicable law, documents of Water Company, such as minute books, charters, by-laws, contracts, deeds and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Water Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfer of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company shall review and may assist in the preparation of documents and reports required by Water Company such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. **Engineering:** Service Company shall advise and provide engineering services to assist Water Company in planning for, operating, maintaining and constructing its facilities.

It shall conduct distribution system surveys and hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data.

It shall assist Water Company in the proper maintenance and protection of Water Company properties by periodic inspection of its structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company shall also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Water Company's source of supply, treatment plant, pumping stations, distribution system, and such other facilities as Water Company may request. Service company shall provide a Materials Management

Program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Water Company and assist in the evaluation of new and existing products and application procedures.

F. **Financial:** Service Company shall assist in the development and implementation of financing programs for Water Company, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advise concerning arrangements for the sale of its securities; and assist in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. It shall prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company shall assist Water Company in cash management including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

Service Company shall provide assistance to Water Company in the preparation of all financial reports.

G. **Human Resources:** Service Company shall assist in obtaining qualified personnel for Water Company; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units representing Water Company employees. It shall carry out training programs for the development of personnel and advise and assist Water Company regarding personnel. It shall also advise and assist Water Company in regard to group employee insurance, pension, and benefit plans and in the drafting or revising of those plans when required. It will keep Water Company apprised of all employment laws and develop procedures and controls to assure compliance.

H. **Information Systems:** Service Company shall make available to Water Company electronic data processing services. Those services shall include customer billing and accounting, preparation of financial statements and other reports including those required by Federal and State agencies.

I. **Operation:** Service Company shall develop and assist in the implementation of operating procedures to promote the efficient and economic operation of Water Company. Periodic operational reviews will be performed by Service Company personnel and any deviations from adopted procedures will be reported to Water Company.

J. **Rates and Revenue:** Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist Water Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel shall keep abreast of economic and regulatory developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Rates and Revenue personnel shall assist in the preparation of rate filings or applications and the

supporting documents and exhibits requested or required by the Water Company and their respective regulatory commissions. Service Company shall also provide qualified personnel to testify on Water Company's behalf as required during any regulatory proceedings.

K. **Risk Management:** Service Company shall provide a Risk Management Program to review the exposures to accidental loss of the Water Company, recommend efficient methods of protection either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. It shall also supervise investigation procedures; review claims; and negotiate and assist in, and evaluate proposals for, settlement at the request of Water Company. It shall assist in the establishment of safety and security programs to avoid or minimize risk and loss.

L. **Water Quality:** Service Company shall assist Water Company to comply with standards of governmental agencies and establish and attain water quality objectives of the Water Company. It shall assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing technical assistance and general direction for Water Company personnel.

It shall also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by Water Company.

ARTICLE II. PAYMENT FOR SERVICES

2.1 In consideration for the services to be rendered by Service Company as hereinabove provided, Water Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

2.2 All costs of service rendered by Service Company personnel for Water Company or in common with other Water Companies shall be charged to Water Company based on actual time spent by those personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

2.3 All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Water Company, shall be charged directly to Water Company.

2.4 All costs incurred in rendering services to Water Company in common with similar services to other Water Companies which cannot be identified and related exclusively to services rendered to a particular Water Company, shall be allocated among all Water Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

2.5 Cost for support personnel (secretaries, clerical personnel, clerks, messengers, telephone operators, mail clerks, and other incidental support personnel of the Service Company) as well as the cost of lease payments, depreciation, utilities and other costs associated with leasing office space and equipment by Service Company shall be allocated among the Water Companies on the basis of the proportion of the aggregate cost allocated under Sections 2.3 and 2.4.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1 In determining the cost to be assessed by Service Company for the rendering of services to Water Company as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company, as defined below, properly allocable thereto. Such percentage shall be calculated each month and shall be the ratio of the total general overhead of the Service Company for the month to the total salaries of the employees for whose service charges are to be made to the Water Companies. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

3.2 The term "general overhead" shall include:

- (a) pension and insurance premiums paid for the benefit of Service Company employees,
- (b) legal and other fees for services rendered to the Service Company,
- (c) taxes,
- (d) other general office supplies and other similar expenses, and
- (e) interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Water Company for all amounts due from Water Company for services and expenses for such month plus an amount equal to the estimated cost of such services and expenses for the current month, all computed pursuant to Articles II and III. Such bill shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall reflect the credit for payments made on the estimated portion of the prior bill and shall be paid by Water Company within a reasonable time after receipt of the bill therefore.

4.2 Service Company agrees to keep its books and records available at all times for inspection by representatives of Water Company or by regulatory bodies having jurisdiction over Water Company.

4.3 Service Company shall at any time, upon request of Water Company, furnish any and all information required by Water Company with respect to the services rendered by Service Company hereunder, the cost thereof, and the allocation of such costs among Water Companies.

ARTICLE V. OTHER AGREEMENTS

5.1 It is understood by Water Company that Service Company has entered or may enter into similar agreements with other Water Companies that are affiliated with American to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

5.2 It is understood by Water Company that Service Company has entered or may enter into an agreement or agreements with American and certain other companies not engaged in the water or sewer service business to which limited services are to be furnished; Water Company consents to such additional agreements, provided, however, that no part of the cost of furnishing such services will be charged to Water Company.

ARTICLE VI. TERM OF AGREEMENT

This agreement shall become effective as of the later of (a) the date first mentioned above or (b) the date the parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction in the premises. Upon becoming effective, this agreement shall be the sole agreement between the parties concerning the subject matter hereof and shall supersede all prior agreements, written or oral, which shall terminate on the date this agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety day's notice in writing; provided, however, that this agreement shall terminate as of the date Water Company or Service Company ceases to be an affiliate of American.

IN WITNESS WHEREOF, Service Company and Water Company have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

ATTEST:

AMERICAN WATER WORKS SERVICE COMPANY, INC.

By: _____
President

ATTEST:

By: _____
President

EXHIBIT E

**Form of Financial Services Agreement
American Water Capital Corp./Aqua New Jersey, Inc.**

FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of _____, by and between _____ (the "Company") and American Water Capital Corp. ("AWCC").

BACKGROUND

The Company has determined that it can obtain financial services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

AGREEMENT

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.
5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.
6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.
7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.
8. Effectiveness. This Agreement shall be effective as of _____, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.
9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.
10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST:

By: _____

By: _____

ATTEST:

AMERICAN WATER CAPITAL CORP.

By: _____

By: _____

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company; AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached to Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A
PROMISSORY NOTE
FOR SHORT-TERM LOANS

\$ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$_____) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and

in effect for any period of sixty (60 days).

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity; statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note insures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the
day and year first written above.

[BORROWER]

By: _____
Name and Title:

EXHIBIT B
PROMISSORY NOTE
FOR LONG-TERM BORROWINGS

\$ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at _____ or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the
day and year first written above.

[BORROWER]

By: _____
Name and Title:

EXHIBIT F

Most Recent American Water Annual Report

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024
OR

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

For the transition period from _____ to _____
Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

51-0063696
(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)
(856) 955-4001

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Common Stock, \$0.01 par value—\$22,045,400,000 as of June 28, 2024 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 28, 2024, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 28, 2024, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, \$0.01 par value per share—194,947,313 shares as of February 10, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2025 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2024 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s ability to execute its current and long-term business, operational, capital expenditures and growth plans and strategies; the timing and outcome of pending or future acquisition activity, and the ability to achieve organic customer growth; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount, allocation and timing of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to finance current and projected operations, capital expenditure needs and growth initiatives by accessing the debt and equity capital markets and sources of short-term liquidity; the outcome and impact on the Company of governmental and regulatory investigations, class action lawsuits, and other litigation and legal proceedings, and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas (“GHG”) emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the Company’s ability to comply with new and changing environmental regulations; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts and projects related to customer, technology and work efficiency and execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

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

- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures, as well as civil class action and other litigation or legal, regulatory or administrative proceedings, related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations;
 - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
 - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement, security and cybersecurity regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation copper, lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;

- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax ("CAMT")), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,700 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as one reportable segment, referred to as the “Regulated Businesses.” The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States (“GAAP”), and are collectively presented throughout this Annual Report on Form 10-K within “Other,” which is consistent with how management assesses the results of these businesses.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to “we,” “us,” “our,” the “Company,” and “American Water” mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company’s utilities operate in 14 states in the United States, with 3.5 million active customers in its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were \$4,296 million for 2024, \$3,920 million for 2023 and \$3,505 million for 2022, accounting for 92%, 93% and 92%, respectively, of the Company’s total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses’ operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2024:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	\$ 990	\$ 61	\$ 1,051	24.5 %	672	70	742	20.9 %
Pennsylvania	872	167	1,039	24.2 %	688	115	803	22.6 %
Missouri	487	21	508	11.8 %	485	24	509	14.4 %
Illinois	359	73	432	10.1 %	300	77	377	10.6 %
California	342	4	346	8.1 %	191	3	194	5.5 %
Total—Top Five States (b)	3,050	326	3,376	78.6 %	2,336	289	2,625	74.0 %
Other (c)	883	37	920	21.4 %	881	40	921	26.0 %
Total Regulated Businesses	<u>\$ 3,933</u>	<u>\$ 363</u>	<u>\$ 4,296</u>	<u>100.0 %</u>	<u>3,217</u>	<u>329</u>	<u>3,546</u>	<u>100.0 %</u>

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

(b) The Company’s “Top Five States” are determined based upon operating revenues.

(c) Includes the Company’s utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses.

Customers

The Company’s Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company’s water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company’s services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

Presented in the table below is a breakout of the Company's Regulated Businesses' operating revenue by class of customer, for the years ended December 31, 2024, 2023 and 2022:

(In millions)	2024		2023		2022	
	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue
Water services:						
Residential	\$ 2,349	55 %	\$ 2,143	55 %	\$ 1,941	55 %
Commercial	885	21 %	798	20 %	710	20 %
Fire service	164	4 %	158	4 %	147	4 %
Industrial	184	4 %	167	4 %	153	4 %
Public and other water (a)	301	7 %	284	7 %	267	8 %
Wastewater	363	8 %	327	8 %	242	7 %
Other (b)	50	1 %	43	2 %	45	2 %
Total	<u>\$ 4,296</u>	<u>100 %</u>	<u>\$ 3,920</u>	<u>100 %</u>	<u>\$ 3,505</u>	<u>100 %</u>

(a) Includes water revenues from public authorities and other utilities, community water systems under bulk contracts and alternative revenue programs.

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

Presented in the table below is the number of water and wastewater customers the Company's Regulated Businesses served by class of customer as of December 31, 2024, 2023 and 2022, which represents approximately 13 million people served as of December 31, 2024:

(In thousands)	2024		2023		2022	
	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,920	307	2,893	279	2,870	270
Commercial	222	21	221	18	219	17
Fire service	53	—	52	—	51	—
Industrial	4	—	4	—	4	—
Public and other (a)	18	1	18	1	17	1
Total	<u>3,217</u>	<u>329</u>	<u>3,188</u>	<u>298</u>	<u>3,161</u>	<u>288</u>

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

Customer growth in the Company's Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Water Supply and Wastewater Services

The Company's Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water. The water the Company treats and delivers is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and any state requirements that are more restrictive than federal water quality standards. Surface water sources typically require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the table below are the percentages of water supply by source type for the Company's Top Five States individually and the Regulated Businesses collectively for the year ended December 31, 2024:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	83%	16%	1%
Illinois	53%	35%	12%
California	—%	64%	36%
Regulated Businesses	70%	23%	7%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes the Company might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. To support the maintenance of adequate water supplies, the Company uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored in an effort to predict and mitigate supply capacity deficits through demand management and additional supply development. In California, where the state recently experienced a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while seeking resiliency during dry years. An example of the Company's use of long-term planning intended to ensure an adequate water supply is Cal Am's development and support of the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the Monterey Peninsula Water Management District (the "MPWMD"), as well as an expanded aquifer storage and recovery program. The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 16—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers’ premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Capital Investment

The Company plans to invest between \$40 billion and \$42 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses’ water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company is proactively improving its pipe renewal rate from a 250-year replacement cycle in 2009 to an approximate 125-year replacement cycle by 2029, which it anticipates will enable the Company to replace nearly 2,000 miles of mains and collection pipes between 2025 and 2029. In addition, from 2025 to 2029, the Company’s capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. The Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

The operations of the Company’s Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing applications and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility’s need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize “regulatory lag,” which is the time between the occurrence of an event that triggers a change in the utility’s revenue requirement and the recognition in rates of that change.

The Company’s Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company’s customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A “test year” is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for “known and measurable” changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction (“AFUDC”). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudence of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility’s control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In California, the ratemaking tool provides partial revenue recovery with a focus on promotion of conservation signals in the pricing structure.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator’s willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2024, approximately 84% of the water market is served by municipal systems and, as of 2022, approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2024, that there are over 50,000 community water systems and, as of 2022, over 17,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of approximately 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The Company leverages its collective size and scale to achieve operational efficiencies, prioritize capital investments and utilize employee knowledge to manage acquired systems. Operational efficiencies and investment needs allow the Company to be successful in integrating and managing the systems acquired with its regulated service areas. The Company's current customer mix of 91% water and 9% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulatory jurisdictions (states), the Company will evaluate the regulatory, legislative and business climates for the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards of services to customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies and promote customer affordability after entering a new domestic market. Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Industry Legislation

American Water continues to advocate for constructive policies at the federal level that align with the Company's strategic priorities and would be beneficial to its customers. These include bi-partisan, bi-cameral legislation to establish a permanent, nationwide, low to moderate income water assistance program, given the expiration of the previous program in 2023; establishing liability exemptions under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") for certain entities, notably passive receivers of hazardous substances, specifically related to PFAS (such as water and wastewater utilities); and granting investor-owned wastewater utilities the opportunity to access state revolving loan funds. Efforts to advance these legislative priorities will continue in 2025.

The Company's regulated subsidiaries in New Jersey, Indiana and Missouri have versions of water quality or safety accountability acts that require operational or safety and security standards for water and wastewater utilities serving a certain number of customers. In New Jersey, the law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, hydrant and valve maintenance and cybersecurity. In Indiana, the law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. In Missouri, the act requires water and wastewater utilities to create cybersecurity, valve inspection and hydrant inspection programs.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, and allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a jurisdiction. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the jurisdiction. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased outdoor water use, including irrigation systems. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is warmer and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect a portion or all of state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See —Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Affordability

As a water utility, the Company's water must be safe, reliable and affordable. Through increased efficiency, conservation and affordability support programs and tariffs, on average across the enterprise, the Company achieves water costs that are at or below 1% of median household income. Succeeding in water affordability positively affects the health and safety of the Company's customers and contributes to the economic prosperity of the communities in which it operates.

The Company continues to advocate for federal and state customer affordability support and monitors the number of customers enrolled in its assistance programs to make sure that it is effectively responding to customer needs. In addition, the Company advocates for low income rate discount programs and rate design reform measures in state rate proceedings that will improve the affordability of service specifically for lower income customers.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp. and Nexus Water Group.

Condemnation and Eminent Domain

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

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey system assets of Cal Am are the subject of a condemnation lawsuit filed by the MPWMD stemming from a November 2018 public ballot initiative. For more information on this matter, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation.

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

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on military installations. The Contract Services Group ("CSG"), also included in Other, has three contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment by the Company. Operating revenues for Other were \$388 million for 2024, \$314 million for 2023 and \$287 million for 2022, accounting for 8%, 7% and 8%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. The U.S. Army has a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for three of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 15 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately \$7.4 billion, with an average remaining contract term of 38 years.

Competition

MSG faces competition primarily from American States Water Company.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately \$1.4 billion over the next five years, and \$275 million in 2025, to address water quality issues; most of which are focused on compliance with environmental laws and regulations. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use a variety of chemicals, including, for example, gaseous chlorine, that generate waste and require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. CERCLA authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering development of a new regulation for perchlorate and updates to the current microbial and disinfection byproduct regulations. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2025.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Reduction of Potential Lead Exposure in Drinking Water

Over the last 40 years, there have been numerous federal regulations aimed at reducing the potential exposure of lead from plumbing materials into drinking water. Regulations have addressed both piping system materials and water quality. In 1986, the Safe Drinking Water Act was amended to prohibit the installation of pipe, solder and flux in public water systems and premise plumbing systems that was not lead-free. In 1991, the EPA published the Lead and Copper Rule (“LCR”) to reduce the corrosivity of water and control lead and copper in drinking water. In 2011, the Reduction of Lead in Drinking Water Act was enacted, further limiting the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. Since that time, the EPA has issued several minor revisions (2000, 2004 and 2007) and two major revisions (2021 and 2024) to the LCR.

While these measures have made an impact in reducing potential lead exposure in drinking water in the United States and educating water consumers, the 2021 Lead and Copper Rule Revisions (“LCRR”) and 2024 Lead and Copper Rule Improvements (“LCRI”) rules further advance public health protections by addressing the legacy lead service lines as well as lead plumbing materials, primarily in building plumbing, that still remain in many communities. The 2021 and 2024 revisions are discussed below.

On January 15, 2021, the EPA published the final LCRR with a revised final compliance date of October 16, 2024. The LCRR is designed to better identify high levels of lead, improve the reliability of lead tap sampling results, strengthen corrosion control treatment requirements, expand consumer awareness and improve risk communication. On October 30, 2024, the EPA published the LCRI with a “Compliance Date” of November 1, 2027. The LCRI focus includes requirements related to (i) replacing all lead and certain galvanized service lines under a utility’s control by October 30, 2037, 10 years after the Compliance Date; (ii) identifying the materials of all service lines of unknown material; (iii) improving tap sampling; (iv) reducing the lead action level; and (v) strengthening protections to reduce exposure to lead. The LCRI also deferred the compliance date of certain requirements of the LCRR to allow for compliance with both new rules.

The Infrastructure Investment and Jobs Act was signed into law in November 2021 and provides for up to \$15 billion for lead service line replacement through drinking water state revolving funds. The Company will evaluate its service territories and apply for funding for those areas that meet applicable requirements. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set lead service lines (“LSLs”) removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company’s planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCRI compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company’s preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR and final LCRI. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

As part of its ongoing water main replacement and service line renewal projects, and in accordance with applicable state regulations and anticipation of updated federal regulation, the Company has been replacing LSLs for many years in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

National Primary Drinking Water Regulations

On April 10, 2024, the EPA announced a final National Primary Drinking Water Regulation (“NPDWR”) for six PFAS, including perfluorooctanoic acid (“PFOA”), perfluorooctane sulfonic acid (“PFOS”), perfluorononanoic acid (“PFNA”), hexafluoropropylene oxide dimer acid (“HFPO-DA”, commonly known as “GenX Chemicals”), perfluorohexane sulfonic acid (“PFHxS”), and perfluorobutane sulfonic acid (“PFBS”). The NPDWR for PFAS establishes legally enforceable levels, called Maximum Contaminant Levels (“MCLs”), for PFAS in drinking water. Utilities will be required to complete their initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. Utilities will be required to comply with the new MCLs by April 2029, implementing solutions to reduce PFAS levels where needed. Beginning in April 2029, utilities that exceed any of the PFAS MCLs will be required to provide notification to the public of the violation.

The Company estimates an investment of approximately \$1 billion of capital expenditures to install additional treatment facilities in order to comply with the new regulations by April 2029. Additionally, the Company estimates that it will incur annual operating expenses of up to approximately \$50 million related to testing and treatment, with the majority of the operating expenses beginning near the April 2029 compliance deadline. The actual level of capital investment and expenses may differ from these estimates and will be dependent upon market dynamics upon implementation of solutions to comply with the NPDWR for PFAS.

The Company has entered into a nine-year exclusive contract with a third-party vendor to supply granular activated carbon, equipment and reactivation services to more than 50 of the Company’s treatment sites across 10 states through 2033. The equipment and services provided through the contract will aid the Company in treating drinking water to assist in complying with the NPDWR for PFAS.

The Company supports sound policies and compliance with the NPDWR for PFAS by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

On April 19, 2024, the EPA issued a final rule to designate PFOA and PFOS as hazardous substances under CERCLA. The Company, along with a coalition of other water and wastewater organizations, is actively advocating for and supporting bipartisan legislation that would provide PFAS liability protections under CERCLA for water and wastewater systems, as passive receivers of PFAS, and to hold polluters, and not the public or customers, accountable for PFAS-related liability.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company’s wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System (“NPDES”) permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company’s operations. From time to time, discharge violations occur at the Company’s facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition. The EPA has identified wastewater discharge permitting and permits for the application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap. Individual states may also take action in these areas. As indicated previously, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from any new requirements in these areas.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development (“R&D”) program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than four decades from its inception, American Water’s R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team’s expertise, efforts are focused on contaminants of emerging concern, including but not limited to PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, Cryptosporidium, Giardia, viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company’s R&D personnel are located at the Company’s corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company’s R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes sharing of the Company’s research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company’s engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, clean, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria, antibiotic resistant genes, endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which may be detected in drinking water supplies, for which the risk to the public’s health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants at trace levels contributes to setting improved water quality goals.

The Chemicals Abstract Service Registry contains over 219 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company’s efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS;
- systematically investigating PFAS removal from a variety of water matrices using established and emerging treatment technologies;
- leading a PFAS risk communication strategy for the water sector and sharing utility perspectives with external stakeholders through regional, national and international conferences;
- using innovative technologies (e.g., satellite imagery) for early detection and response to algal blooms to manage public health impacts and prevent taste and odor events before cyanotoxins get into the water treatment plant;

- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. (“Service Company”) is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company’s Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to the MSG and CSG businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, environmental, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company’s Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company’s operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company’s security team, through Service Company, provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company’s operations. The security team is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company’s physical assets, business systems and operational technologies, as well as for the Company’s executive management and other employees. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. For additional information concerning this team and the Company’s cybersecurity program, see Item 1C—Cybersecurity.

Sustainability

The Company considers environmental, social responsibility and governance principles fundamental to its corporate sustainability strategy and values. Integration of these principles into the Company’s daily operations emphasizes its belief that “how” a company operates is just as important as “what” a company does. Delivering safe, clean, reliable and affordable water services to customers and treating wastewater has been fundamental to the Company’s business for decades. The Company has an opportunity to make a positive, sustainable impact in thousands of communities by serving them with skilled employees and maintaining the governance and diligence to meet or exceed service expectations.

Demonstrated Leadership

The Company’s values and actions have achieved recognitions for demonstrating its leadership in several areas related to trust, responsibility, sustainability and support of its communities, customers and employees. Among others, these include the following:

- recognized as one of the *Forbes* 2025 Most Trusted Companies in America, in addition to being ranked first in the utilities industry category on *Forbes* America’s Best Large Employers List for 2024;
- recognized on *Newsweek*’s America’s Most Responsible Companies 2025 List;
- ranked on *Barron*’s 100 Most Sustainable U.S. Companies 2024 List; and
- named one of America’s Most JUST companies by JUST Capital and CNBC for its continued commitment to employees, customers, communities and shareholders.

Oversight*Management Oversight*

The Company has adopted a cross-functional approach for developing and implementing its sustainability strategy, principles and reporting. The Company's management function around sustainability involves the direct involvement and participation by a number of its business units, including without limitation, its executive leadership team, as well as environmental, health and safety, human resources, legal, finance, accounting and investor relations. In addition, the Company has developed a steering committee that reports to the Chief Operating Officer and is led by the Director of Sustainability. The committee is designed to foster sustainability governance, strategic planning, performance management and increased visibility of key goals and metrics disclosed through various channels.

Board of Directors Oversight

The Board of Directors oversees the Company's strategy and performance related to sustainability through its four standing committees:

- The Safety, Environmental, Technology and Operations Committee (the "SETO Committee") has oversight and responsibility with respect to, among other things: water quality and emerging contaminants; operational matters and functions; environmental and climate-related matters; and physical security and cybersecurity.
- The Audit, Finance and Risk Committee has oversight and responsibility with respect to, among other things: the Company's risk assessment and enterprise risk management; the Company's financial statements and accounting; the Company's independent auditor; internal audit and controls; and ethics and compliance matters.
- The Executive Development and Compensation Committee ("ED&CC") oversees, among other things: the Company's human capital management; culture and related engagement with employees; and executive development, succession and compensation.
- The Nominating/Corporate Governance Committee (the "Nominating Committee") has oversight and responsibility with respect to, among other things: corporate governance; Board and committee membership, leadership and composition; director independence, nominations and succession; and director education.

Reporting, Disclosures and Transparency

Information on the performance and management of the Company's key metrics can be found on the Company's Investor Relations website at <https://ir.amwater.com/sustainability>. The Company also discloses on its website its Political Contribution Policy, and, on an annual basis, information related to political contributions, certain payments to tax-exempt organizations and trade associations (including Section 501(c)(4) organizations), and lobbying expenditures.

Human Capital Resources*Overview*

American Water is committed to supporting a high performing workforce. The Company seeks to attract and retain employees who share its purpose and values and understand the needs of the communities they serve. The Company demonstrates this commitment to its employees through its values of safety first; trust, dignity and respect; one team; environmental leadership; and high performance. American Water believes that investing time, energy and resources in its workforce generates new ideas, continuous improvement and high-quality and reliable service for its customers and communities.

Safety First

Safety is a core value at American Water and a critical component of its operational focus. The Company's goal is to achieve zero incidents, injuries and fatalities for its employees and contractors.

American Water believes all employees and contractors deserve to return home from work in the same, or better, condition than when they arrived. The Company's commitment to employee health and safety includes physical safety, emotional safety and overall well-being. To support its commitment to safety, the Company's employees completed approximately 126,000 hours of safety training, including physical security and cybersecurity, in 2024. Additionally, the Company focuses on proactive safety programs through collaboration with employees at all levels of the organization. Employees are empowered to demonstrate safety leadership by utilizing a number of safety procedures embedded in the Company's culture, such as the use of (i) daily and pre-meeting safety messages, (ii) "Stop Work Authority" (the power to stop working immediately and mitigate a hazard whenever an employee believes a task is unsafe) and (iii) pre-job briefings to proactively identify hazards that may be encountered. Notwithstanding the Company's commitment to a hazard free workplace, even when employees implement all appropriate and effective safety measures and precautions, accidents, injuries and even fatalities can and do occur. In 2024, a third-party vehicle entered a secure work zone striking four Company employees, due to no fault of its employees, which resulted in several serious injuries and one employee fatality. Additionally, in January 2025, a Company employee was fatally injured when struck by a train. For 2024, the Company had an OSHA Recordable Incident Rate ("ORIR") of 0.40 (25 recordable injuries, and does not include the fatality or injuries, which were determined to be not preventable), which reflects a 54% decrease in recordable injuries compared to 2023, when the ORIR was 0.86 (54 injuries). Also, the number of Days Away Restricted or Transferred ("DART") injuries decreased by 73% compared to 2023, primarily due to a decrease in strain, sprain and tear injuries, as well as a reduction in slip, trip and fall injuries. For 2024, the Company had a DART rate of 0.14 (9 injuries), compared to 0.52 (33 injuries) in 2023.

Talent Attraction, Retention and Development

The Company's talent and retention strategy is aimed at building and maintaining a high performing and engaged workforce across all levels of the business. The Company's performance depends on a highly skilled workforce with the requisite experience in areas including engineering, regulatory, water quality, finance and operations, in order to deliver safe, clean and reliable water and wastewater services to customers. The Company leverages various recruiting channels and partnerships as well as its employer brand to access a broad pool of talent and to hire what the Company believes are the most qualified candidates. In 2024, the Company filled approximately 1,000 positions, 67% of which with external candidates and 33% with internal candidates.

The Company has created and implemented programs aimed at developing and retaining talent. The Company collaborates with business leaders to identify the essential behaviors and competencies needed for safe and high performing operations, as well as to achieve its short and long-term business goals. Through the Company's workforce planning process, the Company evaluates key positions across the organization, identifies potential talent risks, and develops action plans to mitigate those risks. Additionally, the Company has created and implemented programs aimed at attracting, motivating, developing and retaining talent. These programs promote a culture of learning where employees are encouraged to continuously enhance their skills and knowledge through on-the-job experiences, social learning and formal learning opportunities. By committing to achieve 25 hours of learning annually, employees develop skills for their ongoing professional growth. Approximately 84% of active employees hired before October 1, 2024, have completed at least 25 hours of learning, resulting in approximately 262,000 hours of total learning completed during the year.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2024, the Company enhanced its succession planning process by increasing the number of business impact roles covered by a succession plan. These succession plans support the Company's business continuity plans and goals, through the identification and development of current and future leaders, and promote employee retention, as well as the Company's employee culture and talent development priorities.

In addition to succession planning for executive and senior leadership roles, during 2024, the Company conducted local and enterprise-wide talent reviews, identifying top and emerging talent with a focus on strengths, gaps and development needs against the critical skills needed for certain roles. Through these talent review processes, business leaders identified a pool of high-potential employees to allow the Company to support their career goals and aspirations, and to promote more effective employee experience and talent retention efforts. The Company also utilizes annual six-month mentoring programs designed to accelerate emerging leaders' abilities to demonstrate leadership capabilities and relationships, with the guidance of an experienced executive mentor.

Total Rewards

In order to attract, retain and motivate a skilled and high-performing workforce, American Water provides a comprehensive and highly competitive Total Rewards program, including base pay, Annual Performance Plan ("APP") for all employees, long-term performance plan compensation for certain leadership positions, and a wide range of benefits consisting of, among others, medical, prescription, dental, vision, life and disability insurance coverage, a retirement savings plan, an employee stock purchase plan, educational assistance, paid time off through holidays and vacation and sick time. The Company's Total Rewards offerings also include a health and wellness program, paid family leave benefit and a menu of additional voluntary benefits.

All the Company's employees, including those who are union-represented, participate in the APP to promote the alignment of performance-based compensation with the achievement of the Company's short-term performance goals. In addition, the Company regularly reviews its success in achieving fair compensation practices, whereby pay decisions would be based on the responsibilities, talents and skills of its employees, rather than unrelated factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week are eligible for full-time benefits. Approximately 89% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total premium cost of medical, dental and vision coverage. The Company's medical benefits include, among others, coverage for applied behavior analysis, autism treatment, transgender service, hearing aids and fertility assistance.

Trust, Dignity and Respect

In 2024, the Company launched the Catalyst for Change framework in support of its values of trust, dignity and respect. The pillar areas of commitment, consistency, clarity, courage and conviction, allow employees to work collectively to build the desired culture. At all levels, the Company strives to understand, value and provide opportunities to each employee, and to foster an environment where all employees are celebrated regardless of their background or life experiences. To achieve the desired state, all leaders are expected to model those behaviors that are consistent with the Catalyst for Change framework.

The Company believes that employees are at their best when they can bring their authentic selves to work every day. This belief is the central component of the Company's "Beautifully Different" philosophy, which recognizes, embraces and celebrates the uniqueness of its employees. The Company also believes that having employees with different ideas, viewpoints, experiences and backgrounds improves its ability to serve its customers. To this end, the Company is committed to attracting and retaining a workforce that understands the needs of the communities in which it serves.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements — deeper connections, personal growth, shared purpose, flexibility, and well-being. weCARE represents the Company's commitment to valuing its employees and building a safe, healthy and inclusive culture where employees know their value and are appreciated for their talents and commitment to supporting the Company's success. The Company is also committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. In 2024, the Company administered two pulse surveys, seeking feedback on employee experience, which had an overall participation rate of 68%.

Workforce Data

As of December 31, 2024, the Company had approximately 6,700 employees. For 2024, the Company's annualized employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2024, was 10.5%, down from 11.5% in 2023. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2024, approximately 46% of the Company's workforce was represented under 75 collective bargaining agreements with 14 different unions. In 2024, the Company renegotiated 26 collective bargaining agreements that were set to expire during the year. During 2025, 25 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, the Company's national benefits agreement, which expires on July 31, 2028, covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with unions on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Safety Council, Tools Committee and local Labor-Management Committees. The Company continues to work with several local labor unions and the Federal Mediation and Conciliation Service to host discussions among management and union leaders with the goal of supporting and enhancing constructive relationships with these unions.

Board Oversight

The ED&CC of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. The ED&CC's charter requires that it oversee the Company's human capital management, culture and related engagement activities. Further, the ED&CC's charter requires that the ED&CC have responsibility for reviewing and assessing, at least annually, the Company's organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 19, 2025:

Name	Age	Office and Experience
M. Susan Hardwick	62	Chief Executive Officer. Ms. Hardwick served as President and Chief Executive Officer of the Company from February 2, 2022, to August 1, 2024, and has served as Chief Executive Officer of the Company since August 1, 2024. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation ("Vectren"), which was sold to CenterPoint Energy, Inc., an electric and natural gas utility ("CenterPoint"), on February 1, 2019. Ms. Hardwick joined Vectren in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2027, and since January 1, 2021, she has served as a member of its Audit Committee.
John C. Griffith	58	President. Mr. Griffith has served as the Company's President since August 1, 2024, with responsibility for the day-to-day operations of the Company. He joined the Company on May 16, 2022, as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
David M. Bowler	46	Executive Vice President and Chief Financial Officer. Mr. Bowler has served as the Company's Executive Vice President and Chief Financial Officer since August 1, 2024, and as Senior Vice President, Deputy Chief Financial Officer and Treasurer from October 31, 2022 to August 1, 2024. Mr. Bowler joined the Company in May 2020 as its Senior Vice President of Corporate Tax, Accounting Technology and Regulatory Services, and served as Senior Vice President of Planning, Regulatory and Financial Services from July 2021 to November 2022. Prior to joining the Company, Mr. Bowler served as Director of Finance and Accounting Integration at CenterPoint from February 2019 to April 2020, and in a number of roles of increasing responsibility, most recently as Vice President, Controller and Assistant Treasurer at Vectren from January 2007 to February 2019. Mr. Bowler is a Certified Public Accountant.
Maureen Duffy	55	Executive Vice President, Communications and External Affairs. Ms. Duffy has served as the Company's Executive Vice President, Communications and External Affairs since October 29, 2024 and has had over 25 years of employment with the Company. Ms. Duffy served as the Company's Senior Vice President, Communications and External Affairs from January 2020 until October 29, 2024, as Vice President, Corporate Communications and Federal Affairs from May 2017 through December 2019, and as Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. She also has held various positions with the Company's New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.
Melanie M. Kennedy	51	Executive Vice President, Chief Human Resources Officer. Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.

Name	Age	Office and Experience
Stacy A. Mitchell	49	Executive Vice President and General Counsel. Ms. Mitchell has served as the Company's Executive Vice President and General Counsel since June 5, 2024. Prior to that, she served as the Company's Senior Vice President and Deputy General Counsel beginning in February 2023. She joined the Company in August 2019 as Vice President and Chief Regulatory Counsel. Prior to joining the Company, Ms. Mitchell served as the Vice President of Rates and Regulatory Affairs at South Jersey Industries, Inc. and its gas utility subsidiary. Prior to that time, she practiced litigation, regulatory and environmental law in private practice for 15 years. Ms. Mitchell serves as a member of the American Water Works Association's Water Utility Council, and as its Treasurer.
Cheryl Norton	60	Executive Vice President and Chief Operating Officer. Ms. Norton has 36 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management, and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

Each executive officer is elected annually by the Board of Directors and serves until their respective successor has been elected and qualified or their earlier death, resignation or removal.

Available Information

The Company maintains a website at <https://amwater.com>, an Investor Relations website at <https://ir.amwater.com> and a Sustainability website at <https://ir.amwater.com/sustainability>. Information contained on the Company's websites, including its Sustainability Report and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its websites as key channels of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Company's Investor Relations website, <https://ir.amwater.com>, as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Corporate Governance Guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on the Company's Investor Relations website, and will be made available, without charge, in print to any shareholder who requests such documents from the Company's Investor Relations Department in writing by mail at American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various PUCs. We periodically file rate increase applications with PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request in an amount that is sufficient to:

- recover our cost of operations, including: purchased water; chemicals; and fuel, power and other commodities used in our operations;
- recover our operational labor and labor-related expenses, including without limitation costs and expenses associated with our pension and other post-employment benefits;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and CPCNs from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on equity permitted by PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions, (iv) we experience a significant increase in customers without recovery of the operating and other costs associated with serving them, or a decrease in customers that causes a decrease in operating revenue, or (v) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR (as amended), and each of their implementing rules and regulations, as well as other federal and state requirements. For example, PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. We are also required to obtain various environmental permits from regulatory agencies for our operations. If the water or wastewater services we provide to our customers do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation, as a result of governmental proceedings and private litigation. In the most serious cases, regulators could reduce requested rate increases or force us

to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry. In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. In addition, in April 2024, the EPA issued a final rule designating PFOA and PFOS as hazardous substances under CERCLA. While the EPA has stated that it will focus on holding responsible under CERCLA entities that significantly contributed to the release of PFAS into the environment, it is not yet known whether liability protection will be afforded to passive receivers of PFAS, including water and wastewater utilities.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements, such as the final EPA drinking water regulations for PFAS, the LCRR and the recently implemented LCRI, are expected to increase our costs. For example, the designation of PFOA and PFOS as hazardous substances under CERCLA may impact our ability to dispose of material used to treat impacted systems and may increase our costs as a result. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, and certain jurisdictions in which our Regulated Businesses operate have passed laws authorizing recovery of such costs, there can be no guarantee that the various other regulatory PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity. We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of certain hazardous chemicals, which are used in our treatment processes, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, including those obligations related to the disposal of PFAS residuals and other waste, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants will continue to form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies because of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the “1995 Order,” the “2009 Order” and, as amended in July 2016, the “2016 Order” and, collectively, the “Orders”) that require Cal Am to significantly decrease its diversions from the Carmel River. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which

could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water and wastewater services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, ice or freezing conditions, high rainfall and wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics and epidemics, severe electrical storms, sinkholes, solar flares and chemical spills or other contamination causing temporary unavailability of our source water supplies. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water and wastewater services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions, such as those experienced during 2024 in New Jersey, for example, that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions (including those mandated in New Jersey in 2024), rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in the number, length and severity of disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, both Federal and state laws and regulations have been enacted or proposed that seek to reduce or limit greenhouse gas emissions and require or would require additional reporting, monitoring and disclosure, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as “regulatory lag,” from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term interest rates, or experience declining water usage, to the time at which we can seek to address these events in general rate cases; our inability to mitigate or minimize regulatory lag or the impacts thereof could adversely affect our business.

There is typically a delay, known as “regulatory lag,” between the time our Regulated Businesses make a capital investment or incur an operating expense increase, including as a result of inflation or other factors, and the time when those costs are reflected in rates. In addition, billings permitted by PUCs typically are, to a considerable extent, based on the volume of water used in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag or the impacts thereof could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices and certain regulatory mechanisms. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for a discussion of these practices and mechanisms. While these practices and mechanisms may serve to mitigate or reduce regulatory lag in certain of our regulated jurisdictions, we continue to seek approval of regulatory practices and mechanisms to mitigate or reduce regulatory lag in other jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges or those permitted by applicable law, and existing practices and mechanisms may not continue in their current form, or at all, and we may be unable or become ineligible to continue to utilize them in the future. Although we intend to continue to seek regulatory PUC approval of practices or mechanisms to mitigate or reduce regulatory lag, our efforts may not be successful in whole or in part, and even to the extent successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected by regulatory lag.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefits, (iii) the amount of taxes owed or paid, including as a result of the CAMT provisions, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- increasing the associated costs of, and/or of difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs and/or difficulty of complying with proposed changes to federal contractor affirmative action audits;

- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Some of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and concentration of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2024, we invested \$2.8 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. If we are not able to obtain sufficient financing through current or future sources of liquidity, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M expenses and other costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly-acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M expenses and other costs. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues. Two of our regulated jurisdictions

currently have a revenue stability mechanism that permit us to recover a portion or all of our authorized revenues in a general rate case, regardless of volumetric consumption. These mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other types, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and contamination resulting from new and emerging contaminants as well as cyber attacks, possible terrorist attacks or other similar incidents. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits, including class action lawsuits brought by affected parties, arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits and other proceedings related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption and expenses related thereto, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our long-term contracts related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 75 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our

customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water and wastewater collection mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates, and whether or not any particular acquisition is successfully completed, these activities are expensive and time consuming and are subject to the availability of capital and personnel resources to complete such acquisitions.

As consolidation activity increases in the water and wastewater industries and competition from other regulated utilities, governmental entities and other strategic and financial buyers continues to increase, the prices for suitable acquisition candidates may increase and our ability to expand through acquisitions may otherwise be limited.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;
- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to sufficiently utilize or apply new or existing fair market value legislation or recover acquisition adjustments or premiums due to unfavorable decisions or interpretations by PUCs, courts and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated or perceived benefits and synergies, such as desired return on equity or profitability, cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. In addition, state laws on acquisition treatment or PUC interpretation thereof may affect our ability to recover costs associated with our investments in newly-acquired water and wastewater systems and any difficulties we encounter in the negotiation, execution or integration process could have a material adverse impact on our results of operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition. For example, on December 15, 2023, the MPWMD filed eminent domain litigation against Cal Am in Monterey County Superior Court with respect to the Monterey system assets and the case is pending. See Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation for additional information regarding this matter.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We have been, and may in the future be, subject to physical and cyber attacks.

As owners and operators of critical infrastructure, we face a heightened risk of physical attack and cyber attacks from internal or external sources, including nation-state cyber actors. Our water and wastewater systems have been, and may in the future be, vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism and other causes. By way of example, on October 3, 2024, we identified unauthorized activity within our information technology computer networks and systems, which we determined to be the result of a cybersecurity incident. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Cybersecurity Incident, for more information regarding this incident. Our operational and information technology systems are also vulnerable to unauthorized external or internal access, due to hacking, viruses, social engineering attacks, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Such unauthorized access could be caused through, among other causes, failure to follow established policies and procedures on the part of our employees, agents, vendors, suppliers, contractors or other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our networks and sensitive information, have been, and may in the future be, targets of cyber attacks and unauthorized access to their operational or information technology systems, and any cyber incident affecting our third-party business partners could significantly disrupt our operations.

While we believe that we have appropriate security measures and safeguards to protect our operational and information technology systems, the recent cybersecurity incident that we experienced in October 2024 demonstrated that those protections alone may not prevent a cyber attack, and we cannot guarantee that such protections will be completely successful in preventing or mitigating a future cyber attack. The Company has completed its investigation into the scope, nature and impact of the cybersecurity incident and determined the incident did not have a material effect on the Company or its financial condition or results of operations; however, the Company remains subject to various risks as a result of this incident, including those related to litigation, governmental and regulatory scrutiny, including from putative class action lawsuits that have been filed in connection with the recent incident. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits.

Future cybersecurity events could cause our operations to be disrupted, property to be damaged, and customer and other confidential information to be lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we would likely suffer a loss or redirection of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; our ability to comply with environmental standards and to continue to provide reliable service to our customers may be impacted; we would likely experience litigation and other claims against us; and we may suffer damage to our reputation, any of which could have a negative impact on our business, financial condition, results of operations and cash flows. Applicable laws and regulations or contracts may require us to report cybersecurity events or breaches of securely maintained confidential data, which may cause us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, and their resulting impacts, either to our facilities or assets, those of third parties, or the industry in general, may also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor, supplier, contractor or other third-party business partner could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. We have incurred, and may continue to incur, certain expenses related to the October 2024 cybersecurity incident, and we maintain a cybersecurity insurance policy as part of our overall insurance program. However, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not, in whole or in part, be covered by insurance or recoverable in rates. See Item 1A—Risk Factors Risks Related to our Industry and Business Operations—We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured, below for more information.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, public disclosure of incidents, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Privacy Rights Act, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation, including, for example, from putative class action lawsuits filed in connection with our recent cybersecurity incident, or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our operations. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that

exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement, including as a result of a cyber incident, could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, obtain meter readings, bill customers, process orders, provide customer service, and manage certain plant operations and construction projects, including systems to support environmental compliance, provide for the safety of the water distributed to customers, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. In addition, we have invested resources to develop and adopt new technologies, including cloud-based systems, which rely on the security of our infrastructure, including hardware and other components provided by third parties, to support the reliability of our services and protect our data. While any failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology, including cloud-based systems, remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating, enhancing and maintaining customer-facing technologies, applications to support field service and customer service operations, water source monitoring technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We have implemented, and will continue to implement, technology to improve our business processes and customer interactions (including, without limitation, in connection with the installation or upgrade of our enterprise resource planning systems, and to support our cybersecurity program), and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, power and other fuel, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future.

Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees, contractors or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Even when employees implement all appropriate and effective safety measures and precautions, accidents, injuries and even fatalities can and do occur. See Item 1—Business—Human Capital Resources—Safety First. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, or if the location and identification of these chemicals are not reported accurately or timely, serious injury, death, environmental damage or property damage could result, and we could be subjected to fines, penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2024, approximately 46% of our workforce was represented by unions, and we had 75 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 25 of which are scheduled to expire during 2025, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages and by external political, economic and social factors. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2024, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was \$14.0 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

During 2024, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2025, 2026 and 2027 will be \$637 million, \$1,478 million and \$686 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

Given our usage of long-term debt as a key component of our capital and investment strategy, one of the principal market risks to which the Company is exposed is changes in interest rates. We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our long-term commitments or liquidity needs at reasonable cost, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2024, we relied on a \$2.75 billion revolving credit facility, a \$2.60 billion commercial paper program, and the debt capital markets, to satisfy our liquidity needs. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2024, there were no outstanding borrowings under the revolving credit facility, \$880 million of commercial paper outstanding and \$82 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Our ability to comply with covenants in our revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. Events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

In order to meet our future capital expenditure needs, we currently plan over the next five years to issue a combination of short-term and long-term debt, as well as additional equity. Disruptions in the debt or equity capital markets or changes in our credit ratings or other events could limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper, debt or equity capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions or volatility in the debt or equity capital and credit markets as a result of economic, legislative, political or other uncertainties, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the capital necessary to provide adequate liquidity for our business. Significant volatility or disruptions in the debt or equity capital or credit markets, or financial institution failures, could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, even absent significant volatility or disruptions in the capital markets, there can be no assurance that we will be able to access markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us. The occurrence of any of these circumstances could expose us to increased interest or other expense, require us to institute cash or liquidity conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity, which may limit or impair our ability to achieve our strategic, business and operational goals and objectives.

The conditional exchange feature of the Exchangeable Senior Notes due 2026, if triggered, may adversely affect our liquidity and financial condition and may dilute the ownership interest of our shareholders or may otherwise depress the price of parent company's common stock.

In June 2023, American Water Capital Corp., our wholly owned finance subsidiary ("AWCC"), issued \$1,035 million aggregate principal amount of its 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). See Note 11—Long-Term Debt in the Notes to the Consolidated Financial Statements for a description of the Notes. In the event the conditional exchange feature of the Notes is triggered and one or more holders elect to exchange their Notes, AWCC would be required to settle any exchanged principal through the payment of cash, which could adversely affect our liquidity. In addition, in that case, even if holders do not elect to exchange their Notes, we would be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. If AWCC elects to settle the portion, if any, of an exchange obligation in excess of the aggregate principal amount of the Notes being exchanged in shares of parent company common stock or a combination of cash and shares of such common stock, any sales in the public market of the common stock deliverable upon such exchange could adversely affect prevailing market prices of parent company common stock. In addition, the existence of the Notes may encourage short selling by market participants because the exchange of the Notes could be used to satisfy short positions, and any anticipated exchange of the Notes for shares of such common stock could depress the price of such common stock.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A

failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We have a significant amount of goodwill and other assets measured and recorded at fair value on a recurring basis, and we may be required to record impairments or changes in fair value to these assets, which may negatively affect our financial condition and results of operations.

Our assets as of December 31, 2024, included \$1.1 billion of goodwill and \$218 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and any changes in fair value of other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Other businesses (primarily MSG), including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2024, we had remaining performance commitments, as measured by remaining contract revenue, and primarily related to MSG's contracts, totaling approximately \$8.1 billion, of which \$1.2 billion are guaranteed by parent company and the remainder is guaranteed by certain wholly owned subsidiaries of parent company. The aggregate amount of remaining performance commitments is likely to increase as the number of military installations served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a price redetermination two years after commencement of operations and every three years thereafter. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows. Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security (including cybersecurity) regulations. We are subject to potential government investigations of our business practices and compliance with government procurement, security and cybersecurity regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors***New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flows and financial condition.***

Our consolidated financial statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board and other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, requirements of applicable tax laws and regulations, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures designed to comply with the requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and disclosure controls and procedures and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition and could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to attract, hire and retain highly qualified and skilled employees.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified and skilled employees understanding the needs of the communities in which we serve, including engineers and licensed operators, and water quality, regulatory and management professionals, with desired knowledge, experience and expertise. We may face challenges implementing our human capital management, recruitment and employee succession plans to attract and retain employees based on a number of factors, including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

Our business may be adversely affected by the intentional or other misconduct of our employees and contractors.

Our Code of Ethics requires employees and contractors to make decisions ethically and in compliance with applicable law and regulatory requirements, and our Code of Ethics and its underlying policies, practices and procedures. All employees are required to complete training on and review the Code of Ethics on an annual basis, and violations of the Code of Ethics could result in disciplinary actions up to, and including, termination. Despite these efforts to prevent misconduct, it is possible for employees or contractors to engage in intentional or other misconduct and violate laws and regulations through, among other things, theft, fraud, misappropriation, bribery, corruption and engaging in conflicts of interest or related person transactions, or otherwise committing serious breaches of our Code of Ethics and our policies, practices and procedures. Intentional or other misconduct by employees or contractors could result in substantial liability, higher costs, increased regulatory scrutiny and significant reputational harm, any of which could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY**The Company's Cybersecurity Program**

The Company's cybersecurity program is an integral part of the long-term sustainability and effectiveness of the Company's operational and technology environment. To protect the integrity of its data and operational and technology systems, the Company employs a "defense-in-depth" strategy that uses multiple security measures. This strategy aligns with the National Institute of Standards and Technology Cyber Security Framework and provides preventative, detective, and responsive measures to identify and manage risks. The Company periodically reviews and modifies the implementation of its cybersecurity strategy based on threat trends, program maturity, the results of assessments, and the advice of third-party security consultants.

The Company's cybersecurity program includes the following areas of focus:

- Technology that includes, among other things, encryption, threat management, monitoring, investigation support and backups for physical devices, such as mobile phones and computers, connected to the Company network;
- Identity and access management controls that include, among other things, multi-factor authentication and safeguards associated with granting elevated privileges;
- Proactive cybersecurity processes, including vulnerability scanning, penetration testing and periodic program assessments by outside security consultants and assessors;
- Reactive cybersecurity processes that are regularly evaluated using various incident response and disaster recovery exercises;
- Employee cyber risk awareness and training, including regular simulation exercises with employees, that covers cybersecurity threats and actions to prevent and report attacks; and
- Third-party risk management and security standards, including due diligence, continuous monitoring, cyber risk scoring and contractual obligations, and periodic review of third-party control environments to align the Company's risk exposure with its business requirements and risk tolerances.

Third-Party Relationships

The Company utilizes partners and third-party service providers to help deliver safe and reliable water and wastewater services across its regulated operations and has implemented a third-party risk management program to understand the cybersecurity risks to the Company that may arise out of these third-party relationships. The Company categorizes third-party relationships by risk level, which is determined primarily by the service provided by the third-party and its level of access to the Company's data. Each category has specific cybersecurity controls, data privacy and documentation requirements, which are outlined in the agreement between the Company and the third-party service provider. In addition, the Company evaluates the online security footprint for its service providers at the time of agreement, and on a regular basis, thereafter, depending on the provider's risk level. The Company reviews its agreements with third-party service providers periodically related to terms and conditions governing cybersecurity controls and data privacy. The Company also monitors, as appropriate, risks relating to potential compromises of sensitive Company information through third parties and reevaluates these risks periodically. In addition, the Company obtains annual attestation reports related to data security and privacy from certain third-party providers to further support compliance with industry-standard cybersecurity protocols.

Cybersecurity Risks

Cybersecurity threats are constantly evolving and have and will continue to become more frequent and sophisticated. Although the Company has implemented measures that it believes are reasonable to safeguard its operational and information technology systems and has sought to establish a culture of continuous monitoring and improvement, the evolving and increasingly complex nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. By way of example, as previously disclosed, on October 3, 2024, the Company identified unauthorized activity within its information technology computer networks and systems, which was determined to be the result of a cybersecurity incident. To date, the Company has determined that it has not experienced a cybersecurity incident that has resulted in a material impact to the Company's financial condition, results of operations, cash flows, or business strategy. For additional information concerning the October 3, 2024, cybersecurity incident, and cybersecurity-related risks, see Item 1A—Risk Factors—Risks Related to Our Industry and Business Operations—We are, and may in the future be, subject to physical and cyber attacks, and —We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured; and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Cybersecurity Incident.

Cybersecurity Risk Management and Strategy

The Company has established an enterprise-wide cybersecurity program designed to prevent disruption to critical information systems, minimize the loss or manipulation of sensitive information, and to timely identify, escalate and promptly remediate and recover from cybersecurity incidents and facilitate compliance with regulatory and disclosure requirements. To oversee cybersecurity risk management, the Company employs a dedicated unit, led by the Company's Chief Information Security Officer ("CISO"), to implement cybersecurity controls, assess and report on cybersecurity risks and consult with the Company's internal Enterprise Risk Management Committee, a decision-making body which supports and oversees the identification, assessment, prioritization, and mitigation strategies for enterprise-level risks, including cybersecurity risks. The CISO has over 25 years of work experience in the information technology, physical security and cybersecurity fields, including previously serving as the Company's Chief Security Officer, and holds the Certified Protection Professional, Professional Certified Investigator and Physical Security Professional certifications from ASIS International. The CISO serves on the Water Sector Coordinating Council ("WSCC"), an advisory body comprised of representatives from various U.S. water and wastewater organizations, which serves as a policy, strategy and coordination mechanism for the water sector on critical infrastructure security and resilience issues. In that role, the CISO partners with representatives from the Department of Homeland Security and the EPA on U.S. water and wastewater sector initiatives. The CISO is also the former Chair of the WSCC, the National Association of Water Companies' Safety and Security Committee, and the ASIS Utility Security Council. The CISO reports directly to the Company's Chief Technology and Information Officer, who is responsible for the Company's information technology program.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. The Company's security team also conducts annual and ongoing cybersecurity awareness training and education for the Company's employees. In 2024, 100% of the Company's active workforce completed mandatory cybersecurity training. By equipping employees with knowledge and skills, the Company strives to cultivate and maintain a cybersecurity-conscious culture within its workforce.

The Company's cybersecurity risk assessment process involves considering risks associated with the nature of its business, receiving and processing inputs from internal and external stakeholders, monitoring industry trends and risks and engaging external advisors, to assist in aligning the Company's cybersecurity processes with industry best practices. Risk assessments are conducted quarterly and annually to evaluate the effectiveness of the Company's existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers.

The Company has also implemented a vulnerability assessment program that is reviewed at least annually and more frequently, depending on changes to the risk environment. This process serves as a guiding enterprise-wide framework to outline the scope and procedures of the Company's cybersecurity risk management processes. By prioritizing vulnerability management and continuously evaluating the Company's internal and external environments for vulnerabilities, the Company aims to implement preventative measures to protect its information assets and technology-based infrastructure from cybersecurity threats. This approach helps to reduce the Company's exposure to material cybersecurity threat risks.

Incident Response

The Company utilizes an established internal framework designed to assess promptly the severity and materiality of cybersecurity incidents based on predefined quantitative and qualitative criteria and to determine the appropriate level of response. Incidents are escalated to the relevant management teams based on their severity and materiality for prompt response and mitigation. The Company maintains a standing crisis response team comprised of individuals from various functional units, including without limitation Information Technology, Legal, Finance, Enterprise Risk Management, Operations and Communications, to respond to cybersecurity and physical security incidents, environmental incidents and health and safety emergencies, among others.

When a cybersecurity incident occurs, the Company establishes a cross-functional incident response team to respond to the specific cybersecurity incident. The incident response team consists of a subset of members from the standing crisis response team, including personnel with the most relevant experience related to the specific incident. This collaborative approach is intended to enable the Company to leverage expertise throughout the business to address cybersecurity events and to evaluate the potential financial, legal, operational and reputational implications of an incident, or series of related incidents. In considering the materiality of an event, related attacks, whether in terms of quantity or impact, are reviewed individually and in the aggregate to determine whether they may have a significant impact on the Company's financial condition, results of operations or business strategy, either quantitatively or qualitatively.

Cybersecurity Governance

The Board of Directors is responsible for oversight of the Company's cybersecurity program and the Company's responses to cybersecurity risk. The Board of Directors has delegated to its SETO Committee responsibility for the oversight and review of technology policy, strategy and governance, and cybersecurity issues that could impact the Company's operational performance or risk profile. The SETO Committee meets at least quarterly and receives reports related to cybersecurity threats, trends and risks, and related mitigation activities. In addition, the SETO Committee and the Board of Directors receive reports of periodic external assessments and internal testing of the effectiveness of the Company's cybersecurity program. The SETO Committee coordinates with the Audit, Finance and Risk Committee, as appropriate, on matters related to cybersecurity risk. The Audit, Finance and Risk Committee is responsible for, among other things, overseeing the adequacy and effectiveness of the Company's system of internal controls and the Company's risk assessment and management strategy, including with respect to cybersecurity risks.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 520 groundwater treatment plants;
- 190 wastewater treatment plants;
- 54,500 miles of transmission, distribution and collection mains and pipes;
- 1,200 groundwater wells;
- 1,800 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 75 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 50% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 19, 2025, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16 —Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, Cal Am is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by the 1995 Order issued by the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a deadline of December 31, 2021, for Cal Am’s compliance with the 2009 Order.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the “CPUC”) issued a decision directing modifications in Cal Am’s tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB’s written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD’s resolution or the SWRCB’s written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the California Coastal Commission (the “Coastal Commission”) in November 2022, of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2024, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2025, and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the reduction or exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

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

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$281 million in aggregate costs as of December 31, 2024, related to the Water Supply Project, which includes \$88 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until late 2025 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing but adopting its proposed AFUDC for already incurred and future costs. The decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings in this proceeding were held in March 2024. This matter remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023, rehearing decision. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

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

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

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. Cal Am continues to seek the remaining permits necessary to construct the Water Supply Project.

In December 2022, the City, Marina Coast Water District (“MCWD”), MCWD’s groundwater sustainability agency (“GSA”), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of slant wells for the Water Supply Project. Cal Am is named as a real party in interest. On April 24, 2024, the court granted defendants’ motion for judgment on the pleadings and dismissed one of MCWD’s causes of action in its petition. A trial commenced on December 9, 2024, and further proceedings continued in January 2025. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2025 and the desalination plant is estimated to be in-service by the end of 2027.

Proposed Zoning Changes at CEMEX, Inc. Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission’s agenda for its September 2018 meeting. The proposed amendments would change zoning at a site owned by CEMEX, Inc. (“CEMEX”) to open space and restrict future uses, including with respect to Cal Am’s planned use of the site for the slant wells for the Water Supply Project. Any change to the City’s local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City’s December 2018 meeting. The changes to the local coastal plan would need to be submitted to the Coastal Commission for approval; however, the Coastal Commission’s November 2022 approval of Cal Am’s coastal development permit application has rendered moot the impact of these proposed local coastal program and zoning changes on the issuance of the coastal development permit.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am’s coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2026. A required lease obtained from the California State Lands Commission, as amended, expires on December 16, 2027.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am’s existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am’s proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am’s extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City’s claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am’s right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am’s customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and Monterey County Water Resources Agency (“MCWRA”) and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am’s slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held in February 2021.

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB held hearings in 2022 and 2023, on the referred issues before its administrative hearing officer. On September 19, 2024, the SWRCB administrative hearing officer sent a letter to the court advising that the full draft report of the SWRCB advisory opinion addressing the questions referred by the court would not be received until at least November 1, 2024. On November 22, 2024, the administrative hearing officer sent a second letter to the court advising that the draft report would be considered for approval at a public meeting of the SWRCB to be held in the first quarter of 2025. On December 31, 2024, an initial draft report was circulated by the SWRCB to the parties for review and comment.

Regional Water Quality Control Board Approval of NPDES Permit Amendment

A requirement of the desalination plant that is a key component of the Water Supply Project is the discharge of brine through Monterey One Water's outfall. As a condition to Cal Am's coastal development permit, an amendment of a NPDES permit must be obtained by Monterey One Water as the outfall owner from the Regional Water Quality Control Board (the "RWQCB"). The RWQCB must also determine that the proposed brine discharge complies with the desalination facility requirements under the California Ocean Plan. Working in cooperation with Monterey One Water staff and consultants, Cal Am prepared an application for submission to the RWQCB, which application and submission were approved by Monterey One Water's Board on September 30, 2024.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a GSA by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 Subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing in December 2019, and now lists Monterey County as the exclusive GSA for the site.

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020. In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. On May 3, 2023, the City filed a second reverse validation complaint, challenging the adoption of amendments to the GSP for the 180/400 Subbasin.

After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 Subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void. The related validation and reverse validation actions remain stayed during the pendency of the appeal. On November 13, 2023, the California Court of Appeal affirmed the trial court's decision. On December 22, 2023, the City filed a petition for review with the California Supreme Court, which was denied on February 24, 2024. On October 31, 2024, the parties entered into an agreement settling the stayed validation complaints and all claims for attorneys' fees and costs. The validation complaints were subsequently dismissed.

Cal Am's Action for Damages Following Termination of Regional Desalination Project ("RDP")

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

In 2015, Cal Am and MCWRA filed a complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm ("RMC"), seeking to recover compensatory, consequential and incidental damages associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. In 2019, MCWD was granted a motion for summary judgment related to the tort claims in the complaint. A settlement as to the non-tort claims was finalized and entered into in March 2020, in which MCWD and RMC paid Cal Am an aggregate of \$5.2 million to resolve Cal Am's contract claims against MCWD and all claims against RMC relating to the RDP. Under this agreement, Cal Am's and MCWRA's right to appeal the dismissal of their tort claims against MCWD were expressly reserved.

In July 2020, Cal Am appealed the grant of summary judgment on MCWD's tort claims, and in December 2022, the trial court's decision was reversed on appeal with instructions to vacate its prior orders granting MCWD's motions for summary judgment and to enter new orders denying the motions. In February 2023, MCWD filed a petition for review of the appellate decision with the California Supreme Court, which was denied in March 2023. On June 27, 2024, MCWD filed a motion for judgment on the pleadings. Following a hearing, on December 5, 2024, the court granted MCWD's motion without leave to amend, dismissing all of Cal Am's remaining claims. Final judgment was entered on January 7, 2025. Cal Am intends to file a notice of appeal of the trial court's decision.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (i) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (ii) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (iii) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (i) acquire the Monterey system assets through the power of eminent domain, if necessary, and (ii) expand its geographic boundaries to include all parts of this system.

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

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey system assets) and, if requested, to re-hear the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, each of Cal Am and LAFCO filed a notice of appeal with the California Court of Appeal regarding the Monterey County Superior Court's decision to issue the writ of mandate. The MPWMD filed a notice of cross-appeal on February 15, 2024. Cal Am is evaluating potential additional actions to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

MPWMD Condemnation Action

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requested access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for \$448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets.

On December 15, 2023, the MPWMD filed a lawsuit against Cal Am in Monterey County Superior Court seeking to condemn the Monterey system assets. On February 26, 2024, Cal Am filed a motion requesting the Monterey County Superior Court dismiss the MPWMD's eminent domain lawsuit seeking to condemn Cal Am's Monterey system assets. Cal Am's motion asserted that the MPWMD lacks legal authorization from both the California legislature and LAFCO to become a retail water provider and the lawsuit improperly seeks to effect a taking of property outside the boundaries of the MPWMD's territory. Hearings on the motion were held on May 3, 2024, and August 23, 2024. On November 14, 2024, the court issued a final ruling denying Cal Am's motion to dismiss. Cal Am filed its answer to the complaint on December 13, 2024. This matter remains pending.

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

Dunbar, West Virginia Class Action Litigation

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

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

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

On January 17, 2025, before trial commenced, the parties notified the Circuit Court that an agreement in principle to settle this litigation was reached among the parties. Under the terms of the agreement in principle and any subsequent proposed settlement agreement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The proposed maximum pre-tax amount of the settlement is approximately \$18 million, of which the Company currently estimates that approximately \$5 million would be contributed by the Company and WVAWC, and the remainder would be contributed

by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through this settlement will depend upon the claims submitted and approved through a claims process to be negotiated by the parties and approved by the Circuit Court. The parties will next negotiate and enter into a proposed settlement agreement based on the terms of the agreement in principle, and the proposed settlement agreement will be subject to preliminary and final approvals by the Circuit Court.

The final amount of the Company's and WVAWC's contributions to the settlement remains subject to uncertainty; however, the Company does not currently anticipate that Company's maximum liability for the settlement will materially exceed \$5 million. As a result, the Company has recorded a charge to earnings, net of insurance receivables, of \$5.0 million (\$3.9 million after-tax) in the fourth quarter of 2024. The Company intends to fund its and WVAWC's contributions to the settlement through existing sources of liquidity, although no contribution by the Company or WVAWC will be required unless and until a proposed settlement agreement has been entered into and finally approved by the Circuit Court.

Chattanooga, Tennessee Class Action Litigation

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

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. In January 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. In February 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. In September 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. In October 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On June 14, 2024, the court issued its written order denying the Tennessee Plaintiffs' amended class and incorporating its denial of certification of the original residential class. On June 21, 2024, the Tennessee Plaintiffs appealed both of the court's orders denying class certification. This appeal remains pending.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint, and TAWC will continue to vigorously defend itself against these allegations.

Mountaineer Gas Company Main Break

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

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

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha

County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

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

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

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

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

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. On March 6, 2024, the motion to transfer this complaint to the West Virginia Business Court was granted and trial and resolution judges were assigned. Mountaineer Gas voluntarily dismissed its implied indemnity count against WVAWC, rendering moot WVAWC's partial motion to dismiss, and on May 31, 2024, WVAWC answered the complaint. The Business Court has set a trial date of October 7, 2025, for this matter.

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

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

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

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

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has valid, meritorious defenses to such claims. WVAWC continues to defend itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above.

PFAS Multi-District Litigation

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

On November 22, 2024, the MDL court granted final approval to settlements with defendants Tyco Fire Products LP and BASF Corporation. The Company’s utility subsidiaries have determined to remain parties to these class action settlements, and the Company has begun the process of perfecting its claims under each settlement within the time periods provided by the MDL court.

Cybersecurity Incident Class Action Lawsuits

Following the Company’s previously reported October 3, 2024, cybersecurity incident, nine putative class action lawsuits against parent company have been filed in the U.S. District Court for the District of New Jersey. All of the putative plaintiffs seek to certify a nationwide class and several of the plaintiffs seek to certify a state-specific subclass. The complaints allege primarily negligence, breach of implied contract, and claims of violations of federal and/or state consumer protection and data privacy law and seek damages and injunctive relief. On February 14, 2025, the court granted a motion to consolidate the nine current pending class actions. This consolidated matter remains pending. The Company believes that the causes of action and other claims asserted in the class action complaints are without merit and that the Company has valid, meritorious defenses to such claims, and the Company is defending itself vigorously.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 10, 2025, there were 194,947,313 shares of common stock outstanding held by approximately 1,922 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

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

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2024, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2024.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management’s current expectations, estimates and projections about the Company’s business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company’s actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under “Forward-Looking Statements,” Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company’s SEC reports. The disclosure committee is actively involved in the review and discussion of the Company’s SEC filings. For a discussion and analysis of the Company’s financial statements for fiscal 2023 compared to fiscal 2022, please refer to Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 14, 2024.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,700 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” The Company’s utilities operate in 14 states in the United States, with 3.5 million active customers with services provided by its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within “Other.” See Item 1—Business for additional information.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company’s Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(In millions, except per share data)	For the Years Ended December 31,				
	2024	2023	2022	2021	2020
Statement of Operations data:					
Operating revenues	\$ 4,684	\$ 4,234	\$ 3,792	\$ 3,930	\$ 3,777
Net income attributable to common shareholders	1,051	944	820	1,263	709
Net income attributable to common shareholders per basic common share	5.39	4.90	4.51	6.96	3.91
Net income attributable to common shareholders per diluted common share	5.39	4.90	4.51	6.95	3.91
Balance Sheet data:					
Total assets	\$ 32,830	\$ 30,298	\$ 27,787	\$ 26,075	\$ 24,766
Long-term debt and redeemable preferred stock at redemption value	12,521	11,718	10,929	10,344	9,333
Other data:					
Cash dividends declared per common share	\$ 3.06	\$ 2.83	\$ 2.62	\$ 2.41	\$ 2.20
Net cash provided by operating activities	2,045	1,874	1,108	1,441	1,426
Net cash used in investing activities	(3,379)	(2,815)	(2,127)	(1,536)	(2,061)
Net cash provided by (used in) financing activities	1,110	1,188	1,000	(345)	1,120
Capital expenditures included in net cash used in investing activities	(2,856)	(2,575)	(2,297)	(1,764)	(1,822)

Financial Results

For the years ended December 31, 2024, 2023 and 2022, diluted earnings per share (GAAP) were \$5.39, \$4.90 and \$4.51, respectively. Increased results were driven primarily by the implementation of new rates in the Regulated Businesses from capital and acquisition investments. Results also reflect increased production and employee-related costs, increased depreciation and higher financing costs used to fund the current capital investment plan. Results for 2024 and 2023 reflect the net favorable impact of warmer, drier weather compared to normal, estimated at \$0.12 per share, and \$0.13 per share, respectively. Results for 2024 include incremental interest income of \$0.09 per share, resulting from the early 2024 amendment to the secured seller note from the sale of the former HOS business.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the substantial majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, (ii) regulated acquisitions to expand the Company's services to new customers and (iii) organic growth in existing systems. In 2024, the Company invested \$3.3 billion, in the Regulated Businesses, as discussed below:

- \$2.8 billion capital investment in the Regulated Businesses, for infrastructure improvements and replacements; and
- \$417 million to fund acquisitions in the Regulated Businesses, which added approximately 69,500 customers during 2024. This includes the acquisitions by the Company's Pennsylvania subsidiary of the wastewater collection and treatment system assets from the Butler Area Sewer Authority on October 29, 2024, for a cash purchase price of \$230 million, which added approximately 15,000 customer connections, and by the Company's Illinois subsidiary of a wastewater treatment plant and related assets from Granite City on March 11, 2024, for a cash purchase price of \$86 million, which added approximately 26,000 wastewater customers, including 15,500 customers indirectly in surrounding communities.
- Approximately 19,400 new customers were added through organic growth in existing systems.

The Company expects to invest between \$17 billion to \$18 billion over the next five years, and between \$40 billion to \$42 billion over the next 10 years, including \$3.3 billion in 2025. The Company's expected future investments include:

- capital investment for infrastructure improvements and replacements in the Regulated Businesses of between \$15.5 billion to \$16 billion over the next five years, and between \$36 billion to \$37 billion over the next 10 years; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between \$1.5 billion to \$2 billion over the next five years, and between \$4 billion to \$5 billion over the next 10 years.

The Company estimates the expected capital investment for infrastructure improvements in its Regulated Businesses over the next ten years will be allocated to the following purposes: infrastructure renewal 68%; resiliency 10%; water quality, including capital expenditures related to PFAS 8%; operational efficiency, technology and innovation 6%; system expansion 5%; other 3%.

As of December 31, 2024, the Company had entered into 17 agreements with a total aggregate purchase price of \$105 million for pending acquisitions in the Regulated Businesses to add approximately 24,200 additional customers.

In December 2020, the Company's Pennsylvania subsidiary entered into an agreement (an acquisition intended to comply with Act 12 (discussed below)) to acquire the wastewater collection system assets of Brentwood Borough ("Brentwood") for a purchase price of approximately \$19 million. On February 22, 2024, the Pennsylvania Public Utility Commission (the "PaPUC") denied the Pennsylvania subsidiary's application to acquire Brentwood. On April 3, 2024, the Pennsylvania subsidiary filed an appeal of the decision with the Pennsylvania Commonwealth Court, asserting, among other things, the PaPUC did not apply the correct legal standard in its decision. The Company cannot currently predict the outcome of this appeal, and the matter remains pending.

On July 2, 2024, the PaPUC issued the Final Supplemental Implementation Order ("FSIO"), which makes certain changes to the process by which the PaPUC considers and decides applications to acquire water and wastewater assets under Pennsylvania's existing utility valuation law, known as Act 12 of 2016 ("Act 12"). The FSIO includes, among other things, a reasonableness review ratio that would be applied to help guide the determination on the overall prudence of the transaction and reasonableness of the purchase price. The provisions of the FSIO are not retroactive and apply to acquisition applications filed after July 2, 2024. The Company cannot currently predict the impact of the FSIO, but the Company intends to continue to support outcomes that allow for consolidation and investment in water and wastewater infrastructure in Pennsylvania and in its other regulated jurisdictions.

Other Matters*Environmental, Health and Safety, and Water Quality Regulation*

On April 10, 2024, the EPA announced a final NPDWR for six PFAS including PFOA, PFOS, PFNA, HFPO-DA, PFHxS, and PFBS. The NPDWR for PFAS establishes MCLs, for PFAS in drinking water. Utilities will be required to complete their initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. Utilities will be required to comply with the new MCLs by April 2029, implementing solutions to reduce PFAS levels where needed. Beginning in April 2029, utilities that exceed any of the PFAS MCLs will be required to provide notification to the public of the violation.

The Company estimates an investment of approximately \$1 billion of capital expenditures to install additional treatment facilities in order to comply with the new regulations by April 2029. Additionally, the Company estimates that it will incur annual operating expenses of up to approximately \$50 million related to testing and treatment, with the majority of the operating expenses beginning near the April 2029 compliance deadline. The actual level of capital investment and expenses may differ from these estimates and will be dependent upon market dynamics upon implementation of solutions to comply with the NPDWR for PFAS.

The Company has entered into a nine-year exclusive contract with a third-party vendor to supply granular activated carbon, equipment and reactivation services to more than 50 of the Company's treatment sites across 10 states through 2033. The equipment and services provided through the contract will aid the Company in treating drinking water to assist in complying with the NPDWR for PFAS.

The Company supports sound policies and compliance with the NPDWR for PFAS by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

On April 19, 2024, the EPA issued a final rule to designate PFOA and PFOS as hazardous substances under CERCLA. The Company, along with a coalition of other water and wastewater organizations, is actively advocating for and supporting bipartisan legislation that would provide PFAS liability protections under CERCLA for water and wastewater systems, as passive receivers of PFAS, and to hold polluters, and not the public or customers, accountable for PFAS-related liability.

On October 30, 2024, the EPA published the LCRI with a "Compliance Date" of November 1, 2027. The LCRI focus includes requirements related to (i) replacing all lead and certain galvanized service lines under a utilities control by October 30, 2037, 10 years from the Compliance Date; (ii) identifying the materials of all service lines of unknown material; (iii) improving tap sampling; (iv) lowering the lead action level; and (v) strengthening protections to reduce exposure. The LCRI also deferred the compliance date of certain requirements of the LCRR to allow for compliance with both new rules. The Company is in the process of developing an estimate of capital expenditures and operating costs needed to meet the specific requirements of the LCRI. Capital expenditures and operating costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company continues to comply with the EPA's existing Lead and Copper Rule requirements by replacing lead service lines in accordance with current scientific guidance and utilizing appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

The Company met the LCRR requirements, effective October 16, 2024, identified as enforceable by the EPA. Remaining LCRR requirements are deferred under the LCRI.

Cybersecurity Incident

On October 3, 2024, the Company identified unauthorized activity within its information technology computer networks and systems, which was determined to be the result of a cybersecurity incident. Upon identification of this activity, the Company immediately activated its incident response protocols and third-party cybersecurity experts to assist with containment and mitigation activities and to investigate the nature and scope of the incident. The Company also promptly notified law enforcement and has coordinated fully with them. As part of the incident response, and in order to protect its systems and data, the Company disconnected and deactivated certain of its systems, which have since been reconnected and reactivated upon verification that those systems were secure.

All necessary containment, mitigation and restoration activities related to this incident have been completed. None of the Company's water or wastewater facilities were impacted by this incident, and the incident did not have a material effect on the Company or its financial condition or results of operations. In addition, a number of putative class action lawsuits have been filed in connection with this cybersecurity incident, primarily alleging claims related to federal and/or state consumer protection and data privacy laws, and while the Company believes the claims are without merit and is vigorously defending itself against these claims, it cannot currently predict the outcome or impact of these lawsuits. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits for more information.

Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2024. The amounts include reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Kentucky	(a)	\$ 17
New Jersey	September 15, 2024	80
Pennsylvania	August 7, 2024	99
Indiana, Step Increases	(b)	48
West Virginia	February 25, 2024	18
California	January 1, 2024	21
Total general rate case authorizations		<u>\$ 283</u>

(a) In 2024, \$6 million was effective November 6 and \$11 million was effective May 3.

(b) In 2024, \$23 million was effective May 10 and \$25 million was effective February 21.

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2025. The amounts include reductions for the amortization of EADIT that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Tennessee	January 21, 2025	\$ 1
Illinois	January 1, 2025	105
Total general rate case authorizations		<u>\$ 106</u>

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

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company's Illinois subsidiary. The general rate case order approved an increase of \$105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$5 million, based on an authorized return on equity of 9.84%, authorized rate base of \$2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The general rate case order denied the second step increase of \$16 million. The increase was effective January 1, 2025, and is driven primarily by approximately \$557 million in capital investments made and to be made by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the CPUC approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company's California subsidiary's general rate case originally filed on July 1, 2022. Incorporating the currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of \$21 million in the 2024 test year, and an estimated \$16 million in the 2025 escalation year and \$16 million in the 2026 attrition year. New rates were implemented retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On May 3, 2024, the Kentucky Public Service Commission (the "KPSC") issued an order approving the adjustment of base rates requested in a rate case filed on June 30, 2023, by the Company's Kentucky subsidiary. The general rate case order approved an \$11 million annualized increase in water revenues, excluding infrastructure surcharge revenues of \$10 million, which continue to be recovered in the Kentucky subsidiary's approved infrastructure mechanism. The annualized increase is based upon an authorized return on equity of 9.70%, authorized rate base of \$489 million, which reflects capital investments through January 31, 2025, and a capital structure with a common equity ratio of 52.22%. Interim rates in this proceeding were effective on February 6, 2024, and the order required that the difference between interim and final approved rates be subject to refund no later than August 26, 2024. On May 16, 2024, the Kentucky subsidiary filed with the KPSC a petition for rehearing of the KPSC's order, seeking clarification and/or correction of certain computational inconsistencies that the Kentucky subsidiary believes are reflected in the KPSC's order with respect to the authorized amount of annualized revenues to be received by the Kentucky subsidiary. On November 6, 2024, the KPSC approved a final order (the "Final Order") providing for a \$17 million annualized increase in water revenues, an increase of approximately \$6 million from May 3, 2024. New rates provided in the Final Order were effective November 6, 2024.

On September 4, 2024, the New Jersey Board of Public Utilities ("NJBP") issued an order approving without modification the stipulation of settlement of a general rate case filed on January 19, 2024, by the Company's New Jersey subsidiary. The general rate case order approved an \$80 million annualized increase in the New Jersey subsidiary's water and wastewater revenues, effective September 15, 2024, based on (i) an authorized return on equity of 9.60%, (ii) an authorized rate base of \$5.1 billion, (iii) a common equity ratio of 55.00%, and (iv) a long-term debt ratio of 45.00%. The annualized revenue increase is driven primarily by \$1.3 billion of incremental capital investments since the New Jersey subsidiary's last general rate case. The New Jersey subsidiary will continue to defer as a regulatory asset or liability, as appropriate, until its next general rate case, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates.

On July 22, 2024, the PaPUC released an order approving the adjustment of base rates requested in a general rate case filed by the Company's Pennsylvania subsidiary on November 8, 2023. The PaPUC approved a \$99 million annualized increase in the Pennsylvania subsidiary's water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$20 million, based on (i) an authorized return on equity of 9.45%, (ii) an authorized rate base of \$5.8 billion, which reflects, as requested and included in the general rate case, approximately \$1.0 billion in capital investments to be made through mid-2025, (iii) a common equity ratio of 55.30%, and (iv) a long-term debt ratio of 44.70%. Certain acquisitions, including the acquisition of the wastewater collection and treatment system of the Butler Area Sewer Authority, were excluded from authorized base rates. The new rates were effective on August 7, 2024, except that new wastewater rates for two recently acquired systems, including the City of York, will take effect during the first half of 2025 in accordance with the terms of the relevant acquisition agreements. As part of its approval of this rate adjustment, the PaPUC initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary's Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC is expected to conclude the investigation in the second quarter of 2025.

On February 23, 2024, the WVPSC issued an order approving the adjustment of base rates requested in a rate case filed on May 1, 2023, by the Company's West Virginia subsidiary. The general rate case order approved an \$18 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$7 million, based on an authorized return on equity of 9.80%, authorized rate base of \$886 million, which reflects capital investments through February 2024, a common equity ratio of 50.12% and a long-term debt ratio of 49.88%. The increased water and wastewater revenues related to the base rate adjustment are being driven primarily by (i) \$220 million of related water and wastewater system capital investments made since the completion of the West Virginia subsidiary's previous rate case, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

On February 14, 2024, the Indiana Utility Regulatory Commission (the “IURC”) issued an order approving the adjustment of base rates requested in a rate case filed on March 31, 2023, by the Company’s Indiana subsidiary. The general rate case order approved a \$66 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges, based on an authorized return on equity of 9.65%, authorized rate base of \$1.8 billion, a common equity ratio of 56.15% and a debt ratio of 43.85%. For purposes of determining rates, the adjustment is based on an equity component of 48.19% due to the regulatory practice in Indiana of including certain zero-cost items or tax credit balances in the capital structure calculation. The annualized revenue increase will include three step increases, with \$25 million of the increase to be included in rates in February 2024, \$23 million in May 2024, and \$18 million in May 2025. The increases are being driven primarily by (i) over \$875 million of water and wastewater system capital investments since the completion of the Indiana subsidiary’s last rate case and through April 30, 2025, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On August 2, 2024, the Company’s Hawaii subsidiary filed a general rate case requesting approximately \$2 million in annualized incremental revenues, which is based on a proposed return on equity of 10.67% and a capital structure with an equity component of 52.11% and debt component of 47.89%. The requested annualized incremental revenue is driven primarily by approximately \$41 million in capital investments made and to be made by the Hawaii subsidiary through 2025. The Hawaii subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On July 1, 2024, the Company’s Missouri subsidiary filed a general rate case requesting approximately \$148 million in annualized incremental revenues. The request is based on a return on equity of 10.75% and a capital structure with an equity component of 50.54% and a long-term debt component of 49.46%. The requested annualized incremental revenue is driven primarily by \$1.5 billion of incremental capital investments completed and planned by the Missouri subsidiary from January 2023 through May 2026. On July 31, 2024, the Missouri Public Service Commission issued an order establishing the test year in this case, which modified the Missouri subsidiary’s original proposal for a future test year through May 2026, and instead reverted to a true-up period through December 31, 2024, with an allowance for proposed discrete adjustments subsequent to this date. On September 6, 2024, the Missouri subsidiary filed supplemental testimony to revise the request to approximately \$123 million in annualized incremental revenues and define the specific discrete adjustments proposed through the rate effective period, which lowered the incremental capital investments completed and planned to \$1.1 billion through May 2025. The Missouri subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On May 1, 2024, the Company’s Iowa subsidiary filed a general rate case requesting approximately \$21 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 52.57% and debt component of 47.43%. The requested annualized revenue increase is driven primarily by approximately \$157 million in capital investments made and to be made by the Iowa subsidiary through March 2026. Interim rates became effective May 11, 2024, with the difference between interim and final approved rates subject to refund. On August 29, 2024, the Iowa subsidiary submitted supplemental testimony consistent with the procedural schedule, which was subsequently challenged by the parties in the proceeding. On October 4, 2024, the Iowa Utilities Commission issued an order that granted the inclusion of the supplemental filing and extended the procedural schedule in the case beyond the statutory ten-month period. The Iowa subsidiary now expects resolution of this proceeding by May 2025.

On December 15, 2023, the Company’s California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026. On December 18, 2024, the California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2026. On January 14, 2025, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting \$20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately \$110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. On September 20, 2024, the Virginia subsidiary filed with the Virginia State Corporation Commission (the "SCC") a "black box" stipulation of settlement on key financial terms which agreed to a \$15 million annualized increase in the Virginia subsidiary's revenues. The stipulation of settlement also agreed, solely for purposes of the Virginia subsidiary's future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), that its return on equity will be 9.70% and its capital structure will consist of an equity component of 45.67% and a debt and other component of 54.33%. The stipulation of settlement remains subject to SCC review and approval.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2024:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Missouri	(b)	\$ 47
Pennsylvania	(c)	21
New Jersey	April 30, 2024	9
Iowa	March 1, 2024	1
West Virginia (a)	March 1, 2024	7
Illinois	January 1, 2024	5
Total infrastructure surcharge authorizations		\$ 90

- (a) On March 5, 2024, the WVPSC directed the Company's West Virginia subsidiary to interpret the distribution system improvement charge ("DSIC") Order as having included within the DSIC the three-year amortization of a prior authorized deferral associated with a large treatment plant project. The inclusion of this deferral increased the net incremental revenue by \$0.7 million to a total of \$6.6 million effective March 1, 2024.
- (b) In 2024, \$21 million was effective July 11 and \$26 million was effective January 20.
- (c) In 2024, \$14 million was effective July 1 and \$7 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2025:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	February 7, 2025	\$ 17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge filings		\$ 23

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. On July 8, 2024, the California Supreme Court issued a unanimous opinion concluding that the CPUC did not regularly seek to exercise its authority when it prohibited water utilities from proposing to continue their water revenue adjustment mechanisms. Accordingly, the California Supreme Court vacated the portion of the CPUC's 2020 decision relating to this prohibition against continuation of such water revenue adjustment mechanisms.

Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its 2022 general rate case. On December 5, 2024, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. On December 30, 2024, the New Jersey Appellate Division of the New Jersey Superior Court affirmed the NJBPU decision rejecting the acquisition adjustments. There is no financial impact to the Company as a result of the NJBPU's order and resulting appeal decision, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

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

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Operating revenues	\$ 4,684	\$ 4,234	\$ 3,792
Operating expenses:			
Operation and maintenance	1,858	1,720	1,589
Depreciation and amortization	788	704	649
General taxes	320	307	281
Other	—	(1)	—
Total operating expenses, net	2,966	2,730	2,519
Operating income	1,718	1,504	1,273
Other income (expense):			
Interest expense	(523)	(460)	(433)
Interest Income	94	73	52
Non-operating benefit costs, net	28	32	77
Gain on sale of businesses	—	—	19
Other, net	42	47	20
Total other income (expense)	(359)	(308)	(265)
Income before income taxes	1,359	1,196	1,008
Provision for income taxes	308	252	188
Net income attributable to common shareholders	\$ 1,051	\$ 944	\$ 820

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2023 compared to fiscal 2022, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 14, 2024.

Regulated Businesses Segment

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

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Operating revenues	\$ 4,296	\$ 3,920	\$ 3,505
Operation and maintenance	1,517	1,441	1,345
Depreciation and amortization	772	693	633
General taxes	301	288	264
Other operating (income) expense	—	(1)	—
Other income (expense)	(339)	(269)	(220)
Provision for income taxes	302	259	188
Net income attributable to common shareholders	\$ 1,065	\$ 971	\$ 854

Operating Revenues

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

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Water services:			
Residential	\$ 2,349	\$ 2,143	\$ 1,941
Commercial	885	798	710
Fire service	164	158	147
Industrial	184	167	153
Public and other	301	284	267
Total water services	3,883	3,550	3,218
Wastewater services:			
Residential	245	228	174
Commercial	70	62	45
Industrial	12	8	4
Public and other	36	29	19
Total wastewater services	363	327	242
Other (a)	50	43	45
Total operating revenues	\$ 4,296	\$ 3,920	\$ 3,505

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

(Gallons in millions)	For the Years Ended December 31,		
	2024	2023	2022
Billed water services volumes:			
Residential	163,583	160,921	162,105
Commercial	80,385	78,404	77,627
Industrial	37,217	36,404	37,265
Fire service, public and other	54,700	54,236	51,966
Total billed water services volumes	335,885	329,965	328,963

In 2024, as compared to 2023, operating revenues increased \$376 million, primarily due to: (i) a \$288 million increase from authorized rate increases, including infrastructure surcharges, principally to recover infrastructure investment in various states; (ii) a \$41 million increase from water and wastewater acquisitions and organic growth in existing systems; (iii) a \$26 million increase from changes in customer demand; and (iv) a \$17 million net increase as a result of reduced amortization of EADIT, primarily in the Company's Missouri subsidiary.

Operation and Maintenance

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

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Employee-related costs	\$ 543	\$ 513	\$ 505
Production costs	458	438	387
Operating supplies and services	274	255	242
Maintenance materials and supplies	97	102	96
Customer billing and accounting	72	65	59
Other	73	68	56
Total operation and maintenance expense	<u>\$ 1,517</u>	<u>\$ 1,441</u>	<u>\$ 1,345</u>

Employee-Related Costs

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Salaries and wages	\$ 434	\$ 413	\$ 395
Group insurance	69	60	59
Pensions	7	9	21
Other benefits	33	31	30
Total employee-related costs	<u>\$ 543</u>	<u>\$ 513</u>	<u>\$ 505</u>

In 2024, as compared to 2023, employee-related costs increased \$30 million primarily due to an increase in salaries and wages due to merit increases, which was partially offset by higher capitalized labor and overhead rates.

Production Costs

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Purchased water	\$ 180	\$ 161	\$ 154
Fuel and power	112	108	104
Chemicals	107	105	78
Waste disposal	59	64	51
Total production costs	<u>\$ 458</u>	<u>\$ 438</u>	<u>\$ 387</u>

In 2024, as compared to 2023, production costs increased \$20 million primarily from higher purchased water cost and usage.

Operating Supplies and Services

In 2024, as compared to 2023, operating supplies and services increased \$19 million primarily due to higher contracted services and software licensing costs as well as an increase in various other operating expenses.

Depreciation and Amortization

In 2024, as compared to 2023, depreciation and amortization increased \$79 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2024, as compared to 2023, general taxes increased \$13 million primarily due to incremental property taxes and New Jersey Gross Receipts Tax.

Other Income (Expense)

In 2024, as compared to 2023, other expenses increased \$70 million primarily due to higher interest expense from the issuance of incremental long-term debt and a decrease in AFUDC in 2024.

Provision for Income Taxes

In 2024, as compared to 2023, the Regulated Businesses' provision for income taxes increased \$43 million. The Regulated Businesses' effective income tax rate was 22.1% and 21.1% for the years ended December 31, 2024 and 2023, respectively. The increase was primarily due to the decrease in the amortization of EADIT, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Operating revenues	\$ 388	\$ 314	\$ 287
Operation and maintenance	341	279	244
Depreciation and amortization	16	11	16
General taxes	19	19	17
Interest expense	(107)	(96)	(119)
Interest income	77	45	50
Gain on sale of businesses	—	—	19
Other income	10	12	6
Provision for (benefit from) income taxes	6	(7)	—
Net loss attributable to common shareholders	<u>\$ (14)</u>	<u>\$ (27)</u>	<u>\$ (34)</u>

Operating Revenues

In 2024, as compared to 2023, operating revenues increased \$74 million from an increase in capital projects in MSG, primarily at Naval Station Mayport, and an increase in capital projects in CSG.

Operation and Maintenance

Presented in the table below is information regarding the main components of Other's operating and maintenance expense:

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Operating supplies and services	\$ 195	\$ 150	\$ 120
Maintenance materials and supplies	27	29	35
Employee-related costs	101	85	73
Production costs	10	9	10
Other	8	6	6
Total operation and maintenance expense	<u>\$ 341</u>	<u>\$ 279</u>	<u>\$ 244</u>

Operating Supplies and Services

In 2024, as compared to 2023, operating supplies and services increased \$45 million primarily due to costs associated with the increased capital projects in MSG.

Employee-Related Costs

In 2024, as compared to 2023, employee-related costs increased \$16 million primarily due to an increase in salaries and wages.

Interest Income

In 2024, as compared to 2023, interest income increased \$32 million primarily due to the increased interest rate and higher principal balance from the February 2024 amendment of the secured seller promissory note from the sale of HOS. See Note 5—Acquisitions and Divestitures—Sale of Homeowner Services Group, in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the “IRA”) was signed into law. The IRA contains a 15% CAMT provision on applicable corporations effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company’s average adjusted financial statement income (“AFSI”) for the three consecutive years preceding the tax year must exceed \$1.0 billion. An applicable corporation must make several adjustments to net income when determining AFSI. A corporation paying CAMT is eligible for a future tax credit, which can be utilized when regular tax exceeds CAMT. Based on current guidance, the Company is an applicable corporation subject to CAMT beginning in 2024 and expects to owe CAMT in excess of the regular tax liability. On September 12, 2024, the Internal Revenue Service (the “IRS”) and the U.S. Treasury issued Notice 2024-66, allowing corporate taxpayers to exclude amounts attributable to the CAMT liability, without penalty, from estimated tax payments with respect to a taxable year that begins during 2024. The Company will include the CAMT liability in its 2024 extension payment due April 15, 2025. The Company will continue to assess the impacts of the IRA as the U.S. Treasury and the IRS provide further guidance.

Legislative Updates

During 2024 and 2025, the Company’s regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 19, 2025:

- New Jersey passed Assembly Bill 4791, establishing the “Resiliency and Environmental System Investment Charge Program,” which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance such as existing and proposed requirements for PFAS, safety, and public health. Legislation was signed by the Governor and became effective on January 12, 2024.
- Indiana passed Senate Bill 5, which provides access to a property by a water utility to replace lead service lines when a landowner does not enroll in the offered lead service line replacement program, does not personally replace the customer owned portion of the lead service line following notice and a 45-day waiting period, or is non-responsive to attempted communication after the 45-day waiting period. Legislation was signed by the Governor and became effective on March 11, 2024.
- Iowa passed House File 207, which modifies property tax assessments to exempt property owned or operated by a public or private utility and is directly and primarily used for furnishing sanitary sewage or storm water drainage disposal by a piped collection system to the public for compensation. Legislation was signed by the Governor and became effective on May 2, 2024.
- West Virginia passed House Bill 5617, which adopts standards and authorizes the WVPSC to promulgate rules, and also allows for rate recovery, on maintenance, flushing, flow testing and marking of fire hydrants owned by water utilities. Legislation was signed by the Governor and became effective on June 4, 2024.
- Iowa passed House File 2101, which increases the threshold amount required for approval by the Iowa Utilities Commission for water and wastewater utility acquisition filings from \$0.5 million to \$3 million. Legislation was signed by the Governor and became effective on July 1, 2024.
- Indiana passed Senate Bill 247, which establishes a 30-day filing with the IURC by a utility for an acquisition of a utility with an appraised value and purchase price of less than \$3 million. Legislation was signed by the Governor became effective on July 1, 2024.
- California passed Senate Bill 219, which amends the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, to allow the California Air Resources Board until July 1, 2025, to issue implementing regulations, including reporting requirements for Scope 3 emissions. Legislation was signed by the Governor on September 27, 2024, and became effective January 1, 2025.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of payments under a secured seller promissory note, plus interest, see Note 5—Acquisitions and Divestitures —Sale of Homeowner Services Group, in the Notes to Consolidated Financial Statements for additional information. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, AWCC issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. The Company's revolving credit facility provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sub-limit for the issuance of up to \$150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is \$2.60 billion. On October 28, 2024, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2028 to October 2029. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. As of December 31, 2024, AWCC had no outstanding borrowings and \$82 million of outstanding letters of credit under its revolving credit facility, with \$1.8 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

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

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes and overall economic conditions. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

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

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Net income	\$ 1,051	\$ 944	\$ 820
Add (less):			
Depreciation and amortization	788	704	649
Deferred income taxes and amortization of investment tax credits	156	208	80
Other non-cash activities (a)	62	(9)	(16)
Changes in assets and liabilities (b)	40	76	(355)
Pension and non-pension postretirement benefit contributions	(52)	(49)	(51)
Gain on sale of businesses	—	—	(19)
Net cash provided by operating activities	\$ 2,045	\$ 1,874	\$ 1,108

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

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

In 2024, cash flows provided by operating activities increased \$171 million, primarily due to an increase in net income and depreciation, partially offset by changes in deferred income taxes.

The Company expects to make pension contributions to the plan trusts of \$44 million in 2025. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

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

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Capital expenditures	\$ (2,856)	\$ (2,575)	\$ (2,297)
Acquisitions, net of cash acquired	(417)	(81)	(315)
Proceeds from sale of assets, net of cash on hand	—	—	608
Removal costs from property, plant and equipment retirements, net	(152)	(159)	(123)
Purchases of available-for-sale fixed-income securities	(135)	—	—
Proceeds from sales and maturities of available-for-sale fixed-income securities	181	—	—
Net cash used in investing activities	\$ (3,379)	\$ (2,815)	\$ (2,127)

In 2024, cash flows used in investing activities increased \$564 million as a result of increased payments for capital expenditures and acquisitions in 2024. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth, and meet new or updated environmental and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Transmission and distribution	\$ 882	\$ 922	\$ 901
Treatment and pumping	305	322	190
Services, meter and fire hydrants	805	652	546
General structure and equipment	425	333	380
Sources of supply	163	88	95
Wastewater	276	258	185
Total capital expenditures	<u>\$ 2,856</u>	<u>\$ 2,575</u>	<u>\$ 2,297</u>

In 2024, the Company's capital expenditures increased \$281 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2024, the Company paid \$417 million to fund acquisitions, including deposits for pending acquisitions. The Company closed on 13 acquisitions of various regulated water and wastewater systems during 2024, which added approximately 69,500 water and wastewater customers.

As previously noted, over the next five years the Company expects to invest between \$17 billion to \$18 billion, with \$15.5 billion to \$16 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between \$40 billion to \$42 billion over the next 10 years. In 2025, the Company expects to invest \$3.3 billion, consisting of infrastructure improvements and acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

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

(In millions)	For the Years Ended December 31,		
	2024	2023	2022
Proceeds from long-term debt	\$ 1,437	\$ 1,264	\$ 822
Repayments of long-term debt	(475)	(282)	(15)
Net proceeds from common stock financing	—	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	700	(996)	591
Debt issuance costs	(14)	(16)	(7)
Dividends paid	(585)	(532)	(467)
Other financing activities, net (a)	47	62	76
Net cash provided by financing activities	<u>\$ 1,110</u>	<u>\$ 1,188</u>	<u>\$ 1,000</u>

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

In 2024, cash flows provided by financing activities decreased \$78 million, primarily due to the repayment of long-term debt in the current period and the proceeds from the common stock financing in March 2023. These decreases were partially offset by a higher issuance of long-term debt and an increase in short-term commercial paper borrowings in the current year.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC and equity issuances from parent company. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2024, AWCC has made long-term fixed rate loans and short-term loans to the Regulated Businesses amounting to \$9.6 billion. Additionally, as of December 31, 2024, AWCC has made long-term fixed rate loans and short-term loans to parent company amounting to \$3.3 billion.

On February 23, 2024, AWCC completed a \$1.4 billion debt offering, which included the sale of \$700 million aggregate principal amount of its 5.150% Senior Notes due 2034 and \$700 million aggregate principal amount of its 5.450% Senior Notes due 2054. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$1,381 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC's 3.850% Senior Notes due 2024; (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately \$1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC and for general corporate purposes.

On June 29, 2023, AWCC issued, in a private placement, \$1,035 million aggregate principal amount of the Notes. AWCC received net proceeds of approximately \$1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. See Note 11—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company (through AWCC) does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

During the second half of 2024, the Company entered into eight treasury lock agreements, with a term of 10 years or 30 years, with notional amounts totaling \$355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed interest rate of 4.03%. In 2025, the Company entered into five additional treasury lock agreements, with a term of 10 years, with notional amounts totaling \$275 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in March 2025 and have an average fixed interest rate of 4.60%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss.

The Company had entered into 15 treasury lock agreements through February 2024, with notional amounts totaling \$825 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In February 2024, the Company terminated the treasury lock agreements realizing a pre-tax net gain of \$14 million, to be amortized through Interest expense over a 10-year period or 30-year period, in accordance with the tenor of the notes issued on February 23, 2024.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2024, 2023 or 2022.

In February 2024, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2027. During 2024 and 2022, \$1.4 billion and \$800 million, respectively, of debt securities were issued under this and a predecessor registration statement. During 2023, under the predecessor registration statement, parent company issued 12,650,000 shares of its common stock for aggregate net proceeds of approximately \$1,688 million.

Presented in the table below are the issuances of long-term debt in 2024:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	5.15%-5.45%	5.30%	2034-2054	\$ 1,400
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	0.01%	2025-2061	46
Total issuances					<u>\$ 1,446</u>

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness. See “—Issuer and Guarantor of Senior Notes” below.

Presented in the table below are the retirements and redemptions of long-term debt in 2024 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Senior notes—fixed rate	3.85%	3.85%	2024	\$ 400
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.53%	2024-2061	14
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.99%-7.17%	7.13%	2024	60
Total retirements and redemptions					<u>\$ 475</u>

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

Outstanding unsecured senior notes issued by AWCC (other than the Notes) have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The Notes were issued under an indenture, by and among AWCC, parent company and U.S. Bank Trust Company, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the Notes. The senior notes and the Notes have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness. No other subsidiary of parent company provides guarantees for any of such indebtedness. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes or the Notes, parent company will provide to AWCC, at its request or the request of any holder thereof, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any such holder, when due, the support agreement provides that such holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes and the Notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes and the Notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or the Notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the AWCC revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody's Ratings and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

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

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

(In millions)	2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	\$ 2,420	\$ 75	\$ 2,495

(a) Total remaining availability of \$2.5 billion as of December 31, 2023, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2024 and 2023:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2024	\$ 96	\$ 1,788	\$ 1,884
Available liquidity as of December 31, 2023	\$ 330	\$ 2,495	\$ 2,825

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.65% and 5.51%, for the years ended December 31, 2024 and 2023, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2024	2023	2022
Total common shareholders' equity	42.4 %	44.2 %	38.3 %
Long-term debt and redeemable preferred stock at redemption value	51.4 %	52.9 %	54.4 %
Short-term debt and current portion of long-term debt	6.2 %	2.9 %	7.3 %
Total	100 %	100 %	100 %

The change in the capital structure mix in 2024 is mainly attributable to the increase in short-term commercial paper borrowings. The use of the proceeds from the common stock issuance on March 3, 2023, and the long-term debt issuance on June 29, 2023, reduced short-term commercial paper borrowings in 2023.

Debt Covenants

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

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2024, the Company's ratio was 0.58 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 19, 2025, as issued by Moody's Ratings on January 23, 2025, and S&P Global Ratings on March 4, 2024:

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

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

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

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

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience or adverse insurance market trends which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and develop estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting policies described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2024, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2024 and 2023, the Company's regulatory asset balance was \$1.2 billion and \$1.1 billion, respectively, and its regulatory liability balance was \$1.4 billion and \$1.5 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of net operating loss carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically Accounting Standards Codification ("ASC 740"), *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2024 and 2023, are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- **Discount Rate**—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Return on Plan Assets (“EROA”)—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans’ mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees’ pay increases, which are used to project employees’ pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 base mortality table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans’ expected cash flows by matching the plans’ cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.70%, 5.18% and 5.58% at December 31, 2024, 2023 and 2022, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.69%, 5.22% and 5.60% at December 31, 2024, 2023 and 2022, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.73% for 2024, 6.79% for 2023 and 6.50% for 2022. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 5.00% for 2024, 5.00% for 2023 and 3.60% for 2022.

Presented in the table below are the allocations of the pension plan assets by asset category:

Asset Category	2025 Target Allocation	Percentage of Plan Assets as of December 31,	
		2024	2023
Equity securities	37 %	44 %	41 %
Fixed income	63 %	56 %	59 %
Total	100 %	100 %	100 %

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

Asset Category	2025 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2024	2023
Equity securities	27 %	34 %	32 %
Fixed income	73 %	66 %	68 %
Total	100 %	100 %	100 %

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts are invested in a number of separately managed accounts, commingled funds and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts. The trustee for the Company’s defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company’s rate of compensation increase was 3.51% for 2024, 2023 and 2022.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2024, the Company’s health care cost trend rate assumption used to calculate the periodic benefit cost was 6.75% in 2024 gradually declining to 5.00% in 2031 and thereafter. As of December 31, 2024, the Company projects that medical inflation will be 6.50% in 2025 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.70% and 6.63%, respectively, for estimating its 2025 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.69% and 5.00%, respectively, for estimating its 2025 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2024 pension and postretirement total net benefit credit was \$3 million and the 2023 pension and postretirement total net benefit credit was \$6 million. The Company expects to make pension contributions to the plan trusts of \$44 million in 2025; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2024 and 2023 was \$219 million and \$193 million, respectively.

The Company also recognizes revenues for certain ratemaking mechanisms that meet the criteria for alternative revenue program accounting. These mechanisms, which include the Company's revenue stability mechanisms, qualify as alternative revenue programs if they have been authorized for rate recovery, are objectively determinable and probable of recovery, and are expected to be collected within 24 months following the end of the period in which they were recognized.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues or other long-term assets, with billings in excess of revenues recorded as other current or long-term liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2024 and 2023, was \$96 million and \$109 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2024, a hypothetical 1% increase in average interest rates applied to the Company's short-term borrowing balances throughout 2024 would result in an increased annual interest expense of approximately \$2 million.

As of December 31, 2024, the Company had eight treasury lock agreements, each with a term of 10 years or 30 years, with notional amounts totaling \$355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed rate of 4.03%. When entering into treasury locks, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the treasury locks. The Company manages market risk by matching the terms of the treasury locks with the critical terms of the expected debt issuance. The fair value of the treasury locks at December 31, 2024, was in a gain position of \$24 million. A hypothetical 1% favorable change in interest rates would result in an increase in the fair value of the treasury locks to a gain position of approximately \$60 million at December 31, 2024.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were \$1,169 million and \$1,416 million, respectively, as of December 31, 2024. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 19, 2025

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies**Consolidated Balance Sheets**

(In millions, except share and per share data)

	December 31, 2024	December 31, 2023
ASSETS		
Property, plant and equipment	\$ 35,059	\$ 32,189
Accumulated depreciation	(7,021)	(6,751)
Property, plant and equipment, net	28,038	25,438
Current assets:		
Cash and cash equivalents	96	330
Restricted funds	29	34
Accounts receivable, net of allowance for uncollectible accounts of \$53 and \$51, respectively	416	339
Income tax receivable	25	86
Unbilled revenues	315	302
Materials and supplies	103	112
Other	231	186
Total current assets	1,215	1,389
Regulatory and other long-term assets:		
Regulatory assets	1,150	1,106
Secured seller promissory note from the sale of the Homeowner Services Group	795	720
Operating lease right-of-use assets	89	86
Goodwill	1,144	1,143
Other	399	416
Total regulatory and other long-term assets	3,577	3,471
Total assets	\$ 32,830	\$ 30,298

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

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

	December 31, 2024	December 31, 2023
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 200,371,701 and 200,144,968 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	8,598	8,550
Retained earnings	2,112	1,659
Accumulated other comprehensive income (loss)	12	(26)
Treasury stock, at cost (5,451,216 and 5,414,867 shares, respectively)	(392)	(388)
Total common shareholders' equity	10,332	9,797
Long-term debt	12,518	11,715
Redeemable preferred stock at redemption value	3	3
Total long-term debt	12,521	11,718
Total capitalization	22,853	21,515
Current liabilities:		
Short-term debt	879	179
Current portion of long-term debt	637	475
Accounts payable	346	294
Accrued liabilities	791	791
Accrued taxes	156	67
Accrued interest	111	93
Other	230	252
Total current liabilities	3,150	2,151
Regulatory and other long-term liabilities:		
Advances for construction	383	352
Deferred income taxes and investment tax credits	2,881	2,717
Regulatory liabilities	1,416	1,481
Operating lease liabilities	76	73
Accrued pension expense	217	262
Other	277	196
Total regulatory and other long-term liabilities	5,250	5,081
Contributions in aid of construction	1,577	1,551
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	\$ 32,830	\$ 30,298

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

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

	For the Years Ended December 31,		
	2024	2023	2022
Operating revenues	\$ 4,684	\$ 4,234	\$ 3,792
Operating expenses:			
Operation and maintenance	1,858	1,720	1,589
Depreciation and amortization	788	704	649
General taxes	320	307	281
Other	—	(1)	—
Total operating expenses, net	2,966	2,730	2,519
Operating income	1,718	1,504	1,273
Other income (expense):			
Interest expense	(523)	(460)	(433)
Interest income	94	73	52
Non-operating benefit costs, net	28	32	77
Gain on sale of businesses	—	—	19
Other, net	42	47	20
Total other income (expense)	(359)	(308)	(265)
Income before income taxes	1,359	1,196	1,008
Provision for income taxes	308	252	188
Net income attributable to common shareholders	\$ 1,051	\$ 944	\$ 820
Basic earnings per share: (a)			
Net income attributable to common shareholders	\$ 5.39	\$ 4.90	\$ 4.51
Diluted earnings per share: (a)			
Net income attributable to common shareholders	\$ 5.39	\$ 4.90	\$ 4.51
Weighted average common shares outstanding:			
Basic	195	193	182
Diluted	195	193	182

(a) Amounts may not calculate due to rounding.

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

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

	For the Years Ended December 31,		
	2024	2023	2022
Net income attributable to common shareholders	\$ 1,051	\$ 944	\$ 820
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of \$0, \$(2) and \$5 in 2024, 2023 and 2022, respectively	1	(3)	14
Defined benefit pension plan amortization of actuarial loss, net of tax of \$0, \$0 and \$1 in 2024, 2023 and 2022, respectively	—	4	3
Unrealized gain (loss) on cash flow hedges, net of tax of \$9, \$0 and \$1 in 2024, 2023 and 2022, respectively	39	(8)	5
Unrealized (loss) gain on available-for-sale fixed-income securities, net of tax of \$0 in 2024, 2023 and 2022	(2)	4	—
Net other comprehensive income (loss)	38	(3)	22
Comprehensive income attributable to common shareholders	\$ 1,089	\$ 941	\$ 842

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

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

	For the Years Ended December 31,		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 1,051	\$ 944	\$ 820
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	788	704	649
Deferred income taxes and amortization of investment tax credits	156	208	80
Provision for losses on accounts receivable	31	24	24
Gain on sale of businesses	—	—	(19)
Pension and non-pension postretirement benefits	(3)	(6)	(47)
Other non-cash, net	34	(27)	7
Changes in assets and liabilities:			
Receivables and unbilled revenues	(107)	(56)	(114)
Income tax receivable	61	28	(110)
Pension and non-pension postretirement benefit contributions	(52)	(49)	(51)
Accounts payable and accrued liabilities	111	70	(8)
Accrued taxes	92	21	(118)
Other assets and liabilities, net	(117)	13	(5)
Net cash provided by operating activities	2,045	1,874	1,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,856)	(2,575)	(2,297)
Acquisitions, net of cash acquired	(417)	(81)	(315)
Proceeds from sale of assets, net of cash on hand	—	—	608
Removal costs from property, plant and equipment retirements, net	(152)	(159)	(123)
Purchases of available-for-sale fixed-income securities	(135)	—	—
Proceeds from sales and maturities of available-for-sale fixed-income securities	181	—	—
Net cash used in investing activities	(3,379)	(2,815)	(2,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt, net of discount	1,437	1,264	822
Repayments of long-term debt	(475)	(282)	(15)
Net proceeds from common stock financing	—	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	700	(996)	591
Advances and contributions in aid of construction, net of refunds of \$33, \$25 and \$19 in 2024, 2023 and 2022, respectively	39	60	74
Debt issuance costs	(14)	(16)	(7)
Dividends paid	(585)	(532)	(467)
Other, net	8	2	2
Net cash provided by financing activities	1,110	1,188	1,000
Net (decrease) increase in cash, cash equivalents and restricted funds	(224)	247	(19)
Cash, cash equivalents and restricted funds at beginning of period	364	117	136
Cash, cash equivalents and restricted funds at end of period	\$ 140	\$ 364	\$ 117
Cash paid (received) during the year for:			
Interest, net of capitalized amount	\$ 483	\$ 445	\$ 414
Income taxes, net of refunds of \$5, \$30 and \$2 in 2024, 2023 and 2022, respectively	\$ (5)	\$ —	\$ 335
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	\$ 347	\$ 399	\$ 330

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

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

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2021	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends (\$2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	\$ 2	\$ 6,824	\$ 1,267	\$ (23)	(5.4)	\$ (377)	\$ 7,693
Net income attributable to common shareholders	—	—	—	944	—	—	—	944
Common stock issuances (a)	12.7	—	1,726	—	—	(0.1)	(11)	1,715
Net other comprehensive loss	—	—	—	—	(3)	—	—	(3)
Dividends (\$2.83 declared per common share)	—	—	—	(552)	—	—	—	(552)
Balance as of December 31, 2023	200.1	\$ 2	\$ 8,550	\$ 1,659	\$ (26)	(5.5)	\$ (388)	\$ 9,797
Net income attributable to common shareholders	—	—	—	1,051	—	—	—	1,051
Common stock issuances (a)	0.3	—	48	—	—	—	(4)	44
Net other comprehensive income	—	—	—	—	38	—	—	38
Dividends (\$3.06 declared per common share)	—	—	—	(598)	—	—	—	(598)
Balance as of December 31, 2024	<u>200.4</u>	<u>\$ 2</u>	<u>\$ 8,598</u>	<u>\$ 2,112</u>	<u>\$ 12</u>	<u>(5.5)</u>	<u>\$ (392)</u>	<u>\$ 10,332</u>

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

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

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements

(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the “Company” or “American Water”) is a holding company for subsidiaries that provide water and wastewater services throughout the United States. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries. The Company’s primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the “Regulated Businesses.” The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States (“GAAP”), and are collectively presented throughout this Annual Report on Form 10-K within “Other.” See Note 20—Segment Information for additional information.

Note 2: Significant Accounting Policies***Regulation***

The Company’s regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions (“PUCs”). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company’s Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility’s revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company’s critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company’s regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction (“AFUDC”). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company’s regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets’ remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Military Services Group (“MSG”) and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs, net of amortization, amounted to \$398 million and \$419 million as of December 31, 2024 and 2023, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects, primarily performed by MSG. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the years ended December 31:

	2024	2023
Cash and cash equivalents	\$ 96	\$ 330
Restricted funds	29	34
Restricted funds included in other long-term assets	15	—
Cash and cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	<u>\$ 140</u>	<u>\$ 364</u>

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are the trade accounts receivable of other businesses, primarily MSG, and nonutility customer receivables of the Regulated Businesses. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on certain construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company’s inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's secured seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its Homeowner Services Group ("HOS") business. Interest income from the secured seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is attributable to the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, primarily include property, plant and equipment. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2024 and 2023, on the Consolidated Balance Sheets are estimated refunds of \$21 million and \$18 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions in aid of construction balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions in aid of construction, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was \$46 million, \$40 million and \$37 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

The Company recognizes revenues for certain ratemaking mechanisms that meet the criteria for alternative revenue program accounting. These mechanisms, which include the Company's revenue stability mechanisms, qualify as alternative revenue programs if they have been authorized for rate recovery, are objectively determinable and probable of recovery and are expected to be collected within 24 months following the end of the period in which they were recognized. For mechanisms that meet these criteria, the Company adjusts revenue and records an offsetting regulatory asset or liability once the condition or event allowing additional billing or refund has occurred. See Note 4—Revenue Recognition for disaggregated revenue information.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues or other long-term assets, with billings in excess of revenues recorded as other current or long-term liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest expense in the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in Other, net in the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2024	2023	2022
Allowance for other funds used during construction	\$ 38	\$ 41	\$ 20
Allowance for borrowed funds used during construction	21	24	14

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants, which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2024:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Segment Reporting	The guidance in this standard expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Additionally, the guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss, provides new segment disclosure requirements for entities with a single reportable segment, and other disclosure requirements.	Fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024	Retrospective	The Company adopted the standard as of December 31, 2024, including a recast of 2023 and 2022 information, by including additional required disclosures within the Notes to the Consolidated Financial Statements. See Note 20—Segment Information for further details.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2024:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure requirements.	Annual periods beginning after December 15, 2024	Prospective, with retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.
Income Statement Disaggregation	The guidance in this standard enhances disclosures related to income statement expenses to further disaggregate expenses in the footnotes to the financial statements. The standard requires disaggregation of any relevant expense caption presented on the face of the income statement that contains the following expense categories: purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion. Further, the standard requires disclosure of the total amount and the entity's definition of selling expenses.	Annual periods beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.
Induced Conversions of Convertible Debt Instruments	The guidance in this standard clarifies the requirements for determining whether to account for certain settlements of convertible debt instruments as induced conversions or extinguishments. The guidance requires an entity to account for a settlement as an induced conversion if the inducement offer includes the issuance of all of the consideration issuable under the conversion privileges provided in the terms of the existing convertible debt instrument.	Annual periods beginning after December 15, 2025 and interim reporting period within those annual reporting periods	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Reclassifications

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

Note 3: Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2024. The amounts include reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Kentucky	(a)	\$ 17
New Jersey	September 15, 2024	80
Pennsylvania	August 7, 2024	99
Indiana, Step Increases	(b)	48
West Virginia	February 25, 2024	18
California	January 1, 2024	21
Total general rate case authorizations		<u>\$ 283</u>

(a) In 2024, \$6 million was effective November 6 and \$11 million was effective May 3.

(b) In 2024, \$23 million was effective May 10 and \$25 million was effective February 21.

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2025. The amounts include reductions for the amortization of EADIT that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Tennessee	January 21, 2025	\$ 1
Illinois	January 1, 2025	105
Total general rate case authorizations		\$ 106

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

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company’s Illinois subsidiary. The general rate case order approved an increase of \$105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$5 million, based on an authorized return on equity of 9.84%, authorized rate base of \$2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The general rate case order denied the second step increase of \$16 million. The increase was effective January 1, 2025, and is driven primarily by approximately \$557 million in capital investments made and to be made by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the California Public Utilities Commission (the “CPUC”) approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company’s California subsidiary’s general rate case originally filed on July 1, 2022. Incorporating the currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of \$21 million in the 2024 test year, and an estimated \$16 million in the 2025 escalation year and \$16 million in the 2026 attrition year. New rates were implemented retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary’s proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC’s denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On May 3, 2024, the Kentucky Public Service Commission (the “KPSC”) issued an order approving the adjustment of base rates requested in a rate case filed on June 30, 2023, by the Company’s Kentucky subsidiary. The general rate case order approved an \$11 million annualized increase in water revenues, excluding infrastructure surcharge revenues of \$10 million, which continue to be recovered in the Kentucky subsidiary’s approved infrastructure mechanism. The annualized increase is based upon an authorized return on equity of 9.70%, authorized rate base of \$489 million, which reflects capital investments through January 31, 2025, and a capital structure with a common equity ratio of 52.22%. Interim rates in this proceeding were effective on February 6, 2024, and the order required that the difference between interim and final approved rates be subject to refund no later than August 26, 2024. On May 16, 2024, the Kentucky subsidiary filed with the KPSC a petition for rehearing of the KPSC’s order, seeking clarification and/or correction of certain computational inconsistencies that the Kentucky subsidiary believes are reflected in the KPSC’s order with respect to the authorized amount of annualized revenues to be received by the Kentucky subsidiary. On November 6, 2024, the KPSC approved a final order (the “Final Order”) providing for a \$17 million annualized increase in water revenues, an increase of approximately \$6 million from May 3, 2024. New rates provided in the Final Order were effective November 6, 2024.

On September 4, 2024, the New Jersey Board of Public Utilities (“NJBP”) issued an order approving without modification the stipulation of settlement of a general rate case filed on January 19, 2024, by the Company’s New Jersey subsidiary. The general rate case order approved an \$80 million annualized increase in the New Jersey subsidiary’s water and wastewater revenues, effective September 15, 2024, based on (i) an authorized return on equity of 9.60%, (ii) an authorized rate base of \$5.1 billion, (iii) a common equity ratio of 55.00%, and (iv) a long-term debt ratio of 45.00%. The annualized revenue increase is driven primarily by \$1.3 billion of incremental capital investments since the New Jersey subsidiary’s last general rate case. The New Jersey subsidiary will continue to defer as a regulatory asset or liability, as appropriate, until its next general rate case, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates.

On July 22, 2024, the Pennsylvania Public Utility Commission (the “PaPUC”) released an order approving the adjustment of base rates requested in a general rate case filed by the Company’s Pennsylvania subsidiary on November 8, 2023. The PaPUC approved a \$99 million annualized increase in the Pennsylvania subsidiary’s water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$20 million, based on (i) an authorized return on equity of 9.45%, (ii) an authorized rate base of \$5.8 billion, which reflects, as requested and included in the general rate case, approximately \$1.0 billion in capital investments to be made through mid-2025, (iii) a common equity ratio of 55.30%, and (iv) a long-term debt ratio of 44.70%. Certain acquisitions, including the acquisition of the wastewater collection and treatment system of the Butler Area Sewer Authority, were excluded from authorized base rates. The new rates were effective on August 7, 2024, except that new wastewater rates for two recently acquired systems, including the City of York, will take effect during the first half of 2025 in accordance with the terms of the relevant acquisition agreements. As part of its approval of this rate adjustment, the PaPUC initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary’s Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC is expected to conclude the investigation in the second quarter of 2025.

On February 23, 2024, the West Virginia Public Service Commission (the “WVPSC”) issued an order approving the adjustment of base rates requested in a rate case filed on May 1, 2023, by the Company’s West Virginia subsidiary. The general rate case order approved an \$18 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$7 million, based on an authorized return on equity of 9.80%, authorized rate base of \$886 million, which reflects capital investments through February 2024, a common equity ratio of 50.12% and a long-term debt ratio of 49.88%. The increased water and wastewater revenues related to the base rate adjustment are being driven primarily by (i) \$220 million of related water and wastewater system capital investments made since the completion of the West Virginia subsidiary’s previous rate case, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

On February 14, 2024, the Indiana Utility Regulatory Commission issued an order approving the adjustment of base rates requested in a rate case filed on March 31, 2023, by the Company’s Indiana subsidiary. The general rate case order approved a \$66 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges, based on an authorized return on equity of 9.65%, authorized rate base of \$1.8 billion, a common equity ratio of 56.15% and a debt ratio of 43.85%. For purposes of determining rates, the adjustment is based on an equity component of 48.19% due to the regulatory practice in Indiana of including certain zero-cost items or tax credit balances in the capital structure calculation. The annualized revenue increase will include three step increases, with \$25 million of the increase to be included in rates in February 2024, \$23 million in May 2024, and \$18 million in May 2025. The increases are being driven primarily by (i) over \$875 million of water and wastewater system capital investments since the completion of the Indiana subsidiary’s last rate case and through April 30, 2025, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On August 2, 2024, the Company’s Hawaii subsidiary filed a general rate case requesting approximately \$2 million in annualized incremental revenues, which is based on a proposed return on equity of 10.67% and a capital structure with an equity component of 52.11% and debt component of 47.89%. The requested annualized incremental revenue is driven primarily by approximately \$41 million in capital investments made and to be made by the Hawaii subsidiary through 2025. The Hawaii subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On July 1, 2024, the Company’s Missouri subsidiary filed a general rate case requesting approximately \$148 million in annualized incremental revenues. The request is based on a return on equity of 10.75% and a capital structure with an equity component of 50.54% and a long-term debt component of 49.46%. The requested annualized incremental revenue is driven primarily by \$1.5 billion of incremental capital investments completed and planned by the Missouri subsidiary from January 2023 through May 2026. On July 31, 2024, the Missouri Public Service Commission issued an order establishing the test year in this case, which modified the Missouri subsidiary’s original proposal for a future test year through May 2026, and instead reverted to a true-up period through December 31, 2024, with an allowance for proposed discrete adjustments subsequent to this date. On September 6, 2024, the Missouri subsidiary filed supplemental testimony to revise the request to approximately \$123 million in annualized incremental revenues and define the specific discrete adjustments proposed through the rate effective period, which lowered the incremental capital investments completed and planned to \$1.1 billion through May 2025. The Missouri subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On May 1, 2024, the Company's Iowa subsidiary filed a general rate case requesting approximately \$21 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 52.57% and debt component of 47.43%. The requested annualized revenue increase is driven primarily by approximately \$157 million in capital investments made and to be made by the Iowa subsidiary through March 2026. Interim rates became effective May 11, 2024, with the difference between interim and final approved rates subject to refund. On August 29, 2024, the Iowa subsidiary submitted supplemental testimony consistent with the procedural schedule, which was subsequently challenged by the parties in the proceeding. On October 4, 2024, the Iowa Utilities Commission issued an order that granted the inclusion of the supplemental filing and extended the procedural schedule in the case beyond the statutory ten-month period. The Iowa subsidiary now expects resolution of this proceeding by May 2025.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026. On December 18, 2024, the California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2026. On January 14, 2025, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting \$20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately \$110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. On September 20, 2024, the Virginia subsidiary filed with the Virginia State Corporation Commission (the "SCC") a "black box" stipulation of settlement on key financial terms which agreed to a \$15 million annualized increase in the Virginia subsidiary's revenues. The stipulation of settlement also agreed, solely for purposes of the Virginia subsidiary's future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), that its return on equity will be 9.70% and its capital structure will consist of an equity component of 45.67% and a debt and other component of 54.33%. The stipulation of settlement remains subject to SCC review and approval.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2024:

	Effective Date	Amount
Infrastructure surcharges by state:		
Missouri	(b)	\$ 47
Pennsylvania	(c)	21
New Jersey	April 30, 2024	9
Iowa	March 1, 2024	1
West Virginia (a)	March 1, 2024	7
Illinois	January 1, 2024	5
Total infrastructure surcharge authorizations		<u>\$ 90</u>

(a) On March 5, 2024, the WVPSC directed the Company's West Virginia subsidiary to interpret the distribution system improvement charge ("DSIC") Order as having included within the DSIC the three-year amortization of a prior authorized deferral associated with a large treatment plant project. The inclusion of this deferral increased the net incremental revenue by \$0.7 million to a total of \$6.6 million effective March 1, 2024.

(b) In 2024, \$21 million was effective July 11 and \$26 million was effective January 20.

(c) In 2024, \$14 million was effective July 1 and \$7 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2025:

	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	February 7, 2025	\$ 17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge filings		<u>\$ 23</u>

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. On July 8, 2024, the California Supreme Court issued a unanimous opinion concluding that the CPUC did not regularly seek to exercise its authority when it prohibited water utilities from proposing to continue their water revenue adjustment mechanisms. Accordingly, the California Supreme Court vacated the portion of the CPUC's 2020 decision relating to this prohibition against continuation of such water revenue adjustment mechanisms.

Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its 2022 general rate case. On December 5, 2024, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. On December 30, 2024, the New Jersey Appellate Division of the New Jersey Superior Court affirmed the NJBPU decision rejecting the acquisition adjustments. There is no financial impact to the Company as a result of the NJBPU's order and resulting appeal decision, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2024, earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2024	2023
Removal costs recoverable through rates	\$ 356	\$ 322
Deferred pension expense	318	308
Customer lead line replacements	86	66
Unamortized debt expense	84	82
Regulatory balancing accounts	71	81
Programmed maintenance expense	57	58
Purchase premium recoverable through rates	50	52
Other	128	137
Total regulatory assets	\$ 1,150	\$ 1,106

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of \$304 million and \$300 million as of December 31, 2024 and 2023, respectively. The remaining portion is the pension expense in excess of authorized amounts which is deferred by certain subsidiaries and probable of recovery in future service rates.

Customer lead line replacements are the costs incurred to replace customer owned lead service lines. Costs are recovered through a customer's surcharge or through base rates, depending on the jurisdiction.

Unamortized debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

Programmed maintenance expense are costs incurred to inspect or paint water tanks and are amortized on a straight line basis over a period determined by each state regulator.

Purchase premiums recoverable through rates are being recovered over periods up to 40 years.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs, purchased power and water accounts, dam removal costs and other cost balancing mechanisms.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of \$19 million and \$13 million included in other current assets on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2024	2023
Income taxes recovered through rates	\$ 1,016	\$ 1,064
Removal costs recovered through rates	245	254
Postretirement benefit liability	71	85
Other	84	78
Total regulatory liabilities	<u>\$ 1,416</u>	<u>\$ 1,481</u>

Income taxes recovered through rates relate to deferred taxes that will be refunded to the Company's customers. The enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA") required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT which will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

Postretirement benefit liability includes a portion of the over-funded status that is probable of refund through rates in future periods. The remaining portion represents prior service credits resulting from announced plan amendments which changed benefits for certain union and non-union plan participants.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserves on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains, refunds to customers related to tax overpayments, and various regulatory balancing accounts.

The Company has no current regulatory liabilities and had \$1 million of current regulatory liabilities included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

Note 4: Revenue Recognition
Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2024:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 2,344	\$ 5	\$ 2,349
Commercial	881	4	885
Fire service	164	—	164
Industrial	182	2	184
Public and other	291	—	291
Total water services	3,862	11	3,873
Wastewater services:			
Residential	243	2	245
Commercial	70	—	70
Industrial	12	—	12
Public and other	36	—	36
Total wastewater services	361	2	363
Miscellaneous utility charges	42	—	42
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	4,265	31	4,296
Other	388	—	388
Total operating revenues	\$ 4,653	\$ 31	\$ 4,684

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

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 2,143	\$ —	\$ 2,143
Commercial	798	—	798
Fire service	158	—	158
Industrial	167	—	167
Public and other	274	—	274
Total water services	3,540	—	3,540
Wastewater services:			
Residential	228	—	228
Commercial	62	—	62
Industrial	8	—	8
Public and other	29	—	29
Total wastewater services	327	—	327
Miscellaneous utility charges	35	—	35
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	3,902	18	3,920
Other	315	(1)	314
Total operating revenues	\$ 4,217	\$ 17	\$ 4,234

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

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,938	\$ 3	\$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	3,198	5	3,203
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	241	1	242
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	3,475	30	3,505
Other	288	(1)	287
Total operating revenues	\$ 3,763	\$ 29	\$ 3,792

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

Contract Balances

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

Contract assets of \$84 million, \$95 million and \$86 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2024, 2023 and 2022, respectively. Also, contract assets of \$39 million are included in other long-term assets on the Consolidated Balance Sheets as of December 31, 2024, and there were no contract assets in other long-term assets on the Consolidated Balance Sheets as of December 31, 2023 and 2022. There were \$114 million of contract assets added during 2024, and \$86 million of contract assets were transferred to accounts receivable during 2024. There were \$87 million of contract assets added during 2023, and \$78 million of contract assets were transferred to accounts receivable during 2023.

Contract liabilities of \$40 million, \$63 million and \$91 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2024, 2023 and 2022, respectively. Also, contract liabilities of \$14 million are included in other long-term liabilities on the Consolidated Balance Sheets as of December 31, 2024, and there were no contract liabilities in other long-term liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022. There were \$83 million of contract liabilities added during 2024, and \$92 million of contract liabilities were recognized as revenue during 2024. There were \$103 million of contract liabilities added during 2023, and \$131 million of contract liabilities were recognized as revenue during 2023.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2024, the Company’s O&M and capital improvement contracts have RPOs. Contracts with the U.S. government for work on military installations expire between 2051 and 2073 and have RPOs of \$7.4 billion as of December 31, 2024, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of \$612 million as of December 31, 2024, as measured by estimated remaining contract revenue.

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

During 2024, the Company closed on 13 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$417 million, of which \$415 million was funded in 2024, and which acquisitions added approximately 69,500 water and wastewater customers. These totals include the acquisitions from the Butler Area Sewer Authority and Granite City noted below. Assets acquired from all 2024 acquisitions, principally utility plant, totaled \$426 million and liabilities assumed totaled \$10 million. Seven of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their respective acquisition date.

On October 29, 2024, the Company’s Pennsylvania subsidiary acquired the wastewater collection and treatment system assets from the Butler Area Sewer Authority for a purchase price of \$230 million, in cash. This system provides wastewater service for approximately 15,000 customer connections. Assets acquired from this acquisition, principally utility plant, totaled \$229 million and \$1 million of goodwill. This acquisition was accounted for as a business combination.

On March 11, 2024, the Company’s Illinois subsidiary completed the acquisition of a wastewater treatment plant and related assets from Granite City for a cash purchase price of \$86 million, which added approximately 26,000 wastewater customers, including 15,500 customers indirectly in surrounding communities. Assets acquired from this acquisition, principally utility plant, totaled \$91 million and liabilities assumed totaled \$5 million. This acquisition was accounted for as a business combination.

During 2023, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$77 million, \$2 million of which was funded as a deposit in 2021, and which acquisitions added approximately 18,100 water and wastewater customers. Assets acquired from these acquisitions, principally utility plant, totaled \$81 million and liabilities assumed totaled \$4 million. Five of these acquisitions were accounted for as business combinations.

The pro forma impact of the Company’s acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022.

Sale of Homeowner Services Group

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the “Buyer”) of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately \$1.275 billion. The consideration at closing was comprised of \$480 million in cash, a secured seller note payable in cash and issued by the Buyer in the principal amount of \$720 million, with an interest rate of 7.00% per year, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023.

On February 2, 2024, this note was amended to increase the principal amount from \$720 million to \$795 million, in full satisfaction of the \$75 million contingent cash payment payable under the HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The Company recognized \$77 million, \$50 million, and \$50 million of interest income during the years ended December 31, 2024, 2023 and 2022, respectively, from this note. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants were amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The repayment obligations of the Buyer under this note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

On December 3, 2024, a covenant in the secured seller note was amended to increase the maximum aggregate principal amount of revolving facility indebtedness (as defined and described thereunder) that could be incurred at any time by the Buyer and certain affiliates.

The secured seller note may not be prepaid at the Buyer's election (except in certain limited circumstances) before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the secured seller note in breach of this non-call provision, an event of default will occur under the secured seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2024	2023	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	\$ 302	\$ 293		
Sources of supply	1,124	1,081	20 to 127 years	46 years
Treatment and pumping	4,786	4,594	3 to 101 years	39 years
Transmission and distribution	14,745	13,900	9 to 128 years	66 years
Services, meters and fire hydrants	6,356	5,696	2 to 109 years	29 years
General structures and equipment	2,813	2,512	3 to 109 years	17 years
Waste collection	1,986	1,719	5 to 113 years	53 years
Waste treatment, pumping and disposal	1,425	1,191	2 to 153 years	34 years
Construction work in progress	1,359	1,040		
Other plant	22	24		
Total utility plant	34,918	32,050		
Nonutility property	141	139	3 to 50 years	12 years
Total property, plant and equipment	\$ 35,059	\$ 32,189		

Property, plant and equipment depreciation expense amounted to \$690 million, \$617 million and \$552 million for the years ended December 31, 2024, 2023 and 2022, respectively, and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.73%, 2.68% and 2.60% for the years ended December 31, 2024, 2023 and 2022, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of \$347 million and \$399 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

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

The Company is required to meet various annual requirements, including the maintenance of qualified full-time positions at the qualified business facility, in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

In December and January of 2024, the NJEDA issued to the Company the utilization certificates for the 2022 and 2021 tax credits in the amount of \$15 million and \$16 million, respectively. In March of 2023, the NJEDA issued to the Company the utilization certificate for the 2020 tax credits in the amount of \$16 million. The Company sold the 2022, 2021, and 2020 tax credits to an external party for \$14 million, \$15 million and \$15 million, respectively. For the years ended December 31, 2024, 2023 and 2022, the Company recorded losses of \$2 million, \$1 million and \$1 million, respectively, to Other income (expense) in the Consolidated Statements of Operations from the sale of tax credits. As of December 31, 2024, the Company had no current assets and \$90 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2023 through 2028 tax credits. As of December 31, 2023, the Company had current assets of \$32 million included in Other and \$90 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2021 through 2028 tax credits. In 2023, the Company reduced net realizable value of the future tax credit receivable by approximately \$7 million as the Company does not expect it will be eligible to recognize the full amount of the tax credit as it expects to have lower than required eligible headcount in the future. The Company has made the necessary annual filing for the year ended December 31, 2023, and expects to make the 2024 filing in April 2025, prior to the required filing deadline. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the 2023 tax credits in 2026.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2024	2023	2022
Balance as of January 1	\$ (51)	\$ (60)	\$ (75)
Amounts charged to expense	(31)	(24)	(24)
Amounts written off	31	28	27
Other, net (a)	(2)	5	12
Balance as of December 31	<u>\$ (53)</u>	<u>\$ (51)</u>	<u>\$ (60)</u>

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity.

Note 8: Goodwill
Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2024 and 2023:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2023	\$ 3,470	\$ (2,332)	\$ 113	\$ (108)	\$ 3,583	\$ (2,440)	\$ 1,143
Goodwill from acquisitions	—	—	—	—	—	—	—
Balance as of December 31, 2023	<u>\$ 3,470</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$ 3,583</u>	<u>\$ (2,440)</u>	<u>\$ 1,143</u>
Goodwill from acquisitions	1	—	—	—	1	—	1
Balance as of December 31, 2024	<u>\$ 3,471</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$ 3,584</u>	<u>\$ (2,440)</u>	<u>\$ 1,144</u>

The Company completed its annual impairment testing of goodwill as of November 30, 2024, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2024.

In 2024, the Company acquired goodwill of \$1 million associated with one of its acquisitions in the Regulated Businesses segment. In 2023, there were no additions or impairments to the Company's goodwill.

Note 9: Shareholders' Equity
Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately \$1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, and for general corporate purposes.

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2024, there were approximately 4.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2024 and 2023. As of December 31, 2024, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2024, 2023 and 2022:

	Defined Benefit Plans			Gain (Loss) on Cash Flow Hedge	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Income (Loss)
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss			
Beginning balance as of January 1, 2022	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ —	\$ (45)
Other comprehensive income before reclassification	14	—	—	5	—	19
Amounts reclassified from accumulated other comprehensive income	—	—	3	—	—	3
Net other comprehensive income	14	—	3	5	—	22
Ending balance as of December 31, 2022	\$ (93)	\$ 1	\$ 70	\$ (1)	\$ —	\$ (23)
Other comprehensive (loss) income before reclassification	(3)	—	—	(8)	4	(7)
Amounts reclassified from accumulated other comprehensive income	—	—	4	—	—	4
Net other comprehensive (loss) income	(3)	—	4	(8)	4	(3)
Ending balance as of December 31, 2023	\$ (96)	\$ 1	\$ 74	\$ (9)	\$ 4	\$ (26)
Other comprehensive income (loss) before reclassification	1	—	—	39	(2)	38
Net other comprehensive income (loss)	1	—	—	39	(2)	38
Ending balance as of December 31, 2024	\$ (95)	\$ 1	\$ 74	\$ 30	\$ 2	\$ 12

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

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

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

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2024, 2023 and 2022, the Company paid \$585 million, \$532 million and \$467 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2024	2023	2022
December	\$ 0.7650	\$ 0.7075	\$ 0.6550
September	\$ 0.7650	\$ 0.7075	\$ 0.6550
June	\$ 0.7650	\$ 0.7075	\$ 0.6550
March	\$ 0.7075	\$ 0.6550	\$ 0.6025

On December 6, 2024, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.7650 per share payable on March 4, 2025, to shareholders of record as of February 7, 2025.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or AWCC, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the “2017 Omnibus Plan”), approved by the Company’s shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company (“RSUs”), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals (“PSUs”). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2024, 5.8 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the “2007 Plan”). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2024, 2023 and 2022 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2024, 2023 and 2022. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2024	2023	2022
RSUs and PSUs	\$ 34	\$ 23	\$ 26
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	36	25	28
Income tax benefit	(8)	(6)	(6)
Stock-based compensation expense, net of tax	<u>\$ 28</u>	<u>\$ 19</u>	<u>\$ 22</u>

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2024, 2023 and 2022.

Subject to limitations on deductibility imposed by the Internal Revenue Code of 1986, as amended, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2024, 2023 and 2022, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company’s common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2024, 2023 and 2022, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant. Prior to 2024, distribution of the shares was made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant’s separation from service. Beginning in 2024, the shares are distributed within 30 days after the date of grant. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The grant date fair value of RSUs granted to certain employees and stock units granted to non-employee directors totaled \$10 million, \$9 million and \$9 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2024:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2023	64	\$ 134.61
Granted	81	123.07
Vested	(59)	148.13
Forfeited	(11)	140.79
Non-vested total as of December 31, 2024	75	\$ 131.20

As of December 31, 2024, \$5 million of total unrecognized compensation cost related to the non-vested RSUs is expected to be recognized over the weighted average remaining life of 1.67 years. The total fair value of stock units and RSUs vested was \$9 million, \$6 million and \$6 million for the years ended December 31, 2024, 2023 and 2022, respectively.

During 2024, 2023 and 2022, the Company granted PSUs to certain employees under the 2017 Omnibus Plan with grant date fair values totaling \$23 million, \$28 million and \$20 million, respectively. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2024:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2023	245	\$ 143.26
Granted	177	127.18
Vested	(60)	157.83
Forfeited	(40)	181.71
Non-vested total as of December 31, 2024	322	\$ 130.04

As of December 31, 2024, \$7 million of total unrecognized compensation cost related to the non-vested PSUs is expected to be recognized over the weighted average remaining life of 0.83 years. The total fair value of PSUs vested was \$23 million, \$31 million and \$24 million for the years ended December 31, 2024, 2023 and 2022, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued, for accounting purposes, using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2024	2023	2022
Expected volatility	22.98%	25.45%	29.69%
Risk-free interest rate	4.39%	4.31%	1.90%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	\$118.95	\$168.00	\$99.23

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the “ESPP”) that expires in 2027 through which employee participants (which excludes certain of the Company’s executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2024, there were 1.4 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2024, 2023 and 2022, the Company issued approximately 90,000, 87,000 and 82,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses, to repay or refinance existing long-term and short-term debt, and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2024	2023
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	4.02%	2025-2054	\$ 11,786	\$ 10,786
Private activity bonds and government funded debt—fixed rate	0.00%-3.88%	3.07%	2028-2045	187	188
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	2.04%	2025-2061	761	729
Mortgage bonds—fixed rate	6.35%-9.19%	7.41%	2025-2039	456	516
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2036	3	3
Long-term debt		4.01%		13,193	12,222
Unamortized debt discount, net (b)				(20)	(11)
Unamortized debt issuance costs				(15)	(18)
Less current portion of long-term debt				(637)	(475)
Total long-term debt				<u>\$ 12,521</u>	<u>\$ 11,718</u>

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and \$752 million of the private activity bonds and government funded debt held by the Company’s subsidiaries were collateralized as of December 31, 2024.

Long-term debt agreements contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company’s consolidated assets. Certain long-term note covenants require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined in the relevant documents) of not more than 0.70 to 1.00. The ratio as of December 31, 2024, was 0.58 to 1.00. In addition, the Company has \$824 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 2.51%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2025	\$ 637
2026	1,478
2027	686
2028	868
2029	936
Thereafter	8,588

Presented in the table below are the issuances of long-term debt in 2024:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	5.15%-5.45%	5.30%	2034-2054	\$ 1,400
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	0.01%	2025-2061	46
Total issuances					<u>\$ 1,446</u>

The Company incurred debt issuance costs of \$14 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2024 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	3.85%	3.85%	2024	\$ 400
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.53%	2024-2061	14
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.99%-7.17%	7.13%	2024	60
Total retirements and redemptions					<u>\$ 475</u>

On February 23, 2024, AWCC completed a \$1.4 billion debt offering, which included the sale of \$700 million aggregate principal amount of its 5.150% Senior Notes due 2034 and \$700 million aggregate principal amount of its 5.450% Senior Notes due 2054. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$1,381 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC's 3.850% Senior Notes due 2024; (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes.

On June 29, 2023, AWCC issued \$1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately \$1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased.

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

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

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of “A-” or better.

During the second half of 2024, the Company entered into eight treasury lock agreements, with a term of 10 years or 30 years, with notional amounts totaling \$355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed interest rate of 4.03%. In 2025, the Company entered into five additional treasury lock agreements, with a term of 10 years, with notional amounts totaling \$275 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in March 2025 and have an average fixed interest rate of 4.60%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss.

The Company had entered into 15 treasury lock agreements through February 2024, with notional amounts totaling \$825 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In February 2024, the Company terminated the treasury lock agreements realizing a pre-tax net gain of \$14 million, to be amortized through Interest expense over a 10-year period or 30-year period, in accordance with the tenor of the notes issued on February 23, 2024.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2024, 2023 or 2022.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, issuances of commercial paper and equity, and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. AWCC maintains an unsecured revolving credit facility which provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. On October 28, 2024, the termination date of the credit agreement with respect to AWCC’s revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2028 to October 2029. The revolving credit facility is used principally to support AWCC’s commercial paper program, to provide additional liquidity support and to provide a sub-limit for the issuance of up to \$150 million in letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody’s Ratings and S&P Global Ratings’ then applicable credit rating on AWCC’s senior unsecured, non-credit enhanced debt.

Short-term debt consists of commercial paper borrowings totaling \$880 million and \$180 million as of December 31, 2024 and 2023, respectively, or net of discount \$879 million and \$179 million as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, AWCC had no outstanding borrowings under the revolving credit facility and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below are the aggregate credit facility commitment, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

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

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

	2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	<u>\$ 2,420</u>	<u>\$ 75</u>	<u>\$ 2,495</u>

(a) Total remaining availability of \$2.5 billion as of December 31, 2023, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2024 and 2023, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2024	\$ 96	\$ 1,788	\$ 1,884
Available liquidity as of December 31, 2023	\$ 330	\$ 2,495	\$ 2,825

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2024	2023
Average borrowings	\$ 161	\$ 288
Maximum borrowings outstanding	\$ 880	\$ 1,570
Weighted average interest rates, as of December 31	4.65 %	5.51 %

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2024, was 0.58 to 1.00.

The Company does not have any material borrowings that are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2024	2023	2022
Property and capital stock	\$ 125	\$ 119	\$ 108
Gross receipts and franchise	140	134	124
Payroll	41	38	36
Other general	14	16	13
Total general taxes	<u>\$ 320</u>	<u>\$ 307</u>	<u>\$ 281</u>

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2024	2023	2022
Current income taxes:			
State	\$ 16	\$ 16	\$ 26
Federal	136	28	82
Total current income taxes	\$ 152	\$ 44	\$ 108
Deferred income taxes:			
State	\$ 53	\$ 44	\$ 24
Federal	104	165	57
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	156	208	80
Provision for income taxes	\$ 308	\$ 252	\$ 188

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2024	2023	2022
Income tax at statutory rate	21.0 %	21.0 %	21.0 %
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.0 %	4.0 %	4.1 %
EADIT	(2.7)%	(4.2)%	(6.5)%
Other, net	0.4 %	0.3 %	0.1 %
Effective tax rate	22.7 %	21.1 %	18.7 %

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2024	2023
Deferred tax assets:		
Advances and contributions	\$ 493	\$ 478
Tax losses and credits	128	17
Regulatory income tax assets	181	191
Pension and other postretirement benefits	64	75
Other	163	172
Total deferred tax assets	1,029	933
Valuation allowance	(8)	(11)
Total deferred tax assets, net of allowance	\$ 1,021	\$ 922
Deferred tax liabilities:		
Property, plant and equipment	\$ 3,553	\$ 3,269
Deferred pension and other postretirement benefits	86	84
Other	244	268
Total deferred tax liabilities	3,883	3,621
Total deferred tax liabilities, net of deferred tax assets	\$ (2,862)	\$ (2,699)

As of December 31, 2024 and 2023, the Company had state net operating loss ("NOL") carryforwards of \$251 million and \$238 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2025 through 2044.

On August 16, 2022, the Inflation Reduction Act of 2022 (the “IRA”) was signed into law. The IRA contains a 15% Corporate Alternative Minimum Tax (“CAMT”) provision on applicable corporations effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company’s average adjusted financial statement income (“AFSI”) for the three consecutive years preceding the tax year must exceed \$1.0 billion. An applicable corporation must make several adjustments to net income when determining AFSI. A corporation paying CAMT is eligible for a future tax credit, which can be carried forward indefinitely and utilized when regular tax exceeds CAMT. Based on current guidance, the Company is an applicable corporation subject to CAMT beginning in 2024. As of December 31, 2024, the Company has a CAMT credit carryforward of \$111 million.

On September 12, 2024, the Internal Revenue Service (“IRS”) and the U.S. Treasury issued Notice 2024-66, allowing corporate taxpayers to exclude amounts attributable to the CAMT liability, without penalty, from estimated tax payments with respect to a taxable year that begins during 2024. The Company will include the CAMT liability in its 2024 extension payment due April 15, 2025. The Company will continue to assess the impacts of the IRA as the U.S. Treasury and the IRS provide further guidance.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for taxable years ended December 31, 2019 and prior.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2022	\$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	\$ 158
Increases in current period tax positions	27
Decreases in prior period measurement of tax positions	(37)
Balance as of December 31, 2023	\$ 148
Increases in current period tax positions	34
Increases in prior period measurement of tax positions	21
Balance as of December 31, 2024	\$ 203

The Company’s tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company expects a reduction of approximately \$81 million in its unrecognized tax benefits within the next year due to the expiration of statutes of limitation, offset by current year activity.

If the Company sustains all of its positions as of December 31, 2024, an unrecognized tax benefit of \$8 million, excluding interest and penalties, would impact the Company’s effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2024 and 2023.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2022	\$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	\$ 11
Increases in current period tax positions	—
Balance as of December 31, 2023	\$ 11
Decreases in current period tax positions	(3)
Balance as of December 31, 2024	\$ 8

Note 15: Employee Benefits***Overview of Pension and Other Postretirement Benefits Plans***

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. None of the Company's securities are included in pension plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2024, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan and the American Water Pension Plan for Certain Inactive Participants.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2024 and 2023, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2024
Cash	\$ 40	\$ 40	\$ —	\$ —	\$ —	3 %
Equity securities:						
U.S. large cap	155	29	—	—	126	11 %
U.S. small cap	34	34	—	—	—	2 %
International	258	—	—	—	258	19 %
Real estate fund	120	—	—	—	120	9 %
REITs	6	—	—	—	6	— %
Fixed income securities:						
U.S. Treasury securities and government bonds	232	169	1	—	62	17 %
Corporate bonds	489	—	489	—	—	35 %
Mortgage-backed securities	6	—	6	—	—	— %
Municipal bonds	20	—	20	—	—	2 %
Guarantee annuity contracts	32	—	—	32	—	2 %
Total	\$ 1,392	\$ 272	\$ 516	\$ 32	\$ 572	100 %

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Cash	\$ 56	\$ 56	\$ —	\$ —	\$ —	4 %
Equity securities:						
U.S. large cap	134	23	—	—	111	9 %
U.S. small cap	37	37	—	—	—	3 %
International	235	—	—	—	235	16 %
Real estate fund	132	—	—	—	132	9 %
REITs	6	—	—	—	6	— %
Fixed income securities:						
U.S. Treasury securities and government bonds	234	171	2	—	61	16 %
Corporate bonds	531	—	531	—	—	38 %
Mortgage-backed securities	8	—	8	—	—	1 %
Municipal bonds	23	—	23	—	—	2 %
Long duration bond fund	3	—	—	—	3	— %
Guarantee annuity contracts	32	—	—	32	—	2 %
Total	\$ 1,431	\$ 287	\$ 564	\$ 32	\$ 548	100 %

(a) There were no material changes during the period for the fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and 2023, respectively.

The Company's 2025 target pension plan asset allocation is 37% equity securities and 63% fixed income securities. The Company's 2024 target pension plan asset allocation was 37% equity securities and 63% fixed income securities.

Other Postretirement Benefit Plan Assets

The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in other postretirement benefit plan assets. The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns. The American Water Retiree Welfare Plan ("Retiree Welfare Plan") is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, the Voluntary Employees' Beneficiary Association ("Active VEBA") trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2024 and 2023, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2024
Bargained VEBA:						
Cash	\$ 4	\$ 4	\$ —	\$ —	\$ —	4 %
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7 %
Corporate bonds	83	—	83	—	—	86 %
Municipal bonds	3	—	3	—	—	3 %
Total bargained VEBA	\$ 97	\$ 11	\$ 86	\$ —	\$ —	100 %
Active VEBA:						
Cash	\$ 2	\$ 2	\$ —	\$ —	\$ —	7 %
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	7 %
Corporate bonds	23	—	23	—	—	82 %
Municipal bonds	1	—	1	—	—	4 %
Total Active VEBA	\$ 28	\$ 4	\$ 24	\$ —	\$ —	100 %
Non-bargained VEBA:						
Cash	\$ 3	\$ 3	\$ —	\$ —	\$ —	2 %
Equity securities:						
U.S. large cap	46	46	—	—	—	36 %
International	30	30	—	—	—	23 %
Fixed income securities:						
U.S. Treasury securities and government bonds	1	1	—	—	—	1 %
Municipal bonds	48	—	48	—	—	38 %
Total non-bargained VEBA	\$ 128	\$ 80	\$ 48	\$ —	\$ —	100 %
Total	\$ 253	\$ 95	\$ 158	\$ —	\$ —	100 %

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Bargained VEBA:						
Cash	\$ 4	\$ 4	\$ —	\$ —	\$ —	4 %
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7 %
Corporate bonds	86	—	86	—	—	85 %
Municipal bonds	4	—	4	—	—	4 %
Total bargained VEBA	\$ 101	\$ 11	\$ 90	\$ —	\$ —	100 %
Active VEBA:						
Cash	\$ 2	\$ 2	\$ —	\$ —	\$ —	6 %
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	6 %
Corporate bonds	26	—	26	—	—	82 %
Municipal bonds	2	—	2	—	—	6 %
Total Active VEBA	\$ 32	\$ 4	\$ 28	\$ —	\$ —	100 %
Non-bargained VEBA:						
Cash	\$ 2	\$ 2	\$ —	\$ —	\$ —	2 %
Equity securities:						
U.S. large cap	44	44	—	—	—	35 %
International	30	30	—	—	—	24 %
Fixed income securities:						
Municipal bonds	49	—	49	—	—	39 %
Total non-bargained VEBA	\$ 125	\$ 76	\$ 49	\$ —	\$ —	100 %
Total	\$ 258	\$ 91	\$ 167	\$ —	\$ —	100 %

The Company's 2025 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA is 100% fixed income securities and for the Non-bargained VEBA is 60% equity securities and 40% fixed income securities. The Company's 2024 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA was 100% fixed income securities and for the Non-bargained VEBA was 60% equity securities and 40% fixed income securities.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities —For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as certain U.S. large cap and international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds and/or limited partnerships, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed monthly or more frequently, with 30 or less days of notice and without further restrictions.

Fixed-income securities—Certain U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. These securities are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded futures and options, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1. Other U.S. Treasury securities are invested in commingled funds that may implement their investment strategies in a variety of ways which may include direct and/or indirect investment in securities and other instruments or assets (e.g., futures and swaps) or investment in units of other commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Real estate fund—Real estate funds are an investment vehicle in the form of a limited partnership primarily focused in real estate investments and are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed quarterly, with 90 or less days of notice, subject to available cash.

REITs—REITs are invested in commingled funds primarily focused in publicly traded shares of real estate investment trusts. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. REITs are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation as of January 1,	\$ 1,622	\$ 1,578	\$ 247	\$ 255
Service cost	17	17	2	2
Interest cost	83	85	12	14
Plan participants' contributions	—	—	3	3
Actuarial loss (gain)	(55)	67	(18)	(4)
Settlements	(2)	(3)	—	—
Gross benefits paid	(105)	(118)	(22)	(24)
Federal subsidy	—	—	1	1
Other adjustments	—	(4)	—	—
Benefit obligation as of December 31,	\$ 1,560	\$ 1,622	\$ 225	\$ 247
Change in plan assets:				
Fair value of plan assets as of January 1,	\$ 1,431	\$ 1,413	\$ 258	\$ 254
Actual return on plan assets	19	93	11	22
Employer contributions	49	46	3	3
Plan participants' contributions	—	—	3	3
Settlements	(2)	(3)	—	—
Benefits paid	(105)	(118)	(22)	(24)
Fair value of plan assets as of December 31,	\$ 1,392	\$ 1,431	\$ 253	\$ 258
Funded value as of December 31,	\$ (168)	\$ (191)	\$ 28	\$ 11
Amounts recognized on the balance sheet:				
Noncurrent asset	\$ 51	\$ 73	\$ 29	\$ 12
Current liability	(2)	(2)	—	—
Noncurrent liability	(217)	(262)	(1)	(1)
Net amount recognized	\$ (168)	\$ (191)	\$ 28	\$ 11

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Net actuarial loss	\$ 337	\$ 340	\$ 13	\$ 30
Prior service credit	(5)	(8)	(84)	(115)
Net amount recognized	\$ 332	\$ 332	\$ (71)	\$ (85)
Regulatory assets (liabilities)	\$ 304	\$ 300	\$ (71)	\$ (85)
Accumulated other comprehensive income	28	32	—	—
Total	\$ 332	\$ 332	\$ (71)	\$ (85)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2024	2023
Projected benefit obligation	\$ 916	\$ 952
Fair value of plan assets	697	688

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2024	2023
Accumulated benefit obligation	\$ 852	\$ 875
Fair value of plan assets	697	688

The accumulated postretirement plan assets exceed benefit obligations for the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2025 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2025 expected employer contributions:		
To plan trusts	\$ 44	\$ —
To plan participants	2	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2025	\$ 121	\$ 22	\$ 1
2026	122	22	1
2027	124	22	1
2028	124	21	1
2029	125	20	1
2030-2034	612	90	2

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2024	2023	2022	2024	2023	2022
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.70%	5.18%	5.58%	5.69%	5.22%	5.60%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.50% in 2025 to 5.00% in 2031+	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	5.18%	5.58%	2.94%	5.22%	5.60%	2.90%
Expected return on plan assets	6.73%	6.79%	6.50%	5.00%	5.00%	3.60%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+

NOTE: "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used a weighted average expected return on plan assets of 6.73% to estimate its 2024 pension benefit costs, and an expected blended return based on weighted assets of 5.00% to estimate its 2024 other postretirement benefit costs.

For the years ended December 31, 2024, 2023 and 2022, the Company's mortality assumption utilized the Pri-2012 base mortality table with the MP-2021 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2024	2023	2022
Components of net periodic pension benefit cost (credit):			
Service cost	\$ 17	\$ 17	\$ 30
Interest cost	83	85	64
Expected return on plan assets	(94)	(94)	(122)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	22	13	21
Settlements	1	1	—
Net periodic pension benefit cost (credit)	\$ 26	\$ 19	\$ (10)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	\$ (1)	\$ 3	\$ (14)
Amortization of actuarial loss	—	(4)	(3)
Total recognized in other comprehensive income	(1)	(1)	(17)
Total recognized in net periodic benefit cost (credit) and other comprehensive income	\$ 25	\$ 18	\$ (27)
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	\$ 2	\$ 2	\$ 3
Interest cost	12	14	10
Expected return on plan assets	(12)	(12)	(19)
Amortization of prior service credit	(31)	(31)	(31)
Amortization of actuarial loss	—	2	—
Net periodic other postretirement benefit (credit) cost	\$ (29)	\$ (25)	\$ (37)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled \$15 million, \$14 million and \$13 million for 2024, 2023 and 2022, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled \$18 million, \$17 million and \$16 million for 2024, 2023 and 2022, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to \$1.1 billion as of December 31, 2024.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2025	\$ 81
2026	70
2027	63
2028	64
2029	64
Thereafter	859

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2024, the Company has accrued approximately \$16 million of probable loss contingencies and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies arising out of such legal actions, which can be reasonably estimated, is \$9 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such legal actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Class Action Litigation

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

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

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

On January 17, 2025, before trial commenced, the parties notified the Circuit Court that an agreement in principle to settle this litigation was reached among the parties. Under the terms of the agreement in principle and any subsequent proposed settlement agreement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The proposed maximum pre-tax amount of the settlement is approximately \$18 million, of which the Company currently estimates that approximately \$5 million would be contributed by the Company and WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through this settlement will depend upon the claims submitted and approved through a claims process to be negotiated by the parties and approved by the Circuit Court. The parties will next negotiate and enter into a proposed settlement agreement based on the terms of the agreement in principle, and the proposed settlement agreement will be subject to preliminary and final approvals by the Circuit Court.

The final amount of the Company's and WVAWC's contributions to the settlement remains subject to uncertainty; however, the Company does not currently anticipate that Company's maximum liability for the settlement will materially exceed \$5 million. As a result, the Company has recorded a charge to earnings, net of insurance receivables, of \$5.0 million (\$3.9 million after-tax) in the fourth quarter of 2024. The Company intends to fund its and WVAWC's contributions to the settlement through existing sources of liquidity, although no contribution by the Company or WVAWC will be required unless and until a proposed settlement agreement has been entered into and finally approved by the Circuit Court.

Chattanooga, Tennessee Class Action Litigation

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

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

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

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

Mountaineer Gas Company Main Break

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

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

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

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

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

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

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

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. On March 6, 2024, the motion to transfer this complaint to the West Virginia Business Court was granted and trial and resolution judges were assigned. Mountaineer Gas voluntarily dismissed its implied indemnity count against WVAWC, rendering moot WVAWC's partial motion to dismiss, and on May 31, 2024, WVAWC answered the complaint. The Business Court has set a trial date of October 7, 2025, for this matter.

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

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

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

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

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has valid, meritorious defenses to such claims. WVAWC continues to defend itself vigorously in these litigation proceedings.

Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above, and the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

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

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

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

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

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project

costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$281 million in aggregate costs as of December 31, 2024, related to the Water Supply Project, which includes \$88 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings were held in March 2024. This matter remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

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

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

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

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

Cal Am's Action for Damages Following Termination of Regional Desalination Project ("RDP")

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

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

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

The water system assets of Cal Am located in Monterey, California (the "Monterey system assets") are the subject of a condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

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

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey system assets) and, if requested, to re-hear the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, Cal Am and LAFCO each filed a notice of appeal with the California Court of Appeal regarding the Monterey County Superior Court's decision to issue the writ of mandate. The MPWMD filed a notice of cross-appeal on February 15, 2024. Cal Am is evaluating potential additional actions to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

MPWMD Condemnation Action

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requested access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for \$448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. On December 15, 2023, the MPWMD filed a lawsuit against Cal Am in Monterey County Superior Court seeking to condemn the Monterey system assets. On February 26, 2024, Cal Am filed a motion requesting the Monterey County Superior Court dismiss the MPWMD's lawsuit seeking to condemn Cal Am's Monterey system assets. Cal Am's motion asserted that the MPWMD lacks legal authorization from both the California legislature and LAFCO to become a retail water provider and the lawsuit improperly seeks to effect a taking of property outside the boundaries of the MPWMD's territory. Hearings on the motion were held on May 3, 2024, and August 23, 2024. On November 14, 2024, the court issued a final ruling denying Cal Am's motion to dismiss. Cal Am filed its answer to the complaint on December 13, 2024. This matter remains pending.

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

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2024	2023	2022
Numerator:			
Net income attributable to common shareholders	\$ 1,051	\$ 944	\$ 820
Denominator:			
Weighted average common shares outstanding—Basic	195	193	182
Effect of dilutive common stock equivalents	—	—	—
Weighted average common shares outstanding—Diluted	195	193	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2024, 2023 and 2022, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For all periods presented, there was no dilution resulting from the Notes. See Note 11—Long-Term Debt for additional information relating to the Notes.

Note 18: Fair Value of Financial Information
Fair Value of Financial Instruments

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

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

Secured seller promissory note from the sale of the Homeowner Services Group—The carrying amount reported on the Consolidated Balance Sheets for the secured seller promissory note, included as part of the consideration from the sale of HOS is \$795 million and \$720 million as of December 31, 2024 and 2023, respectively. This amount represents the principal amount owed under the secured promissory seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the secured seller promissory note approximated \$793 million and \$704 million as of December 31, 2024 and 2023, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The secured seller promissory note is classified as Level 3 within the fair value hierarchy. On February 2, 2024, the secured seller promissory note from the sale of HOS was amended to increase the principal amount from \$720 million to \$795 million, in full satisfaction of a \$75 million contingent cash payment, see Note 5—Acquisitions and Divestitures for additional information. As of December 31, 2023, the contingent cash payment was accounted for as a receivable, as the conditions had been satisfied, and its carrying amount, which approximated fair value, was included as a long-term asset in Other on the Consolidated Balance Sheets.

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

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

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

As of December 31, 2023					
Carrying Amount	At Fair Value				Total
	Level 1	Level 2	Level 3		
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt	12,190	9,575	1,044	757	11,376

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

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

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

As of December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 34	\$ —	\$ —	\$ 34
Rabbi trust investments	22	—	—	22
Deposits	8	—	—	8
Other investments:				
Money market and other	26	—	—	26
Fixed-income securities	140	6	—	146
Total assets	230	6	—	236
Liabilities:				
Deferred compensation obligations	27	—	—	27
Mark-to-market derivative liability	—	8	—	8
Total liabilities	27	8	—	35
Total assets (liabilities)	\$ 203	\$ (2)	\$ —	\$ 201

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

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

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

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

Other investments—The Company maintains the Active VEBA trust for purposes of paying active union employee medical benefits. The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed-income securities.

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

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

The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of \$71 million and \$62 million in other current assets, as of December 31, 2024 and 2023, respectively, and \$44 million and \$111 million in other long-term assets, as of December 31, 2024 and 2023, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

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

	As of December 31, 2024			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	\$ 94	\$ 2	\$ 2	\$ 94

	As of December 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	\$ 143	\$ 6	\$ 3	\$ 146

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2024, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	\$ 57
1 year - 5 years	25
5 years - 10 years	5
Greater than 10 years	7
Total	\$ 94

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 40 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$143 million and \$144 million as of December 31, 2024 and 2023, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the lease disclosure presented below.

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

Rental expenses under operating leases were \$12 million, \$11 million and \$12 million for the years ended December 31, 2024, 2023 and 2022, respectively.

For the year ended December 31, 2024, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was \$11 million. For the year ended December 31, 2024, ROU assets obtained in exchange for new operating lease liabilities was \$11 million.

As of December 31, 2024, the weighted-average remaining lease term of the operating leases was 18 years, and the weighted-average discount rate of the operating leases was 5%.

The future maturities of lease liabilities at December 31, 2024, were \$11 million in 2025, \$10 million in 2026, \$10 million in 2027, \$8 million in 2028, \$7 million in 2029 and \$86 million thereafter. At December 31, 2024, imputed interest was \$47 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to subsidiaries within Other, leased office space, and furniture and equipment provided by subsidiaries within Other to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

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

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2024		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 4,296	\$ 388	\$ 4,684
Less:			
Operation and maintenance (a)	1,517	341	1,858
Other segment items (b)	241	9	250
Depreciation and amortization	772	16	788
Interest expense	416	107	523
Interest income	(17)	(77)	(94)
Provision for income taxes	302	6	308
Net income (loss) attributable to common shareholders	\$ 1,065	\$ (14)	\$ 1,051
Total assets	\$ 29,941	\$ 2,889	\$ 32,830
Capital expenditures	\$ 2,838	\$ 18	\$ 2,856

(a) Significant segment expense.

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

	2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,920	\$ 314	\$ 4,234
Less:			
Operation and maintenance (a)	1,441	279	1,720
Other segment items (b)	220	7	227
Depreciation and amortization	693	11	704
Interest expense	364	96	460
Interest income	(28)	(45)	(73)
Provision for (benefit from) income taxes	259	(7)	252
Net income (loss) attributable to common shareholders	\$ 971	\$ (27)	\$ 944
Total assets	\$ 27,480	\$ 2,818	\$ 30,298
Capital expenditures	\$ 2,551	\$ 24	\$ 2,575

(a) Significant segment expense.

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

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,505	\$ 287	\$ 3,792
Less:			
Operation and maintenance (a)	1,345	244	1,589
Other segment items (b)	173	11	184
Depreciation and amortization	633	16	649
Interest expense	314	119	433
Interest income	(2)	(50)	(52)
Gain on sale of businesses	—	(19)	(19)
Provision for income taxes	188	—	188
Net income (loss) attributable to common shareholders	\$ 854	\$ (34)	\$ 820
Total assets	\$ 25,038	\$ 2,749	\$ 27,787
Capital expenditures	\$ 2,284	\$ 13	\$ 2,297

(a) Significant segment expense.

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

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2024 and 2023, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2024			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$ 1,011	\$ 1,149	\$ 1,323	\$ 1,201
Operating income	326	449	543	400
Net income attributable to common shareholders	185	277	350	239
Basic earnings per share:				
Net income attributable to common shareholders	\$ 0.95	\$ 1.42	\$ 1.80	\$ 1.22
Diluted earnings per share:				
Net income attributable to common shareholders	0.95	1.42	1.80	1.22

	2023			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$ 938	\$ 1,097	\$ 1,167	\$ 1,032
Operating income	295	432	478	299
Net income attributable to common shareholders	170	280	323	171
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 0.91	\$ 1.44	\$ 1.66	\$ 0.88
Diluted earnings per share: (a)				
Net income attributable to common shareholders	0.91	1.44	1.66	0.88

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**Disclosure Controls and Procedures**

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2024, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2024, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2024.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2024, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION**Chief Executive Officer Succession**

On February 19, 2025, reflecting the Company's existing and ongoing executive development and succession planning activities by management and the Board of Directors, Ms. Hardwick, the Company's Chief Executive Officer and a director, notified Karl F. Kurz, Board Chair, of her decision to retire as the Company's Chief Executive Officer and principal executive officer, effective as of the conclusion of the Company's 2025 Annual Meeting of Shareholders (the "2025 Annual Meeting"). In her notice, Ms. Hardwick also indicated her decision not to stand for re-election to the Board of Directors at the 2025 Annual Meeting. On February 19, 2025, the Board of Directors accepted Ms. Hardwick's notice and, upon the recommendation of the Nominating Committee, determined that she would not stand for re-election to the Board of Directors at the 2025 Annual Meeting. Ms. Hardwick's decision not to stand for re-election to the Board of Directors was not as a result of any disagreement with the Company or the Board of Directors on any matter relating to the Company's operations, policies or practices.

On February 19, 2025, to provide for the orderly succession of Ms. Hardwick's roles, the Board of Directors designated Mr. Griffith, the Company's President, to serve as the Company's President and Chief Executive Officer and as principal executive officer, effective as of the conclusion of the 2025 Annual Meeting, to hold office until the Company's 2026 Annual Meeting of Shareholders (the "2026 Annual Meeting") and until his successor has been elected and qualified, or until his earlier death, resignation or removal. Upon the recommendation of the Nominating Committee, the Board of Directors also nominated Mr. Griffith for election to the Board of Directors at the 2025 Annual Meeting, and he will be included among the director nominees of the Board of Directors to be named in the Company's 2025 Proxy Statement. If elected to the Board of Directors by the shareholders of the Company, Mr. Griffith would serve until the Company's 2026 Annual Meeting and until his successor has been elected and qualified, or until his earlier death, resignation or removal, and would not serve on any committee of the Board of Directors. See Item 1—Business—Information About Our Executive Officers, for more information about Mr. Griffith's business experience.

Other than existing compensatory arrangements between Mr. Griffith and the Company as described in the Company's 2024 Proxy Statement, in connection with his succession: (i) there are no arrangements or understandings between Mr. Griffith and any other person pursuant to which Mr. Griffith was designated or nominated to serve in his new roles, (ii) no material plan, contract or arrangement has been entered into with Mr. Griffith, and no such plan, contract or arrangement with Mr. Griffith has been materially amended, and (iii) no grant of any award to Mr. Griffith or modification of an existing award has been made. Mr. Griffith does not have any family relationship with any director or other executive officer of the Company, or any person nominated or chosen by the Company to become a director or executive officer, and does not have any direct or indirect material interest in any transaction in which the Company is or is to be a participant and which would require reporting under Item 404(a) of Regulation S-K.

In connection with Ms. Hardwick's retirement, the ED&CC recommended, based on the advice of its independent compensation consultant, and the independent members of the Board of Directors approved, in addition to Ms. Hardwick's customary executive compensation for 2025 (which was consistent with her executive compensation for 2024), a discretionary cash payment to Ms. Hardwick of \$800,000, less all applicable withholdings and deductions, in recognition of her outstanding service and performance in the role as Chief Executive Officer.

Board of Directors Committee Changes

As part of its annual 2025 committee review process and to appropriately distribute director responsibilities, on February 19, 2025, the Board of Directors, upon the recommendation of the Nominating Committee, appointed director Stuart M. McGuigan to serve on the ED&CC and the SETO Committee, and determined that director Patricia L. Kampling will no longer serve on the SETO Committee, each of which actions took effect immediately.

Adoption or Termination of Rule 10b5-1 Plans and Non-Rule 10b5-1 Trading Arrangements

During the three months ended December 31, 2024, none of the Company's directors or "officers" (as such term is defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of the Company's securities, intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Exchange Act or (ii) any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item and not set forth below or in Item 1—Business—Information About Our Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at <https://amwater.com>. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

The Company maintains an Insider Trading and Prohibited Transactions Policy and a Personal Securities Trading and Preclearance Practice thereunder, which govern the purchase, sale and other disposition of the Company's securities by the Company's directors, officers and employees, and their immediate family members, among other covered persons (which does not include the Company). The Company believes the policy and practice are reasonably designed to promote and enforce compliance by such covered persons with applicable insider trading laws, rules and regulations, and the listing standards of the NYSE related thereto. A copy of each has been filed as [Exhibit 19.1](#) and [Exhibit 19.2](#), respectively, to this Annual Report on Form 10-K, and the full text of the Insider Trading and Prohibited Transactions Policy is publicly available on the Company's website at <https://amwater.com>.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the captions entitled "Board of Directors and Corporate Governance—Board Role in Risk Oversight—Executive Development and Compensation Committee Role," "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

EXHIBIT G

Most Recent Essential Annual Report

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

Or

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

For the transition period from _____ to _____

Commission File number 1-6659

ESSENTIAL UTILITIES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-1702594

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

762 W Lancaster Avenue, Bryn Mawr, Pennsylvania19010-3489

(Address of principal executive offices)

(Zip Code)

(610) 527-8000

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.50 per share	WTRG	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ NoIndicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ NoIndicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ NoIndicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer ☒Accelerated filer ☐Non-accelerated filer ☐Small reporting company ☐Emerging growth company ☐If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D.1(b). ☐Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2024: \$10,196,364,496

The number of shares outstanding of the registrant's common stock as of February 24, 2025: 274,922,770

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the definitive Proxy Statement, relating to the 2025 annual meeting of shareholders of registrant, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, have been incorporated by reference into Part III of this Form 10-K

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K, or this Annual Report, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are made based upon, among other things, our current assumptions, expectations, plans, and beliefs concerning future events and their potential effect on us. These forward-looking statements involve risks, uncertainties and other factors, many of which are outside our control that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In some cases you can identify forward-looking statements where statements are preceded by, followed by or include the words “believes,” “expects,” “estimates,” “anticipates,” “plans,” “future,” “potential,” “probably,” “predictions,” “intends,” “will,” “continue,” “in the event” or the negative of such terms or similar expressions. Please refer to the Summary in Item 1A – Risk Factors in this Annual Report for a description of the types of forward-looking statements in this Annual Report. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

Given these risks and uncertainties, you should not place undue reliance on any forward-looking statements. You should read this Annual Report completely and with the understanding that our actual future results, performance and achievements may be materially different from what we expect. These forward-looking statements represent assumptions, expectations, plans, and beliefs only as of the date of this Annual Report. Except for our ongoing obligations to disclose certain information under the federal securities laws, we are not obligated, and assume no obligation, to update these forward-looking statements, even though our situation may change in the future. For further information or other factors which could affect our financial results and such forward-looking statements, see Item 1A – Risk Factors. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Item 1. Business

The Company

Essential Utilities, Inc., referred to as “Essential Utilities”, “Essential”, the “Company”, “we”, “us”, or “our”, a Pennsylvania corporation, is the holding company for regulated utilities providing water, wastewater, or natural gas services to an estimated 5.5 million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, Virginia, and Kentucky under the Aqua and Peoples brands. One of our largest operating subsidiaries, Aqua Pennsylvania, Inc., or Aqua Pennsylvania, accounted for approximately 55% of operating revenues and approximately 67% of income for our Regulated Water segment in 2024. As of December 31, 2024, Aqua Pennsylvania provided water or wastewater services to approximately one-half of the total number of water and wastewater customers we serve. Aqua Pennsylvania’s service territory is located in the suburban areas in counties north and west of the City of Philadelphia and in 27 other counties in Pennsylvania. Our other regulated water or wastewater utility subsidiaries provide similar services in seven additional states. Our Peoples subsidiaries provide natural gas service to approximately 745,000 customers in western Pennsylvania and Kentucky. Approximately 95% of the total number of natural gas utility customers we serve are in western Pennsylvania. The Company also operates market-based activities, conducted through its non-regulated subsidiaries, that provide utility service line protection solutions and repair services to households and gas marketing and production activities. Currently, the Company seeks to acquire businesses in the U.S. regulated sector, focusing on water and wastewater utilities and to opportunistically pursue growth ventures in select market-based activities, such as infrastructure opportunities that are supplementary and complementary to our regulated water utility businesses.

In October 2023, the Company completed the sale of its regulated natural gas utility assets in West Virginia, which represented approximately two percent of the Company's regulated natural gas customers. The Company initially received net cash proceeds of \$39,965,000, subject to working capital and other adjustments. In March 2024, the Company received an additional \$1,213,000 from the buyer. In January 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects for \$165,000,000. These transactions are consistent with the Company's long-term strategy of focusing on its core business and will allow the Company to prioritize the growth of its utilities in states where it has scale. The Company used the proceeds from these transactions to finance its capital expenditures and water and wastewater acquisitions, in place of external funding from equity and debt issuances. See Note 3 – *Dispositions* in the *Notes to Consolidated Financial Statements*, which is contained in Item 8 of this Annual Report for additional information.

The following table reports our operating revenues, by principal state, for our Regulated Water segment, which includes both water and wastewater utility services, Regulated Natural Gas segment, and Other and eliminations for the year ended December 31, 2024:

	Operating Revenues (000's)	Operating Revenues (%)
Pennsylvania	\$ 674,051	32.3%
Ohio	136,600	6.5%
Texas	107,519	5.2%
Illinois	101,194	4.9%
North Carolina	88,604	4.2%
Other states (1)	113,912	5.5%
Regulated Water segment total	1,221,880	58.6%
Pennsylvania	786,722	37.7%
Kentucky	56,269	2.7%
Regulated Natural Gas segment total	842,991	40.4%
Other and eliminations	21,242	1.0%
Consolidated	\$ 2,086,113	100.0%

(1) Includes our water operating subsidiaries in the following states: New Jersey, Indiana, and Virginia.

The Company has identified eleven operating segments and has two reportable segments, the Regulated Water segment and the Regulated Natural Gas segment. The Regulated Water segment is comprised of eight operating segments for the Company's water and wastewater regulated utility companies, aligned with the states where we provide these services. These operating segments are aggregated into one reportable segment since each of the Company's operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution or wastewater collection methods, and the nature of the regulatory environment. The Regulated Natural Gas segment is comprised of one operating segment representing natural gas utility companies, for which the Company provides natural gas distribution services. In addition to the Company's two reportable segments, the Company includes two of its operating segments in "Other". These businesses represent its non-regulated water, wastewater, and natural gas operations, which are not quantitatively significant to be reportable and therefore are included as a component of "Other". In addition, "Other" and eliminations include corporate costs that have not been allocated to the Regulated Water and Regulated Natural Gas segments, because they would not be recoverable as a cost of utility service, and intersegment eliminations. Information concerning revenues, net income, significant segment expenses and related financial information for the Regulated Water and Regulated Natural Gas segments and Other and eliminations for 2024, 2023, and 2022, is set forth in *Management's Discussion and Analysis of Financial Condition and Results of Operations* and in Note 18 – *Segment Information* in the *Notes to Consolidated Financial Statements* which is contained in Item 8 of this Annual Report.

The following table summarizes our operating revenues, by utility customer class, for the Regulated Water and Regulated Natural Gas segments and Other and eliminations for the year ended December 31, 2024:

	Operating Revenues (000's)	Operating Revenues (%)
Residential water	\$ 662,909	31.8%
Commercial water	186,534	8.9%
Fire protection	42,409	2.0%
Industrial water	34,831	1.7%
Other water	80,964	3.9%
Total water	1,007,647	48.3%
Wastewater	199,422	9.6%
Other utility	14,811	0.7%
Regulated Water segment total	1,221,880	58.6%
Residential gas	504,426	24.2%
Commercial gas	100,662	4.8%
Industrial gas	2,279	0.1%
Gas transportation	194,413	9.3%
Other utility	41,211	2.0%
Regulated Natural Gas segment total	842,991	40.4%
Other and eliminations	21,242	1.0%
Consolidated	\$ 2,086,113	100.0%

Customers and Seasonality of Business

Our water utility customer base is diversified among residential water, commercial water, fire protection, industrial water, other water, wastewater customers, and other utility customers (consisting of contracted services that are associated with the utility operations). Residential water and wastewater customers make up the largest component of our water utility customer base, with these customers representing approximately 67%, 69%, and 68%, of our water and wastewater revenues for 2024, 2023, and 2022, respectively. Substantially all of our water utility customers are metered, which allows us to measure and bill for our customers' water consumption. Water consumption per customer is affected by local weather conditions during the year, especially during late spring, summer, and early fall when discretionary and recreational use of water is at its highest. Consequently a higher proportion of annual Regulated Water segment operating revenues are realized in the second and third quarters. In general, during these seasons, an extended period of dry weather increases consumption, while above-average rainfall decreases consumption. Also, an increase in the average temperature generally causes an increase in water consumption. On occasion, abnormally dry weather in our service areas can result in governmental authorities declaring drought warnings and imposing water use restrictions in the affected areas, which could reduce water consumption. See "Business – Water Utility Supplies, and Facilities and Wastewater Utility Facilities" for a discussion of water use restrictions that may impact water consumption during abnormally dry weather. The geographic diversity of our water utility customer base reduces the effect of our exposure to extreme or unusual weather conditions in any one area of our service territories. During the year ended December 31, 2024, our operating revenues for our Regulated Water segment were derived principally from the following states: approximately 55% in Pennsylvania, 11% in Ohio, 9% in Texas, 8% in Illinois, and 7% in North Carolina. Water usage is also affected by changing consumption patterns by our customers, resulting from such causes as increased water conservation and the installation of water saving devices and appliances that can result in decreased water usage. It is estimated that, in the event we experience a 0.50% decrease in residential water consumption, it would result in a decrease in annual residential water revenue of approximately \$3,000,000, which would likely be partially offset by a reduction in incremental water production expenses such as chemicals and power.

Our natural gas utility customer base is diversified among residential gas, commercial gas, industrial gas, gas transportation, and other utility. Substantially all of our natural gas utility customers are metered, which allows us to measure and bill for our customers' natural gas usage. Natural gas usage per customer is affected by local weather conditions during the year, especially during the fall, winter, and early spring. These patterns reflect the higher demand for natural gas for heating purposes during the colder months. The impact on our natural gas sales resulting from weather temperatures that are above or below normal is offset partially through our weather normalization adjustment mechanisms in place in Kentucky and in Pennsylvania (effective beginning October 2024). During the year ended December 31, 2024, we experienced 4,288 actual heating degree days (HDDs), which was warmer by 18.2% than the average or normal HDDs for Pittsburgh, Pennsylvania, which we use as a proxy for our western Pennsylvania service territory. HDDs are used in the natural gas industry to measure the relative coldness of weather and to estimate the demand for natural gas. Our regulated natural gas revenues and expenses are also affected by the cost of gas. We are generally able to pass the cost of gas through to our customers using a purchased gas adjustment clause; therefore, fluctuations in the cost of purchased gas impact revenues on a dollar-for-dollar basis. Since regulated natural gas revenues are affected by the cost of gas, higher gas costs, as well as general economic conditions, may cause customers to conserve usage, or seek alternative energy sources. In addition, higher gas costs result in an increase to our purchased gas inventory, which requires additional borrowings under credit facilities, resulting in higher interest expense.

The Company's growth in revenues over the past five years is primarily a result of increases in water and wastewater rates, increase in the cost of natural gas in 2021 and 2022, customer growth, and its acquisition in 2020 of Peoples Natural Gas Company LLC and its affiliated companies, or the Peoples Gas Acquisition. See *Economic Regulation* for a discussion of water, wastewater, and natural gas rates. The increase in our utility customer base has been due to customers added through acquisitions, partnerships with developers, and organic growth (excluding dispositions) as shown below:

Year	Utility Customer Growth Rate
2024	0.6%
2023	1.0%
2022	1.7%
2021	1.2%
2020	42.9%

In 2024, 2023, 2022, 2021, and 2020, our customer count increased by 11,845, 5,875, 31,537, 21,246, and 772,099 customers, respectively, primarily due to the water and wastewater utility systems that we acquired, organic growth, and in 2020, due to the Peoples Gas Acquisition that resulted to the addition of approximately 750,000 natural gas utility customers. Overall, for the five year period of 2020 through 2024, our utility customer base, adjusted to exclude customers associated with utility system dispositions, increased at an annual compound rate of 12.9%. During the five year period ended December 31, 2024, our utility customer base including customers associated with utility system acquisitions and dispositions increased from 1,026,704 at January 1, 2020 to 1,869,306 at December 31, 2024.

Acquisitions and Other Growth Ventures

We believe that acquisitions will continue to be an important source of customer growth for us. We intend to continue to pursue acquisitions of government-owned and regulated water and wastewater systems that provide services in areas near our existing service territories or in new service areas. We engage in continuing activities with respect to potential acquisitions, including calling on prospective sellers, performing analyses of and due diligence on acquisition candidates, making preliminary acquisition proposals, and negotiating the terms of potential acquisitions. Further, we are also seeking other potential business opportunities, including but not limited to, partnering with public and regulated utilities to invest in infrastructure projects, growing our market-based activities by acquiring businesses that provide water and wastewater or other utility-related services, and investing in infrastructure projects.

Based on the 2023 U.S. Census American Housing Survey, approximately 89% of the U.S. population obtain their water from public or private water utility systems, and 11% of the U.S. population obtain their water from individual wells. With approximately 50,000 community water systems in the U.S. (approximately 81% of which serve less than 3,300 customers), the water industry is the most fragmented of the major utility industries (telephone, natural gas, electric, water and wastewater). The majority of these community water systems are government-owned. The nation's water systems

range in size from large government-owned systems, such as the New York City water system, which serves approximately 8.5 million people, to small systems, where a few customers share a common well. In the states where we operate regulated water utilities, we believe there are over 14,000 community water systems of widely-varying size, with the majority of the population being served by government-owned water systems.

Although not as fragmented as the water industry, the wastewater industry in the U.S. also presents opportunities for consolidation. Based on the 2023 U.S. Census American Housing Survey, approximately 81% of the U.S. population relies on public or private sewer systems, and 19% of the U.S. population relies on septic tank, cesspool, or other sewer options. A majority of wastewater facilities are government-owned rather than regulated utilities. In the states where we operate regulated water utilities, we believe there are approximately 5,000 wastewater facilities in operation, with the majority of the population being served by government-owned wastewater systems.

Because of the fragmented nature of the water and wastewater utility industries, we believe there are many potential water and wastewater system acquisition candidates throughout the U.S. We believe the factors driving consolidation of these systems are:

- the benefits of economies of scale;
- the increasing cost and complexity of environmental regulations;
- the need for substantial capital investment;
- the need for technical and managerial expertise;
- the desire to improve water quality and service;
- limited access to cost-effective financing;
- the monetizing of public assets to support, in some cases, the declining financial condition of municipalities; and
- the use of system sale proceeds by a municipality to accomplish other public purposes.

We are actively exploring opportunities to expand our water and wastewater utility operations through acquisitions or other growth ventures. During the three-year period ended December 31, 2024, we expanded our utility operations by completing 12 acquisitions of water or wastewater utilities or other similar assets.

Capital Investment

One of the greatest challenges facing the United States is the rehabilitation of our nation's aging infrastructure. The Company expects to invest approximately \$7.8 billion from 2025 through 2029 to meet compliance requirements, improve water and natural gas systems, and better serve customers through improved information technology. These investments include replacing and expanding its water and wastewater utility infrastructure, construction of additional treatment facilities to comply with the latest water quality standards, and replacing and upgrading its natural gas utility infrastructure, with the latter leading to significant reductions in methane emissions that occur in aged gas pipes. These figures could change as plans for construction execution are refined. The capital investments made to rehabilitate and expand the infrastructure of the communities we serve is critical to our mission of safely and reliably delivering Earth's most essential resources.

Supply and Facilities

Water Utility Supplies and Facilities and Wastewater Utility Facilities - Our water utility operations obtain their water supplies from surface water sources, underground aquifers, and water purchased from other water suppliers. Our water supplies are primarily self-supplied and processed at twenty-four surface water treatment plants located in five states, and numerous well stations located in the states in which we conduct business. Approximately 6.6% of our water supplies are provided through water purchased from other water suppliers. It is our policy to obtain and maintain the permits necessary to obtain and treat the water we distribute.

We believe that the capacities of our sources of supply, and our water treatment, pumping and distribution facilities, are generally sufficient to meet the present requirements of our customers under normal conditions. We plan system improvements and additions to capacity in response to normal replacement and renewal needs, changing regulatory standards, changing patterns of consumption, and increased demand from customer growth. We also have long-term

planning processes and maintain contingency plans to minimize the potential impact on service caused by climate variability. The various state utility commissions have generally recognized the operating and capital costs associated with these improvements in setting water rates.

On occasion, drought warnings and water use restrictions are issued by governmental authorities for portions of our service territories in response to extended periods of dry weather conditions. The timing and duration of the warnings and restrictions can have an impact on our water revenues and net income. In general, water consumption in the summer months is more affected by drought warnings and restrictions because discretionary and recreational use of water is at its highest during the summer months. At other times of the year, warnings and restrictions generally have less of an effect on water consumption. Drought warnings and watches result in the public being asked to voluntarily reduce water consumption.

We believe that our wastewater treatment facilities are generally adequate to meet the present requirements of our customers under normal conditions. Additionally, we own several wastewater collection systems that convey the wastewater to municipally-owned facilities for treatment. Changes in regulatory requirements can be reflected in revised permit limits and conditions when permits are renewed, typically on a five year cycle, or when treatment capacity is expanded. Capital improvements are planned and budgeted to meet normal replacement and renewal needs, anticipated changes in regulations, needs for increased capacity related to projected growth, and to reduce inflow and infiltration to collection systems. The various state utility commissions have generally recognized the operating and capital costs associated with these improvements in setting wastewater rates for current and new customers. It is our policy to obtain and maintain the permits necessary for the treatment of the wastewater that we return to the environment.

Natural Gas Supply and Transportation Facilities - Our natural gas supply strategy is to ensure a dependable gas supply that is economically priced and which is available for delivery when needed. We purchase natural gas from intrastate, interstate, and local sources, and transport natural gas supplies through various intrastate and interstate pipelines under contracts with remaining terms, including extensions, varying from one month to 10 years. We anticipate that these gas supply and transportation contracts will be renewed or replaced prior to their expiration.

The regulations of the states in which we operate natural gas utilities allow us to pass through changes in the cost of natural gas to our customers under purchased gas adjustment provisions in our tariffs. Depending upon the jurisdiction, the purchased gas adjustment factors are updated periodically, ranging from quarterly to annually. The changes in the cost of gas billed to customers are subject to review by the applicable regulatory bodies.

We use various third-party storage services or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather.

We own and operate underground natural gas storage facilities with capacity of 10.5 billion cubic feet (Bcf). Total working capacity is 5.3 Bcf for use during the heating season with a maximum daily withdrawal rate of 115.5 million cubic feet (MMcf). Additionally, we have contracted for off-system storage from interstate pipelines. The total amount of off-system storage under contract is 34.9 Bcf with a maximum daily withdrawal rate of 588.9 MMcf. We perform studies of our underground natural gas storage facilities to identify capital improvements. It is possible that disruptions to the storage facilities could occur, including failure of the facilities.

On an ongoing basis, we enter into contracts to provide sufficient supplies and pipeline capacity to meet our customers' natural gas requirements. However, it is possible for limited service disruptions to occur from time to time due to weather conditions, transportation constraints, and other events. As a result of these factors, supplies of natural gas may become unavailable from time to time, or prices may increase rapidly in response to temporary supply constraints or other factors. We enter into firm agreements with suppliers, including major producers and marketers, intended to provide flexibility to meet the temperature-sensitive needs of its customers. In Pennsylvania, our distribution system is connected to six interstate pipelines, where we maintain capacity we believe is sufficient to meet our customers' gas requirements. In Kentucky, our distribution system is connected to four interstate pipelines, where we maintain capacity we believe is sufficient to meet our customers' gas requirements.

Natural Gas Gathering - Our Pennsylvania Regulated Natural Gas service territory is situated in the Marcellus Shale production region. Approximately 27% of the natural gas supply on the system is from locally produced gas, which we gather and transport into our distribution system. Our gathering system is regulated by the Pennsylvania Public Utility Commission which includes various safety, environmental and, in some circumstances, anti-discrimination requirements, and in some instances complaint-based rate regulation. Our gathering operations may be subject to ratable take and common purchaser statutes in the states in which we operate.

Our Regulated Natural Gas gathering operations could be adversely affected should they be subject in the future to the application of state or federal regulation of rates and services. Our gathering operations could also be subject to additional safety and operational regulations relating to the design, construction, testing, operation, replacement, and maintenance of gathering facilities. We cannot predict what effect, if any, such changes might have on our operations, but our Regulated Natural Gas segment could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes. Refer to further discussion below in the *Environmental, Health and Safety Regulation and Compliance* section.

Economic Regulation

Most of our utility operations are subject to regulation by their respective state utility commissions, which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions, and authorize the issuance of securities. The utility commissions also establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, and loans and other financings. The policies of the utility commissions often differ from state to state and may change over time. A small number of our water and wastewater utility operations are subject to rate regulation by county or city governments. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances we are granted by the respective utility commissions or authorities in the various states in which we operate.

Rate Case Management Capability – We maintain a rate case management capability, the objective of which is to provide that the tariffs of our utility operations reflect, to the extent practicable, the timely recovery of increases in costs of operations, capital expenditures, interest expense, taxes, energy, materials, and compliance with environmental regulations as well as a return on equity. We file rate increase requests to recover and earn a fair return on the infrastructure investments that we make in improving or replacing our facilities and to recover expense increases. In the states in which we operate, we are primarily subject to economic regulation by the following state utility commissions:

<u>State</u>	<u>Utility Commission</u>
Pennsylvania	Pennsylvania Public Utility Commission
Ohio	Public Utilities Commission of Ohio
North Carolina	North Carolina Utilities Commission
Texas	Public Utility Commission of Texas
Illinois	Illinois Commerce Commission
New Jersey	New Jersey Board of Public Utilities
Kentucky	Public Service Commission of Kentucky
Virginia	Virginia State Corporation Commission
Indiana	Indiana Utility Regulatory Commission

Our water and wastewater operations are comprised of 38 rate divisions, and our natural gas operations are comprised of two rate divisions. Each of our utility rate divisions requires a separate rate filing for the evaluation of the cost of service, including the recovery of investments, in connection with the establishment of rates for that rate division. When feasible and beneficial to our utility customers, we will seek approval from the applicable state regulatory commission to consolidate rate divisions to achieve a more even distribution of costs over a larger customer base. All eight states in which we operate permit us to file a revenue requirement for some form of consolidated rates for all, or some, of the rate divisions in that state.

In Ohio, Virginia, North Carolina, Texas, and Kentucky, we may bill our utility customers, in certain circumstances, in accordance with a base rate filing that is pending before the respective regulatory commission, which would allow for interim rates. As of December 31, 2024, we have no billings under interim rate arrangements for base rate case filings in progress. Furthermore, some utility commissions authorize the use of expense deferrals and amortization to provide for an impact on our operating income by an amount that approximates the requested amount in a rate request. In these states, the additional revenue billed and collected prior to the final regulatory commission ruling is subject to refund to customers based on the outcome of the ruling. The revenue recognized and the expenses deferred by us reflect an estimate as to the final outcome of the ruling. If the request is denied completely or in part, we could be required to refund to customers some or all of the revenue billed to date and write-off some or all of the deferred expenses.

Revenue Surcharges – Eight states in which we operate water and wastewater utilities, and two states in which we operate natural gas utilities, permit us to add an infrastructure rehabilitation surcharge to their respective bills to offset the additional depreciation and capital costs associated with capital expenditures related to replacing and rehabilitating infrastructure systems. Without this surcharge, a utility absorbs all of the depreciation and capital costs of these projects between base rate increases. The gap between the time that a capital project is completed and the recovery of its costs in rates is known as regulatory lag. This surcharge is intended to substantially reduce regulatory lag, which could act as a disincentive for utilities to rehabilitate their infrastructure. In addition, our subsidiaries in some states use a surcharge or credit on their bills to reflect changes in costs, such as changes in state tax rates, other taxes and purchased water costs, until such time as the new cost levels are incorporated into base rates.

The infrastructure rehabilitation surcharge typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period, and is capped at a percentage of base rates, generally at 5% to 12.75%, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. These surcharges provided revenues of \$45,749,987 in 2024, \$20,260,881 in 2023, and \$26,902,294 in 2022.

In the majority of our natural gas service territories, the public utility commissions have authorized bare steel and cast-iron replacement programs. In Pennsylvania, we filed a Long-Term Infrastructure Replacement program with the Pennsylvania Public Utility Commission where we have committed to the replacement of bare steel and cast-iron pipe. In Kentucky, we have a pipe replacement program tariff, which allows adjustment of regulated rates annually to earn a return on capital expenditures incurred subsequent to our last rate case which were associated with the replacement of bare steel and vintage plastic pipe.

Gas costs incurred to serve our natural gas customers represent a significant operating expense. Our regulated natural gas rates, in all jurisdictions, contain a Purchased Gas Adjustment (PGA), which is reflected in our tariffs. The PGA allows us to timely charge for changes in the cost of purchased gas, inclusive of unaccounted for gas expense based on actual experience. PGA procedures involve periodic filings and hearings before the state regulatory commissions to establish price adjustments for a designated future period. The procedures also provide for inclusion in later periods of any variances between actual recoveries representing the estimated costs and actual costs incurred. The PGA is subject to periodic review and audit by the state regulatory commissions who also have the authority to disallow previously incurred costs.

In Pennsylvania, the gas cost component of uncollectible accounts expense, gas procurement costs, and certain costs to maintain a supplier choice program, where customers can elect their natural gas supplier, are recovered by mechanisms outside of typical base rate recovery. Additionally, in Pennsylvania, we recover the costs related to universal service programs, whereby customers who meet certain income guidelines receive assistance toward paying their monthly bill, weatherization services, and other programs. In Kentucky, the gas cost component of uncollectible accounts expense is recovered by a recovery mechanism outside of base rate recovery.

Income Tax Accounting Method Change – The Company uses the flow-through method to account for the repairs tax deduction for qualifying utility infrastructure at its regulated Pennsylvania and New Jersey subsidiaries. The flow-through method of recording income tax benefits results in a reduction to current income tax expense and is included in utility customers' rates, which generally is subject to a collar mechanism.

In April 2023, the Internal Revenue Service issued Revenue Procedure 2023-15 which provides a safe harbor method of accounting that taxpayers may use to determine whether expenses to repair, maintain, replace, or improve natural gas transmission and distribution property must be capitalized for tax purposes. The Company adopted the methodology on its 2023 tax return. In the second quarter of 2023, based on the tax legislative guidance that was issued, the Company reevaluated the uncertain tax positions related to the Regulated Water Segment and ultimately released a portion of its historical income tax reserves. Concurrently, the Company deferred this tax benefit from the reserve release as a regulatory liability. The accounting treatment has been determined in the rate order issued on February 7, 2025, by the Pennsylvania Public Utility Commission. Please refer to Note 7 – *Income Taxes* for more detail.

Fair Market Value Legislation – In April 2016, Pennsylvania enacted legislation allowing the public utility commission to utilize fair market value to set ratemaking rate base instead of the depreciated original cost of water or wastewater assets for certain qualifying municipal acquisitions. The legislation includes a process for engaging two independent utility valuation experts to perform appraisals that are filed with the public utility commission and then averaged and compared to the purchase price. The ratemaking rate base is the lower of the average of the appraisals or the purchase price and is subject to regulatory approval. Illinois, Indiana, New Jersey, North Carolina, Ohio, Virginia, and Texas also have legislation that allows the use of fair market value under varying rules and circumstances. We believe that this legislation encourages consolidation in the water and wastewater industry, providing municipalities with an option for exiting the business if they are dealing with challenges associated with their aging, deteriorating water and wastewater assets, do not have the expertise or technical capabilities to continue to comply with ever-increasing environmental regulations, or simply want to focus on other community priorities.

In June 2024, the Pennsylvania public utility commission updated existing procedures and guidelines designed to increase public involvement and ensure greater consistency in the process for reviewing and evaluating the acquisition and valuation of municipal-owned or authority-owned water and wastewater systems in Pennsylvania. This includes requirements for public notice and meetings, requires a rate impact notice, and provides other measures to improve the fair market value process when investor-owned utilities acquire water and wastewater utilities in Pennsylvania.

Revenue Stability Mechanisms – Revenue stability mechanisms separate the volume of water sold from our ability to meet our cost of service and infrastructure costs. These mechanisms allow us to recognize revenue based on a target amount established in the last rate case, and then record either a regulatory asset or liability based on the cumulative difference over time, which results in either a refund due to customers or a payment from customers. In Illinois, our operating subsidiary utilizes a revenue stability mechanism. Additionally, a weather-normalization adjustment (WNA) mechanism is in place for our natural gas customers served in Kentucky, and effective October 2024, to our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company's results for its residential and small commercial natural gas customers. This regulatory mechanism adjusts revenues earned for the variance between actual and normal weather and can have either positive (warmer than normal) or negative (colder than normal) effects on revenues. Customer bills are adjusted during the December through April heating season for our natural gas customers in Kentucky, and the October to May heating season for our natural gas customers in Pennsylvania, with rates adjusted for the difference between actual revenues and revenues calculated under this mechanism billed to the customers.

Competition

In general, we believe that Essential Utilities and its water, wastewater, and natural gas subsidiaries have valid authority, free from unduly burdensome restrictions, to enable us to carry on our business as presently conducted in the franchised or contracted areas we now serve. The rights to provide water, wastewater, or natural gas service to customers in a particular franchised service territory are generally non-exclusive, although the applicable utility commissions usually allow only one regulated utility to provide service to customers in a given area. In some instances, another water utility provides service to a separate area within the same political subdivision served by one of our subsidiaries. Additionally, our larger natural gas customers may bypass gas distribution services by gaining distribution directly from interstate pipelines, other gas distributors, or other energy sources. As a regulated utility, we believe there is little competition for the daily water, wastewater, and natural gas service we provide to our customers.

Although our natural gas subsidiaries are not currently in significant direct competition with any other distributors of natural gas in its service areas, we do compete with suppliers of other forms of energy such as fuel oil, electricity, propane, coal, wind, and solar. Competition can be intense among the energy sources with price being the primary consideration. This is particularly true for industrial customers who have the ability to switch to alternative fuels. Natural gas generally benefits from a competitive price advantage over oil, electricity, and propane. Competition from renewable energy sources such as solar and wind is likely to increase as the political environment currently favors these energy sources through incentives or by placing restrictions on emissions from the burning of fossil fuels.

Water and wastewater utilities may compete for the acquisition of other water and wastewater utilities or for acquiring new customers in new service territories. Competition for these acquisitions generally comes from nearby utilities, either other regulated utilities or municipal-owned utilities, and sometimes from strategic or financial purchasers seeking to enter or expand in the water and wastewater industry. We compete for new service territories and the acquisition of other utilities on the following bases:

- economic value;
- economies of scale;
- our ability to provide quality water, wastewater, and natural gas service;
- our existing infrastructure network;
- our ability to perform infrastructure improvements;
- our ability to comply with environmental, health, and safety regulations;
- our technical, regulatory, and operational expertise;
- our ability to access capital markets; and
- our cost of capital.

The addition of new service territories and the acquisition of other utilities by regulated utilities such as the Company are generally subject to review and approval by the applicable state utility commissions.

In a very small number of instances in one of our southern states, where there are municipally-owned water or wastewater systems near our operating divisions, the municipally-owned system may either have water distribution or wastewater collection mains that are located adjacent to our division's mains or may construct new mains that parallel our mains. In these rare circumstances, the municipally-owned system may attempt to voluntarily offer service to customers who are connected to our mains, resulting in our mains becoming surplus or underutilized without compensation.

In the states where our water subsidiaries operate, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;
- the right of purchase given to or reserved by a municipality or political subdivision when the original franchise was granted; and,
- the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price to be paid upon such an acquisition by the municipal government is usually determined in accordance with applicable law under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties, or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. We believe that our operating subsidiaries would be entitled to fair market value for any assets that are condemned, and we believe the fair market value would be in excess of the book value for such assets.

Despite maintaining a program to monitor condemnation interests and activities that may affect us over time, one of our primary strategies continues to be to acquire additional water and wastewater systems, to maintain our existing systems where there is a business or a strategic benefit, and to actively oppose unilateral efforts by municipal governments to acquire any of our operations, particularly for less than the fair market value of our operations or where the municipal government seeks to acquire more than it is entitled to under the applicable law or agreement. On occasion, we may

voluntarily agree to sell systems or portions of systems in order to help focus our efforts in areas where we have more critical mass and economies of scale or for other strategic reasons.

Environmental, Health and Safety Regulation and Compliance

The Company's mission is "to sustain life and improve economic prosperity by safely and reliably delivering Earth's most essential resources to customers and communities". We are committed to protecting the environment and the health and safety of our employees, customers, and the public and continue to adhere to applicable regulatory standards. We integrate environmental, health, and safety requirements into planning, decision-making, construction, operations, and maintenance activities that we perform.

Provision of water and wastewater services is subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act, and related state laws, and under federal and state regulations issued under these laws. These laws and regulations establish criteria and standards for drinking water and for wastewater discharges. In addition, we are subject to federal and state laws and other regulations relating to solid waste disposal, dam safety, and other aspects of our operations.

From time to time, Essential Utilities has acquired, and may acquire, systems that have environmental compliance issues. Environmental compliance issues also arise in the course of normal operations or as a result of regulatory changes. Essential Utilities attempts to align capital budgeting and expenditures to address these issues in due course. We estimate the capital expenditures required to address outstanding environmental compliance issues in our water and wastewater systems and budgeted in our capital program to be approximately \$104,000,000, or less than 3% of our expected total water and wastewater capital expenditures over the next five years (2025-2029). These capital expenditures do not include the amounts related to compliance with the final National Primary Drinking Water Regulation (NPDWR) and Lead and Copper Rule Improvements (LCRI), discussed below, which are budgeted separately. We are also parties to agreements with regulatory agencies in Pennsylvania, Texas, and Illinois under which we have committed to make improvements for environmental compliance. These agreements are intended to provide the regulators with assurance that problems covered by these agreements will be addressed, and the agreements generally provide protection from fines, penalties, and other actions while corrective measures are being implemented. We are working with state environmental officials in Pennsylvania, Texas, and Illinois to implement or amend regulatory agreements as necessary.

Our Regulated Natural Gas utility operations are subject to stringent and complex laws and regulations pertaining to the environment. Legislative and regulatory actions to address climate change are in various phases of review or implementation in the United States. These measures could include emissions limits, reporting requirements, carbon taxes, and incentives or mandates to conserve energy or use renewable energy sources. As an owner or operator of natural gas pipelines, distribution systems and storage, and the facilities that support these systems, we must comply with these laws and regulations at the federal, state, and local levels. Failure to comply with these laws and regulations may trigger a variety of administrative, civil, and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial actions, and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to assess, clean up, and restore sites where hazardous substances have been stored, disposed or released.

Safe Drinking Water Act - The Safe Drinking Water Act establishes criteria and procedures for the U.S. Environmental Protection Agency (EPA) to develop national quality standards for drinking water. Regulations issued pursuant to the Safe Drinking Water Act set standards regarding the amount of microbial and chemical contaminants and radionuclides in drinking water.

On April 10, 2024, the EPA announced the final NPDWR for the treatment of six per- and polyfluoroalkyl substances or compounds (PFAS). The NPDWR established the maximum contaminant levels (MCLs) in drinking water and allows for a five-year window to comply. The Company performed its analysis of the NPDWR and estimated an investment of at least \$450,000,000 of capital expenditures to install additional treatment facilities over the Compliance Period in order to comply (i.e., 2029 pending no delays due to lawsuits). This figure could increase as plans for construction execution are refined or if additional sites require treatment in the future. Additionally, the Company estimates annual operating expenses of approximately five percent of the installed capital expenditures, in today's dollars, related to testing,

treatment, and disposal. These are preliminary estimates and actual capital expenditures and expenses may differ based upon a variety of factors, including supply chain issues and site-by-site requirements.

On April 19, 2024, the EPA announced a final rule that designated two PFAS chemicals, perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS), as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as Superfund. This final action will address PFOA and PFOS contamination by enabling investigation and cleanup of these harmful chemicals and ensuring that leaks, spills, and other releases are reported. In addition to the final rule, the EPA issued a separate CERCLA enforcement discretion policy that makes it clear that EPA will focus enforcement on parties who significantly contributed to the release of PFAS chemicals into the environment, including parties that have manufactured PFAS or used PFAS in the manufacturing process, federal facilities, and other industrial parties. The policy identifies examples for operators of public water systems and wastewater systems or entities performing a public service role in providing safe drinking water, handling municipal solid waste, treating or managing stormwater and wastewater, disposing of pollution control residuals, or ensuring beneficial application of wastewater products as a fertilizer substitute. The potential liabilities to the Company, if any, resulting from this rule are currently being evaluated. Multiple lawsuits were filed by various companies and industry groups against the EPA's PFAS rule and are awaiting court action.

The Company continues to advocate for actions to hold polluters accountable and is part of the Multi-District Litigation and other legal actions against multiple PFAS manufacturers and polluters to attempt to ensure that the ultimate responsibility for the cleanup of these contaminants is attributed to the polluters and is seeking damages and other costs to address the contamination of its public water supply systems by PFAS. Capital expenditures and operating costs required as a result of water quality standards have been traditionally recognized by state utility commissions as appropriate for inclusion in establishing rates; however, we are also actively applying for grants and low interest loans, whenever possible, to reduce the overall cost to customers. The Company is also monitoring ongoing litigation and settlement activity with manufacturers of PFAS in these proceedings. For more information, see Item 8 - Note 9 to the Company's Notes to Consolidated Financial Statements.

Clean Water Act - The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams, and groundwater. It is our policy to obtain and maintain all required permits and approvals for the discharges from our water and wastewater facilities, and to comply with all conditions of those permits and other regulatory requirements. A program is in place to monitor facilities for compliance with permitting, monitoring and reporting for wastewater discharges. We are continuously modernizing wastewater treatment methods, ensuring our systems protect the surrounding environment and adhere to current standards. From time to time, discharge violations may occur which may result in fines. These fines and penalties, if any, are not expected to have a material impact on our business, financial condition, or results of operations. We are also parties to agreements with regulatory agencies in several states where we operate while improvements are being made to address wastewater discharge issues. The EPA has identified leveraging wastewater discharge permitting and application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap.

Solid Waste Disposal - The handling and disposal of waste generated from water and wastewater treatment facilities is governed by federal and state laws and regulations. A program is in place to monitor our facilities for compliance with regulatory requirements, and we are not aware of any significant environmental remediation costs necessary from our handling and disposal of waste material from our water and wastewater operations.

Dam Safety - Our subsidiaries own 32 dams, of which 18 are classified as high hazard dams that are subject to the requirements of the federal and state regulations related to dam safety, which undergo regular inspections and an annual engineering inspection. After a thorough review and inspection of our dams by professional outside engineering firms, we believe that all 18 dams are structurally sound and well-maintained, except as described below. These inspections provide recommendations for ongoing rehabilitation which we include in our capital improvement program. The Company has approximately \$39,000,000 in capital improvements budgeted between 2025 and 2029 for dam improvements.

We performed studies of our dams that identified five high hazard dams in Pennsylvania and one high hazard dam in Ohio requiring capital improvements. These capital improvements result from the adoption by state regulatory agencies of revised formulas for calculating the magnitude of a possible maximum flood event. The most significant capital improvement remaining to be performed in our dam improvement program is on one dam in Pennsylvania at a total

estimated cost of \$15,400,000. Design for this dam commenced in 2013 and construction is expected to be completed in 2030. An additional four high hazard dams in Pennsylvania were recently added due to an acquisition in 2023. These dams are undergoing additional evaluations but have capital improvements budgeted for currently identified needs in the 2025 to 2029 period.

Lead and Copper Rule – On October 30, 2024, the EPA issued the final LCRI which require water systems to identify and replace lead pipes by 2037, lowers the lead action level threshold, and requires more proactive communications about lead pipes and plans for replacements, among other items. The LCRI builds upon the Lead and Copper Rule Revisions (LCRR) issued in 2021 and the Lead and Copper Rule (LCR) issued in 1992. The Company has been replacing lead service lines as part of its ongoing water main replacement and service line renewal programs, and in accordance with applicable state regulations. Pursuant to the LCRR, the Company completed the submission of its initial lead service line inventories on October 14, 2024. The Company estimates that approximately 6% of its regulated water service systems contain some lead or galvanized service lines requiring replacement. The Company currently has budgeted approximately \$210,000,000 of capital expenditures over the next five years for lead and galvanized service line replacement. Management is still reviewing the final LCRI and its impact to the Company.

Partnership for Safe Water Program – Essential Utilities is a proud participant in the American Water Works Association's (AWWA) Partnership for Safe Water Program. This voluntary program is a commitment to excellence within the drinking water community above and beyond the EPA's stringent treatment goals. All of our active surface water treatment plants within Pennsylvania, Ohio, Virginia, and Illinois maintain good standing in the program which includes many awards of achievement. The honors include the "Director's Award" (achieved at eight systems) which recognizes plants that have: 1) completed a comprehensive self-assessment report, 2) created an action plan for continuous improvement, and 3) provided several evaluations of performance demonstrating operational excellence. Several of our systems have met these criteria annually and have received 5-, 10-, 15-, and 20-year subscriber awards. Furthermore, our Roaring Creek Pennsylvania treatment plant has received the Phase IV Excellence Award, the highest honor achieved in the Partnership Program.

Safety Standards - Our facilities and operations may be subject to inspections by representatives of the Occupational Safety and Health Administration from time to time. We maintain safety policies and procedures to comply with the Occupational Safety and Health Administration's rules and regulations, but violations may occur from time to time, which may result in fines and penalties, which are not expected to have a material impact on our business, financial condition, or results of operations. We endeavor to correct such violations promptly when they come to our attention.

Pipeline and Hazardous Materials Safety Administration (PHMSA) Regulations – Under the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2020, PHMSA, an agency of the U.S. Department of Transportation (DOT), has revised, and continues to revise, the pipeline safety regulations to require operators to update, as needed, their existing distribution integrity management plans, emergency response plans, and operations and maintenance plans.

In May 2023, PHMSA proposed numerous regulatory revisions to minimize methane emissions and improve public safety. Under these proposed revisions, we would be required to increase the frequency of leak detection surveys, accelerate the repair of leaks found, and expand our existing advanced leak detection program. The final rule is expected to be published in the first or second quarter of 2025, with an implementation period of 24 months. In September 2023, PHMSA proposed additional regulatory revisions to enhance distribution system safety through equipment and procedural expectations. Operators will be required to incorporate additional protections for low pressure distribution systems that prevent over-pressurization, amend construction procedures designed to minimize the risk of incidents caused by system over-pressurization, and update distribution integrity management programs to cover and prepare for over-pressurization incidents. On November 30, 2023, the House Transportation & Infrastructure Committee introduced new pipeline safety reauthorization legislation known as the PIPES Act of 2023 to reauthorize and finalize PHMSA's safety programs for the next four years.

Peoples has in place integrity programs designed to maintain the safe storage and delivery of natural gas through transmission and distribution systems in order to ensure the safety of its employees, customers, and the community. These include a Transmission Integrity Management Program which outlines methods for handling threats and maintaining the integrity of the pipeline; a Distribution Integrity Management Program which is dedicated to the safe operation of the distribution system that delivers natural gas to customers; and, a Storage Integrity Management Plan that

governs the safe operation, maintenance, and integrity testing of company-owned storage facilities. To the extent new laws or regulations adopted by PHMSA, like those summarized above, impose more stringent requirements on our facilities and operations, we may be required to incur capital and operating costs that may be material. In addition, we may be subject to the DOT's enforcement actions and penalties if the Company fails to comply with pipeline regulations.

Physical Security

We maintain security measures at our facilities, and collaborate with federal, state and local authorities and industry trade associations regarding information on possible threats and physical security measures for water, wastewater, and natural gas utility operations. The costs incurred are expected to be recoverable in customer rates and are not expected to have a material impact on our business, financial condition, or results of operations.

Environmental Stewardship

The way we do business at Essential reflects our commitment to a sustainable, safe, and healthy environment for all our stakeholders. Sustainability is deeply engrained in our business strategy. We ensure environmental stewardship remains a priority for management by factoring several benchmarks into executive compensation. In 2024, for the third consecutive year, the Company has been named to Newsweek's list of America's Most Responsible Companies, which celebrates public companies that have demonstrated meaningful and impactful environmental, social and corporate governance business practices.

Early in 2021, we announced an enterprise-wide commitment that by 2035, we will reduce our Scope 1 and 2 greenhouse gas (GHG) emissions by 60% from our 2019 baseline. This will be achieved by extensive gas pipeline replacement, renewable energy purchasing, accelerated methane leak detection and repair, and various other currently planned initiatives that are highly feasible with proven technology. Of our Scope 1 and 2 GHG emissions, 89% are driven by our gas distribution business. We have replaced 268 miles of gas pipeline in 2024 and over 930 since 2021. We also began procuring nearly 100% renewable electricity to power our water and wastewater operations in Illinois, New Jersey, Ohio, and Pennsylvania in 2022. We estimated that as of December 31, 2023, we have achieved 25% emissions reduction from our 2019 baseline.

The Company manages climate-change matters through significant board-level oversight. At the management level, there is an oversight committee, which is a group of about a dozen of the Company's senior leaders across the organization and the Chief Executive Officer, that meet at least once each quarter to discuss these topics. The Company's environmental sustainability initiatives and strategy are discussed further in our sustainability reporting, which can be found on our website at <https://esg.essential.co>. Such reports are not incorporated by reference and should not be considered part of this Annual Report.

Human Capital Management

The Company values its workforce as one of its most important assets. The Company is dedicated to creating a sustainable working atmosphere for its employees to attract and retain the best employees. Human capital measures and objectives that the Company focuses on in managing its business include the health and safety of its employees, succession planning, voluntary attrition rate, and diversity, equity and inclusion initiatives.

As of December 31, 2024, we employed a total of 3,291 full-time employees. Our subsidiaries are parties to 23 labor agreements with labor unions covering 1,664 employees. The labor agreements expire at various times up until 2028.

Health and Safety - Safety is the foundation of our business and guides all our employees' actions. The Company continues to invest in safety improvements, implement policies and procedures, develop technical training and guidelines for our employees, and leverage new tools and technology to improve our maps, records and infrastructure performance. The Company's Senior Leadership Safety Council leads our safety efforts and is supported by the Safety Steering Committee, state and facility committees and leaders that operate at the local site level. Hazards in the workplace are actively identified, and management tracks incidents so remedial actions can be taken to improve workplace safety. To encourage managers to promote a safe environment, related metrics are incorporated in management's incentive compensation plans.

The Company provides free access to an employee assistance program, which offers a variety of innovative, flexible, and convenient employee health and wellness programs. Through our partnership with our benefit services provider, personalized mental health assistance is available to all employees and their family members; support is available 24/7 via in-person, phone or virtual visits with a licensed counselor.

Employee Development and Training - The Company continues to invest in training and development programs for employees so that they may evolve and enhance their skills in their areas of expertise. The Company offers several learning opportunities through partnerships with one of the leading online learning providers, business school certificate programs, tuition reimbursement for post-secondary degree granting programs, and individual career coaching. At Essential, we believe in an integrated talent development approach. We utilize the “70/20/10 model” for development, which holds that 70% of learning happens on the job through stretch goals and critical assignments, 20% of learning occurs through mentoring and coaching and involvement in professional and industry related activities, and 10% of learning occurs within a virtual or live learning environment. We align our development model to support our vision, mission, and competencies, with a balanced approach to developing our workforce that leads us to the development of a confident, committed, and high-performance culture.

Succession Planning – Essential has organizational workforce analysis and planning programs to ensure the Company has the talent it needs for the future. By conducting stay interviews with key performers, the Company learns where talent risks may arise. Under the Company’s Corporate Governance Guidelines, the Board of Directors is responsible for the development and periodic review of a management succession plan for the Chief Executive Officer and other executives. Annually, the Board of Directors reviews the Company’s succession planning process for the Chief Executive Officer and the named executive officers. During this review, the directors review succession candidates on an immediate basis and more developmental candidates to ensure that the Company is well-prepared for the future.

Voluntary Attrition and Turnover - The Company measures turnover rates of its employees in assessing the Company’s overall human capital. The Company’s voluntary attrition rate (not including retirements) for 2024 was 5.3% at the executive and senior management level, 4.5% at the mid-level manager level, 8.0% at the professional level, and 7.0% across all other employees. Our overall voluntary attrition rate of 6.7% in 2024 was lower than last year’s voluntary attrition rate of 7.6%. We believe our low voluntary attrition rate is in part a result of the Company’s continued commitment to employee development, competitive pay and benefits, and our culture.

Diversity, Equity and Inclusion - Diversity of backgrounds, ideas, thoughts, and experiences is essential to our culture and the way we do business. Creating an environment where our differences are valued and where every person feels a sense of belonging and engagement supports a thriving organization that cares about our customers and ensures our continued long-term success. In order to promote a culture of diversity and inclusion, we have conducted educational workshops to foster better understanding of different points of view and how pre-conceived notions impact relationships at work. We also support diverse segments of our workforce through employee resource groups, such as the Black Resource Group, LGBTQ+ Pride Resource Group, and Women’s Resource Group. These groups welcome participation from all employees in order to learn from a cultural perspective and support each other through allyship.

We also believe diversity in our Board of Directors is critical for effective governance. Candidates for nomination to the Board are considered by the Corporate Governance Committee based on their personal abilities, qualifications, independence, knowledge, judgment, character, leadership skills, education, background, and their expertise and experience in fields and disciplines relevant to the Company. In October 2024, we were recognized as a Champion of Board Diversity by The Forum of Executive Women for having one-third of our board comprised of women for the sixth year since 2016.

Total Rewards - We invest in our workforce by offering a total rewards package that is targeted to be competitive with the market in which we compete for talent, while allowing individual pay to vary equitably based on performance, skills and experience. Our total rewards package includes a combination of salaries, short and long-term incentives, health and wellness benefits, retirement benefits, and other benefits which we regularly assess against the current business environment and labor market to ensure they are competitive.

Communication and Engagement – We believe that our employees are critical to our business, and it is essential to have an environment of high engagement and inclusivity in which employees thrive. We use a variety of communication channels to help employees stay informed and to facilitate direct dialogue, including open forums with our executives, town halls, regular engagement surveys, employee resource groups, and regular performance feedback sessions between employees and their supervisors. We value feedback from our employees, as it helps us gain a deeper understanding of areas where we are doing well and where we need improvement. Periodically, employees are requested to participate in a culture assessment by completing an anonymous survey. We have worked with various functional areas to create and implement action plans to address areas of employee concern. Executive management also regularly conducts town hall-style meetings with employees, where they have the opportunity to ask questions, voice opinions, and share feedback.

Citizenship – As a mission-based organization, we are driven to improve the quality of life and livelihood of our customers and the communities we serve. Through our charitable giving program, employees are encouraged to engage in philanthropy through the United Way campaign and matching gift program. Essential matches 100%, up to a maximum of \$500 per calendar year per employee, for personal contributions made by an employee or their spouse or domestic partner to qualifying nonprofit organizations. At various times throughout the year, the Company supports its employees in volunteering their time and talents to give back to their communities.

Management and Board Oversight

Our Board of Directors has various committees including an audit committee, an executive compensation committee, a corporate governance committee, and a risk mitigation and investment policy committee. Each of these committees has a formal charter. We also have Corporate Governance Guidelines and a Code of Ethical Business Conduct. Copies of these charters, guidelines, and codes can be obtained free of charge from our *Investor Relations* page on our web site, www.essential.co. In the event we amend or waive any portion of the Code of Ethical Business Conduct that applies to any of our directors, executive officers, or senior financial officers, we will post that information on our web site.

Available Information

We file annual, quarterly, current reports, proxy statements, and other information with the Securities and Exchange Commission (SEC). You may obtain our SEC filings from the SEC's web site at www.sec.gov.

Our internet web site address is www.essential.co. We make available free of charge through our web site's *Investor Relations* page all of our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information. These reports and information are available as soon as reasonably practicable after such material is electronically filed with the SEC.

In addition, you may request a copy of the foregoing filings, at no cost by writing or telephoning us at the following address or telephone number:

Investor Relations Department
Essential Utilities, Inc.
762 W. Lancaster Avenue
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The references to our web site and the SEC's web site are intended to be inactive textual references only, and the contents of those web sites are not incorporated by reference herein and should not be considered part of this or any other report that we file with or furnish to the SEC.

Item 1A. *Risk Factors*

In addition to the other information included in this Annual Report, the following factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially harm our business, financial condition, and results of operations. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our business, financial condition, and results of operations could be materially harmed.

Risk Factor Summary

Our business is subject to many risks and uncertainties. The following are the types of forward-looking statements we make throughout this Annual Report, including in these Risk Factors, and a summary of the types of risks that could impact us and cause actual results to differ from those described in such forward-looking statements:

opportunities for future acquisitions, both within and outside the water and wastewater industries, the success of pending acquisitions and the impact of future acquisitions;
 acquisition-related costs and synergies;
 the impact of decisions of governmental and regulatory bodies, including decisions to raise or lower rates and decisions regarding potential acquisitions;
 the sale of water, wastewater, and gas subsidiaries;
 the impact of conservation awareness of customers and more efficient fixtures and appliances on water and natural gas usage per customer;
 the impact of our business on the environment, and our ability to meet our environmental, social, and governance goals;
 our authority to carry on our business and successfully achieve our operational growth projections without unduly burdensome restrictions;
 our capability to pursue timely rate increase requests;
 the capacity of our water supplies, water facilities, wastewater facilities, and natural gas supplies and storage facilities;
 the impact of public health threats, or the measures implemented by the Company as a result of these threats;
 the impact of cybersecurity attacks or other cyber-related events;
 developments, trends and consolidation in the water, wastewater, and natural gas utility and infrastructure industries;
 the impact of changes in and compliance with governmental laws, regulations and policies, including those dealing with the environment, health and water quality, taxation, and public utility regulation;
 the development of new services and technologies by us or our competitors;
 the availability of qualified personnel;
 the condition of our assets, including the risk of explosion from our natural gas operations and the failure of our natural gas storage facilities;
 recovery of capital expenditures and expenses in rates;
 projected capital expenditures and related funding requirements;
 the availability and cost of capital financing, including impacts of increasing financing costs and interest rates;
 dividend payment projections;
 the impact of geographic diversity on our exposure to unusual weather;
 the continuation of investments in strategic ventures;
 our ability to obtain fair market value for condemned assets;
 the impact of fines and penalties;
 the impact of legal proceedings;
 general economic conditions, including inflation;
 the impairment of goodwill resulting in a non-cash charge to earnings;
 the impact of federal and/or state tax policies and the regulatory treatment of the effects of those policies; and

the amount of income tax deductions for qualifying utility asset improvements and the Internal Revenue Service's ultimate acceptance of the deduction methodology.

Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including but not limited to:

- the success in the closing of, and the profitability of future acquisitions;
- changes in general economic, political, business, credit, and financial market conditions and interest rates;
- our ability to manage the expansion of our business;
- changes in environmental conditions, including the effects of climate change;
- our ability to integrate and otherwise realize all of the anticipated benefits of businesses, technologies or services which we may acquire;
- the decisions of governmental and regulatory bodies, including decisions on regulatory filings, such as rate increase requests and decisions regarding potential acquisitions;
- our ability to file rate cases on a timely basis to minimize regulatory lag;
- the impact of inflation on our business and on our customers and potential opposition to rate increases;
- abnormal weather conditions and natural disasters, including those that result in water use restrictions or reduced or elevated natural gas consumption;
- the seasonality of our business;
- our ability to source, treat, and supply water, including in times of drought, or collect and treat wastewater;
- our ability to source sufficient natural gas to meet customer demand in a timely manner;
- the continuous and reliable operation of our information technology systems, including the impact of cybersecurity attacks or other cyber-related events, and risks associated with new systems implementation or integration;
- impacts from public health threats, including on consumption, usage, supply chain, and collections.
- changes in governmental laws, regulations and policies, including those dealing with taxation, the environment, health and water quality, data and consumer privacy, and public utility regulation;
- the extent to which we are able to develop and market new and improved services;
- the effect of the loss of major customers;
- our ability to retain the services of key personnel and to hire qualified personnel as we expand;
- labor disputes;
- increasing difficulties in obtaining insurance and increased cost of insurance;
- cost overruns relating to improvements to, or the expansion of, our operations;
- inflation and potential impact of proposed tariffs on the availability and costs of goods and services;
- the effect of natural gas price volatility, including the potential impact of high commodity prices on usage or rate case outcomes;
- civil disturbance or terroristic threats or acts;
- changes to the rules or our assumptions underlying our determination of what qualifies for an income tax deduction for qualifying utility asset improvements;
- changes in, or unanticipated, capital requirements;
- changes in our credit rating or outlook of credit rating agencies with respect to our Company and subsidiaries, or the market price of our common stock;
- changes in valuation of strategic ventures;
- changes in accounting pronouncements;
- litigation and claims; and
- restrictions on our subsidiaries' ability to make dividend payments and other distributions.

Risks Related to the Operation and Regulation of our Business***General economic conditions may affect our financial condition and results of operations.***

A general economic downturn may lead to a number of impacts on our business and may affect our financial condition and results of operations. Such impacts may include:

- a reduction in discretionary and recreational water use by our residential water customers, particularly during the summer months when such discretionary usage is normally at its highest;
- a reduction in natural gas use by our residential customers, particularly during the winter months when such usage is normally at its highest;
- a decline in usage by industrial and commercial customers as a result of decreased business activity or a shift to alternative energy sources;
- an increased incidence of customers' inability to pay or delays in paying their utility bills, or an increase in customer bankruptcies, which may lead to higher bad debt expense, increased financing costs, and reduced cash flow;
- opposition by customers and statutory advocates to rate increases;
- a lower natural customer growth rate due to a decline in new housing starts; and
- a decline in the number of active customers due to housing vacancies.

General economic turmoil may also lead to an investment market downturn, which may result in our pension and other post-retirement plans' asset market values suffering a decline and significant volatility. A decline in our plans' asset market values could increase our required cash contributions to the plans and increased expense in subsequent years. Inflation levels in excess of historical levels could also lead to regulatory lag and thus impact our earned returns and financial results.

Moreover, in recent years, inflation and higher interest rates have become areas of increasing economic concern. Changes in the cost of providing our products and services, including price increases in operating and capital costs, as well as increases in labor costs or borrowing costs, have negatively impacted our financial condition and results of operations. We review the adequacy of our rates as approved by public utility commissions in relation to the increasing cost of providing services and the inherent regulatory lag in adjusting those rates. Rate increases are not retroactive and often lag increases in costs caused by inflation. On occasion, our regulated utility companies may enter into rate settlement agreements, which require us to wait for a period of time to file the next base rate increase request. These agreements may result in regulatory lag whereby inflationary increases in expenses or higher borrowing costs may not be reflected in rates, and may not yet be requested, or a gap may exist between when a capital project is completed and the start of its recovery in rates. Even during periods of moderate inflation, the effects of inflation can have a negative impact on our operating results. The ability to control operating expenses is an important factor that will influence future results.

Inflation, and the potential impact of proposed tariffs, could adversely impact our ability to control costs, including operating expenses and capital costs.

The operation of our business and the execution of our capital projects require significant expenditures for labor, production costs, property and equipment, and services. Recent inflationary pressures have increased our expenses and capital costs, and those costs may continue to increase. To the extent inflation remains elevated and higher tariffs are imposed, we may experience further cost increases for our operations. We cannot predict any future trends in the rate of inflation and interest rates, and a significant increase in inflation, to the extent we are unable to recover higher costs through rate cases, could negatively impact our business, financial condition, and results of operation.

The rates we charge our customers are subject to regulation. If we are unable to obtain government approval of our requests for rate increases, or if approved rate increases are untimely or inadequate to recover and earn a return on our capital investments, to recover expenses or taxes, or to take into account changes in water, wastewater, or natural gas usage, our profitability may suffer.

The rates we charge our customers are subject to approval by utility commissions in the states in which we operate. We file rate increase requests, from time to time, to recover our investments in utility plant and expenses. Our ability to maintain and meet our financial objectives is dependent upon the recovery of, and return on, our capital investments and expenses through the rates we charge our customers. Once a rate increase petition is filed with a utility commission, the ensuing administrative and hearing process may be lengthy and costly, and our costs may not always be fully recoverable. The timing of our rate increase requests are therefore partially dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we expect to recover through the rate increase. In addition, the amount or frequency of rate increases may be decreased or lengthened as a result of many factors including changes in regulatory oversight in the states in which we operate utilities and income tax laws, including regulations regarding tax-basis depreciation as it applies to our capital expenditures or qualifying utility asset improvements. We can provide no assurances that any future rate increase request will be approved by the appropriate utility commission; and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner.

In Virginia, North Carolina and Kentucky, we may bill our water utility customers, in certain circumstances, in accordance with a rate filing that is pending before the respective regulatory commission, which would allow for interim rates. Furthermore, some utility commissions authorize the use of expense deferrals and amortization in order to provide for an impact on our operating income by an amount that approximates the requested amount in a rate request. The additional revenue billed and collected prior to the final ruling is subject to refund to customers based on the outcome of the ruling. The revenue recognized and the expenses deferred by us reflect an estimate as to the final outcome of the ruling. If the request is denied completely or in part, we could be required to refund to customers some or all of the revenue billed to date, and write-off some or all of the deferred expenses.

Changes in our earnings per share may differ from changes in our rate base.

Our business is capital intensive and requires significant capital investments for additions to or replacement of property, plant and equipment. These capital investments create assets that are used and useful in providing regulated utility service, and as a result, increase our rate base, on which we generate earnings through the regulatory process. Changes in our reported earnings per share, however, may differ from changes in our rate base in a given period due to several factors, including rate case timing and the terms of such rate cases; over-or under-earnings in a given period due to changes in operating costs; the effects of tax rates or tax treatment of capital investments, including the effect of repair tax; capital expenditures that are not eligible for a DSIC between rate cases; acquisitions which have not yet been included in rate base; unrecovered short-term interest costs; and issuances of equity. We anticipate that we may experience periods in which growth in earnings is less than growth in rate base; such differences may be material and may persist over multiple reporting periods.

Our ability to meet customers' natural gas requirements may be impaired if contracted natural gas supplies and interstate pipelines services are not available, are not delivered in a timely manner or if federal regulations decrease its available capacity, which may result in a loss of customers and an adverse effect on our financial conditions and results of operations.

We are responsible for acquiring sufficient natural gas supplies, interstate pipeline capacity and storage capacity to meet current and future customers' peak, annual and seasonal natural gas requirements. We rely on third-party service providers, as we purchase a portion of our natural gas supply from interstate sources and rely on interstate pipelines to transport natural gas to our distribution system, in addition to local production that is delivered directly into our pipeline system. The Federal Energy Regulatory Commission (FERC) regulates the transportation of the natural gas received from interstate sources, and any change in regulatory policies could increase our transportation costs or decrease our available pipeline capacity. A decrease in interstate pipeline capacity available, an increase in competition for interstate pipeline transportation service or other interruptions to pipeline gas supplies could reduce our normal interstate supply of natural gas. Additionally, federal or state legislation could restrict or limit natural gas drilling, which could decrease the supply of available natural gas. If we are unable to maintain access to a reliable and adequate natural gas supply or sufficient

pipeline capacity to deliver that supply, we may be unable to meet our customers' requirements, resulting in a loss of customers and an adverse effect on our financial conditions and results of operations.

Peoples has traditionally used local production as a source of supply to fulfill a portion of its supply requirements. In order to absorb local gas into its system, Peoples has in place a network of pipelines and related facilities that move the gas either to customers located where gas is produced or to the more populated areas of the service territory where the greatest level of consumption occurs, and, in summer months, to Peoples' on-system and off-system storage facilities. This network of facilities includes gathering lines, compressor stations, and transmission lines. Peoples has entered into gas purchase agreements with various producers to supply this local production. A decrease in this supply could occur, for example, if the local gas producers no longer drill wells to offset natural well production decline or if such producers decide to cease production or produce into another pipeline. State and federal legislation or regulations could also limit drilling activities and in turn limit gas supply. If supply is limited, we would be faced with purchasing gas supplies likely at a higher cost, may be unable to find alternative gas supply, and accordingly, may be unable to meet customer requirements, resulting in a loss of customers and an adverse effect on our financial condition and results of operations.

Any failure of our water and wastewater treatment plants, network of water and wastewater pipes, or water reservoirs could result in damages that may harm our business, financial condition, and results of operations.

Our operating subsidiaries treat water and wastewater, distribute water, and collect wastewater through an extensive network of pipes, and store water in reservoirs. A failure of a major treatment plant, pipe, or reservoir could result in claims for injuries or property damage. The failure of a major treatment plant, pipe, or reservoir may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quality and quantities to our customers or collect and treat wastewater in accordance with standards prescribed by governmental regulators, including state utility commissions, and may harm our business, financial condition, and results of operations. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance in the future at acceptable rates.

Our facilities could be the target of a possible terrorist or other deliberate attack which could harm our business, financial condition and results of operations.

In addition to the potential contamination of our water supply or deliberate gas explosions as described in separate risk factors herein, we maintain security measures at our facilities and have heightened employee and public safety official awareness of potential threats to our utility systems. We have and will continue to bear increases in costs for security precautions to protect our facilities, operations, and supplies, most of which have been recoverable under state regulatory policies. While the costs of increases in security, including capital expenditures, may be significant, we expect these costs to continue to be recoverable in utility rates. Despite our security measures, we may not be in a position to control the outcome of terrorist events, or other attacks on our utility systems, should they occur. Such an event could harm our business, financial condition, and results of operations.

We are increasingly dependent on the continuous and reliable operation of our information technology systems, including those of our third-party vendors, and a disruption of these systems, resulting from cybersecurity attacks, risks associated with new systems implementation or integration, or other events, could harm our business.

We rely on our information technology systems, including those of our third-party vendors, in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our treatment, storage and pumping facilities, and our natural gas pipelines. In addition, we rely on our systems to track our utility assets and to manage maintenance and construction projects, materials and supplies, and our human resource functions. A loss of these systems, or major problems with the operation of these systems, could harm our business, financial condition, and results of operations. We could also be adversely affected by system or network disruptions if new or upgraded information technology systems are defective, not installed properly, or not properly integrated into operations. In addition, our information technology systems may be vulnerable to damage or interruption from the following types of cybersecurity attacks or other events:

power loss, computer systems failures, and internet, telecommunications or data network failures;
operator negligence or improper operation by, or supervision of, employees;

physical and electronic loss of data;
 computer viruses, cybersecurity attacks, intentional security breaches, hacking, denial of service actions, misappropriation of data and similar events;
 difficulties in the implementation of upgrades or modification to our information technology systems; and
 hurricanes, fires, floods, earthquakes and other natural disasters.

Although we do not believe that our systems are at a materially greater risk of cybersecurity attacks than other similar organizations, our information technology systems may be vulnerable to damage or interruption from the types of cybersecurity attacks or other events listed above or other similar actions, and such incidents may go undetected for a period of time. Such cybersecurity attacks or other events may result in:

the loss or compromise of customer, financial, employee, or operational data;
 disruption of billing, collections, payments, or normal field service activities;
 disruption of electronic monitoring and control of operational systems;
 delays in financial reporting and other normal management functions; and
 disruption in normal system operations.

Possible impacts associated with a cybersecurity attack or other events may include: remediation costs related to lost, stolen, or compromised data; repairs to data processing or physical systems; increased cybersecurity protection costs; adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water; litigation; loss of revenue; and reputational damage. We maintain insurance to help defray costs associated with cybersecurity attacks or other events, but we cannot provide assurance that such insurance will provide coverage for any particular type of incident or event or that such insurance will be adequate, and losses incurred may make it difficult for us to secure insurance in the future at acceptable rates.

We have a cybersecurity controls framework in place. We monitor our control effectiveness in an increasing threat landscape and continuously take action to improve our security posture. We cannot assure you that, despite such measures, a form of system failure or data security breach will not have a material adverse effect on our financial condition and results of operations.

Our business is impacted by weather conditions and is subject to seasonal fluctuations, which could harm demand for water and natural gas services and our business, financial condition, and results of operations.

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with irrigation systems, swimming pools, cooling systems, and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature, rainfall levels, and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, if there is more rainfall than normal, or rainfall is more frequent than normal, the demand for our water may decrease and harm our business, financial condition, and results of operations. In Illinois, our operating subsidiary has adopted a revenue stability mechanism which allows us to recognize state public utility commission (PUC) authorized revenue for a period which is not based upon the volume of water sold during that period, and effectively reduces the impact of weather and consumption variability.

Peoples' revenues are seasonal and temperature sensitive and vary from year-to-year, depending on weather conditions, with a substantial portion of Peoples' revenue occurring in the first and fourth quarters of the year due to colder temperatures and increased heating needs. In 2024, this amounted to 73%, for the first and fourth quarters. This has the effect of reducing our quarterly revenues in the spring and summer months. In addition, warmer-than-normal-weather conditions can decrease the amount of natural gas Peoples sells in any year, which could adversely affect our business, financial condition, and results of operations. Finally, significantly colder-than-normal weather conditions can materially increase natural gas usage, resulting in challenges for our operations and our ability to serve our customers. Effective October 2024, the weather impact on cash flow is mitigated by a weather normalization adjustment ("WNA") in Peoples' Pennsylvania rate jurisdiction. This mechanism is designed to help stabilize collection of fixed costs by adjusting customer billings based on temperature variances from average weather.

Decreased residential customer water and natural gas usage as a result of conservation efforts, and the impact of more efficient appliances and furnaces, may harm demand for our utility services and may reduce our revenues and earnings.

There has been a general decline in water usage per residential customer as a result of an increase in conservation awareness, and the impact of an increased use of more efficient plumbing fixtures and appliances. These gradual, long-term changes are normally taken into account by the utility commissions in setting rates, whereas short-term changes in water usage, if significant, may not be fully reflected in the rates we charge. We are dependent upon the revenue generated from rates charged to our residential customers for the volume of water used. If we are unable to obtain future rate increases to offset decreased residential customer water consumption to cover our investments, expenses, and return for which we initially sought the rate increase, our business, financial condition, and results of operations may be harmed.

In addition, over time, average customer gas consumption has declined, as more energy efficient appliances and furnaces have been installed, and conservation programs have been implemented. If we are unable to compete effectively or if customers further reduce their gas needs, we may lose existing customers, sell less gas to our customers and/or fail to acquire new customers, which could have a material adverse effect on our business, financial condition, and results of operations.

Drought conditions and government-imposed water use restrictions may impact our ability to serve our current and future customers, and may impact our customers' use of our water, which may harm our business, financial condition, and results of operations.

We depend on an adequate water supply to meet the present and future demands of our customers. Drought conditions could interfere with our sources of water supply and could harm our ability to supply water in sufficient quantities to our existing and future customers. An interruption in our water supply could harm our business, financial condition, and results of operations. Moreover, governmental restrictions on water usage during drought conditions may result in a decreased demand for our water, even if our water supplies are sufficient to serve our customers during these drought conditions, which may harm our business, financial condition, and results of operations.

The failure of, or the requirement to repair, upgrade or dismantle any of our dams or reservoirs may harm our business, financial condition, and results of operations.

Several of our water systems include impounding dams and reservoirs of various sizes. Although we believe our dam review program, which includes regular inspections and other engineering studies, will ensure our dams are structurally sound and well-maintained, the failure of a dam could result in significant downstream damage and could result in claims for property damage or for injuries or fatalities. We periodically inspect our dams and purchase liability insurance to cover such risks, but depending on the nature of the downstream damage and cause of the failure, the policy limits of insurance coverage may not be sufficient, and losses incurred may make it difficult for us to secure insurance in the future at acceptable rates. A dam failure could also result in damage to, or disruption of, our water treatment and pumping facilities that are often located downstream from our dams and reservoirs. Significant damage to these facilities, or a significant decline in the storage of the raw water impoundment, could affect our ability to provide water to our customers until the facilities and a sufficient raw water impoundment can be restored. The estimated costs to maintain our dams are included in our capital budget projections and, although such costs to date have been recoverable in rates, there can be no assurance that rate increases will be granted in a timely or sufficient manner to recover such costs in the future, if at all.

Our operations are geographically concentrated in Pennsylvania, which make us susceptible to risks affecting Pennsylvania.

Although we operate water, wastewater, and natural gas utility infrastructure in a number of states, our operations are concentrated in Pennsylvania. As a result, our financial results are largely subject to political, resource supply, labor, utility cost and regulatory risks, economic conditions, natural disasters, and other risks affecting Pennsylvania.

Federal and state environmental laws and regulations impose substantial compliance requirements on our operations. Our operating costs could be significantly increased in order to comply with new or stricter regulatory standards imposed by federal and state environmental agencies.

Our water, wastewater, and natural gas services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Safe Drinking Water Act, the Clean Water Act, Clean Air Act, Resource Conservation and Recovery Act and similar state laws, and federal and state regulations issued under these laws by the EPA and state environmental regulatory agencies. These laws and regulations establish, among other things, criteria and standards for drinking water and for discharges into the waters of the U.S. as well as dam safety, air emissions, and residuals management. Pursuant to these laws, we are required to obtain various environmental permits from environmental regulatory agencies for our operations. The Company routinely seeks to acquire wastewater systems, some of which may have combined wastewater and stormwater systems which may overflow and be subject to increased regulation by the U.S. EPA. We cannot assure you that we will be at all times in total compliance with these laws, regulations and permits. If we fail to comply with these laws, regulations, or permits, we could be fined or otherwise sanctioned by regulators and such noncompliance could result in civil suits. Environmental laws and regulations are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While we have budgeted for future capital and operating expenditures to comply with these laws and our permits, it is possible that new or stricter standards could be imposed that will require additional capital expenditures or raise our operating costs. Although these expenditures and costs may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that regulate our business would approve rate increases to enable us to recover such expenditures and costs. In summary, we cannot assure you that our costs of complying with, current and future environmental and health and safety laws will not harm our business, financial condition, and results of operations.

Additionally, the discovery of presently unknown environmental conditions, including former manufactured gas plant sites, and claims under environmental laws and regulations may result in expenditures and liabilities, which could be material, and could materially harm our business, financial condition and results of operations.

Our water or wastewater utility systems may be subject to condemnations or other methods of taking by governmental entities.

In the states where our subsidiaries operate water or wastewater utility systems, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;
- the right of purchase given to or reserved by a municipality or political subdivision when the original franchise was granted; and
- the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price to be paid upon such an acquisition by the municipal government is usually determined in accordance with applicable law under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties, or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. We believe that our operating subsidiaries would be entitled to receive fair market value for any assets that are condemned. However, there is no assurance that the fair market value received for assets condemned would be in excess of book value.

In a very small number of instances, in one of our southern states where there are municipally-owned water or wastewater systems near our operating divisions, the municipally-owned system may either have water distribution or wastewater collection mains that are located adjacent to our division's mains or may construct new mains that parallel our mains. In these circumstances, on occasion, the municipally-owned system may attempt to offer service to customers who are connected to our mains, resulting in our mains becoming surplus or underutilized without compensation.

The final determination of our income tax liability may be materially different from our income tax provision.

Significant judgment is required in determining our provision for income taxes. Our calculation of the provision for income taxes is subject to our interpretation of applicable business tax laws in the jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service and other taxing authorities. Some of our subsidiaries use a tax method of accounting that permits the expensing of qualifying utility asset improvement costs that were previously being capitalized and depreciated for tax purposes. Our determination of what qualifies as a capital cost versus a tax deduction for utility asset improvements is subject to subsequent adjustment and may impact the income tax benefits that have been recognized.

Although we believe our income tax estimates, including any tax reserves for uncertain tax positions or valuation allowances on deferred tax assets are appropriate, there is no assurance that the final determination of our income tax liability will not be materially different; either higher or lower, from what is reflected in our income tax provision. In the event we are assessed additional income taxes, our business, financial condition, and results of operations could be harmed.

Wastewater operations entail significant risks and may impose significant costs.

Wastewater collection and treatment involve various unique risks. If collection or treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. These risks are most acute during periods of substantial rainfall or flooding, which are the main causes of wastewater overflow and system failure. Liabilities resulting from such damages and injuries could harm our business, financial condition, and results of operations.

Work stoppages and other labor relations matters could harm our operating results.

Approximately 50% of our Regulated Water and Regulated Natural Gas segments' workforce is unionized under 23 labor contracts with labor unions, which expire at various times up until 2028. In light of rising costs for healthcare and retirement benefits, contract negotiations in the future may be difficult. We are subject to a risk of work stoppages and other labor actions as we negotiate with the unions to address these issues, which could harm our business, financial condition, and results of operations. We cannot assure you that issues with our labor forces will be resolved favorably to us in the future or that we will not experience work stoppages.

Workforce-related risks may affect our results of operations.

We are subject to various workforce-related risks, including the risk that we will be unable to attract and retain qualified personnel for our water, wastewater, and natural gas operations, that we will be unable to effectively transfer the knowledge and expertise of an aging workforce to new personnel as those workers retire, and that we will be unable to reach collective bargaining arrangements with the unions that represent certain of our workers, which could result in work stoppages. Additionally, we rely on outside resources to supplement our workforce, including construction crews which are key to our infrastructure replacement program. We face the same risks associated with these outside resources as we do with our own workforce. As a result, we may be unable to hire or retain an adequate number of individuals who are knowledgeable about public utilities, water or the natural gas industry or face a lengthy time period associated with skill development and knowledge transfer. Failure to address these risks may result in increased operational and safety risks as well as increased costs. Even with reasonable plans in place to address succession planning and workforce training, we cannot control the future availability of qualified labor. If we are unable to successfully attract and retain an appropriately qualified workforce, it could adversely affect our financial condition and results of operations.

Significant or prolonged disruptions in the supply of important goods or services from third parties could harm our business, financial condition, and results of operations.

We are dependent on a continuing flow of important goods and services from suppliers for our businesses. A disruption or prolonged delays in obtaining important supplies or services, such as maintenance services, purchased water, chemicals, utility pipe, valves, hydrants, electricity, or other materials, could harm our utility services and our ability to

operate in compliance with all regulatory requirements, which could harm our business, financial condition, and results of operations. In some circumstances, we rely on third parties to provide important services (such as customer bill print and mail activities, payment processing, or utility service operations in some of our divisions) and a disruption in these services could harm our business, financial condition, and results of operations. Some possible reasons for a delay or disruption in the supply of important goods and services include:

- our suppliers may not provide materials that meet our specifications in sufficient quantities;
- our suppliers may provide us with water that does not meet applicable quality standards or is contaminated;
- our suppliers may provide us with natural gas not meeting quality standards or is of insufficient volume or pressure;
- our suppliers may face production or shipping delays due to public health threats, natural disasters, strikes, lock-outs, geopolitical or trade disputes, or other such actions;
- one or more suppliers could make strategic changes in the lines of products and services they offer; and
- some of our suppliers, such as small companies, may be more likely to experience financial and operational difficulties than larger, well-established companies, because of their limited financial and other resources;

proposed tariffs could result in supply chain disruptions.

As a result of any of these factors, we may be required to find alternative suppliers for the materials and services on which we rely. Accordingly, we may experience delays in obtaining appropriate materials and services on a timely basis and in sufficient quantities from such alternative suppliers at a reasonable price, which could interrupt services to our customers and harm our business, financial condition, and results of operations.

We depend significantly on the services of the members of our management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our management team. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel could harm our business, financial condition, and results of operations.

We may incur significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs.

Certain of Peoples' pipeline operations are subject to pipeline safety laws and regulations. The Department of Transportation's Pipeline and Hazardous Materials Safety Administration has adopted regulations requiring pipeline operators to develop integrity management programs, including more frequent inspections and other measures, for transmission pipelines located in "high consequence areas," which are those areas where a leak or rupture could do the most harm. The regulations require pipeline operators, including Peoples, to, among other things:

- perform ongoing assessments of pipeline integrity;
- develop a baseline plan to prioritize the assessment of a covered pipeline segment;
- identify and characterize applicable threats that could impact a high consequence area;
- improve data collection, integration, and analysis;
- develop processes for performance management, record keeping, management of change and communication;
- repair and remediate pipelines as necessary; and
- implement preventative and mitigating action.

We are required to maintain pipeline integrity testing programs that are intended to assess pipeline integrity. Peoples is also required to establish and maintain a Distribution Integrity Management Program for all distribution assets. This program requires protocols for identifying risks and threats to the distribution systems. The program incorporates a relative risk model to measure risk reduction to these threats. Any repair, remediation, preventative or mitigating actions may require significant capital and operating expenditures. Should we fail to comply with applicable statutes and related rules, regulations and orders, we could be subject to significant penalties and fines.

Our liquidity and, in certain circumstances, results of operations may be adversely affected by the cost of purchasing natural gas during periods in which natural gas prices are rising significantly.

The Peoples' regulated companies purchase their natural gas supply primarily through a combination of requirements contracts, some of which contain minimum purchase obligations, monthly spot purchase contracts, and forward purchase contracts. The price paid for natural gas acquired under forward purchase contracts is fixed prior to the delivery of the natural gas. Additionally, a portion of natural gas purchases is injected into natural gas storage facilities in the non-heating months and withdrawn from storage for delivery to customers during the heating months.

Our short-term borrowing requirements and liquidity are also significantly affected by the seasonal nature of the natural gas business. Extreme weather events, geopolitical forces, or regulatory policy changes, and the amount of natural gas needed to supply customers' needs due to, for example, colder than expected seasonal temperatures, could significantly affect the price and amount of natural gas we are required to purchase and the timing of such purchases, and, in turn, affect our borrowing requirements and liquidity position. If we fail to secure sufficient natural gas supplies at appropriate prices (due to, for example, more extreme winter conditions), we may be required to purchase additional natural gas supplies or purchase natural gas at elevated prices, which could adversely affect our borrowing levels, liquidity, and financial condition.

Peoples' tariff rate schedules contain Purchased Gas Adjustment (PGA) clauses that permit filings for rate adjustments to recover the cost of purchased gas. Subject to regulatory approval, as described below, changes in the cost of purchased gas are flowed through to customers and may affect uncollectible amounts and cash flows and can therefore impact our financial condition and results of operations.

The state regulatory commissions approve the PGA changes on an interim basis, subject to refund and the outcome of a subsequent audit and prudence review. Due to such review process, there is a risk of a disallowance of full recovery of these costs. We are also subject to regulations and standards regarding the amount of lost and unaccounted for gas that may be recovered from customers. Any material disallowance of purchased gas costs would adversely affect our financial condition and results of operations.

Increases in the prices that we charge for gas may also adversely affect our business because increased prices could lead customers to reduce usage and cause some customers to have difficulty paying the resulting higher bills. These higher prices may increase bad debt expenses and ultimately reduce earnings. Additionally, rapid increases in the price of purchased gas may result in an increase in short-term debt.

Our non-regulated natural gas operations purchase natural gas utilizing a combination of requirements contracts, some of which contain minimum purchase obligations, monthly spot purchase contracts, and forward purchase contracts. Although price risk for the non-regulated companies is mitigated to a degree by efforts aimed at balancing supply and demand, there are practical limitations on the ability to accurately predict demand, and any failure to do so could adversely affect our financial condition and results of operations.

An impairment in the carrying value of our goodwill could negatively impact our consolidated results of operations and net worth.

We have significant amounts of goodwill resulting from the acquisition of utility systems and businesses. As of December 31, 2024, the net carrying value of goodwill amounted to \$2,340,713,000 or 13.0% of our total assets. Of the balance, \$2,277,447,000 relates to our Regulated Natural Gas reporting unit. Goodwill is initially recorded at fair value, not amortized and reviewed for impairment at least annually or more frequently if impairment indicators arise. Indicators that are considered significant include changes in performance relative to expected operating results, significant negative industry or economic trends, including rising interest rates, or a significant decline in our stock price and/or market capitalization for a sustained period of time. If certain factors arise, we may be required to record a significant non-cash charge to earnings in our consolidated financial statements during the period in which an impairment of our goodwill is determined. Any such non-cash charge could have a material adverse impact on our results of operations and stockholders' equity.

Risks Related to Health and Safety and Environmental Concerns

Worsening weather conditions, natural disasters, public health threats, or other catastrophic events, could negatively affect our business, outlook, financial condition, results of operations and liquidity.

The issue of climate change is receiving ever increasing attention worldwide. Many climate change predictions, if true, present several potential challenges to utilities, such as: increased frequency and duration of droughts, increased precipitation and flooding, potential degradation of water quality, and changes in demand for services. We maintain an ongoing facility planning process, and this planning or the enactment of new standards may result in the need for additional capital expenditures or raise our operating costs, including the cost of insurance. Because of the uncertainty of weather volatility related to climate change, we cannot predict its potential impact on our business, financial condition, or results of operations.

Natural disasters, catastrophic events and public health threats could also, in the future, materially impact our business in numerous ways, including, but not limited to, those outlined below:

- reduced demand from our commercial customers and shifts in demand for our regulated utility services;
- delay the timeliness of our service to customers because of shutdowns and/or illness and travel restrictions among our employees or employees of other companies on whom we rely;
- negatively impact the financial condition of our customers and their ability to pay for our products and services, and our ability to disconnect service for non-payment may be limited, and state regulators may impose bill deferral programs;
- may limit or curtail significantly or entirely the ability of public utility commissions to approve or authorize applications and other requests we may make with respect to our regulated water and natural gas businesses; and
- delays in our supply chain and our ability to complete maintenance, repairs, and capital programs, which could result in disruptions and increased costs.

These and other impacts of global or regional health pandemics, epidemics or similar public health threats could also have the effect of heightening many of the other risks described in “Risk Factors” in this Annual Report and the other reports we file from time to time with the SEC. We might not be able to predict or respond to all impacts on a timely basis to prevent near- or long-term adverse impacts to our results of operations, financial condition and liquidity. Although any potential expenditures and operating costs may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs.

Climate change laws and regulations have been passed and are being proposed that require compliance with greenhouse gas emissions standards, as well as other climate change initiatives and reporting, which could impact our business, financial condition or results of operations.

Climate change is receiving ever increasing attention worldwide. Many scientists, legislators, and others attribute global warming to increased levels of greenhouse gases (GHG), including carbon dioxide. Climate change laws and regulations enacted and proposed could limit and impose costs tied to GHG emissions from covered entities and require additional monitoring/reporting. A number of states have also adopted energy strategies or plans with goals that include the reduction of GHG. For example, Pennsylvania has a methane reduction framework for the natural gas industry, which has resulted in permitting changes with the stated goal of reducing methane emissions from well sites, compressor stations, and pipelines. At this time, the existing GHG laws and regulations are not expected to materially harm the Company’s operations or capital expenditures; however, the uncertainty of future climate change regulatory requirements still remains. We cannot predict the potential impact of future laws and regulations on our business, financial condition, or results of operations. Although these future expenditures and costs for regulatory compliance may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs. Competition from renewable energy sources may reduce the demand for natural gas, which could impact our future earnings and cash flows. Another potential risk related to climate change could be more frequent and more severe weather events, which could increase our costs to repair damaged facilities and restore service to our customers. If we are unable to provide utility services to our customers, our financial results would be impacted by lost revenues, and we would have to seek regulatory approval to recover restoration costs.

Climate change and other sustainability matters are increasingly important to many investors, and we may fail to provide information desired by all investors or achieve our sustainability goals.

Climate change and other sustainability matters are increasingly important to many investors, including our current investors. We have focused attention on these matters and the communication of our goals, targets, and activities to investors. These goals and targets reflect our current plans and aspirations. Our ability to achieve such goals and aspirations is subject to numerous risks and uncertainties, many of which rely on the collective efforts of others or may be outside of our control. As such, we cannot offer assurances that the results reflected or implied by any such statements will be realized or achieved. Moreover, standards and expectations for sustainability matters continue to evolve and may be subject to varying interpretations, which may result in significant revisions to our goals or progress. We may also be unable to satisfactorily meet evolving standards, regulations, and disclosure requirements related to sustainability. Any failure, or perceived failure, to meet evolving stakeholder expectations, additional regulations and industry standards and disclosures, or achieve our sustainability goals and targets could have an adverse effect on our business, results of operations, financial condition, or stock price.

Our water supply, including water provided to our customers, is subject to various potential contaminants which may result in disruption in our services, additional costs, loss of revenue, fines, laws and/or regulations, and litigation which could harm our business, reputation, financial condition, and results of operations.

Our water supplies, including water provided to our customers, are subject to possible contaminants, including those from:

- naturally occurring compounds or man-made substances;
- chemicals and other hazardous materials;
- lead and other materials;
- manufactured sources, such as pharmaceuticals and personal care products;
- unprotected cross-connections with our customers' processes, irrigation systems, or swimming pools; and
- possible deliberate or terrorist attacks.

Depending on the nature of the water contamination, we may have to interrupt the use of that water supply until we are able to substitute, where feasible, the flow of water from an uncontaminated water source, including if practicable, the purchase of water from other suppliers, or continue the water supply under restrictions on use for drinking or broader restrictions against all use except for basic sanitation and essential fire protection. We may experience a loss of revenue and incur significant costs, including, but not limited to, costs for water quality testing and monitoring, "do not consume" expenses, treatment of the contaminated source through modification of our current treatment facilities or development of new treatment methods, the purchase of alternative water supplies, or litigation related matters, including governmental enforcement actions. In addition, the costs we could incur to decontaminate a water source or our water distribution system and dispose of waste could also be significant. The costs resulting from the contamination may not be recoverable in rates we charge our customer, or may not be recoverable in a timely manner. Further, we may incur a loss of revenue in the event we elect to waive customers' water and wastewater charges. If we are unable to adequately treat the contaminated water supply or substitute a water supply from an uncontaminated water source in a timely or cost-effective manner, there may be an adverse effect on our business, reputation, financial condition, and results of operations. We could also be subject to:

- claims for consequences arising out of human exposure to contamination and/or hazardous substances in our water supplies, including toxic torts;
- claims for other environmental damage;
- claims for customers' business interruption as a result of an interruption in water service;
- claims for breach of contract;
- criminal enforcement actions;
- regulatory fines; or
- other claims.

We incur substantial costs on an ongoing basis to comply with all laws and regulations. New or stricter laws and/or regulations could increase our costs. Although we may seek to recover these costs through an increase in customer rates, there is no guarantee that the various state regulators would approve such an increase.

We have been working to prevent lead leaching from home plumbing sources by reducing water corrosivity and adding chemicals that can prevent leaching of lead in pipes and homes. We have a program to evaluate all changes in water sources prior to initiating a change in water supply. We also focus on identifying and removing lead service lines and encouraging customers to replace the customer-owned portion of the service line if it is lead as they are identified during our main replacement program or during other maintenance activities.

We are devoting our attention to various emerging contaminants, including the Per- and Polyfluoroalkyl Substances (PFAS) family of chemicals and other chemicals and substances that do not have any federal regulatory standard in drinking water. We comply with governmental agency guidance that recommends the standard of protection from these contaminants, and we monitor proposed standards and other governmental agency guidance regarding these contaminants. On April 10, 2024, the EPA announced the final National Primary Drinking Water Regulation (NPDWR) for the treatment of six per- and polyfluoroalkyl substances or compounds (PFAS). The NPDWR established the maximum contaminant levels (MCLs) in drinking water and allows for a five-year window to comply. The Company performed its analysis of the NPDWR and estimated an investment of at least \$450,000,000 of capital expenditures to install additional treatment facilities over the Compliance Period in order to comply (i.e., 2029 pending no delays due to lawsuits). This figure could increase as plans for construction execution are refined or if additional sites require treatment in the future. Additionally, the Company estimates annual operating expenses of approximately five percent of the installed capital expenditures, in today's dollars, related to testing, treatment, and disposal. These are preliminary estimates and actual capital expenditures and expenses may differ based upon a variety of factors, including supply chain issues and site-by-site requirements.

We may incur costs to defend our position and/or incur reputational damage even if we are not liable for consequences arising out of human exposure to contamination and/or hazardous substances in our water supplies, other environmental damage, or our customer's business interruption. Our insurance policies may not be sufficient to cover the costs of our defense or, in the event we are liable, these claims, and losses incurred, may make it difficult for us to secure insurance in the future at acceptable rates. Such claims or actions could harm our business, reputation, financial condition, and results of operations.

Transporting, distributing and storing natural gas involves numerous risks that may result in accidents and other operating risks and costs.

Natural gas transportation, distribution and storage activities inherently involve a variety of hazards and operational risks, such as leaks, accidental explosions, well failure, damage caused by third parties and mechanical problems, which could cause substantial financial losses. These risks could result in serious personal injury, loss of human life, significant damage to property, environmental pollution, impairment of operations, and substantial losses. The location of pipelines and storage facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. These activities may also subject the Company to litigation or administrative proceedings. Such litigation or proceedings could result in substantial monetary judgments, fines or penalties against the Company or otherwise be resolved on unfavorable terms.

We are subject to federal and state laws and regulations requiring the Company to maintain certain safety and system integrity measures by identifying and managing storage and pipeline risks. In addition, companies that supply and transport gas to Peoples are also subject to similar regulations and other restrictions related to their activities. Compliance with these laws and regulations, or future changes in these laws and regulations, may, directly or indirectly, result in increased capital, operating, and other costs which may not be recoverable in a timely manner or at all from customers in rates. In accordance with customary industry practices, we maintain insurance against a significant portion, but not all, of these risks and losses. To the extent any of these events occur or regulations change, it could adversely affect our business, reputation, financial condition, and results of operations.

Risks Related to the Company's Capital Needs and Common Stock

We have substantial indebtedness, as a result, it may be more difficult for the Company to pay or refinance its debts or take other actions, and the Company may need to divert cash to fund debt service payments.

As of December 31, 2024, our aggregate long-term and short-term debt balance was \$7,745,638,000. The substantial indebtedness could:

- make it more difficult and/or costly for the Company to pay or refinance its debts as they become due, particularly during adverse economic and industry conditions, because a decrease in revenues or increase in costs could cause cash flow from operations to be insufficient to make scheduled debt service payments;
- limit the Company's flexibility to pursue other strategic opportunities or react to changes in its business and the industry sectors in which it operates and, consequently, put the Company at a competitive disadvantage to its competitors that have less debt;
- require a substantial portion of the Company's available cash to be used for debt service payments, thereby reducing the availability of its cash to fund working capital, capital expenditures, development projects, acquisitions, dividend payments, and other general corporate purposes, which could harm the Company's prospects for growth;
- result in a downgrade in the credit ratings on the Company's indebtedness, which could limit the Company's ability to borrow additional funds on favorable terms or at all and increase the interest rates under its credit facilities and under any new indebtedness it may incur;
- make it more difficult for the Company to raise capital to fund working capital, make capital expenditures, pay dividends, pursue strategic initiatives or for other purposes;
- result in higher interest expense, which could be further increased in the event of increases in interest rates on the Company's current or future borrowings; and
- require that additional materially adverse terms, conditions or covenants be placed on the Company under its debt instruments, which covenants might include, for example, limitations on additional borrowings and specific restrictions on uses of its assets, as well as prohibitions or limitations on its ability to create liens, pay dividends, receive distributions from its subsidiaries, redeem or repurchase its stock or make investments, any of which could hinder its access to capital markets and limit or delay its ability to carry out its capital expenditure program or otherwise limit its flexibility in the conduct of its business and make it more vulnerable to economic downturns and adverse competitive and industry conditions.

Based on the current and expected results of operations and financial condition of the Company, the Company believes that its cash flows from operations, together with the proceeds from borrowings, and issuances of equity and debt securities in the capital markets will generate sufficient cash on a consolidated basis to make all of the principal and interest payments when such payments are due under the Company's and its current subsidiaries' existing credit facilities, indentures and other instruments governing their outstanding indebtedness. However, the Company's expectation is based upon numerous estimates and assumptions and is subject to numerous uncertainties.

Our business requires significant capital expenditures that are partially dependent on our ability to secure appropriate funding. Disruptions in the capital markets may limit our access to capital. If we are unable to obtain sufficient capital, or if the cost of borrowing increases, it may harm our business, financial condition, results of operations, and our ability to pay dividends.

Our business is capital intensive. In addition to the capital required to fund customer growth through our acquisition strategy, on an annual basis, we invest significant sums for additions to or replacement of property, plant and equipment. We obtain funds for our capital expenditures from operations, contributions and advances by developers and others, debt issuances, and equity issuances. We have paid dividends consecutively for 80 years, and our Board of Directors recognizes the value that our common shareholders place on both our historical payment record and on our future anticipated dividend payments. Our ability to continue our growth through acquisitions and to maintain and meet our financial objectives is dependent upon the availability of adequate capital, and we may not be able to access the capital markets on favorable terms or at all. Additionally, if in the future, our credit facilities are not renewed or our short-term borrowings are called for repayment, we would need to seek alternative financing sources; however, there can be no assurance that these alternative financing sources would be available on terms acceptable to us. In the event we are

unable to obtain sufficient capital, we may need to take steps to conserve cash by reducing our capital expenditures or dividend payments and our ability to pursue acquisitions may be limited. The reduction in capital expenditures may result in reduced potential earnings growth, affect our ability to meet environmental laws and regulations, and limit our ability to improve or expand our utility systems to the level we believe appropriate. There is no guarantee that we will be able to obtain sufficient capital in the future on reasonable terms and conditions for expansion, construction, and maintenance. In addition, delays in completing major capital projects could delay the recovery of the capital expenditures associated with such projects through rates.

If the cost of borrowing continues to increase, we might not be able to recover increases in our cost of capital through rates. The inability to recover higher borrowing costs through rates, or the regulatory lag associated with the time that it takes to begin recovery, may harm our business, financial condition, results of operations and cash flows.

Our inability to comply with debt covenants under our loan and debt agreements could result in prepayment obligations.

We are obligated to comply with debt covenants under some of our loan and debt agreements. Failure to comply with covenants under our loan and debt agreements could result in an event of default, which if not cured or waived, could result in us being required to repay or finance these borrowings before their due date, limit future borrowings, cause us to default on other obligations, and increase borrowing costs. If we are forced to repay or refinance (on less favorable terms) these borrowings, our business, financial condition, and results of operations could be harmed by reduced access to capital and increased costs and rates.

The price of our common stock may be volatile. This volatility may affect the price at which one could sell our common stock, and the sale or resale of substantial amounts of our common stock could adversely affect the market price of our common stock.

The sale or issuance of substantial amounts of our common stock, or the perception that additional sales or issuances could occur, could adversely affect the market price of our common stock, even if the business is doing well. In addition, the availability for sale of substantial amounts of our common stock could adversely impact its market price. Any of the foregoing may also impair our ability to raise additional capital through the sale of our equity securities or could result in incremental dilution due to issuing equity at a lower share price.

Risks Related to Acquisitions

One of the important elements of our growth strategy is the acquisition of regulated utility systems. Any acquisition we decide to undertake may involve risks. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and strategic and financial buyers may hinder our ability to grow our business. Lastly, competition and industry trends could impact our ability to retain existing customers or acquire new customers, which could have an adverse impact on our business, results of operations and financial condition.

One important element of our growth strategy is the acquisition and integration of regulated utility systems in order to broaden our service areas. We will not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. It is our intent, when practical, to integrate any businesses we acquire with our existing operations. Investing in and integrating acquisitions could require us to incur significant costs and cause diversion of our management's time and resources, and we may be unable to successfully integrate our business with acquired businesses or to realize anticipated benefits of acquisitions. Acquisitions by us could also result in:

- dilutive issuances of our equity securities;
- incurrence of debt, contingent liabilities, and environmental liabilities;
- unanticipated capital expenditures;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets for which we may never realize their full value and may result in an asset impairment that may negatively affect our results of operations;
- fluctuations in quarterly and/or annual results;

other acquisition related expenses; and
exposure to unknown or unexpected risks and liabilities.

Some or all of these items could harm our business, financial condition, results of operations, and cash flows, and our ability to finance our business and to comply with regulatory requirements. The businesses we acquire may not achieve sales and profitability that would justify our investment, and any difficulties we encounter in the integration process, including in the integration of processes necessary for internal control and financial reporting, could interfere with our operations, reduce our operating margins and harm our internal controls.

Some states in which we operate allow the respective public utility commissions to use fair market value to set ratemaking rate base instead of the traditional depreciated original cost of water or wastewater assets for certain qualifying municipal acquisitions. Depending on the state, there are varying rules and circumstances in which fair value is determined. A number of states' regulations allow ratemaking rate base to equal the lower of the average of the appraisals or the purchase price, subject to regulatory approval. There may be situations where we may pay more than the ultimate fair value of the utility assets as set by the regulatory commission, despite the fair value legislation suggesting its full recovery. In these situations, goodwill may be recognized to the extent there is an excess purchase price over the fair value of net tangible and identifiable intangible assets acquired through a business acquisition. Our financial condition and results of operations could be harmed by an inability to earn a return on, and recover our purchase price as a component of rate base. Regulatory actions or changes in significant assumptions, including discount and growth rates, utility sector market performance and comparable transaction multiples, projected operating and capital cash flows, and fair value of debt, could also potentially result in future impairments which could be material.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers, for acquisition opportunities. As consolidation becomes more prevalent in the utility industry and competition for acquisitions increases, the prices for suitable acquisition candidates may increase to unacceptable levels and limit our ability to grow through acquisitions. In addition, our competitors may impede our growth by purchasing utilities near our existing operations, thereby preventing us from acquiring them. Governmental entities or environmental / social activist groups have challenged, and may in the future challenge our efforts to acquire new service territories, particularly from municipalities or municipal authorities. Additionally, on occasion we have entered into agreements to acquire water or wastewater utility systems that have been challenged by municipalities or other parties, or where referenda are required, which may impact our ability to complete the acquisition. Higher purchase prices and resulting rates may limit our ability to invest additional capital for system maintenance and upgrades in an optimal manner. Our growth could be hindered if we are not able to compete effectively for new companies and/or service territories with other companies or strategic and financial buyers that have lower costs of operations or capital, or that submit more attractive bids. Any of these risks may harm our business, financial condition, and results of operations.

We face the risk that large natural gas customers may bypass gas distribution services by gaining distribution directly from interstate pipelines, other gas distributors, or other energy sources. Increased competition or other changes in legislation, regulation, or policies could have a material adverse effect on our business, financial condition, or results of operations. Moreover, changes in wholesale natural gas prices compared with prices for electricity, fuel oil, coal, propane, or other energy sources may affect the retention of natural gas customers and may adversely impact our future financial condition and results of operations.

The integration of acquisitions can be a multi-year activity depending upon the complexity and significance of the acquisition.

One element of our strategic plans is our growth through acquisition strategy. Acquisitions in the utility industry are time consuming and complex, with the number of regulatory approvals needed. A significant acquisition can require significant time and resources, including devotion of management time, to integrate the acquired business.

Item 1B *Unresolved Staff Comments*

None

Item 1C *Cybersecurity****Risk Management and Strategy***

In connection with our enterprise risk management process, we identify, prioritize and monitor key risks that may affect the Company, including risks from cyber threats. Our cybersecurity program is aligned to the National Institute of Standards and Technology (NIST) Cybersecurity Framework. We have enterprise-wide security policies, standards and controls that incorporate best practices in security engineering, technology architecture and data protection, which support regulatory compliance. Our program includes encryption, data masking technology, data loss prevention technology, authentication technology, entitlement management, access control, anti-malware software and transmission of data over private networks, among other procedures designed to protect against unauthorized access to information. We also implemented specialized programs, such as enterprise-wide communications, presentations, phishing simulations and focused training for specific roles, as well as a general cybersecurity training program required for all employees. We also engage third parties to perform regular reviews of our security framework controls to promote objectivity. Our processes to identify, assess and manage material risks of cyber threats include risks associated with third party service providers, including cloud-based platforms. We believe that these processes provide us with a comprehensive assessment of potential cyber threats.

We maintain cybersecurity protection measures with respect to our information technology, including our customer data, and, in some cases, the monitoring and operation of our treatment, storage, pumping, and pipeline infrastructure. We rely on our information technology systems in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our treatment, storage, pumping, and pipeline infrastructure. In addition, we rely on our systems to track our utility assets and to manage maintenance and construction projects, materials and supplies, and our human resource functions.

To date, risks from cybersecurity threats and incidents have not materially affected the Company, including its business strategy, financial condition, or results of operations. Refer to Item 1A – *Risk Factors* for additional information.

Governance

Role of Management - Our cybersecurity program is overseen by a cross-functional committee of senior business leaders and led by our Chief Information Officer. This management committee meets bimonthly and is charged with overseeing our cybersecurity strategy, ensuring that cyber risk is managed, and that the program is aligned to business goals and objectives. Our Chief Information Officer has formal education in information technology; has multi-year experience working in the Company's information and technology function; and receives periodic training and education on cybersecurity-related topics.

Role of the Board of Directors - The Board of Directors has a Risk and Investment Policy Committee ("RP Committee") whose primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities. The RP Committee oversees a number of the Company's risk management practices, including cybersecurity risks. Our Chief Information Officer provides updates on cybersecurity risks, threats, key developments in policies and practices, and related risk exposures to the RP Committee at least quarterly, and more often as needed. When covered during an RP Committee meeting, the Chairperson of the RP Committee reports on its discussions to the full Board of Directors. Additionally, management provides an update to the full Board of Directors at least once a year, and more often as needed. The Board of Directors annually reviews and approves the capital and operating budgets, ultimately reviewing and approving the amount spent on cybersecurity measures.

Item 2. *Properties*

Our Regulated Water properties consist of water transmission and distribution mains and wastewater collection pipelines, water and wastewater treatment plants, pumping facilities, wells, tanks, meters, pipes, dams, reservoirs, buildings, vehicles, land, easements, rights-of-way, and other facilities and equipment used for the operation of our systems, including the collection, treatment, storage, and distribution of water and the collection and treatment of wastewater. Substantially all of our treatment, storage, and distribution properties are owned by our subsidiaries, and a substantial portion of our property is subject to liens of mortgage or indentures. These liens secure bonds, notes and other evidences of long-term indebtedness of our subsidiaries. For some properties that we acquired through the exercise of the power of eminent domain and other properties we purchased, we hold title for water supply purposes only. We own, operate and maintain approximately 14,500 miles of transmission and distribution mains, 24 surface water treatment plants, many well treatment stations, and 203 wastewater treatment plants. A small portion of the properties are leased under long-term leases.

Our Regulated Natural Gas properties consist of approximately 15,000 miles of natural gas distribution mains, varying in size from one-half inch to 30 inches in diameter, 1,700 miles of gathering pipeline, 300 miles of intrastate transmission/storage pipeline, and both active and inactive gas storage wells. Further, in each of the cities, towns, and rural areas where we serve natural gas customers, we own the underground gas mains and service lines, metering, and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the measuring stations at which we receive gas from third parties are owned, operated, and maintained by others, and our distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on land owned by suppliers.

The following table indicates our net property, plant and equipment, in thousands of dollars, as of December 31, 2024 in the principal states where we operate:

	<u>Net Property, Plant and Equipment</u>	
Pennsylvania	\$ 9,305,441	70.8%
Ohio	756,201	5.8%
Illinois	699,938	5.3%
North Carolina	590,991	4.5%
Texas	806,382	6.1%
Other (1)	984,523	7.5%
Consolidated	<u>\$ 13,143,476</u>	<u>100.0%</u>

(1) Consists primarily of our operating subsidiaries in the following states: New Jersey, Indiana, Virginia, and Kentucky.

We believe that our properties are generally maintained in good condition and in accordance with current standards of good water, wastewater, and natural gas industry practice. We believe that our facilities are adequate and suitable for the conduct of our business and to meet customer requirements under normal circumstances.

Our corporate offices are leased from our subsidiary, Aqua Pennsylvania, and are located in Bryn Mawr, Pennsylvania.

Item 3. *Legal Proceedings*

There are various legal proceedings in which we are involved. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our properties is the subject that we believe are material or are expected to materially harm our business, operating results, reputation, or financial condition.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for the Registrant's Common Stock, Related Stockholder Matters and Purchases of Equity Securities*

Our common stock is traded on the New York Stock Exchange under the ticker symbol WTRG. As of February 24, 2025, there were approximately 17,045 holders of record of our common stock.

The following table shows the cash dividends per share for the periods indicated:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2024					
Dividend paid per common share	\$ 0.3071	\$ 0.3071	\$ 0.3255	\$ 0.3255	\$ 1.2652
Dividend declared per common share	0.3071	-	0.3255	0.6510 *	1.2836
2023					
Dividend paid per common share	\$ 0.2870	\$ 0.2870	\$ 0.3071	\$ 0.3071	\$ 1.1882
Dividend declared per common share	0.2870	-	0.3071	0.6142 **	1.2083

* includes dividends declared in December 2024 that are payable to shareholders on March 3 of the subsequent year

**includes dividends declared in December 2023 that are payable to shareholders on March 1 of the subsequent year

We have paid dividends consecutively for 80 years. On July 31, 2024, our Board of Directors authorized an increase of 6.0% in the September 3, 2024 quarterly dividend over the dividend Essential Utilities paid in the previous quarter. As a result of this authorization, beginning with the dividend payment in September 2024, the annualized dividend rate increased to \$1.302 per share. This is the 34th dividend increase in the past 33 years and the 26th consecutive year that we have increased our dividend in excess of five percent. We presently intend to pay quarterly cash dividends in the future, on March 1, June 1, September 1, and December 1, subject to our earnings and financial condition, restrictions set forth in our debt instruments, regulatory requirements, and such other factors as our Board of Directors may deem relevant. In 2024, our dividends paid represented 58.2% of net income.

Information with respect to restrictions set forth in our debt instruments is disclosed in Note 11 – *Long-term Debt and Loans Payable* in the *Notes to Consolidated Financial Statements* which is contained in Item 8 of this Annual Report.

During the fourth quarter of 2024, the Company did not repurchase any of its equity securities under any repurchase plan or program.

Item 6. *[RESERVED]*

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***OVERVIEW**

The following discussion and analysis of our financial condition and results of operations should be read together with our Consolidated Financial Statements and accompanying Notes included in this Annual Report. This discussion contains forward-looking statements that are based on management's current expectations, estimates, and projections about our business, operations, and financial performance. All dollar amounts are in thousands of dollars, except per share amounts.

The Company

Essential Utilities, Inc., (Essential Utilities, the Company, we, us, or our), a Pennsylvania corporation, is the holding company for regulated utilities providing water, wastewater, or natural gas services to an estimated 5.5 million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, Virginia, and Kentucky under the Aqua and Peoples brands. One of our largest operating subsidiaries, Aqua Pennsylvania, Inc. (Aqua Pennsylvania), provides water or wastewater services to approximately one-half of the total number of water or wastewater customers we serve. These customers are located in the suburban areas in counties north and west of the City of Philadelphia and in 27 other counties in Pennsylvania. Our other regulated water or wastewater utility subsidiaries provide similar services in seven additional states. Our Peoples subsidiaries provide natural gas service to approximately 745,000 customers in western Pennsylvania and Kentucky. Approximately 95% of the total number of natural gas utility customers we serve are in western Pennsylvania. Lastly, the Company's market-based activities are conducted through Aqua Resources, Inc. and certain other non-regulated subsidiaries of Peoples. Aqua Resources offers, through a third-party, water and sewer service line protection solutions and repair services to households. Other non-regulated subsidiaries of Peoples provide utility service line protection services to households and operate gas marketing and production businesses.

In October 2023, the Company completed the sale of its regulated natural gas utility assets in West Virginia, which represented approximately two percent of the Company's regulated natural gas customers. The Company initially received net cash proceeds of \$39,965, subject to working capital and other adjustments. In March 2024, the Company received an additional \$1,213 from the buyer. In January 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects for \$165,000. These transactions are consistent with the Company's long-term strategy of focusing on its core business and will allow the Company to prioritize the growth of its utilities in states where it has scale. The Company used the proceeds from these transactions to finance its capital expenditures and water and wastewater acquisitions, in place of external funding from equity and debt issuances. See Note 3 – *Dispositions* in the *Notes to Consolidated Financial Statements* which is contained in Item 8 of this Annual Report for additional information.

Recent Developments**Water Quality Standards**

On April 10, 2024, the U.S. Environmental Protection Agency ("EPA") announced the final National Primary Drinking Water Regulation (NPDWR) for the treatment of six per- and polyfluoroalkyl substances or compounds ("PFAS"). The NPDWR established the maximum contaminant levels (MCLs) in drinking water and allows for a five-year window to comply (Compliance Period). The Company performed its analysis of the NPDWR and estimated an investment of at least \$450,000 of capital expenditures to install additional treatment facilities over the Compliance Period in order to comply (i.e., 2029 pending no delays due to lawsuits). This figure could increase as plans for construction execution are refined or if additional sites require treatment in the future. Additionally, the Company estimates annual operating expenses of approximately five percent of the installed capital expenditures, in today's dollars, related to testing, treatment, and disposal. These were preliminary estimates and actual capital expenditures and expenses may differ based upon a variety of factors, including supply chain issues and site-by-site requirements.

On October 30, 2024, the EPA issued the final Lead and Copper Rule Improvements (LCRI) which requires water systems to identify and replace lead pipes by 2037, lowers the lead action level threshold, and requires more proactive communications about lead pipes and plans for replacements, among other items. The LCRI builds upon the Lead and Copper Rule Revisions (LCRR) issued in 2021 and the Lead and Copper Rule (LCR) issued in 1992. The Company has been replacing lead service lines as part of its ongoing water main replacement and service line renewal programs, and in accordance with applicable state regulations. Pursuant to the LCRR, the Company completed the submission of its initial lead service line inventories on October 14, 2024. The Company estimates that approximately 6% of its regulated water service systems contain some lead or galvanized service lines requiring replacement. The Company currently has budgeted approximately \$210,000 of capital expenditures over the next five years for lead and galvanized service line replacement. Management is still reviewing the final LCRI and its impact to the Company.

Capital expenditures and operating costs required as a result of water quality standards have traditionally been recognized by state utility commissions as appropriate for inclusion in establishing rates. Various federal and state funding programs are also available to help reduce costs for rate payers. The Company has been actively applying for grants and low interest loans, whenever possible, to reduce the overall cost to customers.

~~Comprehensive Environmental Response, Compensation, and Liability Act~~

On April 19, 2024, the EPA announced a final rule that designated two PFAS chemicals, perfluorooctanoic acid (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”), as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), also known as Superfund. This final action will address PFOA and PFOS contamination by enabling investigation and cleanup of these harmful chemicals and ensuring that leaks, spills, and other releases are reported. In addition to the final rule, the EPA issued a separate CERCLA enforcement discretion policy that makes it clear that the EPA will focus enforcement on parties who significantly contributed to the release of PFAS chemicals into the environment, including parties that have manufactured PFAS or used PFAS in the manufacturing process, federal facilities, and other industrial parties. The policy identifies examples for operators of public water systems and wastewater systems or entities performing a public service role in providing safe drinking water, handling municipal solid waste, treating or managing stormwater and wastewater, disposing of pollution control residuals, or ensuring beneficial application of wastewater products as a fertilizer substitute. The potential liabilities to the Company, if any, resulting from this rule are currently being evaluated. Multiple lawsuits were filed by various companies and industry groups against the EPA's PFAS rule and are awaiting court action.

The Company continues to advocate for actions to hold polluters accountable and is part of the Multi-District Litigation and other legal actions against multiple PFAS manufacturers and polluters to attempt to ensure that the ultimate responsibility for the cleanup of these contaminants is attributed to the polluters and is seeking damages and other costs to address the contamination of its public water supply systems by PFAS. The Company is also monitoring ongoing litigation and settlement activity with manufacturers of PFAS in these proceedings. For more information, see [Note 9 – Commitments](#), in the *Notes to Consolidated Financial Statements*, which is contained in Item 8 of this Annual Report for the year ended December 31, 2024.

Economic Regulation

Most of our utility operations are subject to regulation by their respective state utility commissions, which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions, and authorize the issuance of securities. The utility commissions also generally establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, and loans and other financings. The policies of the utility commissions often differ from state to state and may change over time. A small number of our operations are subject to rate regulation by county or city government. Over time, the regulatory party in a particular state may change. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances in the various states in which we operate. One consideration we may undertake in evaluating on which states to focus our growth and investment strategy is whether a state provides for consolidated rates, a surcharge for replacing and rehabilitating infrastructure, fair value treatment of

acquired utility systems, and other regulatory policies that promote infrastructure investment and efficiency in processing rate cases.

The mission of the regulated utility industry is to provide quality and reliable utility service at reasonable rates to customers, while earning a fair return for shareholders. We strive to achieve the industry's mission by effective planning, efficient investments, and productive use of our resources. We maintain a rate case management capability to pursue timely and adequate returns on the capital investments that we make in improving our distribution system, treatment plants, information technology systems, and other infrastructure. This capital investment creates assets that are used and useful in providing utility service and is commonly referred to as rate base. In pursuing our rate case strategy, we consider the amount of net utility plant additions and replacements made since the previous rate decision, the changes in the cost of capital, changes in our capital structure, and changes in operating and other costs. Based on these assessments, our utility operations periodically file rate increase requests with their respective state utility commissions or local regulatory authorities. In general, as a regulated enterprise, our utility rates are established to provide full recovery of utility operating costs, taxes, interest on debt used to finance capital investments, and a return on equity used to finance capital investments. There may be a regulatory lag between the time when operating costs increases, customer usage changes, and capital investments occur and when those items are incorporated into rates. On occasion, our regulated utility companies may enter into rate settlement agreements, which require us to wait for a period of time to file the next base rate increase request.

Presented below are some of the approved constructive regulatory practices that are available in the states in which we operate:

Regulatory Mechanism	States Allowed
Consolidated Tariff ^(a)	IL, IN, KY, NC, NJ, OH, PA, TX, VA
Future or Fully Projected Test Year ^(b)	IL, IN, KY, NC, NJ, OH, PA, VA
Infrastructure Surcharge Mechanism ^(c)	IL, IN, KY, NC, NJ, OH, PA, TX, VA
Purchased Gas Riders ^(d)	KY, PA
Revenue Stability Mechanism ^(e)	KY, PA, IL
Deferred Accounting ^(f)	IL, IN, KY, NC, NJ, OH, PA, TX, VA

^(a) Our water and wastewater operations are comprised of 38 rate divisions, and our natural gas operations are comprised of two rate divisions. Each of our utility rate divisions requires a separate rate filing for the evaluation of the cost of service and recovery of investments in connection with the establishment of tariff rates for that rate division. When feasible and beneficial to our utility customers, we have sought approval from the applicable state utility commission to consolidate rate divisions to achieve a more even distribution of costs over a larger customer base. All eight states in which we operate water and wastewater utilities currently permit us to file a revenue requirement using some form of consolidated rates for some or all of the rate divisions in that state.

^(b) Most of the states in which we operate allow us to use a future or fully projected test year in our rate filings, which allows current or projected revenues, expenses and capital investments to be collected on a more timely basis. In some cases, interim rate relief is allowed in the event of regulatory lag. Some states also permit our subsidiaries to use a surcharge or credit on their bills to reflect allowable changes in costs, such as changes in state tax rates, other taxes, and purchased water costs, until such time as the new costs are fully incorporated in base rates.

^(c) Each of the states in which we operate water, wastewater, and natural gas utilities, permit us to add an infrastructure rehabilitation surcharge to their respective bills, between rate cases, to offset the additional depreciation and capital costs associated with capital expenditures related to replacing and rehabilitating infrastructure systems.

^(d) Our natural gas utility business is affected by the cost of natural gas, and we are able to generally pass the cost of gas to our customers without markup under purchased gas cost adjustment mechanisms; consequently, increases in the cost of gas are offset by a corresponding increase in revenues.

(e) The natural gas utility business is subject to seasonal fluctuations with the peak usage period occurring in the heating season, which generally runs from October to March. We have in place a weather-normalization adjustment (WNA) mechanism for our natural gas customers served in Kentucky, and, beginning in October 2024, for our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company's results for its residential and small commercial natural gas customers. This regulatory mechanism reduces the delivery charge component of customers' bills for the additional volumes used when actual heating degree days (HDDs) exceed normalized HDDs and increases the delivery charge component of customers' bills for the reduced volumes when actual HDDs are less than normal HDDs. For a given day, the number of HDDs is calculated by subtracting the average of the high and low temperatures for the day from 65 degrees Fahrenheit. Normal HDDs are established through rate proceedings in each of our jurisdictions.

In Illinois, our operating subsidiary has a revenue stability mechanism which allows us to recognize state PUC-authorized revenue for a period which is not based upon the volume of water sold during that period, thereby reducing the impact of weather and consumption variability.

(f) We are permitted to apply for deferred cost accounting treatment and set up a regulatory asset for future recovery of certain costs until the next base rate case.

Timely and adequate rate relief is important to our continued profitability and in providing a fair return to our shareholders. We continue to pursue enhancements to our regulatory practices to facilitate the efficient recovery of the increased cost of providing services and infrastructure improvements in our rates and mitigate the inherent regulatory lag associated with traditional rate making processes.

Presented in the table below are annualized incremental revenues by state, assuming a constant sales volume and customer count, resulting from base rate case authorizations that became effective in 2024:

State	Segment	Effective Date	Annualized Revenue Increase
Ohio	Water	1/1/2024; 8/1/2024	\$ 1,637
	Wastewater	7/1/2024	490
North Carolina*	Water	1/1/2024	2,632
	Wastewater	1/1/2024	1,111
Virginia	Water	2/5/2024	4,830
	Wastewater	2/5/2024	660
Pennsylvania	Gas	9/27/2024	93,000
New Jersey	Water	10/15/2024	2,250
Illinois	Water	12/5/2024	4,726
	Wastewater	12/5/2024	6,906
Total Base Rate Case Authorizations in 2024			<u>\$ 118,242</u>

* Base rate case - step increase for Year 2

On February 7, 2025, the Pennsylvania Public Utility Commission ("PAPUC") issued an order approving, with certain minor modifications, the joint petition for non-unanimous partial settlement filed by Aqua Pennsylvania, Office of Consumer Advocate, and other groups, that allowed a base rate increase designed to increase total annual operating revenues by \$73,000. New rates went into effect on February 22, 2025. At the time the rate order was received, the rates in effect also included \$37,940 in Distribution System Improvement Charges ("DSIC"), which was 6.73% above prior base rates. Consequently, the aggregate annual base rates increased by \$110,940 since the last base rate increase and DSIC was reset to zero.

Our operating subsidiaries received rate increases representing estimated annualized revenues of \$118,242 in 2024 resulting from twelve base rate decisions, \$28,426 in 2023 resulting from seven base rate decisions, and \$81,610 in 2022 resulting from seven base rate decisions. Annualized revenues in aggregate from all of the rate increases realized in the year of grant were \$34,832 in 2024, \$10,109 in 2023, and \$51,163 in 2022. Refer to Note 17 – *Rate Activity* in this Annual Report for further information.

Growth Through Acquisitions and Capital Investment

The Company continues to focus on rate base growth opportunities to create a resilient and sustainable future. This is achieved through (i) acquisitions to expand the Company's service areas and increase customers, and (ii) delivering on its environmental reliability commitments through continued investment in replacing aging infrastructure, contaminant mitigation, and emissions reductions, among others.

Acquisitions

Part of our strategy to meet the industry challenges is to actively explore opportunities to expand our utility operations through acquisitions of water, wastewater, and other utilities either in areas adjacent to our existing service areas or in new service areas, and to explore acquiring market-based businesses that are complementary to our regulated utility operations. To complement our growth strategy, we routinely evaluate the operating performance of our individual utility systems, and in instances where limited economic growth opportunities exist or where we are unable to achieve favorable operating results or a return on equity that we consider acceptable, we will seek to sell the utility system and reinvest the proceeds in other utility systems. Consistent with this strategy, we are focusing our acquisitions and resources in states where we have critical mass of operations in an effort to achieve economies of scale and increased efficiency. Our growth-through-acquisition strategy allows us to operate more efficiently by sharing operating expenses over more utility customers and provides new locations for future earnings growth through capital investment. Another element of our growth strategy is the consideration of opportunities to expand by acquiring other utilities, including those that may be in a new state if they provide promising economic growth opportunities and a return on equity that we consider acceptable. Our ability to successfully execute this strategy historically and to meet the industry challenges has largely been due to our core competencies, financial position, and our qualified and trained workforce, which we strive to retain by treating employees fairly and providing our employees with development and growth opportunities.

During 2024, we completed two acquisitions of water and wastewater systems, which along with the organic growth in our existing systems, represent 9,391 new customers. During 2023, we completed seven acquisitions of water and wastewater systems, which along with the organic growth in our existing systems, represents 19,659 new customers. During 2022, we completed three acquisitions of water and wastewater systems, which along with the organic growth in our existing systems, represents 31,537 new customers..

As of December 31, 2024, the Company has seven signed purchase agreements for additional water and wastewater systems that are expected to serve approximately 213,000 equivalent retail customers or equivalent dwelling units and total approximately \$362,000 in purchase price in three of our existing states. This includes the Company's agreement to acquire the Delaware County Regional Water Quality Control Authority (DELCORA) for \$276,000. DELCORA, a Pennsylvania sewer authority, serves approximately 198,000 equivalent dwelling units in the Philadelphia suburbs. Refer to Note 2 – *Acquisitions* in this Annual Report for further discussion.

As of December 31, 2024, the pipeline of potential water and wastewater municipal acquisitions the company is actively pursuing represents approximately 400,000 total customers or equivalent dwelling units. The Company remains on track to, over the long term, annually increase customers between 2% and 3% through acquisitions and organic customer growth.

On January 31, 2025, the Company closed on the acquisition of Greenville Sanitary Authority's wastewater utility assets, which serves approximately 2,300 customers in Greenville, Pennsylvania for \$18,000.

Capital Investment

In 2024, the Company invested \$1,329,747 to improve its regulated water and natural gas infrastructure systems and to enhance customer service across its operations. From 2025 through 2029, the company plans to invest approximately \$7,800,000 to improve water and natural gas systems and better serve customers through improved information technology. The Company's investments include addressing PFAS with at least \$450,000 in capital projects, replacing and expanding its water and wastewater utility infrastructure, and replacing and upgrading its natural gas utility infrastructure, with the latter leading to significant reductions in methane emissions that occur in aged gas pipes. The capital investments made to rehabilitate and expand the infrastructure of the communities the Company serves are critical to its mission of safely and reliably delivering Earth's most essential resources.

Rate Base Growth

Since 2020, the Company's combined rate base grew by 44%. The Company expects its regulated water and natural gas rate bases to grow at a compound annual rate of around 6% and 11%, respectively, through 2029. The combined rate base is expected to grow at a compound annual rate of 8% through 2029.

As of December 31, 2024, the Company's rate base is estimated to be \$11,500,000, which is comprised of:

\$7,300,000 in the Regulated Water segment; and
\$4,200,000 in the Regulated Natural Gas segment.

As of December 31, 2024, the regulatory status of the Company's rate base is estimated to be as follows:

\$10,300,000 filed with respective state utility commissions or local regulatory authorities; and
\$1,200,000 not yet filed with respective state utility commissions or local regulatory authorities.

RESULTS OF OPERATIONS

Consolidated financial and operational highlights for the years ended December 31, 2024, 2023, and 2022 are presented below. For discussion of our results of operations and cash flows for 2023 compared with 2022, refer to Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on [Form 10-K for our fiscal year ended December 31, 2023](#), filed with the SEC on February 29, 2024.

Years ended December 31,	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Operating revenues:					
Regulated water segment	\$ 1,221,880	\$ 1,153,376	\$ 1,082,972	\$ 68,504	\$ 70,404
Regulated natural gas segment	842,991	863,759	1,143,362	(20,768)	(279,603)
Other and eliminations	21,242	36,689	61,698	(15,447)	(25,009)
Consolidated operating revenues	\$ 2,086,113	\$ 2,053,824	\$ 2,288,032	\$ 32,289	\$ (234,208)
Operations and maintenance expense	\$ 587,250	\$ 575,518	\$ 613,649	\$ 11,732	\$ (38,131)
Net income	\$ 595,314	\$ 498,226	\$ 465,237	\$ 97,088	\$ 32,989
Capital expenditures	\$ 1,329,747	\$ 1,199,103	\$ 1,062,763	\$ 130,644	\$ 136,340
Operating Statistics					
Selected operating results as a percentage of operating revenues:					
Operations and maintenance	28.2%	28.0%	26.8%	0.2%	1.2%
Depreciation and amortization	17.7%	16.7%	14.0%	1.0%	2.7%
Taxes other than income taxes	4.5%	4.4%	3.9%	0.1%	0.5%
Interest expense, net of interest income	14.3%	13.6%	10.2%	0.7%	3.4%
Net income	28.5%	24.3%	20.3%	4.2%	4.0%
Return on Essential Utilities stockholders' equity	9.6%	8.4%	8.7%	1.2%	-0.3%
Ratio of capital expenditures to depreciation expense	3.7	3.5	3.4	0.2	0.1
Effective tax rate	(3.8%)	(15.4%)	(3.2%)	11.6%	(12.2%)

Consolidated Results of Operations Comparison for 2024 and 2023

Operating revenues - Operating revenues increased by \$32,289 or 1.6% for the year ended December 31, 2024 compared to the year ended December 31, 2023. Revenues from our Regulated Water segment increased by \$68,504, Regulated Natural Gas segment revenues decreased by \$20,768 and Other business segment revenues decreased by \$15,447. A detailed discussion of the factors contributing to the changes in segment operating revenues is included below under the section, Segment Results of Operations.

Our Other business segment revenues consist of market-based revenues at Aqua Resources and our non-regulated natural gas operations amounting to \$21,242 in 2024, \$36,689 in 2023, and \$61,698 in 2022. The decrease in Other business segment revenues in 2024 compared to 2023 is primarily due to lower revenues from our non-regulated natural gas operations as a result of lower average gas prices and lower gas usage in the current period as compared to the prior period.

Operating expenses - Operations and maintenance expenses increased in 2024, as compared to 2023, by \$11,732 or 2.0%, primarily due to:

- an increase in customer assistance surcharge costs of \$8,140 in our Regulated Natural Gas segment, which has an equivalent offsetting amount in revenues;
- an increase in employee related costs of \$7,828, primarily resulting from higher salary costs, healthcare costs, and contributions to the Company's defined contribution plan, offset by lower pension cost;
- an increase in production costs for water and wastewater operations of \$5,880, primarily due to higher purchased water, wastewater, and power costs;
- additional operating costs associated with acquired and pending acquisitions of water and wastewater utility systems and higher customer base of \$2,788;
- an insurance recovery of \$2,448 in 2023 associated with clean-up costs and other expenses incurred during Hurricane Ida; and,
- an increase in materials and supplies of \$2,026; offset by
- a decrease in legal expenses of \$4,137;
- a decrease in bad debt expense of \$1,344;
- a decrease in transportation expenses of \$1,548; and,
- lower operations and maintenance expense of \$12,411 as a result of our sale of the assets of Peoples West Virginia in October 2023 and our interest in three non-utility local microgrid and distributed energy projects in January 2024.

Purchased gas decreased by \$75,297 or 21.4% in 2024 compared to 2023. Purchased gas represents the cost of gas sold by Peoples for the regulated and non-regulated gas business and has a corresponding offset in revenue. This expense decreased for the regulated natural gas business and non-regulated business by \$60,322 and \$14,975, respectively. The decrease in 2024 is the result of the impact of lower average cost of gas of \$55,236, lower gas usage of \$11,380 due to warmer weather conditions, and a decrease of \$8,681 from the sale of Peoples West Virginia in October 2023 and our three non-utility local microgrid and distributed energy projects in January 2024.

Depreciation and amortization expense increased by \$25,857 or 7.5%, in 2024 over 2023, principally due to continued capital expenditures to expand and improve our utility facilities, upgrade our information systems, our acquisitions of new utility systems, and additional rate case filings. Expenses associated with filing rate cases are deferred and amortized over periods that generally range from one to three years.

Taxes other than income taxes increased by \$4,426 or 4.9% in 2024 as compared to 2023 largely due to an increase in property taxes, payroll taxes, and pumping fees.

Other expense, net - Interest expense, net of interest income, increased by \$15,406 in our Regulated Water segment and by \$668 for our Regulated Natural Gas segment. Refer to Segment Results of Operations below for further details. Interest expense, net of interest income, in Other relates to our corporate operations, and this increased by \$3,114. The weighted average cost of fixed rate long-term debt was 4.03% at December 31, 2024 and 3.86% at December 31, 2023. The weighted average cost of fixed and variable rate long-term debt was 4.14% at December 31, 2024 and 4.14% at December 31, 2023.

Allowance for funds used during construction (AFUDC) was \$21,310 in 2024 and \$16,967 in 2023, and varies as a result of changes in the average balance of utility plant construction work in progress, to which AFUDC is applied, changes in the AFUDC rate which is based predominantly on short-term interest rates, changes in the balance of short term-debt, and changes in the amount of AFUDC related to equity. The increase in 2024 is primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied. The amount of AFUDC related to equity was \$13,938 in 2024 and \$11,726 in 2023.

Gain on sale of other assets totaled \$92,224 in 2024 and \$65 in 2023. During the first quarter of 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects and recognized a gain of \$91,236.

Other, net was income of \$1,425 in 2024 and \$2,613 in 2023, and largely consists of the non-service cost component of our net benefit cost for our pension and post-retirement benefits and unrealized gains and losses on investments associated with our non-qualified pension plan. The change is primarily due to the increase in the pension and post-retirement benefit non-service cost component of net periodic benefit expense in 2024 in our Regulated Water segment.

Income tax benefit - Our effective income tax rate was a benefit of 3.8% in 2024 and 15.4% in 2023. The Company's provision for income taxes represents an income tax benefit due to the effects of tax deductions recognized for certain qualifying infrastructure investments. The decrease in the income tax benefit is primarily attributed to the gain recognized from the sale of the Company's interest in three non-utility local microgrid and distributed energy projects in the first quarter of 2024 and decrease in tax benefit associated with the repairs tax deduction for qualifying utility infrastructure investments in our Regulated Natural Gas segment.

Net income -

	Years ended December 31,		
	2024	2023	2022
Operating income	\$ 757,668	\$ 692,097	\$ 661,187
Net income	\$ 595,314	\$ 498,226	\$ 465,237
Diluted net income per share	\$ 2.17	\$ 1.86	\$ 1.77

The changes in diluted net income per share in 2024 over the previous year were due to the aforementioned changes.

Although we have experienced increased income in the recent past, continued adequate rate increases reflecting increased operating costs and new capital improvements are important to the future realization of improved profitability.

Segment Results of Operations Comparison for 2024 and 2023

We have identified eleven operating segments, and we have two reportable segments based on the following:

Eight segments are composed of our water and wastewater regulated utility operations in the eight states where we provide these services. These operating segments are aggregated into one reportable segment, Regulated Water, since each of these operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution and/or wastewater collection methods, and the nature of the regulatory environment.

Our Regulated Natural Gas segment is composed of natural gas utility companies in three states acquired in the Peoples Gas Acquisition. These utilities provide natural gas distribution services, and their operating results subsequent to the March 16, 2020 acquisition date are reported in the Regulated Natural Gas segment. In October 2023, the Company sold its regulated natural gas utility assets in West Virginia, which represented approximately two percent of the Company's regulated natural gas customers. The sale concluded the Company's regulated utility operations in West Virginia.

Two segments are not quantitatively significant to be reportable and are composed of our non-regulated natural gas operations and Aqua Resources. These segments are included as a component of “Other,” in addition to corporate costs that have not been allocated to the Regulated Water and Regulated Natural Gas segments, because they would not be recoverable as a cost of utility service, and intersegment eliminations. Corporate costs include general and administrative expenses, and interest expense.

Regulated Water Segment

The following tables present the selected operating results and customers served for our Regulated Water segment, for the year ended December 31:

	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Sendout^(a) (in millions of gallons)					
Pennsylvania	43,794	42,525	42,666	1,269	(141)
Ohio	13,979	13,560	14,604	419	(1,044)
Illinois	8,774	8,421	8,784	353	(363)
Texas	8,038	8,703	8,606	(665)	97
North Carolina	5,809	5,824	5,934	(15)	(110)
Other states	6,705	6,526	6,272	179	254
Subtotal	87,099	85,559	86,866	1,540	(1,307)
Elimination	(94)	(122)	(141)	28	19
Total sendout by state	87,005	85,437	86,725	1,568	(1,288)
Utility customers:					
Residential water	865,028	859,331	850,673	5,697	8,658
Commercial water	43,969	43,853	43,119	116	734
Industrial water	1,275	1,283	1,286	(8)	(3)
Other water	19,774	19,123	18,446	651	677
Wastewater	193,821	190,119	181,721	3,702	8,398
Total water and wastewater utility customers	1,123,867	1,113,709	1,095,245	10,158	18,464
Operating revenues:					
Residential water	\$ 662,909	\$ 641,351	\$ 607,473	\$ 21,558	\$ 33,878
Commercial water	186,534	180,731	168,460	5,803	12,271
Industrial water	34,831	33,949	32,581	882	1,368
Other water	123,373	92,784	94,359	30,589	(1,575)
Wastewater	199,157	187,462	165,312	11,695	22,150
Other utility	15,076	17,099	14,787	(2,023)	2,312
Total operating revenues	\$ 1,221,880	\$ 1,153,376	\$ 1,082,972	\$ 68,504	\$ 70,404
Operating expenses:					
Operations and maintenance expense	\$ 381,088	\$ 368,843	\$ 370,850	\$ 12,245	\$ (2,007)
Depreciation and amortization	232,338	217,593	201,392	14,745	16,201
Taxes other than income taxes	68,006	62,759	64,472	5,247	(1,713)
Other expense, net	121,292	105,674	84,396	15,618	21,278
Provision for income taxes	68,851	57,546	47,510	11,305	10,036
Segment net income	\$ 350,305	\$ 340,961	\$ 314,352	\$ 9,344	\$ 26,609

(a) Sendout represents the quantity of treated water delivered to our distribution systems. We use sendout as an indicator of customer demand.

Operating revenues - The growth in our Regulated Water segment’s revenues over the past three years is primarily a result of increases in our water and wastewater rates and our customer base. Water and wastewater rate increases, including infrastructure rehabilitation surcharges, implemented during the past three years have provided additional operating revenues of \$50,639 in 2024, \$57,924 in 2023, and \$63,367 in 2022. The number of customers increased at an annual compound rate of 1.8% over the past three years due to acquisitions and organic growth, adjusted to exclude customers associated with utility system dispositions. Acquisitions in our Regulated Water segment have provided additional water and wastewater revenues of \$4,182 in 2024, \$9,646 in 2023, and \$16,145 in 2022.

Our Regulated Water segment also includes operating revenues of \$11,226 in 2024, \$14,863 in 2023, and \$11,477 in 2022, associated with revenues earned primarily from fees received from telecommunication operators that have put cellular antennas on our water towers, fees earned from municipalities for our operation of their water or wastewater treatment services or to perform billing services, and fees earned from developers for accessing our water mains.

Operating expenses - Operations and maintenance expense increased by \$12,245 or 3.3% primarily due to the following:

- an increase in production costs for water and wastewater operations of \$5,880;
- an insurance recovery of \$2,448 in 2023 associated with clean-up costs and other expenses incurred during Hurricane Ida;
- an increase in employee related costs of \$2,529 resulting from higher salary costs, healthcare costs, and contributions to the Company's defined contribution plan, offset by lower pension cost;
- additional operating costs resulting from acquired water and wastewater utility systems and higher customer base of \$2,788; offset by a decrease in legal fees of \$1,192; and,
- a decrease in bad debt expense of \$467.

Depreciation and amortization increased by \$14,745 or 6.8% primarily due to continued capital investment to expand and improve our utility facilities and our acquisitions of new utility systems.

Taxes other than income taxes increased by \$5,247 or 8.4% in 2024 as compared to 2023 largely due to an increase in property taxes, payroll taxes and pumping fees.

Other expense, net – Interest expense, net of interest income, increased by \$15,406 or 12.4% primarily due to the increase in average borrowings and increased borrowing costs.

AFUDC increased by \$1,927 or 13.0% due to the increase in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Other, net, was an income of \$1,445 in 2024 and an income of \$3,596 in 2023, and largely consists of the non-service cost component of our net benefit cost for pension and post-retirement benefits, and unrealized gains and losses on investments associated with our non-qualified pension plan. The change is primarily due to the increase in the pension and post-retirement benefit non-service cost component of net periodic benefit expense in 2024. The credit arising from the expected return of plan assets assumption was lower in 2024 as compared to 2023.

Provision for income tax – The effective income tax rate for our Regulated Water segment was an expense of 16.4% in 2024, compared to an expense of 14.4% in 2023. The increase in the effective tax rate is primarily the result of changes in the jurisdictional earnings mix, decrease in the amortization of certain regulatory liabilities associated with deferred taxes, and decrease in the income tax benefit associated with the repairs tax deduction for qualifying utility infrastructure investments.

Regulated Natural Gas Segment

The following tables present the selected operating results and customers served for our Regulated Natural Gas segment for and as of the year ended December 31:

	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Gas utility customers:					
Residential gas	685,591	683,811	695,198	1,780	(11,387)
Commercial gas	59,296	59,384	59,684	(88)	(300)
Industrial gas	552	551	1,459	1	(908)
Total gas utility customers	745,439	743,746	756,341	1,693	(12,595)
Delivered volumes - retail and transportation (thousand cubic feet)					
Residential gas	50,669,829	51,698,440	61,093,372	(1,028,611)	(9,394,932)
Commercial gas	33,641,589	33,151,308	37,240,382	490,281	(4,089,074)
Industrial gas	47,959,164	48,323,846	49,017,036	(364,682)	(693,190)
Total delivered volumes	132,270,582	133,173,594	147,350,790	(903,012)	(14,177,196)
Heating Degree Days ^(a)	4,288	4,558	5,648	(270)	(1,090)
Average Heating Degree Days ^(b)	5,240	5,427	5,438	(187)	(11)
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Operating revenues:					
Residential gas	\$ 504,426	\$ 519,406	\$ 720,490	\$ (14,980)	\$ (201,084)
Commercial gas	100,662	111,272	149,653	(10,610)	(38,381)
Industrial gas	2,279	3,232	5,636	(953)	(2,404)
Gas transportation	194,413	184,598	205,825	9,815	(21,227)
Other utility	41,211	45,251	61,758	(4,040)	(16,507)
Total operating revenues	\$ 842,991	\$ 863,759	\$ 1,143,362	\$ (20,768)	\$ (279,603)
Operating expenses:					
Operations and maintenance expense	\$ 207,176	\$ 209,073	\$ 239,506	\$ (1,897)	\$ (30,433)
Purchased gas	267,226	327,548	551,009	(60,322)	(223,461)
Depreciation and amortization	135,814	125,263	118,955	10,551	6,308
Taxes other than income taxes	22,985	23,846	22,642	(861)	1,204
Other expense, net	\$ (3,834)	\$ 90,819	\$ 87,916	\$ (94,653)	\$ 2,903
Income tax benefit	\$ (79,993)	\$ (113,353)	\$ (61,942)	\$ 33,360	\$ (51,411)
Segment net income	\$ 293,617	\$ 200,563	\$ 185,276	\$ 93,054	\$ 15,287

(a) Unit of measure reflecting temperature-sensitive natural gas consumption, calculated by subtracting the average of a day's high and low temperatures from 65 degrees Fahrenheit; measured at Pittsburgh, PA.

(b) Based on historical twenty-year average heating degree days, as calculated from data provided by the National Weather Service for the same geographic location.

Operating revenues – Operating revenues from the Regulated Natural Gas segment decreased by \$20,768 or 2.4% primarily due to:

- a decrease in purchased gas costs of \$60,322; refer to purchased gas costs discussion below for further information;
- the decrease in distribution revenues of \$4,043 as a result of our sale of the assets of Peoples West Virginia;
- a decrease in other utility revenues of \$7,100 resulting from the sale of the Company's interest in three non-utility local microgrid and distributed energy projects; offset by
 - an increase of \$32,432 due to higher rates and other surcharges;
 - an increase in customer assistance surcharge of \$8,140, which has an equivalent offsetting amount in operations and maintenance expense; and
 - a weather normalization adjustment of \$9,243, which had the effect of increasing revenues.

The Regulated Natural Gas segment is subject to seasonal fluctuations with the peak usage period occurring in the heating season which generally runs from October to March. A heating degree day (HDD) is each degree that the average of the high and low temperatures for a day is below 65 degrees Fahrenheit in a specific geographic location. Particularly during the heating season, this measure is used to reflect the demand for natural gas needed for heating based on the extent to which the average temperature falls below a reference temperature above which no heating is required (65 degrees Fahrenheit). During the year ended December 31, 2024, we experienced actual HDDs of 4,288 days, which was warmer by 5.9% than the actual HDDs of 4,558 days in 2023 for Pittsburgh, Pennsylvania, which we use as a proxy for our western Pennsylvania service territory. A weather normalization adjustment (“WNA”) mechanism is in place for our natural gas customers served in Kentucky, and, beginning in October 2024, for our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company’s ability to collect revenues to cover operating expenses for its residential and small commercial natural gas customers.

Operating expenses – Operations and maintenance expense for the year ended December 31, 2024 decreased by \$1,897 or 0.9% primarily due to the following:

- lower operations and maintenance expense of \$12,411 as a result of our sale of the assets of Peoples West Virginia in October 2023 and our interest in three non-utility local microgrid and distributed energy projects in January 2024;
- a decrease in legal fees of \$3,266;
- a decrease in transportation expense of \$1,429;
- a decrease in bad debt expense of \$905; offset by
- an increase in customer assistance surcharge costs of \$8,140, which has an equivalent offsetting amount in revenues;
- an increase in materials and supplies of \$1,805; and
- an increase in labor and employee benefits of \$5,719 resulting from higher salary costs, healthcare costs, and contributions to the Company’s defined contribution plan, offset by lower pension cost.

Our Regulated Natural Gas segment is affected by the cost of natural gas, which is passed through to customers using a purchased gas adjustment clause and includes commodity price, transportation and storage costs. These costs are reflected in the consolidated statement of operations and comprehensive income as purchased gas expenses. Therefore, fluctuations in the cost of purchased gas impact operating revenues on dollar-for-dollar basis. Purchased gas decreased by \$60,322 or 18.4% in 2024 compared to 2023. The decrease is the result of lower average cost of gas of \$44,044, and lower gas usage of \$10,761 due to warmer weather conditions and \$5,517 due to the sale of Peoples West Virginia in October 2023 and our three non-utility local microgrid and distributed energy projects in January 2024.

Depreciation and amortization increased by \$10,551 or 8.4% primarily due to continued capital investment in pipe replacement.

Taxes other than income taxes decreased by \$861 or 3.6% mainly due to lower sales and use taxes during the period.

Other expense, net – Interest expense, net of interest income, increased by \$668 or 0.7% for 2024 compared to 2023.

AFUDC increased by \$2,416 or 110.8% due to the increase in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Gain on sale of assets was \$91,581 for the year ended December 31, 2024 and a loss on sale of assets was \$559 for the year ended December 31, 2023. During the first quarter of 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects and recognized a gain of \$91,236.

Income tax benefit – The effective income tax rate was a benefit of 37.4% in 2024, compared to a benefit of 130.0% in 2023. The decrease in the income tax benefit is primarily attributed to the gain recognized from the sale of the Company’s interest in three non-utility local microgrid and distributed energy projects in the first quarter of 2024 and a

decrease in tax benefit associated with the repairs tax deduction for qualifying utility infrastructure investments in our Regulated Natural Gas segment.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Cash Flow and Capital Expenditures

Net operating cash flows, dividends paid on common stock, capital expenditures, including allowances for funds used during construction, and expenditures for acquiring utility systems were as follows for the years ended December 31:

	Net Operating Cash Flows	Dividends	Capital Expenditures	Acquisitions
2022	\$ 600,306	\$ 288,632	\$ 1,062,763	\$ 116,891
2023	933,587	316,806	1,199,103	45,303
2024	770,343	346,392	1,329,747	665
	<u>\$ 2,304,236</u>	<u>\$ 951,830</u>	<u>\$ 3,591,613</u>	<u>\$ 162,859</u>

Net cash provided by operating activities decreased by \$163,244 during the year ended December 31, 2024, when compared to the same period in 2023. Our operating cash flow can be significantly affected by changes in operating working capital, especially during periods with significant changes in natural gas commodity prices and also the timing of our natural gas inventory purchases. The net change in working capital and other assets and liabilities resulted in a decrease in cash from operations of \$96,799 in 2024 and an increase in cash from operations of \$157,387 in 2023. The decrease in cash flows from operations associated with working capital during 2024, when compared to 2023, was primarily due to higher gas cost collections from customers brought about by higher average gas prices in 2023. In addition, accounts receivable and unbilled receivables were higher as of December 31, 2024 as compared with the same period in 2023 due to increased billings as a result of greater heating degree days for the month of December 2024 as compared with 2023.

Included in capital expenditures for the three year period are: expenditures for the rehabilitation of existing utility systems, the expansion of our utility systems, modernization and replacement of existing treatment facilities, meters, office facilities, information technology, vehicles, and equipment. During this three year period, we received \$55,259 of customer advances and contributions in aid of construction to finance new utility mains and related facilities that are not included in the capital expenditures presented in the above table. In addition, during this period, we have made repayments of debt, which includes the net effect of borrowings and repayments under our long-term revolving credit facility of \$1,732,026 and have refunded \$22,041 of customers' advances for construction. Dividends increased during the past three years as a result of annual increases in the dividends declared and paid and increases in the number of shares outstanding.

Our planned 2025 capital program, excluding the costs of new mains financed by advances and contributions in aid of construction is estimated to be approximately \$1,469,000 in infrastructure improvements for the communities we serve. The 2025 capital program is expected to include approximately \$1,037,000 for infrastructure rehabilitation surcharge qualified projects. Our planned 2025 capital program in Pennsylvania for our water and natural gas utilities is estimated to be approximately \$1,032,000, a portion of which is expected to be eligible as a deduction for qualifying utility asset improvements for Federal income tax purposes. Our overall 2025 capital program along with \$142,807 of debt repayments and \$454,049 of other contractual cash obligations, as reported in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations – *Contractual Obligations*", has been, or is expected to be, financed through internally-generated funds, our revolving credit facilities, and the issuance of long-term debt and equity.

Future utility construction in the period 2026 through 2027, including addressing PFAS, lead and galvanized services line replacement, and recurring programs, such as the ongoing replacement or rehabilitation of utility meters and mains, water treatment plant upgrades, storage facility renovations, pipes, service lines, and additional transmission mains to meet customer demands, excluding the costs of new mains financed by advances and contributions in aid of construction, is estimated to require aggregate expenditures of approximately \$3,042,000. We anticipate that more than one half of these expenditures will require external financing. We expect to refinance \$1,173,486 of long-term debt during this period as it

becomes due with funds from new issues of long-term debt, issuances of equity, internally-generated funds, and our revolving credit facilities. The estimates discussed above do not include any amounts for possible future acquisitions of utility systems or the financing necessary to support them.

Our primary sources of liquidity are cash flows from operations (including the allowed deferral of Federal income tax payments), borrowings under various short-term and long-term credit facilities, and customer advances and contributions in aid of construction. Our cash flow from operations, or internally-generated funds, is impacted by the timing of rate relief, utility operating revenues, and changes in Federal tax laws, and accelerated tax depreciation or deductions for utility construction projects. We fund our capital and typical acquisitions through internally-generated funds, supplemented by short-term or long term credit facilities. Over time, we partially repay or pay-down our short-term lines of credit with long-term debt. The ability to finance our future construction programs, as well as our acquisition activities, depends on our ability to attract the necessary external debt and equity financing and maintain internally-generated funds. Timely rate orders permitting compensatory rates of return on invested capital will be required by our operating subsidiaries to achieve an adequate level of earnings and cash flow to enable them to secure the capital they will need to operate and to maintain satisfactory debt coverage ratios.

Acquisitions

As part of the Company's growth-through-acquisition strategy, as of December 31, 2024, the Company has entered into purchase agreements to acquire the water or wastewater utility system assets of six municipalities and a private company for a total combined purchase price in cash of approximately \$362,000. The purchase price for these pending acquisitions is subject to certain adjustments at closing, and the pending acquisitions are subject to regulatory approvals, including the final determination of the fair value of the rate base acquired. This includes the Company's agreement to acquire the Delaware County Regional Water Quality Control Authority (DELCORA) for \$276,000. DELCORA, a Pennsylvania sewer authority, serves approximately 198,000 equivalent dwelling units in the Philadelphia suburbs.

Aside from DELCORA, closings for these acquisitions, which occurred or are expected to occur in 2025, are subject to the timing of the various regulatory approval processes and are expected to add approximately 15,000 equivalent retail customers in three of the states in which the Company operates.

In January 2025, the Company acquired Greenville Sanitary Authority's wastewater utility assets, which serves approximately 2,300 customers in Greenville, Pennsylvania for \$18,000.

In October 2024, the Company acquired wastewater utility assets in Morgan County, Indiana, which serves approximately 100 customers for \$500. In May 2024, the Company acquired the wastewater utility assets of Westfield HOA, which serves approximately 200 customers within Westfield Homeowners Subdivision in Glenview, Illinois for a cash purchase price of \$67.

In July 2023, the Company completed the following water utility asset acquisitions: Shenandoah Borough, Pennsylvania, which serves approximately 2,900 customers for \$12,291; La Rue, an Ohio municipality, which serves approximately 300 customers for \$2,253; and, Southern Oaks Water System, which serves approximately 800 customers in Texas for \$3,321. In July 2023, the Company completed their acquisition of a portion of the water and wastewater utility assets of the Village of Frankfort, an Illinois municipality, which serves approximately 1,500 customers for \$1,424. In June 2023, the Company acquired the wastewater utility assets of Union Rome, Ohio, which serves approximately 4,300 customers for a cash purchase price of \$25,547. Additionally, in March 2023, the Company acquired the North Heidelberg Sewer Company in Berks County, Pennsylvania, which serves approximately 300 customer connections for a cash purchase price of \$136.

In November 2022, the Company acquired the water system of Oak Brook, DuPage County, Illinois, which serves 2,037 customers, for a cash purchase price of \$12,500. In August 2022, the Company acquired the municipal wastewater assets of East Whiteland Township, Chester County, Pennsylvania, which serves 4,018 customers, for a cash purchase price of \$54,374. In March 2022, the Company acquired the wastewater system of Lower Makefield Township, which serves 11,323 customer connections in Lower Makefield, Falls, and Middletown townships, and Yardley Borough, Bucks County, Pennsylvania, for a cash purchase price of \$53,000.

Subsequent to the August 2022 closing on the acquisition of the municipal wastewater assets of East Whiteland Township, a party filed an appeal to the Pennsylvania Public Utility Commission's order of approval. On July 31, 2023, a decision was issued by the Pennsylvania Commonwealth Court that agreed with the party's appeal and reversed the order which approved the acquisition. In an effort to resolve the matter, the Company pursued and is continuing to pursue certain legal actions. Management believes the final resolution of this matter is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Refer to Note 2 – *Acquisitions* in this Annual Report for additional information.

During the past three years, we have expended cash of \$162,859 related to the acquisition of both water and wastewater utility systems. We continue to pursue the acquisition of water and wastewater utility systems and explore other utility acquisitions that may be in a new state. Our typical acquisitions are expected to be financed with short-term debt with subsequent repayment from the proceeds of long-term debt, retained earnings, or equity issuances.

Dispositions

We routinely review and evaluate areas of our business and operating divisions and, over time, may sell utility systems or portions of systems. In October 2023, the Company completed the sale of its regulated natural gas utility assets in West Virginia, which represented approximately two percent of the Company's regulated natural gas customers. The Company initially received net cash proceeds of \$39,965, subject to working capital and other adjustments. In March 2024, the Company received an additional \$1,213 from the buyer. In January 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects for \$165,000. This sale resulted in the recognition of a gain of \$91,236 during 2024 which is included in other expense (income) in the consolidated statement of operations. These transactions are consistent with the Company's long-term strategy of focusing on its core business and will allow the Company to prioritize the growth of its utilities in states where it has scale. The Company used the proceeds from these transactions to finance its capital expenditures and water and wastewater acquisitions, in place of external funding from equity and debt issuances. Refer to Note 3 – *Dispositions* in this Annual Report for additional information.

Sources of Capital

Since net operating cash flow plus advances and contributions in aid of construction have not been sufficient to fully fund our cash requirements including capital expenditures and our growth through acquisitions program, we issued \$3,377,430 of long-term debt, and obtained other short-term borrowings during the past three years. At December 31, 2024, we have a \$1,000,000 unsecured long-term revolving credit facility that expires in December 2027, of which \$16,774 was designated for letter of credit usage, \$570,226 was available for borrowing, and \$413,000 of borrowings were outstanding at December 31, 2024. In addition, Aqua Pennsylvania has a \$100,000 364-day unsecured revolving credit facility and Peoples Natural Gas has a \$300,000 364-day unsecured revolving credit facility. These short-term lines of credit are subject to renewal on an annual basis. Although we believe we will be able to renew these facilities, there is no assurance that they will be renewed, or what the terms of any such renewal will be.

On August 15, 2024, the Company issued \$500,000 of senior notes, less expenses of \$3,015, due in 2027, with an interest rate of 4.80%. On January 8, 2024, the Company issued \$500,000 of long-term debt, less expenses of \$4,610, due in 2034 with an interest rate of 5.375%. The Company used the net proceeds from the issuance of these notes (1) to repay a portion of the borrowings under the Company's existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

In August 2023, the Company's subsidiary, Aqua Pennsylvania, issued \$225,000 in aggregate principal amount of first mortgage bonds. The bonds consisted of \$175,000 of 5.48% first mortgage bonds due in 2053; and \$50,000 of 5.56% first mortgage bonds due in 2061. In January 2023 and October 2022, Aqua Pennsylvania issued \$75,000 and \$125,000 of first mortgage bonds, due in 2043 and 2052, and with interest rates of 5.60% and 4.50%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

On May 20, 2022, the Company issued \$500,000 of long-term debt (the “2022 Senior Notes”), less expenses of \$5,815, due in 2052 with an interest rate of 5.30%. The Company used the net proceeds from the issuance of 2022 Senior Notes to (1) to repay \$49,700 of borrowings under Aqua Pennsylvania’s 364-day revolving credit facility and \$410,000 of borrowings under the Company’s existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

On August 13, 2024, the Company filed a prospectus supplement under the 2024 universal shelf registration statement relating to a new at-the-market equity sales program (“ATM”), under which it may issue and sell shares of its common stock up to an aggregate offering price of \$1,000,000 (“2024 ATM”). This 2024 ATM replaced the Company’s previous ATM filed on October 14, 2022 (“2022 ATM”). During the year ended December 31, 2024, the Company issued 925,497 shares of common stock for net proceeds of \$36,134 under the 2024 ATM. As of December 31, 2024, the 2024 ATM had approximately \$964,000 of equity available for issuance. During the year ended December 31, 2023, the Company issued 8,938,839 shares of common stock for net proceeds of \$322,983 under the 2022 ATM. During the year ended December 31, 2022, the Company issued 1,321,994 shares of common stock for net proceeds of \$63,040 under the 2022 ATM. There were no common stock sales under the 2022 ATM in 2024. The Company used the net proceeds from the sales of shares through the 2022 and 2024 ATMs for working capital, capital expenditures, water and wastewater utility acquisitions, and repaying a portion of outstanding indebtedness.

On June 12, 2024, Aqua Pennsylvania and Peoples Natural Gas Companies amended the terms of its respective \$100,000 and \$300,000 364-day revolving credit agreements by extending the maturity dates to June 10, 2025 and revised the interest rate index from the Bloomberg Short-Term Bank Yield Index (BSBY) to the Secured Overnight Financing Rate (SOFR).

Our regulated water and gas business is capital intensive and requires a significant level of capital spending. Our consolidated balance sheet historically has had a negative working capital position, whereby routinely our current liabilities exceed our current assets. Management believes that internally-generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common equity will be adequate to provide sufficient working capital to maintain normal operations and to meet our financing requirements for at least the next twelve months.

Our loan and debt agreements require us to comply with certain financial covenants, which among other things, subject to specific exceptions, limit the Company’s ratio of consolidated total indebtedness to consolidated total capitalization, and require a minimum level of earnings coverage over interest expense. During 2024, we were in compliance with our debt covenants under our credit facilities. Failure to comply with our debt covenants could result in an event of default, which could result in us being required to repay or refinance our borrowings before their due date, possibly limiting our future borrowings, and increasing our borrowing costs.

In March 2024, the Company filed a new universal shelf registration with the Securities and Exchange Commission (SEC) to allow for the potential future offer and sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities, and other securities specified therein at indeterminate prices. This registration statement is effective for three years and replaces a similar filing that expired in the second quarter of 2024. During the past three years, we issued common stock and long-term debt in offerings under this shelf registration statement. Refer to Note 11 – *Long-term Debt and Loans Payable* and Note 13 – *Stockholders’ Equity* in this Annual Report for further information regarding these financings.

In addition, we have an acquisition shelf registration statement, which was filed with the SEC on February 27, 2015, to permit the offering from time to time of an aggregate of \$500,000 of our common stock and shares of preferred stock in connection with acquisitions. The balance remaining available for use under the acquisition shelf registration as of December 31, 2024 is \$487,155.

We will determine the form and terms of any further securities issued under the universal shelf registration statement and the acquisition shelf registration statement at the time of issuance.

We offer a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan) that provides a convenient and economical way to purchase shares of the Company. Under the direct stock purchase portion of the Plan, shares are issued throughout the year. The dividend reinvestment portion of the Plan offers a five percent discount on the purchase of shares of common stock with reinvested dividends. As of the December 2024 dividend payment, holders of 4.0% of the common shares outstanding participated in the dividend reinvestment portion of the Plan. The shares issued under the Plan are either original issue shares or shares purchased by the Company's transfer agent in the open-market. During the past three years, we have sold 1,232,453 original issue shares of common stock for net proceeds of \$48,099 through the dividend reinvestment portion of the Plan, and we used the proceeds to invest in our operating subsidiaries, to repay short-term debt, and for general corporate purposes. In 2024, 2023, and 2022, we sold 433,688, 430,487, and 368,278 original issues shares of common stock for net proceeds of \$15,476, \$16,005, and \$16,619, respectively, through the dividend reinvestment portion of the plan.

Credit Risk

As of December 31, 2024, our credit ratings remained at investment grade levels. On March 19, 2024, S&P Global Ratings ("S&P") lowered its credit rating for the Company, Aqua Pennsylvania, and PNG Companies, LLC from A to A-, citing weakening financial measures as a result of inflationary pressures and our significant capital spending; and revised its outlook from negative to stable for the companies. However, as can be noted in their report, S&P continues to assess our business risk profile as excellent, considering our low-risk and rate-regulated water and gas distribution operations in credit-supportive regulatory environments, our geographic and regulatory diversity, our large and stable residential and commercial customer base, and our solid and reliable operations. On October 3, 2024, Moody's Investors Service ("Moody's") affirmed the Company's senior unsecured notes rating of Baa2 and changed its outlook from stable to negative; and, changed PNG Companies, LLC's senior secured notes rating from Baa1 to Baa2 and maintained a negative outlook. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, its ability to fund capital expenditures in a balanced manner using both debt and equity, and its ability to generate cash flow. A material downgrade of our credit rating may result in the imposition of additional financial and/or other covenants, impact the market prices of equity and debt securities, increase our borrowing costs, and adversely affect our liquidity, among other things. Management continues to enhance our regulatory practices to address regulatory lag and recover capital project costs and increases in operating costs efficiently and timely through various rate-making mechanisms.

Off-Balance Sheet Financing Arrangements

We do not engage in any off-balance sheet financing arrangements. We do not have any interest in entities referred to as variable interest entities, which includes special purpose entities and other structured finance entities.

Contractual Obligations

The following table summarizes our contractual cash obligations as of December 31, 2024:

	Total	Payments Due by Period			
		Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt	\$ 7,559,096	\$ 142,807	\$ 1,173,486	\$ 412,869	\$ 5,829,934
Interest on fixed-rate, long-term debt (1)	286,400	6,819	34,020	14,693	230,868
Operating leases (2)	44,694	9,144	14,777	7,946	12,827
Unconditional purchase obligations (3)	14,049	5,404	3,143	2,475	3,027
Gas purchase obligations (4)	2,148,368	238,353	485,193	474,767	950,055
Other purchase obligations (5)	138,438	138,438	-	-	-
Pension plan obligations (6)	3,945	3,945	-	-	-
Other obligations (7)	56,661	51,946	2,401	1,325	989
Total	\$ 10,251,651	\$ 596,856	\$ 1,713,020	\$ 914,075	\$ 7,027,700

(1) Represents interest payable on fixed rate, long-term debt. Amounts reported may differ from actual due to future refinancing of debt.

- (2) Represents minimum lease payments for long-term operating leases of land, office facilities, office equipment, and vehicles.
- (3) Represents our commitment to purchase minimum quantities of water as stipulated in agreements with other water purveyors. We use purchased water to supplement our water supply, particularly during periods of peak customer demand. Our actual purchases may exceed the minimum required levels.
- (4) Represents our commitment to purchase minimum quantities of natural gas stipulated in agreements with various producers of natural gas to meet regulated customers' natural gas requirements.
- (5) Represents an approximation of the open purchase orders for goods and services purchased in the ordinary course of business.
- (6) Represents contributions to be made to the Company's retirement plans.
- (7) Represents expenditures estimated to be required under legal and binding contractual obligations.

In addition to the contractual obligations table above, we have the following obligations:

Refunds of customer's advances for construction – We pay refunds on customers' advances for construction over a specific period of time based on operating revenues related to developer-installed utility mains or as new customers are connected to and take service from such mains. After all refunds are paid, any remaining balance is transferred to contributions in aid of construction. The refund amounts are not included in the above table because the refund amounts and timing are dependent upon several variables, including new customer connections, customer consumption levels and future rate increases, which cannot be accurately estimated. Portions of these refund amounts are payable annually through 2034 and amounts not paid by the contract expiration dates become non-refundable.

Asset Retirement Obligations – We recognize asset retirement obligations associated with retirements of production, storage wells and other pipeline components at fair value, as incurred, or when sufficient information becomes available to determine a reasonable estimate of the fair value of the retirement activities to be performed. Expected obligations are not included in the above table because the amounts and timing are dependent upon several variables, which cannot be accurately estimated.

Uncertain tax positions – We have uncertain tax positions of \$8,207. Although we believe our tax positions comply with applicable law, we have made judgments as to the sustainability of each uncertain tax position based on its technical merits. Due to the uncertainty of future cash outflows, if any, associated with our uncertain tax positions, we are unable to make a reasonable estimate of the timing or amounts that may be paid. See Note 7 – *Income Taxes* in this Annual Report for further information on our uncertain tax positions.

We will fund these contractual obligations with cash flows from operations and liquidity sources held by or available to us.

The Company is routinely involved in legal matters, including both asserted and unasserted legal claims, during the ordinary course of business. See Note 9 – *Commitments and Contingencies* in this Annual Report for a discussion of the Company's legal matters. It is not always possible for management to make a meaningful estimate of the potential loss or range of loss associated with such litigation. Also, unanticipated changes in circumstances and/or revisions to the assessed probability of the outcomes of legal matters could result in expenses being incurred in future periods as well as an increase in actual cash required to resolve the legal matter.

Capitalization

The following table summarizes our capitalization as of December 31, 2024 and 2023:

December 31,	2024	2023
Long-term debt (1)	54.9%	54.1%
Essential Utilities stockholders' equity	45.1%	45.9%
	100.0%	100.0%

(1) Includes current portion, as well as our borrowings under a variable rate revolving credit agreement of \$413,000 at December 31, 2024, and \$720,000 at December 31, 2023.

Over the past two years, the changes in the capitalization ratios primarily resulted from the issuance of debt to finance our acquisitions and capital program, changes in net income, the issuance of common stock, and the declaration of dividends.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial condition and results of operations are impacted by the methods, assumptions, and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to our financial condition or results of operations and require estimates or other judgments of matters of uncertainty. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the financial statements. We believe our most critical accounting policies include the use of regulatory assets and liabilities, revenue recognition, the valuation of our long-lived assets (which consist primarily of utility plant in service, regulatory assets, and goodwill), our accounting for post-retirement benefits, and our accounting for income taxes. We have discussed the selection and development of our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

Regulatory Assets and Liabilities — We defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recognized in the rate-making process in a period different from when the costs and credits were incurred. These deferred amounts, both assets and liabilities, are then recognized in the consolidated statement of operations in the same period that they are reflected in our rates charged for utility service. We make significant judgments and estimates to record regulatory assets and liabilities, such as for amounts related to income taxes, pension and postretirement benefits, acquisitions and capital projects. For each regulatory jurisdiction with regulated operations, we evaluate at the end of each reporting period, whether the regulatory assets and liabilities continue to meet the probable criteria for future recovery or refund. The evaluation considers factors such as regulatory orders or guidelines, in the same regulatory jurisdiction, of a specific matter or a similar matter, as provided to us in the past or to other regulated utilities. In addition, the evaluation may be impacted by changes in the regulatory environment and pending or new legislation that could impact the ability to recover costs through regulated rates. There may be multiple participants to rate or transactional regulatory proceedings who might offer different views on various aspects of such proceedings, and in these instances may challenge our prudence of business policies and practices, seek cost disallowances or request other relief.

In the event that our assessment as to the probability of the inclusion in the rate-making process is incorrect, the associated regulatory asset or liability would be adjusted to reflect the change in our assessment or change in regulatory approval.

Revenue Recognition — Our utility revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. The estimated usage is based on our judgment and assumptions; our actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to our estimates is determined.

In Virginia, North Carolina, and Kentucky, we may bill our utility customers, in certain circumstances, in accordance with a rate filing that is pending before the respective regulatory commission, which would allow interim rates before the final commission rate order is issued. The revenue recognized reflects an estimate based on our judgment of the final outcome of the commission's ruling. We monitor the applicable facts and circumstances regularly and revise the estimate as required. The revenue billed and collected prior to the final ruling is subject to refund based on the commission's final ruling.

Valuation of Long-Lived Assets, Goodwill and Intangible Assets — We review our long-lived assets for impairment, including utility plant in service. We also review regulatory assets for the continued application of the FASB accounting guidance for regulated operations. Our review determines whether there have been changes in circumstances or events, such as regulatory disallowances, or abandonments, that have occurred that require adjustments to the carrying value of these assets. Adjustments to the carrying value of these assets would be made in instances where their inclusion in the rate-making process is not probable. For utility plant in service, we would recognize an impairment loss for any amount disallowed by the respective utility commission.

Our long-lived assets, which consist primarily of utility plant in service, operating lease right-of-use assets and intangible assets, are reviewed for impairment when changes in circumstances or events occur. These circumstances or events could include a decline in the market value or physical condition of a long-lived asset, an adverse change in the manner in which long-lived assets are used or planned to be used, a change in historical trends, operating cash flows associated with the long-lived assets, changes in macroeconomic conditions, industry and market conditions, or overall financial performance. When these circumstances or events occur, we determine whether it is more likely than not that the fair value of those assets is less than their carrying amount. If we determine that it is more likely than not (that is, the likelihood of more than 50 percent), we would recognize an impairment charge if it is determined that the carrying amount of an asset exceeds the sum of the undiscounted estimated cash flows. In this circumstance, we would recognize an impairment charge equal to the difference between the carrying amount and the fair value of the asset. Fair value is estimated to be the present value of future net cash flows associated with the asset, discounted using a discount rate commensurate with the risk and remaining life of the asset. This assessment requires significant management judgment and estimates that are based on budgets, general strategic business plans, historical trends and other data and relevant factors. These estimates include significant inherent uncertainties, since they involve forecasting future events. If changes in circumstances or events occur, or estimates and assumptions that were used in this review are changed, we may be required to record an impairment charge on our long-lived assets. Refer to Note 1 – *Summary of Significant Accounting Policies – Impairment of Long-Lived Assets* in this Annual Report for additional information regarding the review of long-lived assets for impairment.

We test the goodwill attributable to each of our reporting units for impairment at least annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, changes to regulatory environment, recent regulatory and legislative proceedings, cost factors, overall financial performance, and entity specific events, for some or all of our reporting units to determine whether it's more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on our assessment of the qualitative factors previously noted, or at our discretion, we may perform a quantitative goodwill impairment test by determining the fair value of a reporting unit by weighting the results from the income approach and the market approach. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information (which includes projected operating income, expected future capital expenditures, and projected regulatory rate base, among others), growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and future profitability of our business. If we perform a quantitative test and determine that the fair value of a reporting unit is less than its carrying amount, we would record an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. The assessment requires significant management judgment and estimates that are based on budgets, general strategic business plans, historical trends and other data and relevant factors. If changes in circumstances or events occur, or estimates and assumptions that were used in our impairment test change, we may be required to record an impairment charge for goodwill. Refer to Note 1 – *Summary of Significant Accounting Policies – Goodwill* in this Annual Report for further information.

As part of the October 1, 2024 annual goodwill assessment, we elected to perform qualitative assessments for our Regulated Water, Regulated Natural Gas, and Other reporting units. Based on our analysis, we determined that it is more likely than not that the fair value of our reporting units is greater than their carrying amounts, and none of the goodwill of our reporting units was impaired.

Accounting for Post-Retirement Benefits — We maintain a qualified and a non-qualified defined benefit pension plan and plans that provide for post-retirement benefits other than pensions. Accounting for pension and other post-retirement benefits requires an extensive use of assumptions including the discount rate, expected return on plan assets, the rate of future compensation increases received by our employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from our actuarial consultant, who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefits expense that we recognize.

Our discount rate assumption, which is used to calculate the present value of the projected benefit payments of our post-retirement benefits, was determined by selecting a hypothetical portfolio of high quality corporate bonds appropriate to match the projected benefit payments of the plans. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds. The discount rate was then developed as the rate that equates the market value of the bonds purchased to the discounted value of the projected benefit payments of the plans. A decrease in the discount rate would generally increase our post-retirement benefits expense and benefit obligation. After reviewing the hypothetical portfolio of bonds, we selected a discount rate of 5.64% for our pension plan, and 5.65% for our other post-retirement benefit plans as of December 31, 2024, which represent a 47 and 56 basis-point decrease as compared to the discount rates selected at December 31, 2023, respectively. Our post-retirement benefits expense under these plans is determined using the discount rate as of the beginning of the year, which was 5.17% for our pension plan and 5.09% for our other-postretirement benefit plan for 2024.

Our expected return on plan assets is determined by evaluating the asset class return expectations with our advisors as well as actual, long-term, historical results of our asset returns. The Company's market-related value of plan assets is equal to the fair value of the plans' assets as of the last day of its fiscal year and is a determinant for the expected return on plan assets, which is a component of post-retirement benefits expense. The allocation of our plans' assets impacts our expected return on plan assets. As of December 31, 2024, the expected return on plan assets is based on a targeted allocation of 20% to 40% return seeking assets and 60% to 80% liability hedging assets for our pension plan, and a targeted allocation of 50% to 70% return seeking assets and 30% to 50% liability hedging assets for our other post-retirement benefit plans. Our post-retirement benefits expense increases as the expected return on plan assets decreases. We believe that our actual long-term asset allocations on average will approximate our targeted allocations. Our targeted allocations are driven by our investment strategy to earn a reasonable rate of return while maintaining risk at acceptable levels through the diversification of investments across and within various asset categories. For 2024, we used a 6.2% expected return on plan assets assumption and are currently reviewing this assumption for 2025.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and our funding policy, during 2025 our pension contribution is expected to be \$3,945. Future years' contributions will be subject to economic conditions, plan participant data and the funding rules in effect at such time as the funding calculations are performed, though we expect future changes in the amount of contributions and expense recognized to be generally included in customer rates.

Accounting for Income Taxes — We estimate the amount of income tax payable or refundable for the current year and the deferred income tax liabilities and assets that results from estimating temporary differences resulting from the treatment of specific items, such as depreciation, for tax and financial statement reporting. Generally, these differences result in the recognition of a deferred tax asset or liability on our consolidated balance sheet and require us to make judgments regarding the probability of the ultimate tax impact of the various transactions we enter into. Based on these judgments, we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realization of future tax benefits. Actual income taxes could vary from these estimates and changes in these estimates can increase income tax expense in the period that these changes in estimates occur.

Our determination of what qualifies as a capital cost versus a tax deduction, for qualifying utility asset improvements, as it relates to our income tax accounting method, is subject to subsequent adjustment as well as IRS audits, changes in income tax laws, including regulations regarding tax-basis depreciation as it applies to our capital expenditures, or qualifying utility asset improvements, the expiration of a statute of limitations, or other unforeseen matters could impact the tax benefits that have already been recognized. We establish reserves for uncertain tax positions based upon management's

judgment as to the sustainability of these positions. These accounting estimates related to the uncertain tax position reserve require judgments to be made as to the sustainability of each uncertain tax position based on its technical merits. We believe our tax positions comply with applicable law and that we have adequately recorded reserves as required. However, to the extent the final tax outcome of these matters is different than our estimates recorded, we would then need to adjust our tax reserves which could result in additional income tax expense or benefits in the period that this information is known.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

We describe the impact of recent accounting pronouncements in Note 1 – *Summary of Significant Accounting Policies* in this Annual Report.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are subject to market risks in the normal course of business, including changes in interest rates, gas commodity prices and equity prices. The exposure to changes in interest rates is typically related to financings between utility rate increases, since generally our rate increases include a revenue level to allow recovery of our current cost of capital. Interest rate risk is managed through the use of a combination of long-term debt, which is at fixed interest rates; short-term debt, which is at floating interest rates; and at times in the past interest rate swap agreements. As of December 31, 2024, the debt maturities by period, in thousands of dollars, and the weighted average interest rate for long-term debt are as follows:

	2025	2026	2027	2028	2029	Thereafter	Total	Fair Value
Long-term debt:								
Fixed rate	\$ 142,807	\$ 24,089	\$ 736,398	\$ 8,036	\$ 404,832	\$ 5,829,934	\$ 7,146,096	\$ 6,018,777
Variable rate	-	-	413,000	-	-	-	413,000	413,000
Total	\$ 142,807	\$ 24,089	\$ 1,149,398	\$ 8,036	\$ 404,832	\$ 5,829,934	\$ 7,559,096	\$ 6,431,777
Weighted average interest rate	4.77%	7.27%	5.02%	3.83%	3.55%	3.94%	4.14%	

Volatile equity market conditions arising from macroeconomic dynamics, public health threats, global conflicts, and sanctions imposed in response thereto, may result in our pension and other post-retirement plans' assets market values suffering a decline, which could increase our required cash contributions to the plans and expense in subsequent years. The Company reduces this risk through fixed income investments to manage interest rate exposures that impact the valuation of liabilities and through the diversification of investments across and within various asset categories. The Company's risk is also reduced through its ability to recover pension and other benefit costs through rates.

From time to time, we make investments in marketable equity securities. As a result, we are exposed to the risk of changes in equity prices for the marketable equity securities. As of December 31, 2024, we have assets of, in thousands of dollars, \$31,324 to fund our deferred compensation and non-qualified pension plan liabilities. The market risk of the deferred compensation plan assets are borne by the participants in the deferred compensation plan.

Our natural gas commodity price risk, driven mainly by price fluctuations of natural gas, is mitigated by our purchased-gas cost adjustment mechanisms, which provide a dollar-for-dollar offset to increases or decreases in the cost of natural gas and allows for recovery of purchased gas costs fluctuations on an ongoing basis without filing a rate case. We also use derivative instruments to economically hedge the cost of anticipated natural gas purchases during the winter heating months that seeks to offset the risk to our customers from upward market price volatility. These instruments include requirements contracts and spot purchase contracts to meet our regulated customers' natural gas requirements and these instruments may have fixed or variable pricing. The variable price contracts qualify as derivative instruments; however, because the contract price is the prevailing price at the future transaction date the contract has no determinable fair value. The fixed price contracts and firm commitments to purchase a fixed quantity of gas in the future qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business and, as such, are accounted for under the accrual basis and not recorded at fair value in the Company's consolidated financial statements. We also manage gas commodity price risk and supply risk by injecting natural gas into storage during the summer months and withdrawing the natural gas during the winter heating season.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Essential Utilities, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets, including the consolidated statements of capitalization, of Essential Utilities, Inc. and its subsidiaries (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes and schedule of condensed parent company financial statements as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 appearing after the signature pages (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Regulatory Matters

As described in Notes 1 and 6 to the consolidated financial statements, most of the operating companies of the Company that are regulated public utilities are subject to regulation by the utility commissions of the states in which they operate. Some of the operating companies that are regulated public utilities are also subject to rate regulation by county or city government. As of December 31, 2024, regulatory assets were \$1.94 billion and regulatory liabilities were \$0.77 billion. Regulated public utilities follow the accounting guidance for regulated operations, which provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. The regulatory assets represent costs that are probable to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in the Company's rates charged for utility service. If, as a result of a change in circumstances, it is determined that a regulated operating company no longer meets the criteria to apply regulatory accounting, the operating company would have to discontinue regulatory accounting and write-off the respective regulatory assets and liabilities.

The principal considerations for our determination that performing procedures relating to accounting for the effects of regulatory matters is a critical audit matter are a high degree of auditor effort in performing procedures and evaluating audit evidence related to the probability of recovery of regulatory assets and refund of regulatory liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of regulatory proceedings, including controls over the probability of recovery of regulatory assets, refund of regulatory liabilities, and the related accounting and disclosure impacts. These procedures also included, among others (i) evaluating the reasonableness of management's assessment regarding the probability of recovery of regulatory assets and refund of regulatory liabilities and (ii) testing, on a sample basis, regulatory assets and regulatory liabilities, based on the provisions and formulas outlined in rate orders and other regulatory proceedings and correspondence, as well as application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 27, 2025

We have served as the Company's auditor since 2000.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)

	December 31,	
	2024	2023
Assets		
Property, plant and equipment, at cost	\$ 16,275,377	\$ 14,977,021
Less: accumulated depreciation	3,131,901	2,879,949
Net property, plant and equipment	13,143,476	12,097,072
Current assets:		
Cash and cash equivalents	9,156	4,612
Accounts receivable, net	166,522	144,300
Unbilled revenues	142,310	101,436
Inventory - materials and supplies	48,619	47,494
Inventory - gas stored	45,311	65,173
Prepayments and other current assets	41,139	99,884
Regulatory assets	32,854	29,080
Total current assets	485,911	491,979
Regulatory assets	1,907,786	1,766,892
Deferred charges and other assets, net	112,712	102,388
Funds restricted for construction activity	1,420	1,381
Goodwill	2,340,713	2,340,738
Operating lease right-of-use assets	31,263	37,416
Intangible assets	3,273	3,593
Total assets	\$ 18,026,554	\$ 16,841,459

See accompanying notes to consolidated financial statements.

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ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
(In thousands of dollars, except per share amounts)

	December 31,	
	2024	2023
Liabilities and Equity		
Essential Utilities stockholders' equity:		
Common stock at \$0.50 par value, authorized 600,000,000 shares, issued 278,209,660 and 276,595,228 as of December 31, 2024 and December 31, 2023	\$ 139,105	\$ 138,297
Capital in excess of par value	4,199,836	4,137,696
Retained earnings	1,949,492	1,706,675
Treasury stock, at cost, 3,386,069 and 3,299,191 shares as of December 31, 2024 and December 31, 2023	(89,624)	(86,485)
Total stockholders' equity	6,198,809	5,896,183
Long-term debt, excluding current portion	7,416,289	6,870,593
Less: debt issuance costs	47,908	44,508
Long-term debt, excluding current portion, net of debt issuance costs	7,368,381	6,826,085
Commitments and contingencies (See Note 9)		
Current liabilities:		
Current portion of long-term debt	142,807	67,415
Loans payable	186,542	160,123
Accounts payable	258,615	221,191
Book overdraft	47,714	13,358
Accrued interest	72,281	53,084
Accrued taxes	38,219	40,641
Regulatory liabilities	1,770	31,270
Dividends payable	89,441	83,929
Other accrued liabilities	137,279	126,916
Total current liabilities	974,668	797,927
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,831,868	1,628,324
Customers' advances for construction	113,323	128,755
Regulatory liabilities	764,745	820,910
Asset retirement obligations	860	848
Operating lease liabilities	27,447	34,425
Pension and other postretirement benefit liabilities	33,680	38,850
Other	23,928	24,086
Total deferred credits and other liabilities	2,795,851	2,676,198
Contributions in aid of construction	688,845	645,066
Total liabilities and equity	<u>\$ 18,026,554</u>	<u>\$ 16,841,459</u>

See accompanying notes to consolidated financial statements.

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ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	Years ended December 31,		
	2024	2023	2022
Operating revenues	\$ 2,086,113	\$ 2,053,824	\$ 2,288,032
Operating expenses:			
Operations and maintenance	587,250	575,518	613,649
Purchased gas	277,009	352,306	601,995
Depreciation	363,906	338,655	315,811
Amortization	5,646	5,040	5,366
Taxes other than income taxes	94,634	90,208	90,024
Total operating expenses	1,328,445	1,361,727	1,626,845
Operating income	757,668	692,097	661,187
Other expense (income):			
Interest expense	302,467	283,362	238,116
Interest income	(3,318)	(3,401)	(3,675)
Allowance for funds used during construction	(21,310)	(16,967)	(23,665)
Gain on sale of other assets	(92,224)	(65)	(991)
Other	(1,425)	(2,613)	494
Income before income taxes	573,478	431,781	450,908
Income tax benefit	(21,836)	(66,445)	(14,329)
Net income	\$ 595,314	\$ 498,226	\$ 465,237
Comprehensive income	\$ 595,314	\$ 498,226	\$ 465,237
Net income per common share:			
Basic	\$ 2.17	\$ 1.86	\$ 1.77
Diluted	\$ 2.17	\$ 1.86	\$ 1.77
Average common shares outstanding during the period:			
Basic	273,914	267,171	262,246
Diluted	274,421	267,659	262,868

See accompanying notes to consolidated financial statements.

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ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)

	December 31,	
	2024	2023
Stockholders' equity:		
Common stock, \$0.50 par value	\$ 139,105	\$ 138,297
Capital in excess of par value	4,199,836	4,137,696
Retained earnings	1,949,492	1,706,675
Treasury stock, at cost	(89,624)	(86,485)
Total stockholders' equity	6,198,809	5,896,183
Long-term debt of subsidiaries (substantially collateralized by utility plant):		
Interest Rate Range	Maturity Date Range	
0.00% to 0.99%	2024 to 2053	2,637
1.00% to 1.99%	2030 to 2046	11,732
2.00% to 2.99%	2024 to 2058	206,297
3.00% to 3.99%	2024 to 2056	1,258,003
4.00% to 4.99%	2024 to 2059	1,239,032
5.00% to 5.99%	2028 to 2061	312,260
6.00% to 6.99%	2026 to 2036	31,000
7.00% to 7.99%	2025 to 2027	27,888
8.00% to 8.99%	2025	447
9.00% to 9.99%	2026	11,800
		3,101,096
Notes payable to bank under revolving credit agreement, variable rate, due 2027	413,000	720,000
Unsecured notes payable:		
Notes at 2.40% due 2031	400,000	400,000
Notes at 2.704% due 2030	500,000	500,000
Notes ranging from 3.01% to 3.59%, due 2029 through 2050	1,125,000	1,125,000
Notes at 4.276%, due 2049	500,000	500,000
Notes at 4.80%, due 2027	500,000	-
Notes at 5.30%, due 2052	500,000	500,000
Notes at 5.375%, due 2034	500,000	-
Notes at 5.95%, due 2024 through 2034	20,000	30,000
Total long-term debt	7,559,096	6,938,008
Current portion of long-term debt	142,807	67,415
Long-term debt, excluding current portion	7,416,289	6,870,593
Less: debt issuance costs	47,908	44,508
Long-term debt, excluding current portion, net of debt issuance costs	7,368,381	6,826,085
Total capitalization	~~\$ 13,567,190~~	~~\$ 12,722,268~~

See accompanying notes to consolidated financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands of dollars, except per share amounts)

	Common stock	Capital in excess of par value	Retained earnings	Treasury stock	Total
Balance at December 31, 2021	\$ 128,050	\$ 3,705,814	\$ 1,434,201	\$ (83,615)	\$ 5,184,450
Net income	-	-	465,237	-	465,237
Dividends declared and paid (\$1.1104 per share)	-	-	(288,632)	-	(288,632)
Dividends of March 1, 2023 declared (\$0.287 per share)	-	-	(75,808)	-	(75,808)
Issuance of common stock from stock purchase contracts (9,029,461 shares)	4,515	(4,515)	-	-	-
Issuance of common stock under dividend reinvestment plan (368,278 shares)	184	16,435	-	-	16,619
Issuance of common stock from at-the-market sale agreements (1,321,994 shares)	661	62,379	-	-	63,040
Repurchase of stock (25,037 shares)	-	-	-	(1,192)	(1,192)
Equity compensation plan (81,516 shares)	41	(41)	-	-	-
Exercise of stock options (69,684 shares)	35	2,440	-	-	2,475
Stock-based compensation	-	12,094	(667)	-	11,427
Other	-	(1,344)	-	1,114	(230)
Balance at December 31, 2022	\$ 133,486	\$ 3,793,262	\$ 1,534,331	\$ (83,693)	\$ 5,377,386
Net income	-	-	498,226	-	498,226
Dividends declared and paid (\$1.1882 per share)	-	-	(240,999)	-	(240,999)
Dividends of March 1, 2024 declared (\$0.3071 per share)	-	-	(83,929)	-	(83,929)
Issuance of common stock under dividend reinvestment plan (430,487 shares)	215	15,790	-	-	16,005
Issuance of common stock from at-the-market sale agreements (8,938,839 shares)	4,470	318,513	-	-	322,983
Repurchase of stock (89,785 shares)	-	-	-	(3,981)	(3,981)
Equity compensation plan (244,407 shares)	122	(122)	-	-	-
Exercise of stock options (8,174 shares)	4	283	-	-	287
Stock-based compensation	-	11,330	(954)	-	10,376
Other	-	(1,360)	-	1,189	(171)
Balance at December 31, 2023	\$ 138,297	\$ 4,137,696	\$ 1,706,675	\$ (86,485)	\$ 5,896,183
Net income	-	-	595,314	-	595,314
Dividends declared and paid (\$1.2652 per share)	-	-	(262,462)	-	(262,462)
Dividends of March 1, 2025 declared (\$0.3255 per share)	-	-	(89,441)	-	(89,441)
Issuance of common stock under dividend reinvestment plan (433,688 shares)	217	15,259	-	-	15,476
Issuance of common stock from at-the-market sale agreements (925,497 shares)	463	35,671	-	-	36,134
Repurchase of stock (111,955 shares)	-	-	-	(4,048)	(4,048)
Equity compensation plan (185,927 shares)	93	(93)	-	-	-
Exercise of stock options (69,320 shares)	35	2,436	-	-	2,471
Stock-based compensation	-	9,781	(594)	-	9,187
Other	-	(914)	-	909	(5)
Balance at December 31, 2024	<u>\$ 139,105</u>	<u>\$ 4,199,836</u>	<u>\$ 1,949,492</u>	<u>\$ (89,624)</u>	<u>\$ 6,198,809</u>

See accompanying notes to consolidated financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars, except per share amounts)

	Years ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 595,314	\$ 498,226	\$ 465,237
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	369,552	343,695	321,177
Deferred income taxes	(27,756)	(79,845)	(23,045)
Provision for doubtful accounts	21,865	23,209	27,631
Stock-based compensation	9,785	11,323	12,206
Gain on sale of utility system and other assets	(92,224)	(65)	(991)
Net change in receivables, deferred purchased gas costs, inventory and prepayments	(103,335)	189,989	(223,335)
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	26,963	(14,559)	53,761
Pension and other postretirement benefits contributions	(9,394)	(20,343)	(22,027)
Other	(20,427)	(18,043)	(10,308)
Net cash flows from operating activities	770,343	933,587	600,306
Cash flows from investing activities:			
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of \$7,372, \$5,241 and \$6,047	(1,329,747)	(1,199,103)	(1,062,763)
Acquisitions of utility systems and other, net	(665)	(45,303)	(116,891)
Net proceeds from the sale of utility systems and other assets	167,470	41,758	1,081
Other	(339)	(19,080)	271
Net cash flows used in investing activities	(1,163,281)	(1,221,728)	(1,178,302)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	19,563	23,982	11,714
Repayments of customers' advances	(8,564)	(8,471)	(5,006)
Net proceeds (repayments) of short-term debt	26,418	(68,377)	163,500
Proceeds from long-term debt	1,649,546	1,207,619	1,646,742
Repayments of long-term debt	(1,027,473)	(876,379)	(977,175)
Change in cash overdraft position	34,356	(15,336)	(53,028)
Proceeds from issuance of common stock under dividend reinvestment plan	15,476	16,005	16,619
Proceeds from issuance of common stock from at-the-market sale agreement	36,134	322,983	63,040
Proceeds from exercised stock options	2,471	287	2,475
Repurchase of common stock	(4,048)	(3,981)	(1,192)
Dividends paid on common stock	(346,392)	(316,806)	(288,632)
Other	(5)	(171)	(230)
Net cash flows from financing activities	397,482	281,355	578,827
Net increase (decrease) in cash and cash equivalents	4,544	(6,786)	831
Cash and cash equivalents at beginning of year	4,612	11,398	10,567
Cash and cash equivalents at end of year	\$ 9,156	\$ 4,612	\$ 11,398
Cash paid during the year for:			
Interest, net of amounts capitalized	\$ 275,898	\$ 272,532	\$ 225,820
Income taxes	6,698	7,839	11,269
Non-cash investing activities:			
Property, plant and equipment additions purchased at the period end, but not yet paid	\$ 135,331	\$ 102,770	\$ 102,129
Non-cash utility property contributions	38,840	56,297	35,698

See accompanying notes to consolidated financial statements.

Refer to Note 15 – *Employee Stock and Incentive Plan* for a description of non-cash activities.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(In thousands of dollars, except per share amounts)

Note 1 – Summary of Significant Accounting Policies

Nature of Operations — Essential Utilities, Inc. (“Essential Utilities,” the “Company,” “we,” “our”, or “us”) is the holding company for regulated utilities providing water, wastewater, or natural gas services concentrated in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, Virginia, and Kentucky under the Aqua and Peoples brands. One of our largest operating subsidiaries is Aqua Pennsylvania, Inc., which accounted for approximately 55% of our Regulated Water segment’s operating revenues and approximately 67% of our Regulated Water segment’s income for 2024. Aqua Pennsylvania’s service territory is located in the suburban areas north and west of the City of Philadelphia and in 27 other counties in Pennsylvania. The Company’s other regulated water or wastewater utility subsidiaries provide similar services in seven additional states. Our Peoples subsidiaries provide natural gas service to approximately 745,000 customers in western Pennsylvania and Kentucky. Approximately 95% of the total number of natural gas utility customers we serve are in western Pennsylvania. The Company also operates market-based activities, conducted through its non-regulated subsidiaries, that provide utility service line protection solutions and repair services to households and gas marketing and production activities.

In October 2023, the Company closed on the sale of its regulated natural gas utility assets in West Virginia. In January 2024, the Company closed on the sale of its interest in three non-utility local microgrid and distributed energy projects. These transactions are consistent with the Company’s long-term strategy of focusing on its core business and will allow the Company to prioritize the growth of its utilities in states where it has scale. See Note 3 – *Dispositions* for further information.

Regulation — Most of the operating companies that are regulated public utilities are subject to regulation by the utility commissions of the states in which they operate. The respective utility commissions have jurisdiction with respect to rates, service, accounting procedures, issuance of securities, acquisitions and other matters. Some of the operating companies that are regulated public utilities are subject to rate regulation by county or city government. Regulated public utilities follow the Financial Accounting Standards Board’s (“FASB”) accounting guidance for regulated operations, which provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. Costs, for which the Company has received or expects to receive prospective rate recovery, are deferred as a regulatory asset and amortized over the period of rate recovery in accordance with the FASB’s accounting guidance for regulated operations. Conversely, excess recovery of costs or amounts collected in rates to recover costs expected to be incurred in the future or to be refunded in the future are recorded as regulatory liabilities. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in Company’s rates charged for utility service. If, as a result of a change in circumstances, it is determined that a regulated operating company no longer meets the criteria to apply regulatory accounting, the operating company would have to discontinue regulatory accounting and write-off the respective regulatory assets and liabilities. See Note 6 – *Regulatory Assets and Liabilities* for further information.

The Company makes significant judgments and estimates to record regulatory assets and liabilities. For each regulatory jurisdiction with regulated operations, the Company evaluates at the end of each reporting period, whether the regulatory assets and liabilities continue to meet the probable criteria for future recovery or refund. The evaluation considers factors such as regulatory orders or guidelines, in the same regulatory jurisdiction, of a specific matter or a similar matter, as provided to the Company in the past or to other regulated utilities. In addition, the evaluation may be impacted by changes in the regulatory environment and pending or new legislation that could impact the ability to recover costs through regulated rates. There may be multiple participants to rate or transactional regulatory proceedings who might offer different views on various aspects of such proceedings, and in these instances, may challenge the prudence of our business policies and practices, seek cost disallowances or request other relief.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

Use of Estimates in Preparation of Consolidated Financial Statements — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the application of regulatory accounting principles and estimation of regulatory assets and liabilities, estimates used in impairment testing of goodwill and other long-lived assets, allowance for doubtful accounts, unbilled revenues, pension and other post-retirement benefit obligations, and income taxes. Actual results could differ from those estimates.

Basis of Presentation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Property, Plant and Equipment and Depreciation — Property, plant and equipment consist primarily of utility plant. The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overheads, and for additions meeting certain criteria, allowance for funds used during construction. Utility systems acquired are typically recorded at estimated original cost of utility plant when first devoted to utility service and the applicable depreciation is recorded to accumulated depreciation. Further, utility systems acquired under fair value regulations would be recorded based on the valuation of the utility plant as approved by the respective utility commission. The difference between the estimated original cost, less applicable accumulated depreciation, and the purchase price may be recorded as an acquisition adjustment within utility plant as permitted by the applicable regulatory jurisdiction. At December 31, 2024 and 2023, utility plant includes a net credit acquisition adjustment of \$5,627 and \$6,444, respectively, which is generally being amortized from 10 to 53 years. Amortization of the acquisition adjustments totaled \$787 in 2024, \$2,103 in 2023, and \$2,788 in 2022.

Utility expenditures for maintenance and repairs, including major maintenance projects and minor renewals, are charged to operating expenses when incurred in accordance with the system of accounts prescribed by the utility commissions of the states in which the company operates. The cost of new units of property and betterments are capitalized. Utility expenditures for water main cleaning and relining of pipes are deferred and are presented in net property, plant and equipment in accordance with the FASB's accounting guidance for regulated operations. As of December 31, 2024, \$1,635 of these costs have been incurred since the last respective rate proceeding and are considered probable of being included in future rates.

The cost of software upgrades and enhancements are capitalized if they result in added functionality, which enables the software to perform tasks it was previously incapable of performing. Information technology costs associated with major system installations, conversions and improvements, such as software training, data conversion and business process reengineering costs, are deferred as a regulatory asset if it is probable that such costs are recoverable in future rates. If these costs are not deferred, then these costs are charged to operating expenses when incurred. As of December 31, 2024, \$18,107 of these costs have been deferred since the last respective rate proceeding as a regulatory asset, and the deferral is reported as a component of net property, plant and equipment.

When units of utility property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and such value, together with the net cost of removal, is charged to accumulated depreciation. To the extent the Company anticipates recovery of the cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded as those costs are incurred. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts, which are not yet utilized, result in a regulatory liability being reported based on the amounts previously recovered through customer rates.

The straight-line remaining life method is used to compute depreciation on utility plant. Generally, the straight-line method is used with respect to transportation and mechanical equipment, office equipment and laboratory equipment.

Impairment of Long-Lived Assets - Long-lived assets of the Company, which consist primarily of utility plant in service, operating lease right-of-use assets and intangible assets, are reviewed for impairment when changes in circumstances or

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

events occur. These circumstances or events could include a decline in the market value or physical condition of a long-lived asset, an adverse change in the manner in which long-lived assets are used or planned to be used, a change in historical trends, operating cash flows associated with the long-lived assets, changes in macroeconomic conditions, industry and market conditions, or overall financial performance. When these circumstances or events occur, the Company determines whether it is more likely than not that the fair value of those assets is less than their carrying amount. If the Company determines that it is more likely than not (that is, the likelihood of more than 50 percent), the Company would recognize an impairment charge if it is determined that the carrying amount of an asset exceeds the sum of the undiscounted estimated cash flows. In this circumstance, the Company would recognize an impairment charge equal to the difference between the carrying amount and the fair value of the asset. Fair value is estimated to be the present value of future net cash flows associated with the asset, discounted using a discount rate commensurate with the risk and remaining life of the asset. During the year ended December 31, 2022, the Company recorded an impairment loss to write down a portion of the operating lease right-of-use asset for office space not used in operations to fair value. Refer to Note 10 – *Leases*, for further details.

Regulatory assets are reviewed for the continued application of the FASB accounting guidance for regulated operations. The Company's review determines whether there have been changes in circumstances or events, such as regulatory disallowances, or abandonments, that have occurred that require adjustments to the carrying value of these assets. Adjustments to the carrying value of these assets would be made in instances where their inclusion in the rate-making process is unlikely. For utility plant in service, we would recognize an impairment loss for any amount disallowed by the respective utility commission.

Allowance for Funds Used During Construction — The allowance for funds used during construction ("AFUDC") represents the capitalized cost of funds used to finance the construction of utility plant. In general, AFUDC is applied to construction projects requiring more than one month to complete. No AFUDC is applied to projects funded by customer advances for construction, contributions in aid of construction, or applicable state-revolving fund loans. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used and is recovered through rates as the utility plant is depreciated. The amount of AFUDC related to equity funds in 2024 was \$13,938, 2023 was \$11,726, and 2022 was \$17,618. No interest was capitalized by our market-based businesses.

Lease Accounting — The Company evaluates the contracts it enters into to determine whether such contracts contain leases. A contract contains a lease if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. We enter into operating lease contracts for the right to utilize certain land, office facilities, office equipment, and vehicles from third parties. For contracts that extend for a period greater than 12 months, we recognize a right of use asset and a corresponding lease liability on our consolidated balance sheet. The present value of each lease is based on the future minimum lease payments in accordance with Accounting Standards Codification ("ASC") 842 and is determined by discounting these payments using an incremental borrowing rate or the rate implicit in the lease, if available.

Recognition of Revenues — The Company recognizes revenue as utility services are provided to our customers, which happens over time as the services are delivered and the performance obligation is satisfied. The Company's utility revenues recognized in an accounting period includes amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average customer usage. The Company's actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to our estimates are determined.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

Generally, payment is due within 30 days once a bill is issued to a customer. Sales tax and other taxes we collect on behalf of government authorities, concurrent with our revenue-producing activities, are primarily excluded from revenue. The following table presents our revenues disaggregated by major source and customer class for the years ended December 31:

2024	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:				
Residential	\$ 662,909	\$ 146,849	\$ 504,426	\$ -
Commercial	186,534	36,951	100,662	-
Fire protection	42,409	-	-	-
Industrial	34,831	2,724	2,279	-
Gas transportation & storage	-	-	194,413	-
Other water	80,964	-	-	-
Other wastewater	-	12,898	-	-
Other utility	-	-	30,436	11,226
Revenues from contracts with customers	1,007,647	199,422	832,216	11,226
Alternative revenue program	3,850	(265)	10,775	-
Other and eliminations	-	-	-	21,242
Consolidated	<u>\$ 1,011,497</u>	<u>\$ 199,157</u>	<u>\$ 842,991</u>	<u>\$ 32,468</u>

2023	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:				
Residential	\$ 641,351	\$ 139,188	\$ 519,406	\$ -
Commercial	180,731	35,530	111,272	-
Fire protection	41,257	-	-	-
Industrial	33,949	2,087	3,232	-
Gas transportation & storage	-	-	184,598	-
Other water	51,527	-	-	-
Other wastewater	-	10,589	-	-
Other utility	-	-	43,163	14,863
Revenues from contracts with customers	948,815	187,394	861,671	14,863
Alternative revenue program	2,236	68	2,088	-
Other and eliminations	-	-	-	36,689
Consolidated	<u>\$ 951,051</u>	<u>\$ 187,462</u>	<u>\$ 863,759</u>	<u>\$ 51,552</u>

2022	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:				
Residential	\$ 607,473	\$ 122,612	\$ 720,490	\$ -
Commercial	168,460	30,340	149,653	-
Fire protection	38,970	-	-	-
Industrial	32,581	1,755	5,636	-
Gas transportation & storage	-	-	205,825	-
Other water	55,389	-	-	-
Other wastewater	-	10,676	-	-
Other utility	-	-	61,393	11,478
Revenues from contracts with customers	902,873	165,383	1,142,997	11,478
Alternative revenue program	3,309	(71)	365	-
Other and eliminations	-	-	-	61,698
Consolidated	<u>\$ 906,182</u>	<u>\$ 165,312</u>	<u>\$ 1,143,362</u>	<u>\$ 73,176</u>

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

Revenues from Contracts with Customers – These revenues are composed of four main categories: water, wastewater, natural gas, and other. Water revenues represent revenues earned for supplying customers with water service. Wastewater revenues represent revenues earned for treating wastewater and releasing it into the environment. Natural gas revenues represent revenues earned for the gas commodity and delivery of natural gas to customers. Other revenues are associated fees that relate to our utility businesses but are not water, wastewater, or natural gas revenues. Refer to the description below for a discussion of the performance obligation for each of these revenue streams.

Tariff Revenues – These revenues are categorized by customer class: residential, commercial, fire protection, industrial, gas transportation, other water, and other wastewater. The rates that generate these revenues are approved by the respective state utility commission, and revenues are billed cyclically and accrued for when unbilled. The regulated natural gas rates are set and adjusted for increases or decreases in our purchased gas costs through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide us with a means to recover purchased gas costs on an ongoing basis without filing a rate case. Other water and other wastewater revenues consists primarily of fines, penalties, surcharges, and availability lot fees. Our performance obligation for tariff revenues is to provide potable water, wastewater treatment service, or delivery and sale of natural gas to customers. This performance obligation is satisfied over time as the services are rendered. The amounts that the Company has a right to invoice for tariff revenues reflect the right to consideration from the customers in an amount that corresponds directly with the value transferred to the customer for the performance completed to date.

Other Utility Revenues – Other utility revenues represent revenues earned primarily from: antenna revenues, which represents fees received from telecommunication operators that have put cellular antennas on our water towers; operation and maintenance and billing contracts, which represent fees earned from municipalities for our operation of their water or wastewater treatment services or performing billing services; and fees earned from developers for accessing our water mains, miscellaneous service revenue from gas distribution operations, gas processing and handling revenue, sales of natural gas at market-based rates and contracted fixed prices, sales of gas purchased from third parties, and other gas marketing activities. The performance obligations vary for these revenues, but all are primarily recognized over time as the service is delivered.

Alternative Revenue Program:

- **Water / Wastewater Revenues** – These revenues represent the difference between the actual billed utility volumetric water and wastewater revenues for Aqua Illinois and the revenues set in the last Aqua Illinois rate case. In accordance with the Illinois Commerce Commission, we recognize revenues based on the target amount established in the last rate case, and then record either a regulatory asset or liability based on the cumulative annual difference between the target and actual amounts billed, which results in either a payment from customers or a refund due to customers. The cumulative annual difference is either refunded to customers or collected from customers over a nine-month period.
- **Natural Gas Revenues** – These revenues represent the weather-normalization adjustment (“WNA”) mechanism in place for our natural gas customers served in Kentucky and, beginning in October 2024, for our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company’s results for its residential and small commercial natural gas customers. This regulatory mechanism adjusts revenues earned for the variance between actual and normal weather and can have either positive (warmer than normal) or negative (colder than normal) effects on revenues. Customer bills are adjusted in the heating season billing months, with rates adjusted for the difference between actual revenues and revenues calculated under this mechanism billed to the customers.

These revenue programs represent a contract between the utility and its regulators, not customers, and therefore are not within the scope of the FASB’s accounting guidance for recognizing revenue from contracts with customers.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

Other and Eliminations – Other and eliminations consist of market-based revenues, which are earned through our non-regulated natural gas operations and Aqua Resources, and intercompany activities for revenue billed between our subsidiaries. Our non-regulated natural gas operations consist of utility service line protection solutions and repair services for households and the operation of gas marketing and production entities. Revenue is recognized and the performance obligation is satisfied over time as the service is delivered. Aqua Resources earned revenues and continues to earn revenue through third-party water and sewer service line protection and repair services. For the service line protection business, the performance obligations are allowing the use of our logo to a third-party water and sewer service line repair provider. Revenues are primarily recognized over time as service is delivered.

Cash and Cash Equivalents – The Company considers all highly liquid investments with an original maturity of three months or less, which are not restricted for construction activity, to be cash equivalents.

Under our cash management system, checks issued but not yet presented to banks would result in a negative bank balance or a book overdraft. The Company funds its book overdraft from its line of credit and operating cash flows. The balance of the book overdraft is reported as book overdraft, and the change in the book overdraft balance is reported as cash flows from financing activities, due to our ability to fund the overdraft with the Company's credit facility.

Accounts Receivable – Accounts receivable are recorded at the invoiced amounts, which consists of billed and unbilled revenues. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in our existing accounts receivable and is determined based on lifetime expected credit losses, the aging of account balances, and consideration of current and expected future conditions. The Company reviews the allowance for doubtful accounts quarterly. Account balances are written off against the allowance when it is probable the receivable will not be recovered. When utility customers request extended payment terms, credit is extended based on regulatory guidelines, and collateral is not required.

Inventories – Materials and Supplies – Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Inventory – Gas Stored – The Company accounts for gas in storage inventory using the weighted average cost of gas method.

Goodwill – Goodwill represents the excess cost over the fair value of net tangible and identifiable intangible assets acquired through acquisitions. Goodwill is not amortized but is tested for impairment annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, changes to regulatory environment, recent regulatory and legislative proceedings, cost factors, overall financial performance, and entity specific events, for some or all of our reporting units to determine whether it's more likely than not that the fair value of a reporting unit is less than its carrying amount. Alternatively, based on our assessment of the qualitative factors previously noted or at our discretion, we may perform a quantitative goodwill impairment test by determining the fair value of a reporting unit. If we perform a quantitative test and determine that the fair value of a reporting unit is less than its carrying amount, we would record an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the reporting unit's carrying amount of goodwill.

Impairment testing for goodwill is done at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available, and segment management regularly reviews the operating results of that component. We assigned assets and liabilities to each reporting unit based on either specific identification or by using judgment for the remaining assets and liabilities that are not specific to a reporting unit. Goodwill was assigned to the reporting units based on a combination of specific identification and relative fair values.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
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Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. We estimated the fair value of reporting units by weighting results from the market approach and the income approach. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies in our industry. Changes in market conditions, changes in the regulatory environment, pending or new legislation that could impact the ability to recover costs through regulated rates or other factors outside of our control, could cause us to change key assumptions and our judgment about a reporting unit's prospects. Similarly, in a specific period, a reporting unit could significantly underperform relative to its historical or projected future operating results. Either situation could result in a meaningfully different estimate of the fair value of our reporting units, and a consequent future impairment charge.

During the fourth quarter of 2024, as part of the annual goodwill assessment as of October 1, 2024, we elected to perform qualitative goodwill impairment assessments on the goodwill attributable to our Regulated Natural Gas, our Regulated Water, and Other reporting units. Based on our analysis, we determined that none of the goodwill of our reporting units were impaired.

The following table summarizes the changes in the Company's goodwill:

	Regulated Water	Regulated Natural Gas	Other	Consolidated
Balance at December 31, 2022	\$ 58,504	\$ 2,277,447	\$ 4,841	\$ 2,340,792
Goodwill acquired	-	-	-	-
Reclassifications to utility plant acquisition adjustment	(54)	-	-	(54)
Balance at December 31, 2023	58,450	2,277,447	4,841	2,340,738
Goodwill acquired	-	-	-	-
Reclassifications to utility plant acquisition adjustment	(25)	-	-	(25)
Balance at December 31, 2024	<u>\$ 58,425</u>	<u>\$ 2,277,447</u>	<u>\$ 4,841</u>	<u>\$ 2,340,713</u>

The reclassification of goodwill to utility plant acquisition adjustment results from either a regulatory order or a mechanism approved by the applicable utility commission. A regulatory order may provide for the one-time transfer of certain acquired goodwill. The mechanism provides for the transfer over time, and the recovery through customer rates, of goodwill associated with some acquisitions upon achieving specific objectives.

Intangible assets – The Company's intangible assets consist of customer relationships for our non-regulated natural gas operations and non-compete agreements with certain former employees of Peoples. These intangible assets are amortized on a straight-line basis over their estimated useful lives of fifteen years for the customer relationships and five years for the non-compete agreements.

Derivative Instruments – The Company's natural gas commodity price risk, driven mainly by price fluctuations of natural gas, is mitigated by its purchased-gas cost adjustment mechanisms. The Company also uses derivative instruments to economically hedge the cost of anticipated natural gas purchases during the winter heating months that seeks to offset the risk to the Company's utility customers from upward market price volatility. These strategies include requirements contracts, spot purchase contracts and underground storage to meet regulated customers' natural gas requirements that may have fixed or variable pricing. The variable price contracts qualify as derivative instruments; however, because the contract price is the prevailing price at the future transaction date the contract has no determinable fair value. The fixed price contracts and firm commitments to purchase a fixed quantity of gas in the future qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business and, as such, are accounted for under the accrual basis and are not recorded at fair value in the Company's consolidated financial statements.

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Notes to Consolidated Financial Statements (continued)
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Deferred Charges and Other Assets — Deferred charges and other assets consist primarily of assets held to compensate employees in the future who participate in the Company's deferred compensation plan, and prepaid pension and other post-retirement benefit plans assets, which amounted to \$31,324 and \$45,983 as of December 31, 2024; and \$26,442 and \$43,025 as of December 31, 2023, respectively. The assets of the deferred compensation plan are invested in mutual funds which are carried on the consolidated balance sheet at fair market value, and changes in fair value are included in other expense (income), refer to Note 12 – *Fair Value of Financial Instruments* for further details. Refer to Note 16 – *Pension Plans and Other Post-Retirement Benefit Plans* for further information on the prepaid pension and other post-retirement benefit plan assets.

Income Taxes — The Company accounts for some income and expense items in different time periods for financial and tax reporting purposes. Deferred income taxes are provided on specific temporary differences between the tax basis of the assets and liabilities, and the amounts at which they are carried in the consolidated financial statements. The income tax effect of temporary differences not currently included in rates is recorded as deferred taxes with an offsetting regulatory asset or liability. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. Investment tax credits are deferred and amortized over the estimated useful lives of the related properties. Judgment is required in evaluating the Company's Federal and state tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company establishes reserves when it believes that its tax positions are likely to be challenged and it may not fully prevail in these challenges. The Company's provision for income taxes includes interest, penalties and reserves for uncertain tax positions.

Customers' Advances for Construction and Contributions in Aid of Construction — Utility mains, other utility property or, in some instances, cash advances to reimburse the Company for its costs to construct utility mains or other utility property, are contributed to the Company by customers, real estate developers and builders in order to extend utility service to their properties. The value of these contributions is recorded as customers' advances for construction. Over time, the amount of non-cash contributed property will vary based on the timing of the contribution of the non-cash property and the volume of non-cash contributed property received in connection with development in our service territories. The Company makes refunds on these advances over a specific period of time based on operating revenues related to the property, or as new customers are connected to and take service from the applicable water main. After all refunds are made, any remaining balance is transferred to contributions in aid of construction for our regulated water business. Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that become non-refundable. For our regulated gas business, non-refundable contributions are netted against the cost of the related utility mains or other utility property.

Based on regulatory conventions in states where the Company operates, generally our subsidiaries depreciate contributed property and amortize contributions in aid of construction at the composite rate of the related property. Contributions in aid of construction and customers' advances for construction are deducted from the Company's rate base for rate-making purposes, and therefore, no return is earned on contributed property.

Stock-Based Compensation — The Company records compensation expense in the financial statements for stock-based awards based on the grant date fair value of those awards. Stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on either a straight-line basis, or the graded vesting method, which is generally commensurate with the vesting term.

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Notes to Consolidated Financial Statements (continued)
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Fair Value Measurements – The Company follows the FASB’s accounting guidance for fair value measurements and disclosures, which defines fair value and establishes a framework for using fair value to measure assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access;

Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in non-active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3: inputs that are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, assets that are measured at fair value using the net asset value (“NAV”) per share practical expedient are not classified in the fair value hierarchy. There have been no changes in the valuation techniques used to measure fair value or asset or liability transfers between the levels of the fair value hierarchy for the years ended December 31, 2024 and 2023.

Recent Accounting Pronouncements —

Pronouncements to be adopted upon the effective date:

In November 2024, the FASB issued ASU 2024-03, *“Income Statement Reporting—Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses”*. The standard update improves the disclosures about a public business entity’s expenses by requiring more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation and amortization) included within income statement expense captions. The guidance will be effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The standard updates are to be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact of adoption of the standard update on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *“Income Taxes (Topic 740): Improvements to Income Tax Disclosures”*. The ASU enhances the transparency and decision usefulness of income tax disclosures and is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company plans to adopt the standard in its 2025 annual report on Form 10-K. The Company does not expect this ASU to have a significant impact to its current disclosures.

In March 2024, the U.S. Securities and Exchange Commission (SEC) issued its final climate disclosure rule, which requires the disclosure of Scope 1 and Scope 2 greenhouse gas emissions and other climate-related topics in annual reports and registration statements, when material. A number of petitions have been filed in federal courts seeking to challenge the SEC’s climate disclosure rule. As a result, in April 2024, the SEC placed a pause on its implementation of the new rule. We are evaluating the impact of the new rule and, depending on the outcome of the proceedings, will include the required disclosures once it becomes effective.

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Pronouncements adopted during the fiscal year:

In November 2023, the FASB issued ASU 2023-07 *Segment Reporting - Improving Reportable Segment Disclosures (Topic 280)*. The update is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker (CODM), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires certain annual disclosures currently required by Topic 280 to be included in interim periods. The update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. The Company adopted the updated provisions in this 2024 annual report on Form 10-K.

Recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the Company.

Note 2 – Acquisitions

Water and Wastewater Utility Acquisitions – Completed

In January 2025, the Company acquired Greenville Sanitary Authority's wastewater utility assets, which serves approximately 2,300 customers in Greenville, Pennsylvania for \$18,000.

In October 2024, the Company acquired wastewater utility assets in Morgan County, Indiana, which serve approximately 100 customers for \$500.

In May 2024, the Company acquired the wastewater utility assets of Westfield HOA, which serves approximately 200 customers within Westfield Homeowners Subdivision in Glenview, Illinois for a cash purchase price of \$67.

In July 2023, the Company completed the following water utility asset acquisitions: Shenandoah Borough, Pennsylvania, which serves approximately 2,900 customers for \$12,291; La Rue, an Ohio municipality, which serves approximately 300 customers for \$2,253; and, Southern Oaks Water System, which serves approximately 800 customers in Texas for \$3,321. Additionally, in July 2023, the Company completed their acquisition of a portion of the water and wastewater utility assets of the Village of Frankfort, an Illinois municipality, which serves approximately 1,500 customers for \$1,424.

In June 2023, the Company acquired the wastewater utility assets of Union Rome, Ohio, which serves approximately 4,300 customers for a cash purchase price of \$25,547.

In March 2023, the Company acquired the North Heidelberg Sewer Company in Berks County, Pennsylvania, which serves approximately 300 customer connections for a cash purchase price of \$136.

In November 2022, the Company acquired certain water utility assets of Oak Brook, Illinois, which serve 2,037 customers for a cash purchase price of \$12,500.

In March 2022, the Company acquired the wastewater system of Lower Makefield Township, which serves 11,323 customer connections in Lower Makefield, Falls, and Middletown townships, and Yardley Borough, Bucks County, Pennsylvania, for a cash purchase price of \$53,000.

The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for these utility systems acquired in 2024 are \$32.

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The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for these utility systems acquired in 2023 were \$7,715 in 2024 and \$3,290 in 2023.

The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for the utility systems acquired in 2022 were \$19,013 in 2024, \$18,039 in 2023 and \$11,393 in 2022.

The purchase price allocation for these acquisitions consisted primarily of property, plant and equipment. The pro forma effect of the utility systems acquired is not material either individually or collectively to the Company's results of operations.

Water and Wastewater Utility Acquisitions – Pending Completion

In October 2024, the Company entered into a purchase agreement to acquire Integra Water Texas, LLC's wastewater system assets in Bastrop County, Texas, which serves approximately 1,100 customers for \$4,400.

In August 2024, the Company entered into a purchase agreement to acquire the Village of Midvale's water system in Ohio, which serves approximately 900 customers for \$2,950.

In June 2024, the Company entered into a purchase agreement to acquire private water and wastewater utility assets in Harris County, Texas, which serves approximately 400 equivalent retail customers for \$1,125.

In December 2023, the Company entered into a purchase agreement to acquire North Versailles wastewater assets in North Versailles Township, Pennsylvania which serves approximately 4,400 customers for between \$25,000 and \$30,000. In August 2024, the purchase agreement was terminated mutually by the Company and the Authority.

In September 2023, the Company entered into a purchase agreement to acquire Greenville Municipal Water Authority's water system in Greenville, Pennsylvania which serves approximately 3,000 customers for \$18,000.

In October 2021, the Company entered into a purchase agreement to acquire the wastewater utility assets of the City of Beaver Falls, Pennsylvania which consists of approximately 7,600 customers for \$41,250.

The purchase price for each of these pending acquisitions is subject to certain adjustments at closing, and is subject to regulatory approval, including the final determination of the fair value of the rate base acquired. We plan to finance the purchase price of these acquisitions by utilizing our revolving credit facility until permanent debt and common equity are secured. These pending acquisitions are expected to close in 2025. Closing for our utility acquisitions are subject to the timing of the respective regulatory approval processes.

East Whiteland Purchase Agreement

On July 29, 2022, the Pennsylvania Public Utility Commission issued an order (the "PUC Order") approving the Company's acquisition of the municipal wastewater assets of East Whiteland Township, Chester County, Pennsylvania, which serves 4,018 customers (the "East Whiteland Wastewater Assets"). On August 12, 2022, the Company acquired the East Whiteland Wastewater Assets for a cash purchase price of \$54,374. Subsequently on August 25, 2022, the Office of Consumer Advocate ("OCA") filed an appeal of the PUC Order to the Pennsylvania Commonwealth Court. On July 31, 2023, a decision was issued by the Pennsylvania Commonwealth Court, in which the Pennsylvania Commonwealth Court agreed with the OCA and reversed the PUC order which approved the acquisition. On September 26, 2023, the Pennsylvania Commonwealth Court denied our motion for reargument. On October 26, 2023, the Company, the Pennsylvania Public Utility Commission, and East Whiteland Township filed an appeal to the Pennsylvania Supreme Court. East Whiteland Township filed to Supplement its Petition for Allowance of Appeal on January 2, 2024. On January 16, 2024, the Company, the OCA and the PUC filed Answers to East Whiteland Township's Petition. On June 14, 2024, the Pennsylvania Supreme Court granted the Petitions for Allowance of Appeal of the Pennsylvania Public Utility Commission, the Company, and East Whiteland Township. The Company, the Pennsylvania Public Utility

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Notes to Consolidated Financial Statements (continued)
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Commission, East Whiteland Township, and several Amicus Curiae filed Initial Briefs on September 26, 2024. The OCA submitted its Brief on December 10, 2024. The Company, the Pennsylvania Public Utility Commission, and East Whiteland Township submitted Reply Briefs on January 10, 2025. Management believes the final resolution of this matter is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

DELCORA Purchase Agreement

In 2019, the Company entered into a purchase agreement to acquire the wastewater utility system assets of the Delaware County Regional Water Quality Control Authority ("DELCORA"), which consists of approximately 16,000 customers, or the equivalent of 198,000 retail customers, in 42 municipalities in Southeast Pennsylvania for \$276,500. There are several legal proceedings involving the Company as a result of the purchase agreement that are on-going. On January 25, 2023, DELCORA filed in the Delaware Court of Common Pleas a complaint for Declaratory Judgment seeking resolution of whether the County Ordinance dissolving DELCORA is a final action prohibiting DELCORA from carrying out the material transaction of the Asset Purchase Agreement and, in the event that DELCORA retains the ability to close the transaction, whether DELCORA is permitted to exist as a trust. On February 14, 2023, the Company filed preliminary objections to DELCORA's complaint. DELCORA filed an answer and new matter to the Company's preliminary objections on February 21, 2023. On December 3, 2024, the Delaware County Court of Common Pleas issued an order that sustained Aqua's preliminary objections and dismissed DELCORA's complaint. The purchase price for this pending acquisition is subject to certain adjustments at closing, and is subject to regulatory approval, including the final determination of the fair value of the rate base acquired. We plan to finance the purchase price of this acquisition with a mix of equity and debt financing, utilizing our revolving credit facility until permanent debt is secured. Closing of our acquisition of DELCORA is subject to regulatory approval and on-going litigation.

Note 3 – Dispositions

In October 2023, the Company closed on the sale of its regulated natural gas utility assets in West Virginia, which served approximately 13,000 customers or about two percent of the Company's regulated natural gas customers ("Peoples Gas West Virginia"). Initially the sale closed for an estimated purchase price of \$39,965, subject to working capital and other adjustments. In March 2024, the Company received an additional \$1,213 from the buyer. The additional proceeds were based on finalizing closing working capital and other adjustments, resulting in a final purchase price of \$41,178 and a loss of an inconsequential amount. The sale concluded the Company's regulated utility operations in West Virginia. The sale of the Peoples Gas West Virginia utility assets had no major effect on the Company's operations and did not meet the requirements to be classified as discontinued operations.

In October 2023, the Company entered into an agreement to sell its interest in three non-utility local microgrid and distributed energy projects for \$165,000. As of December 31, 2023, balances associated with these projects of \$63,182 were included in prepayments and other current assets in the condensed consolidated balance sheets. The sale was completed in January 2024, and the Company recognized a gain of \$91,236 during the first quarter of 2024, which is included in other expense (income) in the accompanying consolidated statement of operations.

The Company used the proceeds from these transactions to finance its capital expenditures and water and wastewater acquisitions, in place of external funding from equity and debt issuances.

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(In thousands of dollars, except per share amounts)

Note 4 – Property, Plant and Equipment

	December 31,		Approximate Range of Useful Lives	Weighted Average Useful Life
	2024	2023		
Regulated Water segment:				
Utility plant and equipment:				
Mains and accessories	\$ 4,781,229	\$ 4,523,718	26-90 years	73 years
Services, hydrants, treatment plants and reservoirs	3,315,076	3,140,497	5-89 years	56 years
Operations structures and water tanks	448,040	413,147	15-80 years	48 years
Miscellaneous pumping and purification equipment	1,328,806	1,237,967	7-76 years	42 years
Meters, transportation and other operating equipment	1,152,416	1,104,643	5-84 years	28 years
Land and other non-depreciable assets	<u>141,835</u>	<u>143,752</u>	-	-
Utility plant and equipment - regulated water segment	11,167,402	10,563,724		
Utility construction work in progress	405,751	315,973	-	-
Net utility plant acquisition adjustment	(5,627)	(6,444)	10-53 years	22 years
Non-utility plant and equipment	<u>20,073</u>	<u>20,019</u>	17-64 years	58 years
Property, Plant and Equipment - Regulated Water segment	<u>11,587,599</u>	<u>10,893,272</u>		
Regulated Natural Gas segment:				
Natural gas transmission	444,560	429,465	29-97 years	61 years
Natural gas storage	62,706	62,157	30-89 years	44 years
Natural gas gathering and processing	155,470	147,700	22-96 years	47 years
Natural gas distribution	3,279,497	2,733,054	21-81 years	53 years
Meters, transportation and other operating equipment	637,712	613,653	5-61 years	24 years
Land and other non-depreciable assets	<u>4,839</u>	<u>4,139</u>	-	-
Utility plant and equipment - Regulated Natural Gas segment	4,584,784	3,990,168		
Utility construction work-in-progress	<u>102,994</u>	<u>93,581</u>	-	-
Property, plant and equipment - Regulated Natural Gas segment	<u>4,687,778</u>	<u>4,083,749</u>		
Total property, plant and equipment	<u>\$ 16,275,377</u>	<u>\$ 14,977,021</u>		

Note 5 – Accounts Receivable

	December 31,	
	2024	2023
Billed utility revenue	\$ 211,168	\$ 199,986
Other	<u>14,295</u>	<u>4,887</u>
	225,463	204,873
Less allowance for doubtful accounts	<u>58,941</u>	<u>60,573</u>
Net accounts receivable	<u>\$ 166,522</u>	<u>\$ 144,300</u>

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Notes to Consolidated Financial Statements (continued)
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As of December 31, 2024, the Company's utility customers are located principally in the following states: 66% in Pennsylvania, 9% in Ohio, 6% in North Carolina, 5% in Texas, and 5% in Illinois. No single customer accounted for more than one percent of the Company's utility operating revenues during the years ended December 31, 2024, 2023, and 2022. The following table summarizes the changes in the Company's allowance for doubtful accounts:

	2024	2023	2022
Balance at January 1,	\$ 60,573	\$ 63,981	\$ 58,073
Amounts charged to expense	21,865	23,209	27,631
Accounts written off	(24,190)	(27,759)	(22,507)
Recoveries of accounts written off and other	693	1,142	784
Balance at December 31,	<u>\$ 58,941</u>	<u>\$ 60,573</u>	<u>\$ 63,981</u>

Note 6 – Regulatory Assets and Liabilities

Regulatory assets represent costs that are probable to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. Except for income taxes and utility plant retirement costs, regulatory assets and regulatory liabilities are excluded from the Company's rate base and do not earn a return. The components of regulatory assets and regulatory liabilities are as follows:

	December 31, 2024		December 31, 2023	
	Regulatory Assets	Regulatory Liabilities	Regulatory Assets	Regulatory Liabilities
Income taxes	\$ 1,712,714	528,656	\$ 1,553,111	599,088
Purchased gas costs	21,366	413	21,019	29,807
Utility plant retirement costs	29,146	75,270	38,148	68,815
Post-retirement benefits	80,875	160,851	80,000	153,816
Accrued vacation	418	-	1,877	-
Water tank painting	11,242	-	17,044	-
Fair value adjustment of long-term debt assumed in acquisition	30,603	-	38,482	-
Debt refinancing	11,587	-	12,674	-
Rate case filing expenses and other	42,689	1,325	33,617	654
	<u>\$ 1,940,640</u>	<u>\$ 766,515</u>	<u>\$ 1,795,972</u>	<u>\$ 852,180</u>

Items giving rise to deferred state income taxes, as well as a portion of deferred Federal income taxes related to specific differences between tax and book depreciation expense, are recognized in the rate setting process on a cash basis or as a reduction in current income tax expense and will be recovered as they reverse. Amounts include differences that arise between specific utility asset improvement costs capitalized for book and deducted as an expense for tax purposes. Additionally, the recording of AFUDC for equity funds results in the recognition of a regulatory asset for income taxes, which represents amounts due related to the revenue requirement. The Company records regulatory assets when a valuation allowance is recorded on deferred tax assets, associated with state NOLs that the Company does not believe are more likely than not to be realized, and are expected to be fully recovered from customers in future rates. Regulatory liabilities are refundable in future rate filings based on the difference between the amount of the income tax benefits that were incorporated into the Company's cost of service in its latest rate case as compared to the actual income tax benefits recognized.

A portion of the income taxes regulatory liability is related to Peoples Natural Gas' income tax accounting change for the tax benefits realized for the periods prior to adoption of a tax accounting method change for certain qualifying infrastructure investments. In May 2021, the Company received a regulatory order directing the Company to refund the catch-up adjustment to its utility customers over a five-year period, which was initiated by the Company in August 2021, and, in December 2024, extended this refund period to ten years or up to August 2031. In 2022, the Company made a similar change for its Peoples Gas and Aqua New Jersey subsidiaries, resulting in the recognition of a regulatory liability for each of these subsidiaries for the tax benefits prior to the year of adoption.

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The regulatory asset or liability for purchased gas costs reflects the differences between actual purchased gas costs and the levels of recovery for these costs in current rates. The unrecovered costs are recovered and the over-recovered costs are refunded in future periods, typically within a year, through quarterly and annual filings with the applicable state regulatory agency.

The regulatory asset for utility plant retirement costs, including cost of removal, represents costs already incurred that will be recovered in future rates over a five year recovery period. The regulatory liability for utility plant retirement costs represents amounts recovered through rates during the life of the associated asset and before the costs are incurred.

The regulatory asset for accrued vacation represents costs that would otherwise be charged to operations and maintenance expense for vacation that is earned by employees, which is recovered as a cost of service.

The regulatory asset for post-retirement benefits, which includes pension and other post-retirement benefits, primarily reflects a regulatory asset that has been recorded for the costs that would otherwise be charged to stockholders' equity for the underfunded status of the Company's pension and other post-retirement benefit plans. The Company also has a regulatory asset related to post-retirement benefits costs that represent costs already incurred which are now being or anticipated to be recovered in rates over a period ranging from approximately 10 to 37 years. The regulatory liability for post-retirement benefits represents costs recovered in rates in excess of post-retirement benefits expense.

Expenses associated with water tank painting are deferred and amortized over a period of time as approved in the regulatory process. Water tank painting costs are generally being amortized over a period ranging from 10 to 20 years. The regulatory liability for water tank painting costs represents amounts recovered through rates and before the costs are incurred.

The Company recorded a fair value adjustment for fixed rate, long-term debt assumed in acquisitions that matures in various years ranging from 2024 to 2033. The regulatory asset or liability results from the rate setting process continuing to recognize the historical interest cost of the assumed debt.

The regulatory asset for debt refinancing represents a portion of a make whole payment of \$25,237 incurred in 2019 for the Company's redemption of \$313,500 of the Company's outstanding notes that had maturities ranging from 2019 to 2037 and interest rates ranging from 3.57 to 5.83%. The Company deferred a portion of the make whole payment as it represents an amount by which we expect to receive prospective rate recovery.

The regulatory asset related to rate case filing expenses and other represents the costs associated with filing for rate increases that are deferred and amortized over periods that generally range from one year to five years, and costs incurred by the Company for which it has received or expects to receive rate recovery. Other regulatory assets also include the financial impacts of customer-owned lead service line replacement costs and regulatory balancing accounts. Regulatory balancing accounts represent the difference between revenues recognized and authorized revenue requirements until they are recovered from customers, and low-income customer assistance programs.

The regulatory asset related to the costs incurred for information technology software projects and water main cleaning and relining projects are described in Note 1 – *Summary of Significant Accounting Policies – Property, Plant and Equipment and Depreciation*.

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Notes to Consolidated Financial Statements (continued)
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Note 7 – Income Taxes

Income tax benefit for the years ended December 31, is comprised of the following:

	Years Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ -	\$ 1,913	\$ -
State	5,920	11,487	8,716
	5,920	13,400	8,716
Deferred:			
Federal	(4,583)	(103,617)	(8,258)
State	(23,173)	23,772	(14,787)
	(27,756)	(79,845)	(23,045)
Total income tax benefit	\$ (21,836)	\$ (66,445)	\$ (14,329)

The statutory Federal tax rate is 21% for 2024, 2023, and 2022. For states with a corporate net income tax, the state corporate net income tax rates range from 2.5% to 9.99% for the years presented. The Company's effective income tax rate for 2024, 2023, and 2022 was (3.8)%, (15.4)%, and (3.2)%, respectively. The Company remains subject to examination by federal and state tax authorities for the tax years of 2021 through 2024.

The differences between income taxes expected at the federal statutory rate and the reported income tax benefit are described below:

	Years Ended December 31,		
	2024	2023	2022
Computed Federal tax expense at statutory rate	\$ 120,430	\$ 90,674	\$ 94,691
Decrease in Federal tax expense related to the flow through benefit of repair deductions	(107,853)	(117,370)	(72,302)
Amortization of deferred benefit from repair method changes	(18,454)	(18,454)	(21,012)
State income taxes, net of Federal tax benefit	(13,745)	(15,115)	(3,972)
Amortization of excess deferred income taxes	(5,971)	(8,324)	(8,425)
Net change in unrecognized tax benefit	288	(4,796)	718
Valuation allowance for deferred tax assets	4,747	8,148	-
Other, net	(1,278)	(1,208)	(4,027)
Actual income tax benefit	\$ (21,836)	\$ (66,445)	\$ (14,329)

As of December 31, 2024, and 2023, a change in valuation allowance for state deferred tax assets in the amounts of \$(4,206) and \$10,969, respectively, are included in state income taxes, net of federal tax benefit above.

The Company uses the flow-through method to account for the repairs tax deduction for qualifying utility infrastructure at its regulated Pennsylvania and New Jersey subsidiaries. The flow-through method of recording income tax benefits results in a reduction to current income tax expense and is included in utility customers' rates. The Company's regulated Pennsylvania subsidiaries are subject to a collar mechanism. Amounts recognized above or below the collar are required to be recorded as either a regulatory asset or liability, subject to disposition in the next base rate case.

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In April 2023, the Internal Revenue Service issued Revenue Procedure 2023-15 which provides a safe harbor method of accounting that taxpayers may use to determine whether expenses to repair, maintain, replace, or improve natural gas transmission and distribution property must be capitalized for tax purposes. The Company adopted the methodology on its 2023 tax return. In the second quarter of 2023, based on the tax legislative guidance that was issued, the Company reevaluated the uncertain tax positions related to the Regulated Water Segment and ultimately released a portion of its historical income tax reserves. Concurrently, the Company deferred this tax benefit from the reserve release as a regulatory liability. Based on the rate order received by Aqua Pennsylvania in February 2025, the tax benefit of \$4,874 from the reserve release will be refunded to customers through base rates over a two-year period.

In September 2024, the Pennsylvania Public Utility Commission issued a rate order to Peoples Natural Gas approving several tax related settlements. Accordingly, in December 2024, the Company filed an updated Tax Repairs surcredit calculation with the Public Utility Commission to reflect the updated catch-up adjustment that should be returned to customers effective January 1, 2025, with extension of the original 481(a) amortization period from 5 to 10 years. Beginning January 1, 2025, no state tax benefit is being returned to customers in the approved base rates, as the state NOLs cannot be utilized presently.

The following table provides the changes in the Company's unrecognized tax benefits:

	2024	2023	2022
Balance at January 1,	\$ 7,898	\$ 18,217	\$ 20,201
Impact of current year activity	309	7,219	(900)
Effect of Pennsylvania tax rate change	-	-	(1,084)
Decrease for prior year tax positions	-	(17,538)	-
Balance at December 31,	<u>\$ 8,207</u>	<u>\$ 7,898</u>	<u>\$ 18,217</u>

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. From time to time, the Company may be assessed interest and penalties by taxing authorities, which would be recorded as income tax expense. During the years ended December 31, 2024, 2023, and 2022, there were expenses of \$216, \$23, and \$118 for interest and penalties related to uncertain tax positions. As of December 31, 2024, 2023 and 2022, the Company recognized liabilities of \$360, \$144, and \$620, respectively, for interest and penalties related to its uncertain tax positions.

The unrecognized tax benefits from uncertain tax positions are attributable to temporary differences. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As a result of the regulatory treatment afforded by the income tax accounting change in Pennsylvania and despite this position being a temporary difference, as of December 31, 2024, 2023, and 2022, \$7,216, \$6,918, and \$35,267, respectively, of these tax benefits would have an impact on the Company's effective income tax rate in the event the Company does sustain all, or a portion, of its tax position.

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The following table provides the components of net deferred tax liability:

	December 31,	
	2024	2023
Deferred tax assets:		
Customers' advances for construction	\$ 26,394	\$ 20,332
Costs expensed for book not deducted for tax, principally accrued expenses	19,642	35,577
Post-retirement benefits	1,638	1,368
Tax effect of regulatory liabilities for post-retirement benefits	44,567	49,199
Tax attributes and credit carryforwards	494,318	458,001
Operating lease liabilities	9,532	11,529
Other	2,937	-
	599,028	576,006
Less valuation allowance	(166,249)	(149,486)
	432,779	426,520
Deferred tax liabilities:		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	1,820,785	1,662,741
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates, the effect of temporary differences	408,624	348,646
Tax effect of regulatory assets for post-retirement benefits	22,151	28,092
Deferred investment tax credit	4,601	4,771
Operating lease right-of-use assets	8,486	10,301
Other	-	293
	2,264,647	2,054,844
Net deferred tax liability	<u>\$ 1,831,868</u>	<u>\$ 1,628,324</u>

Certain prior year amounts have been reclassified for consistency with the current year presentation.

The following table summarizes the changes in the Company's valuation allowance for deferred tax assets:

	2024	2023	2022
Balance at January 1,	\$ 149,486	\$ 38,940	\$ 36,662
Amounts charged to expense	542	16,311	2,278
Amounts charged to regulatory assets	16,221	94,235	-
Balance at December 31,	<u>\$ 166,249</u>	<u>\$ 149,486</u>	<u>\$ 38,940</u>

At December 31, 2024, the Company has a cumulative Federal NOL of \$1,425,886. The Company believes the Federal NOLs are more likely than not to be recovered and require no valuation allowance. The Company's Federal NOLs will begin to expire in 2032.

At December 31, 2024, the Company has a cumulative state NOL of \$2,811,033, a portion of which is offset by a valuation allowance. The Company believes a portion of its Regulated Natural Gas segment state NOLs is not likely to be realized due to its continuous investments in qualifying infrastructure resulting in the recording of a valuation allowance in 2023. The Company recorded a regulatory asset for the portion of the valuation allowance that is expected to be fully recovered from customers in future rates. At December 31, 2024, the Company has a cumulative state valuation allowance of \$2,282,663. The state NOL began expiring in 2023.

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At December 31, 2024, the Company's Federal and state NOL carryforwards are reduced by an unrecognized tax position of \$19,549 and \$13,818, respectively, which results from the Company's presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amounts of the Company's Federal and state NOL carryforwards net of the unrecognized tax positions are \$1,406,337 and \$2,797,215, respectively. The Company records its unrecognized tax benefit as a component of its net deferred income tax liability.

At December 31, 2024, the Company has a cumulative Federal charitable contribution of \$61,404, on which a valuation allowance of \$61,404 has been recorded as the Company determined it is more likely than not they will expire before they are utilized within the carryforward period.

At December 31, 2024, the Company has a cumulative state charitable contribution of \$56,894 on which a valuation allowance of \$56,894 has been recorded as the Company does not believe these state charitable contributions are more likely than not to be realized.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was enacted into law, which, among other things, implements a 15% minimum tax on book income of certain large corporations, and a 1% excise tax on net stock repurchases after December 31, 2022. The alternative minimum tax would not be applicable in our next fiscal year because it is based on a three-year average annual adjusted financial statement income in excess of \$1,000,000. We are continuing to assess the future impact of the provisions of the IRA on our consolidated financial statements. As a regulated utility, taxes have been traditionally recognized by state public utility commissions as appropriate for inclusion in establishing rates.

On July 8, 2022, Pennsylvania enacted House Bill 1342 into law, which, among other things, reduces Pennsylvania's corporate income tax rate from 9.99% to 8.99% beginning January 1, 2023, and an additional 0.5% annually through 2031, when it reaches to 4.99%. The Company evaluated the impacts of the tax rate change and recorded a reduction to our deferred tax liabilities with a corresponding reduction primarily to our regulatory assets.

Note 8 – Taxes Other than Income Taxes

The following table provides the components of taxes other than income taxes:

	Years Ended December 31,		
	2024	2023	2022
Property	\$ 34,569	\$ 32,790	\$ 33,703
Gross receipts, excise and franchise	17,801	17,985	16,828
Payroll	22,930	21,628	21,343
Regulatory assessments	7,836	7,451	6,771
Pumping fees	8,049	6,405	7,881
Other	3,449	3,949	3,498
Total taxes other than income taxes	<u>\$ 94,634</u>	<u>\$ 90,208</u>	<u>\$ 90,024</u>

Note 9 – Commitments and Contingencies

Commitments –

The Company maintains agreements with other water purveyors for the purchase of water to supplement its water supply, particularly during periods of peak demand. The agreements stipulate purchases of minimum quantities of water to the year 2032. The estimated annual commitments related to such purchases through 2029 are expected to average \$2,204, and the aggregate of the years remaining approximates \$3,027.

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The Company has entered into purchase obligations, in the ordinary course of business, that include agreements for water treatment processes at some of its wells in a small number of its divisions. The 20 year term agreement provides for the use of treatment equipment and media used in the treatment process and are subject to adjustment based on changes in the Consumer Price Index. The future contractual cash obligations related to these agreements are as follows:

	2025	2026	2027	2028	2029	Thereafter
\$	1,157	\$ 1,183	\$ 1,209	\$ 657	\$ 668	\$ 989

The Company's natural gas supply is provided by sources on the interstate pipeline system and from local western Pennsylvania gas well production. The Company has various interstate pipeline service agreements that provide for firm transportation capacity, firm storage capacity, and other services and include capacity reservation charges based upon the maximum daily and annual contract quantities set forth in the agreements. Some of these agreements have minimum volume obligations and are transacted at applicable tariff and negotiated rates to the year 2034. The estimated annual commitments related to such purchases through 2029 are expected to average \$239,663, and the aggregate of the years remaining beyond 2029 approximates \$950,055.

The purchased water, water treatment, and purchased gas expenses under these agreements were as follows:

	Years Ended December 31,		
	2024	2023	2022
Purchased water under long-term agreements	\$ 7,633	\$ 6,752	\$ 5,559
Water treatment expense under contractual agreement	1,125	1,103	1,061
Purchased natural gas under long-term agreements	277,009	352,306	601,995

Contingencies – The Company is routinely involved in various disputes, claims, lawsuits and other regulatory and legal matters, including both asserted and unasserted legal claims, in the ordinary course of business. The status of each such matter, referred to herein as a loss contingency, is reviewed and assessed in accordance with applicable accounting rules regarding the nature of the matter, the likelihood that a loss will be incurred, and the amounts involved. As of December 31, 2024, the aggregate amount of \$23,815 is accrued for loss contingencies and is reported in the Company's consolidated balance sheet as other accrued liabilities and other liabilities. These accruals represent management's best estimate of probable loss (as defined in the accounting guidance) for loss contingencies or the low end of a range of losses if no single probable loss can be estimated. For some loss contingencies, the Company is unable to estimate the amount of the probable loss or range of probable losses. Further, Essential Utilities has insurance coverage for certain of these loss contingencies, and as of December 31, 2024, estimates that approximately \$688 of the amount accrued for these matters are probable of recovery through insurance, which amount is also reported in the Company's consolidated balance sheet as deferred charges and other assets, net.

During a portion of 2019, the Company initiated a do not consume advisory for some of its customers in one division served by the Company's Illinois subsidiary. The do not consume advisory was lifted in 2019, and, in 2022, the water system was determined to be in compliance with the federal Lead and Copper Rule. The Company has accrued for the penalty and other fees that will be paid as a result of a settlement that was reached with the state and local regulators and approved by the Illinois court with jurisdiction over this matter in July 2024. In addition, on September 3, 2019, two individuals, on behalf of themselves and those similarly situated, commenced an action against the Company's Illinois subsidiary in the State court in Will County, Illinois related to this do not consume advisory. The complaint seeks class action certification, attorney's fees, and "damages, including, but not limited to, out of pocket damages, and discomfort, aggravation, and annoyance" based upon the water provided by the Company's subsidiary to a discrete service area in University Park, Illinois. The complaint contains allegations of damages as a result of supplied water. In December, 2024, the State court in Will County, Illinois dismissed the case against the Company, and plaintiffs have filed an appeal of that decision. The Company has an accrual for the amount of loss asserted in the complaint that we determined to be probable and estimable of being incurred. While the final outcome of this claim cannot be predicted with certainty, and unfavorable outcomes could negatively impact the Company, at this time in the opinion of management, the final resolution of this matter is not expected to have a material adverse effect on the Company's financial position, results of

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operations or cash flows. Further, the Company submitted a claim for the expenses incurred to its insurance carrier for potential recovery of a portion of these costs, is currently in litigation with one of its carriers seeking to enforce its claims, and recently prevailed in the Third Circuit Court of Appeals which held that the insurance carrier possessed a duty to defend. The Company continues to assess the potential loss contingency on this matter.

A number of the Company's subsidiaries are parties to several lawsuits against manufacturers of certain per- and polyfluoroalkyl substances or compounds ("PFAS") for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries throughout its service area. One such suit to which the Company is a party is a multi-district litigation (the "MDL") lawsuit which commenced on December 7, 2018, in the United States District Court for the District of South Carolina. Several defendants in such lawsuit have agreed to settle. In February and April 2024, the MDL court issued its final approval of the DuPont and 3M class action settlements, respectively. In April 2024 and May 2024, Tyco Fire Products LP and BASF Corp, respectively, filed similar class action settlements in the MDL court to resolve claims, and, on November 11, 2024, received final approval from the MDL court. The Company submitted the phase one public water system claims requirements pursuant to the Dupont and 3M settlement agreements and will submit other requirements within the time period provided by the MDL court. The amount of recovery, if any, by the Company is uncertain.

Although the results of legal proceedings cannot be predicted with certainty, other than disclosed above, there are no pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of its properties is the subject that are material or are expected to have a material effect on the Company's financial position, results of operations or cash flows.

In addition to the aforementioned loss contingencies, the Company self-insures a portion of its employee medical benefit program, and maintains stop-loss coverage to limit the exposure arising from these claims. The Company's reserve for these claims totaled \$2,295 and \$1,846 at December 31, 2024 and 2023, respectively, and represents a reserve for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

Note 10 – Leases

The Company leases land, office facilities, office equipment, and vehicles for use in its operations, which are accounted for as operating leases. Leases with a term of 12 months or less are not recorded on the balance sheet; rather, lease expense is recognized over the lease term. Our leases have remaining lives of 1 to 70 years.

Some of the Company's leases can be extended on a month-to-month basis, which allow us to terminate the lease at any given month without penalty while others include options to extend the leases for up to 50 years. The renewal of a month-to-month lease is at our sole discretion.

The Company accounts for lease and non-lease components of lease arrangements separately. For calculating lease liabilities, we may deem lease terms to include options to extend or terminate the lease when it's reasonably certain that we will exercise that option. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants.

Lease liabilities and corresponding right-of-use assets are recorded based on the present value of the lease payments over the expected lease term, including leases with variable payments that are based on a market rate or an index and net of any impairment. All other variable payments are expensed as incurred. Since the Company's lease agreements do not provide an implicit interest rate, we utilize our incremental borrowing rate to determine the discount rate used to present value the lease payments.

On January 6, 2022, the Company entered into an amendment to an office lease that provided for the partial termination of the Company's obligations with respect to a portion of the leased premises of approximately 37,000 rentable square feet. The Company paid a termination fee of \$2,812, reduced its remaining lease payments by \$1,753 and recognized a loss on

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the partial termination of the lease of \$1,801 that is included within operations and maintenance expense in the consolidated statements of operations and comprehensive income.

	Years Ended December 31,		
	2024	2023	2022
Components of lease expense were as follows:			
Operating lease cost	\$ 9,821	\$ 9,307	\$ 9,359

	Years Ended December 31,	
	2024	2023
Supplemental cash flow information related to leases was as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 8,148	\$ 9,149

	December 31,	
	2024	2023
Supplemental balance sheet information related to leases was as follows:		
Operating leases:		
Operating lease right-of-use assets	\$ 31,263	\$ 37,416
Other accrued liabilities	\$ 7,591	7,360
Operating lease liabilities	27,447	34,425
Total operating lease liabilities	\$ 35,038	\$ 41,785

	December 31,	
	2024	2023
Weighted average remaining lease term:		
Operating leases	10.2 years	10.1 years
Weighted average discount rate:		
Operating leases	5.15%	4.87%

Maturities of operating lease liabilities and a reconciliation of the operating lease liabilities reported on our consolidated balance sheets as of December 31, 2024 are as follows:

	Operating Leases	
2025	\$	9,144
2026		7,515
2027		7,262
2028		6,870
2029		1,075
Thereafter		12,827
Total operating lease payments	\$	44,693
Total operating lease payments	\$	44,693
Less operating lease liabilities		35,038
Present value adjustment	\$	9,655

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Note 11 – Long-term Debt and Loans Payable

Long-term Debt – The consolidated statements of capitalization provide a summary of long-term debt as of December 31, 2024 and 2023. The supplemental indentures with respect to specific issues of the first mortgage bonds restrict the ability of Aqua Pennsylvania and other operating subsidiaries of the Company to declare dividends, in cash or property, or repurchase or otherwise acquire the stock of these companies. Loan agreements for Aqua Pennsylvania and other operating subsidiaries of the Company have restrictions on minimum net assets. As of December 31, 2024, restrictions on the net assets of the Company were \$4,886,450 of the total \$6,198,809 in net assets. Included in this amount were restrictions on Aqua Pennsylvania's net assets of \$1,817,084 of their total net assets of \$2,540,787. As of December 31, 2024, \$2,626,620 of Aqua Pennsylvania's retained earnings of \$2,646,620 and \$372,979 of the retained earnings of \$578,490 of other subsidiaries were free of these restrictions. Some supplemental indentures also prohibit Aqua Pennsylvania and some other subsidiaries of the Company from making loans to, or purchasing the stock of, the Company.

Sinking fund payments are required by the terms of specific issues of long-term debt. Excluding amounts due under the Company's revolving credit agreement, the future sinking fund payments and debt maturities of the Company's long-term debt are as follows:

Interest Rate Range	2025	2026	2027	2028	2029	Thereafter
0.00% to 0.99%	\$ 250	\$ 232	\$ 199	\$ 199	\$ 199	\$ 1,558
1.00% to 1.99%	758	1,089	1,917	1,941	1,965	4,062
2.00% to 2.99%	1,427	1,304	1,111	906	774	1,100,775
3.00% to 3.99%	1,343	807	206,657	362	400,336	1,773,498
4.00% to 4.99%	115,621	3,818	501,626	1,628	1,558	1,614,781
5.00% to 5.99%	-	-	-	3,000	-	1,329,260
6.00% to 6.99%	-	5,000	20,000	-	-	6,000
7.00% to 7.99%	23,000	-	4,888	-	-	-
8.00% to 8.99%	408	39	-	-	-	-
9.00% to 9.99%	-	11,800	-	-	-	-
Total	\$ 142,807	\$ 24,089	\$ 736,398	\$ 8,036	\$ 404,832	\$ 5,829,934

On August 15, 2024, the Company issued \$500,000 of senior notes, less expenses of \$3,015, due in 2027, with an interest rate of 4.80%. On January 8, 2024, the Company issued \$500,000 of senior notes, less expenses of \$4,610, due in 2034 with an interest rate of 5.375%. The Company used the net proceeds from the issuance of these senior notes (1) to repay a portion of the borrowings under the Company's existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

In August 2023, the Company's subsidiary, Aqua Pennsylvania, issued \$225,000 in aggregate principal amount of first mortgage bonds. The bonds consisted of \$175,000 of 5.48% first mortgage bonds due in 2053; and \$50,000 of 5.56% first mortgage bonds due in 2061. In January 2023, Aqua Pennsylvania issued \$75,000 of first mortgage bonds, due in 2043, and with an interest rate of 5.60%. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

The weighted average cost of long-term debt at December 31, 2024 and 2023 was 4.14% and 4.14%, respectively. The weighted average cost of fixed rate long-term debt at December 31, 2024 and 2023 was 4.03% and 3.86%, respectively.

On December 14, 2022, the Company entered into a five year \$1,000,000 unsecured revolving credit facility, which replaced the Company's prior five year \$1,000,000 unsecured revolving credit facility. The facility includes a \$100,000 sublimit for daily demand loan. Funds borrowed under this facility are classified as long-term debt and are used to provide working capital as well as support for letters of credit for insurance policies and other financing arrangements. As of December 31, 2024, the Company has the following sublimits and available capacity under the credit

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facility: \$100,000 letter of credit sublimit, \$83,226 of letters of credit available capacity, \$0 borrowed under the swing-line commitment, \$570,226 was available for borrowing and \$413,000 of funds borrowed under the agreement. Interest under the facility is equal to either (i) Term simple secured overnight financing rate (SOFR), plus applicable margin; or (ii) an Alternate Base Rate (which is based at the highest of the (a) New York Federal Reserve Bank rate, plus 0.5%, (b) the prime rate, and, (c) the daily SOFR, plus 1.0%,) plus applicable margin. The applicable margin for an Alternate Base Rate loan will be up to 0.5% and for a SOFR loan will be up to 1.5%, in each case depending on the debt ratings in effect as of such date. The Company may elect either the Term SOFR or the Alternate Base Rate at the time of the drawdown, and loans may be converted from one rate to another at any time, subject to certain conditions. A facility fee is charged on the total commitment amount of the agreement. Under these facilities the average cost of borrowings was 6.17% and 6.30%, and the average borrowing was \$292,017 and \$537,983, during 2024 and 2023, respectively.

The Company is obligated to comply with covenants under some of its loan and debt agreements. These covenants contain a number of restrictive financial covenants, which among other things limit, subject to specific exceptions, the Company's ratio of consolidated total indebtedness to consolidated total capitalization, and require a minimum level of earnings coverage over interest expense. During 2024, the Company was in compliance with its debt covenants under its loan and debt agreements. Failure to comply with the Company's debt covenants could result in an event of default, which could result in the Company being required to repay or finance its borrowings before their due date, possibly limiting the Company's future borrowings, and increasing its borrowing costs.

Loans Payable – On June 12, 2024, Aqua Pennsylvania and Peoples Natural Gas Companies amended the terms of their respective \$100,000 and \$300,000, 364-day revolving credit agreements, as follows: (1) extended the maturity dates to June 10, 2025; and (2) revised the interest rate index from the Bloomberg Short-Term Bank Yield Index (BSBY) to SOFR. The funds borrowed under these agreements are classified as loans payable and are used to provide working capital.

As of December 31, 2024 and 2023, funds borrowed under the Aqua Pennsylvania revolving credit agreement were \$31,158 and \$23,123, respectively. Interest under this facility is based, at the borrower's option, on the prime rate, an adjusted overnight bank funding rate, or, effective June 12, 2024, an adjusted SOFR (prior benchmark rate was an adjusted BSBY floating rate). A commitment fee of 0.05% is charged on the total commitment amount of Aqua Pennsylvania's revolving credit agreement. The average cost of borrowing under the facility was 5.9% and 5.36%, and the average borrowing was \$29,074 and \$19,275, during 2024 and 2023, respectively. The maximum amount outstanding at the end of any one month was \$42,691 and \$54,472 in 2024 and 2023, respectively.

As of December 31, 2024 and 2023, funds borrowed under the Peoples Natural Gas Companies revolving credit agreement were \$155,384 and \$137,000, respectively. Interest under this facility is based, at the borrower's option, at the prime rate, an adjusted overnight bank funding rate, or, effective June 12, 2024, an adjusted SOFR (prior benchmark rate was an adjusted BSBY floating rate). A commitment fee of 0.08% is charged on the total commitment amount of Peoples' revolving credit agreement. The average cost of borrowing under the facility was 6.18% and 5.97%, and the average borrowing was \$96,609 and \$78,952, during 2024 and 2023, respectively. The maximum amount outstanding at the end of any one month was \$158,249 and \$161,500 in 2024 and 2023, respectively.

At December 31, 2023, the Company had other combined short-term lines of credit of \$35,500. During the third quarter of 2024, the Company terminated these lines as they were no longer needed. There were no funds borrowed under these short-term lines of credit in 2024 and 2023, and, if borrowings were outstanding, they would have been classified as loans payable and used to provide working capital.

Interest Income and Expense— Interest income of \$3,318, \$3,401, and \$3,675 was recognized for the years ended December 31, 2024, 2023, and 2022, respectively. Interest expense was \$302,467, \$283,362, and \$238,116 in 2024, 2023, and 2022, including amounts capitalized for borrowed funds of \$7,372, \$5,241, and \$6,047, respectively.

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Note 12 – Fair Value of Financial Instruments

Financial instruments are recorded at carrying value in the financial statements and approximate fair value, with the exception of long-term debt, as of the dates presented. The fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The fair value of loans payable is determined based on its carrying amount and utilizing Level 1 methods and assumptions. As of December 31, 2024 and 2023, the carrying amount of the Company's loans payable was \$186,542 and \$160,123, respectively, which equates to their estimated fair value. The fair value of cash and cash equivalents is determined based on Level 1 methods and assumptions. As of December 31, 2024 and 2023, the carrying amounts of the Company's cash and cash equivalents were \$9,156 and \$4,612, respectively, which equates to their fair value. The Company's assets underlying the deferred compensation and non-qualified pension plans are determined by the fair value of mutual funds, which are based on quoted market prices from active markets utilizing Level 1 methods and assumptions. As of December 31, 2024 and 2023, the carrying amount of these securities was \$31,324 and \$26,442, respectively, which equates to their fair value, and is reported in the consolidated balance sheet in deferred charges and other assets.

Unrealized gains and losses on equity securities held in conjunction with our non-qualified pension plan is as follows:

	Years ended December 31,		
	2024	2023	2022
Net gain (loss) recognized during the period on equity securities	\$ 1,158	\$ 582	\$ (895)
Less: net gain (loss) recognized during the period on equity securities sold during the period	-	-	-
Unrealized gain (loss) recognized during the reporting period on equity securities still held at the reporting date	<u>\$ 1,158</u>	<u>\$ 582</u>	<u>\$ (895)</u>

The net gain (loss) recognized on equity securities is presented on the consolidated statements of operations and comprehensive income on the line item "Other."

The carrying amounts and estimated fair values of the Company's long-term debt is as follows:

	December 31,	
	2024	2023
Carrying amount	\$ 7,559,096	\$ 6,938,008
Estimated fair value	\$ 6,431,777	\$ 5,980,722

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration utilizing Level 2 methods and assumptions.

Note 13 – Stockholders' Equity

At December 31, 2024, the Company had 600,000,000 shares of common stock authorized; par value \$0.50. Shares outstanding and treasury shares held were as follows:

	December 31,		
	2024	2023	2022
Shares outstanding	274,823,591	273,296,037	263,737,084
Treasury shares	3,386,069	3,299,191	3,236,237

At December 31, 2024, the Company had 1,770,819 shares of authorized but unissued Series Preferred Stock, \$1.00 par value.

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In March 2024, the Company filed a new universal shelf registration with the SEC to allow for the potential future offer and sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities, and other securities specified therein at indeterminate prices. This registration statement is effective for three years and replaces a similar filing that expired in the second quarter of 2024.

The Company has an acquisition shelf registration statement on file with the SEC which permits the offering, from time to time, of an aggregate of \$500,000 in shares of common stock and shares of preferred stock in connection with acquisitions. The balance remaining available for use under the acquisition shelf registration statement as of December 31, 2024 is \$487,155.

The form and terms of any securities issued under the universal shelf registration statement and the acquisition shelf registration statement will be determined at the time of issuance.

The Company has a Dividend Reinvestment and Direct Stock Purchase Plan ("Plan") that allows reinvested dividends to be used to purchase shares of common stock at a five percent discount from the current market value. Under the direct stock purchase program, shares are issued throughout the year. The shares issued under the Plan are either shares purchased by the Company's transfer agent in the open-market or original issue shares. In 2024, 2023, and 2022, the Company sold 433,688, 430,487, and 368,278 original issue shares of common stock through the dividend reinvestment portion of the Plan, for net proceeds of \$15,476, \$16,005, and \$16,619, respectively.

The Company recorded a regulatory asset for the underfunded status of its pension and other post-retirement benefit plans that would otherwise be charged to other comprehensive income, as it anticipates recovery of its costs through customer rates.

At-the-Market Offering

On August 13, 2024, the Company filed a prospectus supplement under the 2024 universal shelf registration statement relating to a new at-the-market equity sales program ("ATM"), under which it may issue and sell shares of its common stock up to an aggregate offering price of \$1,000,000 ("2024 ATM"). This 2024 ATM replaced the Company's previous ATM filed on October 14, 2022 ("2022 ATM").

During year ended December 31, 2024, the Company issued 925,497 shares of common stock for net proceeds of \$36,134 under the 2024 ATM. As of December 31, 2024, the 2024 ATM had approximately \$964,000 of equity available for issuance. During the year ended December 31, 2023, the Company issued 8,938,839 shares of common stock for net proceeds of \$322,983 under the 2022 ATM. During the year ended December 31, 2022, the Company issued 1,321,994 shares of common stock for net proceeds of \$63,040 under the 2022 ATM. There were no common stock sales under the 2022 ATM in 2024. The Company used the net proceeds from the sales of shares through the 2022 and 2024 ATMs for working capital, capital expenditures, water and wastewater utility acquisitions, and repaying a portion of outstanding indebtedness.

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Tangible Equity Unit Issuances

On April 23, 2019, the Company issued \$690,000, less expenses of \$16,358, of its tangible equity units (the “Units”), with a stated amount of \$50 per unit, as part of the financing of the Peoples Gas Acquisition. Each Unit consisted of a prepaid stock purchase contract and an amortizing note, each issued by the Company. The amortizing notes had an initial principal amount of \$8.62909, or \$119,081 in aggregate, and yielded interest at a rate of 3.00% per year, and paid equal quarterly cash installments of \$0.75000 per amortizing note (except for the July 30, 2019 installment payment, which was \$0.80833 per amortizing note), that constituted a payment of interest and a partial repayment of principal. This cash payment in the aggregate was equivalent to 6.00% per year with respect to each \$50 stated amount of the Units. The amortizing notes represented unsecured senior obligations of the Company. During 2022, 981,919 stock purchase contracts were early settled by the holders of the contracts prior to the mandatory settlement date, resulting in the issuance of 1,166,107 shares of the Company’s common stock. On May 2, 2022, the remaining 6,621,315 stock purchase contracts were each mandatorily settled for 1.18758 shares of the Company’s common stock, and in the aggregate the Company issued 7,863,354 shares of its common stock. Additionally, the final quarterly installment payment was made, which resulted in the complete pay-off of the amortizing notes.

Note 14 – Net Income per Common Share and Equity per Common Share

Basic net income per share is based on the weighted average number of common shares outstanding and the weighted average minimum number of shares issued upon settlement of the stock purchase contracts issued under the tangible equity units. Diluted net income per share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock-based compensation and shares issuable under the forward equity sale agreement (from the date the Company entered into the forward equity sale agreement to the settlement date) are included in the computation of diluted net income per common share. The dilutive effect of stock-based compensation and shares issuable under the forward equity sale agreement are calculated by using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation and settlement of the forward equity sale agreement. The treasury stock method assumes that the proceeds from stock-based compensation and settlement of the forward equity sale agreement are used to purchase the Company’s common stock at the average market price during the period. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per share:

	Years ended December 31,		
	2024	2023	2022
Average common shares outstanding during the period for basic computation	273,914	267,171	262,246
Effect of dilutive securities:			
Employee stock-based compensation	507	488	622
Average common shares outstanding during the period for diluted computation	274,421	267,659	262,868

The number of outstanding employee stock options that were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive was 243,780, 148,725 and 77,506 for the years ended December 31, 2024, 2023 and 2022, respectively. Additionally, the dilutive effect of performance share units and restricted share units granted are included in the Company’s calculation of diluted net income per share.

On May 2, 2022, all of the remaining stock purchase contracts under the tangible equity units were mandatorily settled. For the year ended December 31, 2022, the weighted average impact of 2,932,010 shares was included in the basic computation of the average common shares outstanding based on the number of shares that were issued upon settlement of the stock purchase contracts under the tangible equity units.

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Note 15 – Employee Stock and Incentive Plan

Under the Company’s Amended and Restated Equity Compensation Plan, (the “Plan”) approved by the Company’s shareholders on May 2, 2019, to replace the 2004 Equity Compensation Plan, stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to employees, non-employee directors, and consultants and advisors. The Plan authorizes 6,250,000 shares for issuance under the plan. A maximum of 3,125,000 shares under the Plan may be issued pursuant to stock award, stock units and other stock-based awards, subject to adjustment as provided in the Plan. During any calendar year, no individual may be granted (i) stock options and stock appreciation rights under the Plan for more than 500,000 shares of common stock in the aggregate or (ii) stock awards, stock units or other stock-based awards under the Plan for more than 500,000 shares of Company stock in the aggregate, subject to adjustment as provided in the Plan. Awards to employees and consultants under the Plan are made by a committee of the Board of Directors, except that with respect to awards to the Chief Executive Officer, the committee recommends those awards for approval by the non-employee directors of the Board of Directors. In the case of awards to non-employee directors, the Board of Directors makes such awards. At December 31, 2024, 1,197,122 shares were still available for issuance under the Plan. No further grants may be made under the Company’s 2004 Equity Compensation Plan.

Performance Share Units – During 2024, 2023, and 2022, the Company granted performance share units. A performance share unit (“PSU”) represents the right to receive a share of the Company’s common stock if specified performance goals are met over the three-year performance period specified in the grant, subject to exceptions through the respective vesting periods, which is generally three years. Each grantee is granted a target award of PSUs and may earn between 0% and 200% of the target amount depending on the Company’s performance against the performance goals.

The performance goals of the 2024, 2023, and 2022 PSU grants consisted of the following metrics:

Metric 1 – Company’s total shareholder return (“TSR”) compared to the TSR for a specific peer group of investor-owned utilities (a market-based condition)	38.46%
Metric 2 – Achievement of a targeted cumulative level of rate base growth as a result of acquisitions (a performance-based condition)	30.77%
Metric 3 – Achievement of targets for maintaining consolidated operations and maintenance expenses over the three-year measurement period (a performance-based condition)	30.77%

The following table provides the compensation expense and income tax benefit for PSUs:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 5,787	\$ 6,942	\$ 7,950
Income tax benefit	\$ 1,450	\$ 1,741	\$ 1,997

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The following table summarizes nonvested PSU transactions for the year ended December 31, 2024:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	531,437	\$ 40.03
Granted	227,284	38.10
Performance criteria adjustment	(50,562)	39.47
Forfeited	(48,078)	41.37
Share units issued	(96,425)	43.40
Nonvested share units at end of period	<u>563,656</u>	<u>\$ 38.61</u>

A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions associated with the PSUs using the Monte Carlo valuation method, which assesses the probabilities of various outcomes of market conditions. The other portion of the fair value of the PSUs associated with performance-based conditions was based on the fair market value of the Company's stock at the grant date, regardless of whether the market-based condition is satisfied. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective vesting periods, generally 36 months. The accrual of compensation costs is based on an estimate of the final expected value of the award and is adjusted as required for the portion based on the performance-based condition. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the PSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the PSUs. The recording of compensation expense for PSUs has no impact on net cash flows. The following table provides the assumptions used in the pricing model for the grant, the resulting grant date fair value of PSUs, and the intrinsic value and fair value of PSUs that vested during the year:

	Years ended December 31,		
	2024	2023	2022
Expected term (years)	3.0	3.0	3.0
Risk-free interest rate	4.19%	4.43%	1.75%
Expected volatility	22.4%	33.8%	31.9%
Weighted average fair value of PSUs granted	\$ 38.10	\$ 45.06	\$ 42.33
Intrinsic value of vested PSUs	\$ 3,421	\$ 7,483	\$ -
Fair value of vested PSUs	\$ 4,168	\$ 9,692	\$ -

As of December 31, 2024, \$9,729 of unrecognized compensation costs related to PSUs is expected to be recognized over a weighted average period of approximately 1.8 years. The aggregate intrinsic value of PSUs as of December 31, 2024 was \$20,472. The aggregate intrinsic value of PSUs is based on the number of nonvested share units and the market value of the Company's common stock as of the period end date.

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Restricted Stock Units – A restricted stock unit (“RSU”) represents the right to receive a share of the Company’s common stock and is valued based on the fair market value of the Company’s stock on the date of grant. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. In some cases, the right to receive the shares is subject to specific performance goals established at the time the grant is made. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the RSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the RSUs. The following table provides the compensation expense and income tax benefit for RSUs:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 2,802	\$ 2,877	\$ 2,927
Income tax benefit	\$ 702	\$ 722	\$ 736

The following table summarizes nonvested RSU transactions for the year ended December 31, 2024:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	192,217	\$ 45.06
Granted	104,661	36.61
Stock units vested	(66,040)	44.40
Forfeited	(20,589)	41.37
Nonvested stock units at end of period	210,249	\$ 41.40

The following table summarizes the value of RSUs:

	Years ended December 31,		
	2024	2023	2022
Weighted average fair value of RSUs granted	\$ 36.61	\$ 45.53	\$ 44.74
Intrinsic value of vested RSUs	\$ 2,348	\$ 2,427	\$ 3,090
Fair value of vested RSUs	\$ 2,930	\$ 2,665	\$ 2,483

As of December 31, 2024, \$3,596 of unrecognized compensation costs related to RSUs is expected to be recognized over a weighted average period of approximately 1.5 years. The aggregate intrinsic value of RSUs as of December 31, 2024 was \$7,636. The aggregate intrinsic value of RSUs is based on the number of nonvested stock units and the market value of the Company’s common stock as of the period end date.

Stock Options – A stock option represents the option to purchase a number of shares of common stock of the Company as specified in the stock option grant agreement at the exercise price per share as determined by the closing market price of our common stock on the grant date. Stock options are exercisable in installments of 33% annually, starting one year from the grant date and expire ten years from the grant date. The vesting of stock options granted in 2024, 2023 and 2022 are subject to the achievement of the following performance goal: the Company achieves at least an adjusted return on equity equal to 150 basis points below the return on equity granted by the Pennsylvania Public Utility Commission during the Company’s Pennsylvania subsidiary’s last rate proceeding. The adjusted return on equity equals net income, excluding net income or loss from acquisitions which have not yet been incorporated into a rate application as of the last year end, divided by equity which excludes equity applicable to acquisitions which are not yet incorporated in a rate application during the award period.

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The fair value of each stock option is amortized into compensation expense using the graded vesting method, which results in the recognition of compensation costs over the requisite service period for each separately vesting tranche of the stock options as though the stock options were, in substance, multiple stock option grants. The following table provides compensation expense and income tax benefit for stock options:

	Years ended December 31,					
	2024		2023		2022	
Stock-based compensation within operations and maintenance expenses	\$	304	\$	650	\$	451
Income tax benefit	\$	76	\$	162	\$	140

Options under the plans were issued at the closing market price of the stock on the day of the grant. The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model, which relies on assumptions that require management's judgment. The following table provides the assumptions used in the pricing model for grants and the resulting grant date fair value of stock options granted in the period reported:

	2024	2023	2022
Expected term (years)	5.5	5.5	5.5
Risk-free interest rate	4.00%	4.03%	1.92%
Expected volatility	28.30%	27.80%	26.50%
Dividend yield	3.43%	2.53%	2.37%
Grant date fair value per option	\$ 8.12	\$ 11.37	\$ 9.34

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a period that approximates the expected term of the option. The risk-free interest rate was selected based upon the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense.

The following table summarizes stock option transactions for the year ended December 31, 2024:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding, beginning of year	882,442	\$ 37.03		
Granted	119,548	35.78		
Forfeited	(17,917)	39.27		
Expired / Cancelled	(7,851)	43.74		
Exercised	(69,320)	35.65		
Outstanding at end of year	906,902	\$ 36.87	5.1	\$ 713
Exercisable at end of year	732,590	\$ 36.27	4.2	\$ 655

The intrinsic value of stock options is the amount by which the market price of the stock on a given date, such as at the end of the period or on the day of exercise, exceeded the closing market price of stock on the date of grant. The following table summarizes the intrinsic value of stock options exercised and the fair value of stock options which vested:

	Years ended December 31,					
	2024		2023		2022	
Intrinsic value of options exercised	\$	172	\$	64	\$	960
Fair value of options vested	\$	502	\$	236	\$	1,203

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The following table summarizes information about the options outstanding and options exercisable as of December 31, 2024:

	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Range of prices:					
\$30.00 - 33.99	50,975	2.1	\$ 30.47	50,975	\$ 30.47
\$34.00 - 34.99	86,714	3.2	34.51	86,714	34.51
\$35.00 - 35.99	633,620	5.0	35.94	525,433	35.94
\$36.00 and above	<u>135,593</u>	<u>7.6</u>	<u>45.24</u>	<u>69,468</u>	<u>45.18</u>
	<u><u>906,902</u></u>	<u>5.1</u>	<u>\$ 36.87</u>	<u><u>732,590</u></u>	<u>\$ 36.27</u>

As of December 31, 2024, there was \$122 of total unrecognized compensation costs related to nonvested stock options granted under the plans. The cost is expected to be recognized over a weighted average period of approximately 0.7 years.

Restricted Stock – Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense that is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period. The Company expects forfeitures of restricted stock to be de minimis.

The following table provides the compensation cost and income tax benefit for stock-based compensation related to restricted stock:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 53	\$ 43	\$ 50
Income tax benefit	\$ 15	\$ 12	\$ 15

The following table summarizes restricted stock transactions for the year ended December 31, 2024:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	1,412	\$ 35.42
Granted	1,268	39.43
Vested	<u>(1,412)</u>	<u>35.42</u>
Nonvested shares at end of period	<u><u>1,268</u></u>	<u><u>\$ 39.43</u></u>

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Stock Awards – Stock awards represent the issuance of the Company’s common stock, without restriction. Stock awards are granted to the Company’s non-employee directors. The issuance of stock awards results in compensation expense which is equal to the fair market value of the stock on the grant date, and is expensed immediately upon grant. The following table provides compensation cost and income tax benefit for stock-based compensation related to stock awards:

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 840	\$ 810	\$ 715
Income tax benefit	\$ 233	\$ 228	\$ 207

The following table summarizes the value of stock awards:

	Years ended December 31,		
	2024	2023	2022
Intrinsic and fair value of stock awards vested	\$ 840	\$ 810	\$ 715
Weighted average fair value of stock awards granted	\$ 36.82	\$ 41.58	\$ 46.44

The following table summarizes stock award transactions for year ended December 31, 2024:

	Number of Stock Awards	Weighted Average Fair Value
Nonvested stock awards at beginning of period	-	\$ -
Granted	22,813	36.82
Vested	(22,813)	36.82
Nonvested stock awards at end of period	=	\$ =

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Note 16 – Pension Plans and Other Post-retirement Benefits

The Company maintains a qualified, defined benefit pension plan that covers its full-time employees who were hired prior to the date their respective pension plan was closed to new participants. Retirement benefits under the plan are generally based on the employee's total years of service and compensation during the last five years of employment. The Company's policy is to fund the plan annually at a level which is deductible for income tax purposes and which provides assets sufficient to meet its pension obligations over time. To offset some limitations imposed by the Internal Revenue Code with respect to payments under qualified plans, the Company has a non-qualified Supplemental Pension Benefit Plan for Salaried Employees in order to prevent some employees from being penalized by these limitations, and to provide certain retirement benefits based on employee's years of service and compensation. The net pension costs and obligations of the qualified and non-qualified plans are included in the tables which follow. Employees hired after their respective pension plan was closed, may participate in a defined contribution plan that provides a Company matching contribution on amounts contributed by participants and an annual profit-sharing contribution based upon a percentage of the eligible participants' compensation.

The Company's qualified defined benefit pension plan has a permanent lump sum option on the form of benefit payments offered to participants upon retirement or termination. The plan paid \$4,003 and \$30,347 to participants who elected this option during 2024 and 2023, respectively. During 2023, we made lump-sum pension benefit distributions exceeding the cumulative amount of service and interest cost components of the net periodic pension cost for the year, which is the settlement accounting threshold. A settlement loss of \$5,173 was recorded as a regulatory asset, as it is probable of recovery in future rates, and will be amortized into pension benefit costs. A settlement loss is the recognition of unrecognized pension benefit costs that would have been incurred in subsequent periods.

In addition to providing pension benefits, the Company offers post-retirement benefits other than pensions to employees retiring with a minimum level of service and hired before their respective plan closed to new participants. These benefits include continuation of medical and prescription drug benefits, or a cash contribution toward such benefits, for eligible retirees and life insurance benefits for eligible retirees. The Company funds these benefits through various trust accounts. The benefits of retired officers and other eligible retirees are paid by the Company and not from plan assets due to limitations imposed by the Internal Revenue Code.

In December 2024, the Company transferred a portion of its existing liability for a group of participants with retiree life insurance benefits under the pension and post-retirement benefit plan to an insurance carrier. Total consideration paid to the insurance carrier amounted to \$7,292. This transaction triggered settlement accounting in our other post-retirement benefit plan and a settlement gain of \$3,214 was recorded as a regulatory liability which will be amortized into post-retirement benefit costs.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

	Pension Benefits	Other Post-retirement Benefits
Years:		
2025	\$ 26,780	\$ 5,357
2026	26,492	5,503
2027	28,235	5,870
2028	26,920	6,147
2029	26,560	6,488
2030-2034	117,508	32,521

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The changes in the benefit obligation and fair value of plan assets, the funded status of the plans and the assumptions used in the measurement of the company's benefit obligation are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation at January 1,	\$ 313,698	\$ 324,690	\$ 91,502	\$ 83,501
Service cost	1,429	1,507	1,453	1,347
Interest cost	15,632	16,007	4,450	4,476
Actuarial loss/(gain)	(12,579)	20,418	(1,071)	5,008
Plan participants' contributions	-	-	121	106
Benefits paid	(23,144)	(18,577)	(7,439)	(2,936)
Settlements	-	(30,347)	(6,052)	-
Benefit obligation at December 31,	295,036	313,698	82,964	91,502
Change in plan assets:				
Fair value of plan assets at January 1,	312,303	333,176	95,005	85,994
Actual return on plan assets	(4,959)	7,648	11,781	12,060
Employer contributions	9,393	20,343	-	-
Participants' contributions	-	-	121	106
Benefits paid	(23,085)	(18,517)	(6,605)	(3,155)
Settlements	-	(30,347)	(6,052)	-
Fair value of plan assets at December 31,	293,652	312,303	94,250	95,005
Funded status of plan:				
Net asset / (liability) recognized at December 31,	\$ (1,384)	\$ (1,395)	\$ 11,286	\$ 3,503

The following table provides the net liability recognized on the consolidated balance sheets at December 31:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Non-current asset	\$ 16,475	\$ 16,325	\$ 29,508	\$ 26,700
Current liability	(1,844)	(1,334)	(557)	(733)
Noncurrent liability	(16,015)	(16,386)	(17,665)	(22,464)
Net asset / (liability) recognized	\$ (1,384)	\$ (1,395)	\$ 11,286	\$ 3,503

The following table provides selected information about plans with accumulated benefit obligation and projected benefit obligation in excess of plan assets:

	December 31, 2024		December 31, 2023	
	Pension Benefits	Other Post-retirement Benefits	Pension Benefits	Other Post-retirement Benefits
<i>Selected information for plans with projected benefit obligation in excess of plan assets:</i>				
Projected benefit obligation	\$ 17,858	\$ N/A	\$ 17,720	\$ N/A
Fair value of plan assets	\$ -	\$ N/A	\$ -	\$ N/A
<i>Selected information for plans with accumulated benefit obligation in excess of plan assets:</i>				
Accumulated benefit obligation	\$ 15,352	\$ 30,072	\$ 14,843	\$ 35,154
Fair value of plan assets	\$ -	\$ 13,507	\$ -	\$ 11,957

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The following table provides the components of net periodic benefit costs for the years ended December 31:

	Pension Benefits			Other Post-retirement Benefits		
	2024	2023	2022	2024	2023	2022
Service cost	\$ 1,429	\$ 1,507	\$ 2,587	\$ 1,453	\$ 1,347	\$ 1,911
Interest cost	15,632	16,007	13,806	4,450	4,476	3,369
Expected return on plan assets	(18,782)	(22,223)	(22,004)	(4,420)	(4,372)	(4,502)
Amortization of prior service cost (credit)	325	684	536	-	-	-
Amortization of actuarial loss (gain)	3,003	2,962	2,043	(1,068)	(1,317)	(1,336)
Net periodic benefit cost/(credit)	\$ 1,607	\$ (1,063)	\$ (3,032)	\$ 415	\$ 134	\$ (558)

The Company records the underfunded/overfunded status of its pension and other post-retirement benefit plans on its consolidated balance sheets and records a regulatory asset/liability for these costs that would otherwise be charged to stockholders' equity, as the Company anticipates recoverability of the costs through customer rates to be probable. Changes in the plans' funded status will affect the assets and liabilities recorded on the balance sheet. Due to the Company's regulatory treatment, the recognition of the funded status is recorded as a regulatory asset pursuant to the FASB's accounting guidance for regulated operations.

The following table provides the amounts recognized in regulatory assets and regulatory liabilities that have not been recognized as components of net periodic benefit cost as of December 31:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Net actuarial loss (gain)	\$ 92,190	\$ 84,030	\$ (24,504)	\$ (21,257)
Prior service cost (credit)	1,540	1,866	-	-
Total recognized in regulatory assets	\$ 93,730	\$ 85,896	\$ (24,504)	\$ (21,257)

Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from the Company's actuarial consultant who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's benefit obligations are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Weighted Average Assumptions Used to Determine Benefit Obligations as of December 31,				
Discount rate	5.64%	5.17%	5.65%	5.09%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	n/a	n/a
Assumed Health Care Cost Trend Rates Used to Determine Benefit Obligations as of December 31,				
Health care cost trend rate	n/a	n/a	6.50%	6.25%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	2032	2029

n/a – Assumption is not applicable.

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The significant assumptions related to the Company's net periodic benefit costs are as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2024	2023	2022	2024	2023	2022
Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Discount rate *	5.17%	5.51%	2.91%	5.09%	5.45%	2.96%
Expected return on plan assets	6.20%	6.80%	5.40%	3.91%-6.2%	4.28%-6.8%	3.4%-5.4%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	3.0-4.0%	n/a	n/a	n/a
Assumed Health Care Cost Trend Rates Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Health care cost trend rate	n/a	n/a	n/a	6.25%	6.50%	6.3%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	n/a	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	n/a	2029	2029	2027

n/a – Assumption is not applicable.

* In 2023 and 2022, the Company remeasured its qualified pension plan assets and liabilities in accordance with settlement accounting rules. The discount rate used for the remeasurement and for the calculation of the net periodic benefit cost for the remainder of the year in 2023 and 2022 was 5.20% and 5.58%, respectively.

The Company's discount rate assumption, which is utilized to calculate the present value of the projected benefit payments of our post-retirement benefits, was determined by selecting a hypothetical portfolio of high-quality corporate bonds appropriate to match the projected benefit payments of the plans. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds. The discount rate was then developed as the rate that equates the market value of the bonds purchased to the discounted value of the plan's benefit payments. The Company's pension expense and liability (benefit obligations) increases as the discount rate is reduced.

The Company's expected return on plan assets is determined by evaluating the asset class return expectations with its advisors as well as actual, long-term, historical results of our asset returns. The Company's market related value of plan assets is equal to the fair value of the plan's assets as of the last day of its fiscal year, and is a determinant for the expected return on plan assets which is a component of post-retirement benefits expense. The Company's pension expense increases as the expected return on plan assets decreases. The Company believes its actual long-term asset allocation on average will approximate the targeted allocation. The Company's investment strategy is to earn a reasonable rate of return while maintaining risk at acceptable levels. Risk is managed through fixed income investments to manage interest rate exposures that impact the valuation of liabilities and through the diversification of investments across and within various asset categories. Over time, as the plan's funded status increases, the target allocation of return-seeking assets (e.g., equities and other instruments with a similar risk profile) may decline and the target allocation of liability-hedging assets (e.g., fixed income and other instruments with a similar risk profile) may increase. Investment returns are compared to a total plan benchmark constructed by applying the plan's asset allocation target weightings to passive index returns representative of the respective asset classes in which the plan invests. The Retirement and Employee Benefits Committee meets quarterly to review plan investments and management monitors investment performance quarterly through a performance report prepared by an external consulting firm.

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The target allocation by asset class as of December 31, 2024, along with the actual allocation of the Company's pension plan assets, are as follows:

	Target Allocation	Percentage of Plan Assets at December 31,	
		2024	2023
Return seeking assets	20-40%	39%	38%
Liability hedging assets	60-80%	61%	62%
Total	100%	100%	100%

The fair value of the Company's pension plans' assets at December 31, 2024 by asset class are as follows:

	Assets measured at NAV				Total
	Level 1	Level 2	Level 3	(a)	
Common stock	\$ 13,726	\$ -	\$ -	\$ -	\$ 13,726
Return seeking assets:					
Global equities	-	-	-	8,677	8,677
Hedge / diversifying strategies	-	-	-	54,807	54,807
Credit	-	-	-	37,813	37,813
Liability hedging assets	-	-	-	172,654	172,654
Cash and cash equivalents	5,975	-	-	-	5,975
Total pension assets	\$ 19,701	\$ -	\$ -	\$ 273,951	\$ 293,652

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

The fair value of the Company's pension plans' assets at December 31, 2023 by asset class are as follows:

	Assets measured at NAV				Total
	Level 1	Level 2	Level 3	(a)	
Common stock	\$ 14,115	\$ -	\$ -	\$ -	\$ 14,115
Return seeking assets:					
Global equities	-	-	-	9,226	9,226
Hedge / diversifying strategies	-	-	-	57,608	57,608
Credit	-	-	-	37,798	37,798
Liability hedging assets	-	-	-	186,317	186,317
Cash and cash equivalents	7,239	-	-	-	7,239
Total pension assets	\$ 21,354	\$ -	\$ -	\$ 290,949	\$ 312,303

Equity securities include our common stock in the amounts of \$13,726 or 4.7% and \$14,115 or 4.5% of total pension plans' assets as of December 31, 2024 and 2023, respectively.

The target allocation by asset class as of December 31, 2024, and actual asset allocation of the Company's other post-retirement benefit plans, are as follows:

	Target Allocation	Percentage of Plan Assets at December 31,	
		2024	2023
Return seeking assets	50-70%	65%	68%
Liability hedging assets	30-50%	35%	32%
Total	100%	100%	100%

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The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2024 by asset class are as follows:

	Assets measured at NAV				Total
	Level 1	Level 2	Level 3	(a)	
Return seeking assets:					
Global equities	\$ 30,978	\$ -	\$ -	\$ 20,020	\$ 50,998
Real estate securities	6,750	-	-	3,713	10,463
Liability hedging assets	15,325	-	-	11,237	26,562
Cash and cash equivalents	6,227	-	-	-	6,227
Total other post-retirement assets	\$ 59,280	\$ -	\$ -	\$ 34,970	\$ 94,250

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2023 by asset class are as follows:

	Assets measured at NAV				Total
	Level 1	Level 2	Level 3	(a)	
Return seeking assets:					
Global equities	\$ 34,209	\$ -	\$ -	\$ 19,890	\$ 54,099
Real estate securities	7,041	-	-	3,653	10,694
Liability hedging assets	16,949	-	-	9,473	26,422
Cash and cash equivalents	3,790	-	-	-	3,790
Total other post-retirement assets	\$ 61,989	\$ -	\$ -	\$ 33,016	\$ 95,005

Valuation Techniques Used to Determine Fair Value

Common Stocks - Investments in common stocks are valued using unadjusted quoted prices obtained from active markets.

Return Seeking Assets – Investments in return seeking assets consists of the following:

- Global equities, which consist of common and preferred shares of stock, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or commingled fund vehicles, consisting of such securities valued using NAV, which are not classified within the fair value hierarchy.
- Real estate securities, which consist of securities, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or for real estate commingle fund vehicles that are not publicly quoted, the fund administrators value the funds using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
- Hedge / diversifying strategies, which consist of a multi-manager fund vehicle having underlying exposures that collectively seek to provide low correlation of return to equity and fixed income markets, thereby offering diversification. As a multi-manager fund investment, NAV is derived from underlying manager NAVs, which are derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
- Credit, which consist of certain opportunistic, return-oriented credits which primarily include below investment grade bonds (i.e. high yield bonds), bank loans, and securitized debt. Credits are valued using the NAV per fund share, derived from either quoted prices in active markets of the underlying securities, or less active markets, or quotes of similar assets, and are not classified within the fair value hierarchy.

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Liability Hedging Assets – Investments in liability hedging assets consist of funds investing in high-quality fixed income securities (i.e. U.S. Treasury securities and government bonds), and for funds for which market quotations are readily available, are valued at the last reported closing price on the primary market or exchange on which they are traded. Funds for which market quotations are not readily available, are valued using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.

Cash and Cash Equivalents – Investments in cash and cash equivalents are comprised of both uninvested cash and money market funds. The uninvested cash is valued based on its carrying value, and the money market funds are valued utilizing the net asset value per unit obtained from published market prices.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and the Company's funding policy, during 2025 our pension contribution is expected to be \$3,945.

The Company has a 401(k) savings plan, which is a defined contribution plan and covers substantially all employees. The Company makes matching contributions that are based on a percentage of an employee's contribution, subject to specific limitations, as well as, non-discretionary contributions based on eligible hourly wages for certain union employees, discretionary year-end contributions based on an employee's eligible compensation, and employer profit sharing contributions. Participants may diversify their Company matching account balances into other investments offered under the 401(k) savings plan. The Company's contributions, which are recorded as compensation expense, were \$24,921, \$23,519, and \$21,758, for the years ended December 31, 2024, 2023, and 2022, respectively.

Note 17 – Rate Activity

On February 7, 2025, the Pennsylvania Public Utility Commission ("PAPUC") issued an order approving, with certain minor modifications, the joint petition for non-unanimous partial settlement filed by Aqua Pennsylvania, Office of Consumer Advocate and other groups, that allowed a base rate increase designed to increase total annual operating revenues by \$73,000. New rates went into effect on February 22, 2025. At the time the rate order was received, the rates in effect also included \$37,940 in Distribution System Improvement Charges ("DSIC"), which was 6.73% above prior base rates. Consequently, the aggregate annual base rates increased by \$110,940 since the last base rate increase and DSIC was reset to zero.

On November 25, 2024, the Company's natural gas operating division in Kentucky filed an application with the Kentucky Public Service Commission a rate case designed to increase rates by \$10,910 or 19.0% on an annual basis. The Company anticipates a final order to be issued by June 2025.

On November 21, 2024, Aqua Illinois received an order from the Illinois Commerce Commission designed to provide an increase in revenues of \$11,632 or 11.4% on an annual basis. New rates went into effect on December 5, 2024.

On October 9, 2024, Aqua New Jersey received an order from the New Jersey Board of Public Utilities that was designed to provide an increase in water rates of \$2,250 on an annual basis. The order also approved the recovery of customer-side lead service line replacement costs of \$11,535, that have been deferred from April 2021 through June 2024, through the use of a customer surcharge over a three-year period. New rates went into effect on October 15, 2024.

On September 12, 2024, the PAPUC issued an order approving the settlement agreement to the general rate case filed by the Company's regulated natural gas operating subsidiary, Peoples Natural Gas, that allowed base rate increases designed to increase total annual operating revenues by \$93,000 or 11.1%. At the time the rate order was received, the rates in effect included various surcharges and credits, such as the Distribution System Improvement Charges ("DSIC") and Tax Cuts and Jobs Act ("TCJA") amortization credits totaling approximately \$21,000 on an annual basis. The order also provided an annualized change in gathering and other operating revenues of approximately \$3,000. Consequently, the aggregate annual base rates increased approximately \$111,000, as the DSIC was reset to zero, and the TCJA amortization

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credit, other surcharges and other operating revenues were adjusted. New rates went into effect on September 27, 2024. The order also approved the implementation of a weather normalization adjustment mechanism (WNA), which is applied to customer bills during the heating season of October through May each year. The weather normalization adjustment mechanism is designed to stabilize our residential and commercial customers' distribution charges by adjusting billings based on temperature variances from average weather, which effectively decreases rates when the weather is colder than average, and increases rates when the weather is warmer than average. The Company expects the weather normalization adjustment mechanism to result in reduced earnings volatility during the heating season. On October 11, 2024, the Pennsylvania Office of the Consumer Advocate (OCA) appealed this rate case to the Commonwealth Court. On February 12, 2025, the Office of Consumer Advocate discontinued its appeal on all but one non-revenue matter which can potentially be resolved through settlement.

On September 12, 2024, the Company's regulated water and wastewater operating subsidiary in Virginia, Aqua Virginia, received an order from the State Corporation Commission approving an increase in revenues by \$5,490 or 23.8% on an annual basis. The Company implemented interim rates in February 2024 and has refunded to customers the difference between interim and final approved rates in December 2024.

On December 13, 2023, the Company's regulated water and wastewater utility operating divisions in Ohio received an order from the Public Utilities Commission of Ohio designed to increase operating revenues by \$4,850 annually. New rates for water and sewer service went into effect on December 13, 2023.

On September 28, 2023, the Company's regulated water and wastewater operating subsidiary in Texas, Aqua Texas, received a final order from the Public Utility Commission of Texas approving infrastructure rehabilitation surcharges designed to increase revenues by \$8,388 annually. The rates authorized on March 28, 2023 and implemented on an interim basis effective April 1, 2023 did not change with the final order.

On June 5, 2023, the Company's regulated water and wastewater operating subsidiary in North Carolina, Aqua North Carolina, received an order from the North Carolina Utilities Commission designed to increase rates by \$14,001 in the first year of new rates being implemented, then by an additional \$3,743 and \$4,130 in the second and third years, respectively. In February 2023, the Company had implemented interim rates, based on an estimate of the final outcome of the order, and no refunds or additional billings were required for the difference between interim and final approved rates.

On January 3, 2022, the Company's natural gas operating division in Kentucky received an order from the Kentucky Public Service Commission resulting in an increase of \$5,238 in annual revenues, and new rates went into effect on January 4, 2022. On June 7, 2022, an additional \$260 was approved and made effective by the Commission, resulting from a rehearing requested by the operating division.

In addition to the Illinois, New Jersey, Virginia, North Carolina, Ohio, Pennsylvania, and Kentucky base rate awards noted above, the Company's operating subsidiaries were allowed annualized rate increases of \$2,127 in 2024, \$1,703 in 2023, and \$1,378 in 2022, represented by four, three, and two rate decisions, respectively. Revenues recognized in aggregate from all of the base rate increases realized in the year of grant were approximately \$34,832, \$10,109, and \$51,163, in 2024, 2023, and 2022, respectively.

Eight states in which the Company operates permit water and wastewater utilities to add a surcharge to their water or wastewater bills to offset the additional depreciation and capital costs related to infrastructure system replacement and rehabilitation projects completed and placed into service between base rate filings. Additionally, Pennsylvania and Kentucky allow for the use of an infrastructure rehabilitation surcharge for natural gas utility systems. The surcharge for infrastructure system replacements and rehabilitations is typically adjusted periodically based on additional qualified capital expenditures completed or anticipated in a future period, is capped as a percentage of base rates, generally at 5% to 12.75%, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. During 2024, the Company received approval to bill infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by \$28,660 in its water and wastewater utility operating divisions in Pennsylvania and Illinois, and \$1,170 in its gas utility operating division in

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Kentucky. The surcharge for infrastructure system replacements and rehabilitations provided revenues in 2024, 2023, and 2022 of \$45,750, \$20,261, and \$26,902, respectively.

Note 18 – Segment Information

The Company identifies a business as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by the chief operating decision maker (“CODM”), who is the Company’s Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance; and iii) it has available discrete financial information. The CODM reviews financial information, such as budget-to-actual variances and comparisons against prior period, at the operating segment level, and uses that information when making decisions about the allocation of operating and capital resources to each segment. The CODM evaluates the performance of the Company’s reportable segments based on a number of factors, the primary measure being the net income (loss) of each segment.

The Company has eleven operating segments and has two reportable segments, the Regulated Water segment and the Regulated Natural Gas segment. The Regulated Water segment is comprised of eight operating segments representing its water and wastewater regulated utility companies, which are organized by the states where the Company provides water and wastewater services. The eight water and wastewater utility operating segments are aggregated into one reportable segment, because each of these operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution or wastewater collection methods, and the nature of the regulatory environment. The Regulated Natural Gas segment is comprised of one operating segment representing natural gas utility companies for which the Company provides natural gas distribution services. Each reportable segment has a segment manager, the Aqua President for the Regulated Water segment and the Peoples President for the Regulated Natural Gas segment, that reports directly to the CODM.

In addition to the Company’s two reportable segments, it includes two operating segments within the Other category below. These segments are not quantitatively significant and are comprised of its non-regulated natural gas operations and Aqua Resources. Non-regulated natural gas operations consist of utility service line protection solutions and repair services to households and the operation of gas marketing and production entities. Aqua Resources offers, through a third party, water and sewer service line protection solutions and repair services to households. In addition to these segments, Other is comprised of business activities not included in the reportable segments, corporate costs that have not been allocated to the Regulated Water and Regulated Natural Gas segments, and intersegment eliminations. Corporate costs include general and administrative expenses, and interest expense. The Company reports these corporate costs within Other as they relate to corporate-focused responsibilities and decisions and are not included in internal measures of segment operating performance used by the Company to measure the underlying performance of the operating segments.

The accounting policies of the segments are the same as those applied in the Company’s consolidated financial statements and described in Note 1 – *Summary of Significant Policies*. Intersegment revenues represent natural gas sales by the Regulated Natural Gas segment to the non-regulated natural gas operations, at cost, which has a corresponding offsetting amount in purchased gas. The reportable segments’ financial results includes intercompany costs that are allocated by corporate and intercompany interest on push-down debt from corporate. All revenues of the Company are generated in the U.S., and all assets of the Company are located in the U.S.

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The following table presents information about the Company's reportable segments and reconciliations to consolidated amounts. Asset information by segment is not utilized for purposes of assessing performance or allocating resources and, as a result, such information is not presented:

		Regulated	Total Reportable	Other and	
	Regulated Water	Natural Gas	Segments	Eliminations	Consolidated
2024					
Revenues from external customers	\$ 1,221,880	\$ 840,453	\$ 2,062,333	\$ 23,780	\$ 2,086,113
Intersegment revenues	-	2,538	2,538	(2,538)	-
Total operating revenues	\$ 1,221,880	\$ 842,991	\$ 2,064,871	\$ 21,242	\$ 2,086,113
Operations and maintenance expense	\$ 381,088	\$ 207,176	\$ 588,264	\$ (1,014)	\$ 587,250
Purchased gas	\$ -	\$ 267,226	\$ 267,226	\$ 9,783	\$ 277,009
Depreciation and amortization	\$ 232,338	\$ 135,814	\$ 368,152	\$ 1,400	\$ 369,552
Taxes other than income taxes	\$ 68,006	\$ 22,985	\$ 90,991	\$ 3,643	\$ 94,634
Interest expense, net	\$ 140,086	\$ 92,988	\$ 233,074	\$ 66,075	\$ 299,149
Allowance for funds used during construction	\$ (16,713)	\$ (4,597)	\$ (21,310)	\$ -	\$ (21,310)
Loss (gain) on sale of assets ^(a)	\$ (636)	\$ (91,581)	\$ (92,217)	\$ (7)	\$ (92,224)
Other segment items ^(b)	\$ (1,445)	\$ (644)	\$ (2,089)	\$ 664	\$ (1,425)
Provision for income taxes (benefit)	\$ 68,851	\$ (79,993)	\$ (11,142)	\$ (10,694)	\$ (21,836)
Net income (loss)	\$ 350,305	\$ 293,617	\$ 643,922	\$ (48,608)	\$ 595,314
Capital expenditures	\$ 726,698	\$ 603,049	\$ 1,329,747	\$ -	\$ 1,329,747
	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
2023					
Revenues from external customers	\$ 1,153,376	\$ 860,586	\$ 2,013,962	\$ 39,862	\$ 2,053,824
Intersegment revenues	-	3,173	3,173	(3,173)	-
Total operating revenues	\$ 1,153,376	\$ 863,759	\$ 2,017,135	\$ 36,689	\$ 2,053,824
Operations and maintenance expense	\$ 368,843	\$ 209,073	\$ 577,916	\$ (2,398)	\$ 575,518
Purchased gas	\$ -	\$ 327,548	\$ 327,548	\$ 24,758	\$ 352,306
Depreciation and amortization	\$ 217,593	\$ 125,263	\$ 342,856	\$ 839	\$ 343,695
Taxes other than income taxes	\$ 62,759	\$ 23,846	\$ 86,605	\$ 3,603	\$ 90,208
Interest expense, net	\$ 124,680	\$ 92,320	\$ 217,000	\$ 62,961	\$ 279,961
Allowance for funds used during construction	\$ (14,786)	\$ (2,181)	\$ (16,967)	\$ -	\$ (16,967)
Loss (gain) on sale of assets	\$ (624)	\$ 559	\$ (65)	\$ -	\$ (65)
Other segment items ^(b)	\$ (3,596)	\$ 121	\$ (3,475)	\$ 862	\$ (2,613)
Provision for income taxes (benefit)	\$ 57,546	\$ (113,353)	\$ (55,807)	\$ (10,638)	\$ (66,445)
Net income (loss)	\$ 340,961	\$ 200,563	\$ 541,524	\$ (43,298)	\$ 498,226
Capital expenditures	\$ 668,720	\$ 527,538	\$ 1,196,258	\$ 2,845	\$ 1,199,103

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2022	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,082,972	\$ 1,139,570	\$ 2,222,542	\$ 65,490	\$ 2,288,032
Intersegment revenues	-	3,792	3,792	(3,792)	-
Total operating revenues	\$ 1,082,972	\$ 1,143,362	\$ 2,226,334	\$ 61,698	\$ 2,288,032
Operations and maintenance expense	\$ 370,850	\$ 239,506	\$ 610,356	\$ 3,293	\$ 613,649
Purchased gas	\$ -	\$ 551,009	\$ 551,009	\$ 50,986	\$ 601,995
Depreciation and amortization	\$ 201,392	\$ 118,955	\$ 320,347	\$ 830	\$ 321,177
Taxes other than income taxes	\$ 64,472	\$ 22,642	\$ 87,114	\$ 2,910	\$ 90,024
Interest expense, net	\$ 111,938	\$ 87,186	\$ 199,124	\$ 35,317	\$ 234,441
Allowance for funds used during construction	\$ (20,950)	\$ (2,715)	\$ (23,665)	\$ -	\$ (23,665)
Loss (gain) on sale of assets	\$ (991)	\$ -	\$ (991)	\$ -	\$ (991)
Other segment items ^(b)	\$ (5,601)	\$ 3,445	\$ (2,156)	\$ 2,650	\$ 494
Provision for income taxes (benefit)	\$ 47,510	\$ (61,942)	\$ (14,432)	\$ 103	\$ (14,329)
Net income (loss)	\$ 314,352	\$ 185,276	\$ 499,628	\$ (34,391)	\$ 465,237
Capital expenditures	\$ 576,314	\$ 479,335	\$ 1,055,649	\$ 7,114	\$ 1,062,763

(a) Refer to Note 3 – *Dispositions* for additional information.

(b) Other segment items mainly consists of the non-service cost component of pension and other postretirement benefits for our regulated segments.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures – Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Annual Report are effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In assessing the effectiveness of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control-Integrated Framework* (2013). As a result of management’s assessment and based on the criteria in the framework, management has concluded that, as of December 31, 2024, the Company’s internal control over financial reporting was effective.

Attestation Report of the Registered Public Accounting Firm – The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting – No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

During the quarter ended December 31, 2024, none of the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

Item 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections*

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information appearing in the sections captioned *Information Regarding Nominees, Corporate Governance – Code of Ethics, – Board and Board Committees*, and *Section 16(a) Beneficial Ownership Reporting Compliance* of the definitive Proxy Statement relating to our 2025 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report is incorporated by reference herein.

The Company has adopted an Insider Trading Policy that governs the purchase, sale and/or other dispositions of our securities by directors, officers and employees that is reasonably designed to promote compliance with insider trading laws, rules and regulations and New York Stock Exchange listing standards. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this report.

We make available free of charge within the Corporate Governance portion of the investor relations section of our web site, at www.essential.co, our Corporate Governance Guidelines, the Charters of each Committee of our Board of Directors, and our Code of Ethical Business Conduct (the Code of Ethics). Amendments to the Code of Ethics, and any grant of a waiver from a provision of the Code requiring disclosure under applicable rules of the SEC, will be disclosed on our web site. The reference to our web site is intended to be an inactive textual reference only, and the contents of such web site are not incorporated by reference herein and should not be considered part of this or any other report that we file with or furnish to the SEC.

Information About Our Executive Officers

The following table and the notes thereto set forth information with respect to our executive officers, including their names, ages, positions with Essential Utilities and business experience during the last five years:

EXHIBIT H

Balance Sheet and Income Statement Aqua New Jersey, Inc. (Water & Wastewater Combined) For the Year Ending December 31, 2024

Aqua New Jersey, Inc. Balance Sheet
Water/Wastewater Combined
Year Ending December 31, 2024

Exhibit H
Page 1 of 13

Company	Account No	Text for B/S P&L Item	Total of the Comparison
		ASSETS	
		PLANT	
		Net Utility Plant	
		Gross Utility Plant	
5100	1310110	1310110 Construction Complete Not Classified	2,297,945.57
5100	1311200	1311200 Utility Plant in Service - PowerPlan	492,075,325.53
		Total Utility Prop Plant & Equip	494,373,271.10
5100	1311141	1311141 Plant Acquisition Adjustments-PowerPlan	-2,594,896.20
5100	1331141	1331141 Accum Amortization - Plant Acquisition Adj PP	1,807,330.47
		Total Net Utility Plant Adjustment	-787,565.73
		Total Gross Utility Plant	493,585,705.37
		Allowance for Depreciation	
5100	1331210	1331210 Accumulated Depreciation - Utility Plant	-122,253,756.35
		Less Allowance for Depreciation	-122,253,756.35
		Total Net Utility Plant	371,331,949.02
		Construction Work in Progress	
5100	1311011	1311011 Construction Work In Progress-Utility-PowerPlan	38,258,192.20
5100	1311900	1311900 CWIP Clearing Acct/Direct Pstg	2,249,704.19
		Total Construction Work in Progress	40,507,896.39
		TOTAL PLANT	411,839,845.41
		OTHER ASSETS	
		Investments	
5100	1212910	1212910 Equity Investment in CoBank	1,000.00
		Total Investments	1,000.00
		OTHER ASSETS SUBTOTAL	1,000.00
		CURRENT ASSETS	
		Prepayments & Other Current Assets	
		Prepayments	
5100	1191300	1191300 Prepaid - Gross Receipts	13,421.97
5100	1191301	1191301 Prepaid - Franchise	15,959.00
5100	1191302	1191302 Prepaid - Excise	364,329.95
5100	1191303	1191303 Other PPD-SDWA Assessments	-0.51
5100	1191304	1191304 Other PPD-Trustee	28,814.71
5100	1191305	1191305 Other PPD-NJ DEP Alloc Fee	-0.09
5100	1191306	1191306 Other PPD-Utility Deposits	10,141.35
5100	1191309	1191309 Other PPD-Real Estate Tax	233,292.80
5100	1191310	1191310 Other PPD-PUC Assessment	-0.17
5100	1191311	1191311 Other PPD-SBA Assessment	-0.09
5100	1191312	1191312 Other PPD-Cons/Public Advocate Assmt	-0.28
5100	1191313	1191313 Other PPD-AWWA Dues	1,692.85
5100	1191314	1191314 Other PPD-FIS System	0.06
5100	1191435	1191435 Prepaid Leases	-3,163.00
5100	1191900	1191900 Prepaid Miscellaneous	6,603.59
		Total Prepayments	671,092.14
		Total Prepayments & Other Current Assets	671,092.14
		Cash	
5100	1111512	1111512 Cash in Banks - Wells Fargo-NJ-X7890	12,198.24
5100	1111528	1111528 Cash in Banks - Wells Fargo-NJ-X1957	26,096.89
5100	1111565	1111565 Cash in Banks - PNC Aqua Acct-NJ-X8643	656,147.61
5100	1113110	1113110 Other Special Funds/Deposits - Current	0
5100	1113200	1113200 Working Funds	400
		Total Cash	694,842.74

		Accts Receivable Trade	
5100	1136200	1136200 Customer A/R - Utility	4,457,196.14
5100	1137057	1137057 Accounts Receivable - Other	56,421.34
5100	1137058	1137058 Other A/R-Due From Vendors	0
5100	1138060	1138060 Uncollected Customer Deposit	-5,718.95
		Total Accts Receivable Trade	4,507,898.53
		Allowance for Bad Debts	
5100	1138010	1138010 Provision for Uncollectible A/R-Customer Accounts	-202,840.75
		Total Allowance for Bad Debts	-202,840.75
		Accts Receivable - Affiliates	
5100	1135602	1135602 A/R - 9200 - Essential Services Inc.	0
5100	1135603	1135603 A/R - 9210 - Aqua Services Inc.	60,635.42
5100	1135607	1135607 A/R - 5300 - Aqua North Carolina Inc.	3,236.20
5100	1135610	1135610 A/R - 9100 - Essentials Utilities Inc.	5,726,450.79
5100	1135611	1135611 A/R - 5500 - Aqua Pennsylvania Inc.	0
5100	1135624	1135624 A/R - 5800 -Aqua Illinois, Inc.	0.53
		Total Accts Receivable - Affiliates	5,790,322.94
		Materials & Supplies	
5100	1142010	1142010 Materials Inventory	2,928,118.05
5100	1142020	1142020 Materials Inventory - Meters	2,382,768.65
5100	1142030	1142030 Materials Inventory - Chemicals	181,094.71
5100	1142910	1142910 Materials Inventory - Conversion	114,886.51
		Total Materials & Supplies	5,606,867.92
		Unbilled Revenue	
5100	1131040	1131040 Unbilled Revenue - Water/WasteWater	2,894,515.93
		Total Unbilled Revenue	2,894,515.93
		TOTAL CURRENT ASSETS	19,962,699.45
		NONCURRENT ASSETS	
		Total Reg Assets LT	
		Rate Case Expense	
5100	1253100	1253100 Deferred Rate Case Expenses	652,527.01
		Total Rate Case Expense	652,527.01
		Regulatory Assets	
5100	1242010	1242010 Reg Asset - FAS 109	30,405,772.02
5100	1242162	1242162 Reg Asset-Regulatory Asset	11,220,376.75
5100	1242164	1242164 Reg Asset-Other	-455,674.90
5100	1242168	1242168 Reg Asset-COVID19 Recovery Cos	167,800.73
5100	1242204	1242204 Reg Asset - Vacation Balancing	0
5100	1242215	1242215 Deferred Tank Painting	205,817.67
		Total Regulatory Assets	41,544,092.27
		Total Reg Assets LT	42,196,619.28
		Prelim Survey & Invest	
5100	1251030	1251030 Retirement Work in Progress (Water) – PP	329,993.35
		Total Prelim Survey & Invest	329,993.35
		Goodwill	
5100	1311151	1311151 Goodwill-Manual	211,105.19
		Total Goodwill	211,105.19
		Operating Lease Assets	
5100	1293120	1293120 Lease - Office Equipment	33,656.00
5100	1293200	1293200 Accumulated Lease Amortization	-31,045.05
		Total Operating Lease Assets	2,610.95
		TOTAL NONCURRENT ASSETS	42,740,328.77
		TOTAL ASSETS	474,543,873.63

		CAPITAL	
		Equity	
		Common Shares	
5100	3110100	3110100 Common Stock	-3,603,125.00
		Total Common Shares	-3,603,125.00
		Capital in Excess of Par	
5100	3110200	3110200 Premium On Common Stock	-15,566,026.11
5100	3121111	3121111 Other Paid-In Cap-PSU	-550,018.26
5100	3121112	3121112 Other Paid-In Cap-RSU	-72,261.76
5100	3121114	3121114 Other Paid-In Cap-Stock Option	-301,278.52
5100	3121115	3121115 Other Paid-In Cap-Tax on Stock	-43,746.54
5100	3121116	3121116 Other Paid-In Cap-Restricted Stock	-93,682.06
5100	3121117	3121117 Other Paid-in Capital-Aqua	-26,947,354.59
		Total Capital in Excess of Par	-43,574,367.84
		Balanace January 1st	
5100	3220000	3220000 Unappropriated Retained Earnings	-125,572,873.30
		Balanace January 1st	-125,572,873.30
		Income - Current Year	
		Current Year Profit	-14,875,061.83
		Total Income - Current Year	-14,875,061.83
		Total Equity	-187,625,427.97
		Long-Term Debt	
		Mortgage Bonds	
5100	2200526	2200526 LT Notes Payable - Other	-11,009,026.36
		Total Long Term Debt	-11,009,026.36
5100	2200220	2200220 Long-Term Debt - Bonds - Essential	-131,885,000.00
		Total Long Term Debt-Pushdown	-131,885,000.00
		Total Mortgage Bonds	-142,894,026.36
		Unamort Debt Issue Costs	
5100	2201005	2201005 Debt Issuance Costs – LT - Water/Wastewater	679,311.18
5100	2201010	2201010 Debt Issuance Costs - LT - Essential	1,040,161.18
		Total Unamort Debt Issue Costs	1,719,472.36
		Total Long-Term Debt (Net)	-141,174,554.00
		TOTAL CAPITAL	-328,799,981.97
		CURRENT LIABILITIES	
		Current Portion - LTD	
5100	2150010	2150010 Notes Payable - Current Portion	-297,349.01
		Total Current Portion - LTD	-297,349.01
		Accounts Payable - Trade	
5100	2111020	2111020 Trade Accounts Payable	-2,292,523.24
5100	2111025	2111025 Cash Discounts Clearing - Trade A/P	14,247.83
5100	2111110	2111110 Accts Pay-Refunds to Customers	-34,369.36
5100	2111130	2111130 A/P-Contractors Retainage	-487,334.78
5100	2111200	2111200 Goods Received/Invoice Received Clearing	-1,998,397.32
5100	2111400	2111400 Procurement Card Clearing	-1,705.26
5100	2111535	2111535 Accts Pay-Accrued Electric	-113,440.02
5100	2111811	2111811 Expense Report Clearing - Travel Expense	-265.32
5100	2111910	2111910 Accts Payable Liability - Other	0
5100	2111955	2111955 Accrued Assessments & Fees-Water/Wastewater	-20,953.30
		Total Accounts Payable - Trade	-4,934,740.77
		Accts Payable - Affiliate	
5100	2113224	2113224 Interco Pay - 5800 -Aqua Illinois, Inc.	0
5100	2113602	2113602 A/P - 9200 - Essential Services Inc.	-15,688.25

5100	2113603	2113603 A/P - 9210 - Aqua Services Inc.	-587,735.24
5100	2113607	2113607 A/P - 5300 - Aqua North Carolina Inc.	0
5100	2113610	2113610 A/P - 9100 - Essentials Utilities Inc.	-9,433,755.93
5100	2113611	2113611 A/P - 5500 - Aqua Pennsylvania Inc.	-4,847.35
5100	2113624	2113624 A/P - 5800 -Aqua Illinois, Inc.	0
		Total Accts Payable - Affiliate	-10,042,026.77
		Construction A/P Trade	
5100	2111912	2111912 Accts Pay-Construction	-8,437,855.34
		Total Construction A/P Trade	-8,437,855.34
		Accr Inc Taxes - Federal	
5100	2132011	2132011 Accrued Federal Income Tax - Current Year	6,521,870.78
		Total Accr Inc Taxes - Federal	6,521,870.78
		Accr Taxes - Other	
5100	2115115	2115115 Local Excise Tax - AQUA	0.03
5100	2115155	2115155 Gross Receipts Tax - AQUA	0.01
5100	2115210	2115210 Sales Taxes Payable - State	3,849.18
5100	2136020	2136020 Accrued Property Tax – Water/Wastewater	-15,480.32
5100	2139025	2139025 Accrued Franchise Tax-WT/WW	0.02
5100	2139991	2139991 Accrued Other Taxes - Miscellaneous-WT/WW	-7,979.50
		Total Accr Taxes - Other	-19,610.58
		Accrued Interest	
5100	2121015	2121015 Interest Accrued - Long-Term Debt-WT/WW	-15,141.68
5100	2129030	2129030 Interest Accrued - Customer Deposits	-213.06
		Total Accrued Interest	-15,354.74
		Other Accrued Expense	
5100	2114020	2114020 Customer Deposits - Manual	-68,526.05
5100	2114040	2114040 Customer Dep-Service Line	-28,800.00
5100	2141050	2141050 Accrued Payroll	-135,455.52
5100	2141100	2141100 Accrued Vacation	0
5100	2141200	2141200 Accrued Annual Incentive	-132,880.00
5100	2141620	2141620 Employee Profit Sharing	-126,792.00
5100	2190010	2190010 Lease Obligation - Current	-1,838.00
5100	2191600	2191600 Appropriated Funds - Other	-12,512.68
5100	2192071	2192071 Accrued Insur Liab-Uninsured	-12,000.00
5100	2192072	2192072 Accrued Insur Liab-Other	-28,163.60
5100	2199411	2199411 Deferred Revenue-Antenna Leases	-169,162.25
5100	2199610	2199610 Accrued Liab-Legal Fees	-12,000.00
5100	2199615	2199615 Accrued Liab-Audit Fees	-19,467.00
5100	2199900	2199900 Misc C&A Liabilities	-626,111.03
		Total Other Accrued Expense	-1,373,708.13
		TOTAL CURRENT LIABILITIES	-18,598,774.56
		NONCURRENT LIABILITIES	
		Cust Advances for Construction	
5100	2199065	2199065 CAC-WIP Closing	2.75
5100	2199075	2199075 CAC-Non Unitized	-33,006,271.58
		Total Cust Advances for Constr.	-33,006,268.83
		Long Term Deferred - FIT	
5100	1261010	1261010 Accumulated Deferred FIT Asset - Non-Current	4,129,159.92
5100	1261020	1261020 Accumulated Deferred FIT Asset - Excess Gross UPNC	2,334,380.04
5100	2210010	2210010 Accum Defd Plant Federal Income Tax Liab-Noncurr	-34,376,543.99
5100	2210020	2210020 Accum Defd Other Federal Income Tax Liab-Noncurr	-8,627,307.74
		Total Long Term Deferred - FIT	-36,540,311.77
		Unamortized ITC	

5100	2212010	2212010 Deferred Taxes-Unam Fed ITC	-320,832.00
		Total Unamortized ITC	-320,832.00
		Regulatory Liability	
5100	2220110	2220110 Reg Liab - Excess Deferred Income Tax - NonCurrent	-8,849,091.96
5100	2220120	2220120 Reg Liab - Excess DIT - Gross Up NC	-2,352,290.33
5100	2220170	2220170 Reg Liab - 481a Benefit	-9,750,902.72
5100	2220265	2220265 Reg Liabilities - Cost of Removal - Aqua	-10,991,219.34
		Total Regulatory Liability	-31,943,504.35
		Non-Current Operating Leases	
5100	2290020	2290020 Lease Obligation - Noncurrent	-772.95
		Total Non-Current Operating Leases	-772.95
5100	2291508	2291508 Noncurrent Liab-Pension Benefit Obligation	-128,841.47
5100	2291518	2291518 OPEB Liability - Essential - Non Current	94,885.37
		Total Pension and OPEB Liabilities	-33,956.10
		NONCURRENT LIABILITIES SUBTOTAL	-101,845,646.00
		CIAC -NET	
		CONTRIB IN AID OF CONSTR.	
5100	2292000	2292000 CIAC-WIP Non Cash	-1,902,048.72
5100	2292010	2292010 CIAC-WIP Cash	-15,000.00
5100	2292020	2292020 CIAC-WIP Closing	1,871,774.72
5100	2292030	2292030 CIAC-Unitized	-44,462,719.23
		Total Contrib in Aid of Constr.	-44,507,993.23
5100	2292100	2292100 Accum Amort of CIAC	19,208,522.13
			19,208,522.13
		Total CIAC -NET	-25,299,471.10
		TOTAL LIABILITIES & CAPITAL	-474,543,873.63
			0
			436,091,357.48

Aqua New Jersey, Inc. Income Statement
Water/Wastewater Combined
As of December 31, 2024

Exhibit H
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Company Code	Account Number	Text for B/S P&L Item	Total of the Compa
		OPERATING INCOME	
		REVENUE	
		Operating Revenue	
5100	4114030	4114030 WTR-Unmetered-Other	-5,916.74
5100	4114110	4114110 WTR-Metered Sales-Residential	-34,437,230.97
5100	4114120	4114120 WTR-Metered Sales-Commercial	-6,863,295.71
5100	4114130	4114130 WTR-Metered Sales-Industrial	-767,352.08
5100	4114140	4114140 WTR-Metered Sales-Public Authority	-616,019.68
5100	4114160	4114160 WTR-Metered Sales-Bulk Water	-110,588.60
5100	4114220	4114220 WTR-Public Fire Protection	-2,340,754.85
5100	4114230	4114230 WTR-Private Fire Protection	-1,884,187.79
5100	4115100	4115100 WTR-Misc Srv Rev	-225
5100	4115105	4115105 WTR-Misc Srv Rev-Reconnect Fee	-29,915.00
5100	4115135	4115135 WTR-Misc Srv Rev-DSIC Imprv Surch	-1,805,969.19
5100	4115160	4115160 WTR-Revenue LSL Surcharge	-608,426.52
		Operating Revenue - Water	-49,469,882.13
5100	4211030	4211030 WW-Measured Rev-Residential	3,548.60
5100	4211040	4211040 WW-Flat Rate Rev-Residential	-2,998,530.28
5100	4212040	4212040 WW-Flat Rate Rev-Commercial	-596,526.39
5100	4218400	4218400 WW-Other WW Revenues	-2,484,462.29
		Operating Revenue - Sewer	-6,075,970.36
		Total Operating Revenue	-55,545,852.49
		Non Operating Revenue	
5100	6104120	6104120 Nonutil Inc-Other (Water)	-31,205.50
5100	6104130	6104130 Nonutil Inc-Rent -Pole/Twr	-466,609.07
		Total Non Operating Revenue	-497,814.57
		TOTAL REVENUE	-56,043,667.06
		UTILITY COSTS & EXPENSES	
		Operations & Maintenance Expense:	
		Labor	
5100	5300110	5300110 Salaried - Straight-Time Wages	4,103,660.75
5100	5300190	5300190 Labor-Officers, Executives	183,514.73
		Labor Regular	4,287,175.48
5100	5300120	5300120 Salaried - Overtime Wages	386,812.05
		Labor Overtime	386,812.05
5100	5300170	5300170 Salaried - Incentives / Bonuses	5,000.00
5100	5300180	5300180 Salaried - Annual Incentive	127,309.55
		Labor Short Term Incentive	132,309.55
5100	5300186	5300186 Performance Share Unit Amortization	1,970.35
5100	5300187	5300187 Restricted Stock Unit Amortization	15,249.16
5100	5996070	5996070 RECLASS-LTI/STI	-52.26
		Labor Long Term Incentive	17,167.25
5100	5996010	5996010 RECLASS-S&W-Employees	-1,156.59
5100	8000029	8000029 Business Analyst III	7,029.88
5100	8000119	8000119 Internal Audit Director	-10,688.40
5100	8000156	8000156 Network Engineer II	2,539.20
5100	8000170	8000170 Project Engineer II	6,558.40
5100	8000171	8000171 Project Engineer III	5,964.03
5100	8000201	8000201 Systems Administrator II	3,417.72
5100	8000204	8000204 Systems Analyst II	2,738.07
5100	8000217	8000217 Systems Engineer II	10,949.24
5100	8000228	8000228 Safety Specialist III	1,251.60

5100	8000240	8000240 Telecom Engineer II	8,154.00
5100	8000395	8000395 Mgr Voice Network & Contact Ctr	234.74
5100	8001101	8001101 Facility Operator I	25.01
5100	8001181	8001181 Utility Technician	61.74
5100	8001258	8001258 Operator II	-97.42
5100	8001276	8001276 Utility Field Service Worker I	-35.6
5100	8001284	8001284 Utility Worker	196.56
5100	8002251	8002251 Maintenance Water Conservation Tech-TH	307.5
5100	8002261	8002261 Operator Trainee-TH	92.98
5100	8002284	8002284 Utility Worker-TH	65.61
5100	8003260	8003260 Operator Trainee-DT	24.79
5100	8009990	8009990 True-Up Labor	13,992.04
		Activity Allocations	51,625.10
5100	6996001	6996001 S&W-Employees-ST	-1,145,671.61
5100	6996002	6996002 S&W-Employees-OT	-40,847.65
5100	6996003	6996003 S&W-Officers, Directors, Majority Shareholder	-82,517.51
5100	6996007	6996007 LTI/STI	-20,066.86
5100	8720200	8720200 PTO Overhead	-991.8
5100	8720700	8720700 LTI/STI/Stock Overhead	-547.13
		Labor - Overheads & Capitalization	-1,290,642.56
		Total Labor	3,584,446.87
		Employee Benefits	
5100	5301010	5301010 Employee Benefits - Medical	537,593.55
5100	5301020	5301020 Employee Benefits - Dental / Vision	30,460.86
5100	5301025	5301025 Employee Benefits - Vision	6,389.53
		Employee Benefits - Health Plans	574,443.94
5100	5301030	5301030 Employee Benefits - Life Insurance	17,237.42
5100	5301040	5301040 Employee Benefits - Disability	9,498.69
		Employee Benefits - Insurance	26,736.11
5100	5301130	5301130 Employee Benefits - Savings Plan	220,710.29
5100	5301131	5301131 Employee Benefits - Savings Plan(401K)-YE	174,824.47
		Employee Benefits - 401K	395,534.76
5100	5301910	5301910 Employee Related Expenses-On Boarding	765
5100	5301990	5301990 Other Employee Benefits - Miscellaneous	428.06
5100	5301995	5301995 Employee Related Expenses-EASE Contract (EAP)	1,907.01
5100	5302110	5302110 Recruiting Expenses	21,924.00
5100	5302920	5302920 Tuition Reimbursement Expense	5,250.00
5100	5302925	5302925 Employee Training Expense	13,778.05
5100	5302926	5302926 Employee Training Expense-Seminars	2,026.00
5100	5302930	5302930 Employee Relations Expense	32,982.38
5100	5302990	5302990 Miscellaneous Employee-Related Expense	163.52
5100	5996040	5996040 RECLASS-Employee Pension and Benefits	-3.17
5100	8720300	8720300 Payroll Other Overhead	-1,181.50
		Employee Benefits - Miscellaneous	78,039.35
5100	6996004	6996004 Employee Pension and Benefits	-329,655.60
		Capitalized Employee Benefits	-329,655.60
		Total Employee Benefits	745,098.56
		Purchased Water	
5100	5206100	5206100 Purchased Water	1,545,028.70
5100	6996009	6996009 Purchased Water	-489,018.80
		Total Purchased Water	1,056,009.90
		Purchased Wastewater	
5100	5206115	5206115 Purchased Wastewater Treatment	2,604,088.70

		Total Purchased Wastewater	2,604,088.70
		Sludge	
5100	5206240	5206240 Sludge Removal	150,727.96
		Total Sludge	150,727.96
		Purchased Power	
5100	5206210	5206210 Purchased Power	1,595,695.44
5100	5206230	5206230 Fuel for Power Production	72,847.17
		Total Purchased Power	1,668,542.61
5100	5304600	5304600 Chemicals-Oper-General	35,980.74
5100	5304603	5304603 Chemicals-Oper-Caustic	422,767.36
5100	5304605	5304605 Chemicals-Oper-Coagulants	10,674.50
5100	5304606	5304606 Chemicals-Oper-Fluoride	19,752.49
5100	5304607	5304607 Chemicals-Oper-Hypochlorite	324,403.99
5100	5304608	5304608 Chemicals-Oper-Polyphosphate	258,537.33
5100	5304609	5304609 Chemicals-Oper-Zinc Ortho	2,761.47
5100	5304610	5304610 Chemicals-Oper-Polymer	900.33
5100	5304611	5304611 Chemicals-Oper-Soda Ash	1.62
5100	5304615	5304615 Chemicals-Oper-Lime	10,834.36
5100	5304621	5304621 Chemicals-Oper-Misc Chem	19,903.43
5100	5304622	5304622 SW-Chem-Coll Oper-General	4,670.00
5100	5304623	5304623 SW-Chem-Coll Maint-General	1,604.85
5100	5304624	5304624 SW-Chem-Pump Oper-General	4,555.00
5100	6996018	6996018 Chemicals	-4,555.00
		Chemicals	1,112,792.47
		Materials & Supplies	
5100	5304100	5304100 Material Exp-Stock	3,684,722.65
5100	5304110	5304110 Material Exp-Cst Dif	-30,062.44
5100	5304140	5304140 Material Exp-Inv Rvl	-18,903.90
5100	5304200	5304200 Material Exp-Non Stk	535,164.00
5100	5304235	5304235 Materials & Supplies - Hydrants	-8,365.00
5100	5304250	5304250 Materials – PFAS	1,754,529.37
5100	5304300	5304300 Meter/ERT Purchases	680,741.04
5100	5304330	5304330 Laboratory Supplies	10,833.01
5100	5304340	5304340 Software/Hardware Purchases	35,759.42
5100	5304370	5304370 Small Tools & Work Equipment	160,468.42
5100	5304375	5304375 Materials & Supplies - Uniforms	19,058.71
5100	5304380	5304380 Materials & Supplies - Safety Supplies	17,575.30
5100	5304390	5304390 Misc Supplies	96,498.48
5100	5996200	5996200 RECLASS-Materials and Supplies	-9.53
5100	8720600	8720600 Tools/Clothing/Others Overhead	-4.01
		Supplies	6,938,005.52
5100	6996020	6996020 Materials and Supplies	-6,754,357.43
		Capitalized Supplies	-6,754,357.43
		Total Materials & Supplies	183,648.09
		Outside Services	
5100	5303230	5303230 Contractor Services - Engineering	17,002,984.83
5100	6996031	6996031 Contractual Services-Engineering	-17,002,559.83
		Outside Services - Engineering	425
5100	5303210	5303210 Accounting/Auditing Services	117,652.47
5100	6996032	6996032 Contractual Services-Accounting	-28,157.77
		Outside Services - Accounting	89,494.70
5100	5303220	5303220 Legal Services	524,975.09
5100	6996033	6996033 Contractual Services-Legal	-262,028.63

		Outside Services - Legal	262,946.46
5100	5303850	5303850 Testing Services	229,507.03
5100	5303855	5303855 Lab Testing – PFAS	52,738.00
5100	6996035	6996035 Contractual Services-Testing	-44,279.00
		Outside Services - Lab Testing	237,966.03
5100	5303010	5303010 Contractor Labor - Straight Time	1,954,658.77
5100	5303020	5303020 Contractor Materials	3,917.04
5100	5303030	5303030 Contractor Services	14,461,805.53
5100	5303031	5303031 Contractor Services - Oth-Cross Connect Control	34,300.00
5100	5303035	5303035 Contractor Services - Restoration	295,209.49
5100	5303036	5303036 Contractor Services - Permit Fees	1,478,959.37
5100	5303050	5303050 Contractor Services - Leak Detection	1,177,474.79
5100	5303052	5303052 Contractor Services - Sewer Jetting	79,190.44
5100	5303053	5303053 Contractor Services - Mains	2,056,454.57
5100	5303054	5303054 Contractor Services - Well Cleaning	2,279,531.84
5100	5303057	5303057 Contractor Services - Water Sludge hauling	74,500.59
5100	5303059	5303059 Contractor Services - PFAS	18,061.00
5100	5303061	5303061 Contractor Services - Other-Mains	1,906,761.46
5100	5303062	5303062 Contractor Services - Other-Services	763,118.06
5100	5303063	5303063 Contractor Services - Other-Meters	581,922.49
5100	5303064	5303064 Contractor Services - Other-Hydrants	250,633.46
5100	5303145	5303145 Contractor Services - Other-Construction	221,095.91
5100	6996036	6996036 Contractual Services-Other	-25,819,364.95
		Outside Services - Operations	1,818,229.86
5100	5997310	5997310 Other ACO Direct costs	20,136.55
5100	5997320	5997320 WorkFlow Processing Fee	185,302.22
5100	5997330	5997330 WorkFlow Billing Postage	194,183.50
5100	5997360	5997360 ACO Lockbox Fees	58,820.78
		Direct ACO Costs	458,443.05
		Outside Services - ACO	458,443.05
		Outside Services - Other	
5100	5303130	5303130 Building & Grounds Maintenance Services	146,805.23
5100	5303135	5303135 Contractor Services - Grounds Care	168,404.83
5100	5303840	5303840 Security & Investigative Services	21,254.04
5100	6996361	6996361 Contractual Services - Other - Bldg & Grounds	-66,281.04
		Outside Services - Bldg & Grounds	270,183.06
5100	5303150	5303150 Communications Equipment Maintenance Services	7,757.21
		Outside Services - Communications	7,757.21
5100	5303110	5303110 Office Equipment Maintenance Services	4,553.37
5100	5303120	5303120 Computer & Software Maintenance Services	13,641.81
5100	6996364	6996364 Contractual Services - Other - IT	-15,099.66
		Outside Services - IT	3,095.52
5100	5303140	5303140 Security Equipment Maintenance Services	20,904.40
		Outside Services - Security	20,904.40
5100	5303190	5303190 Miscellaneous Repairs/Maintenance	1,708.58
5100	5303310	5303310 Consultant Services	229,235.99
5100	5303890	5303890 Miscellaneous Outside Services	58,709.78
5100	6996367	6996367 Contractual Services - Other - Admin & General	-225,778.75
		Outside Services - Admin & General	63,875.60
		Total Outside Services - Other	365,815.79
		Total Outside Services	3,233,320.89
		Managment Fees	
5100	8732010	8732010 S&W-Employees	2,047,635.77

5100	8732030	8732030 S&W-Officers, Directors, Maj Shareholder	661,187.81
5100	8732040	8732040 Employee Pension and Benefits	42,112.25
5100	8732150	8732150 Purchased Power (WasteWater)	1,313.89
5100	8732200	8732200 Materials and Supplies	341,535.46
5100	8732310	8732310 Contractual Services-Engineering	78,373.86
5100	8732320	8732320 Contractual Services-Accounting	40,097.55
5100	8732330	8732330 Contractual Services-Legal	9,418.71
5100	8732340	8732340 Contractual Services-Management Fees	308,531.76
5100	8732360	8732360 Contractual Services-Other	1,674,160.29
5100	8732500	8732500 Transportation Expenses	1,486.82
5100	8732600	8732600 Advertising Expense	371.68
5100	8732750	8732750 Miscellaneous Expense	229,281.30
		Management Fees - Water	5,435,507.15
5100	6996034	6996034 Contractual Services-Management Fees	-2,724,599.08
		Capitalized Management Fees	-2,724,599.08
		Total Managment Fees	2,710,908.07
		Leases	
5100	5307010	5307010 Rent Expense - Buildings	150
		Leases - Building	150
5100	5307030	5307030 Rent Expense - Equipment (Office & Other)	766.25
		Leases - Equipment	766.25
5100	5307090	5307090 Rent Expense - Miscellaneous	4,602.96
		Leases - Other	4,602.96
		Total Leases	5,519.21
		Transportation	
5100	5303170	5303170 Automobile Repairs/Maintenance	8,591.24
5100	5304210	5304210 Auto Parts & Supplies	7,432.41
5100	5399070	5399070 Vehicle Expenses-Fleet System- Maintenance	56,239.26
		Transportation - Services & Maintenance	72,262.91
5100	5304510	5304510 Gasoline	134,033.13
5100	5304515	5304515 Diesel Fuel	6.2
		Transportation - Fuel	134,039.33
5100	5303175	5303175 Contractor Srvcs-Transportation-Corp Claims Mgmt	3,986.95
5100	5399079	5399079 Transportation-Crash	6,095.45
5100	5996500	5996500 RECLASS-Transportation Expenses	-15.03
5100	8720500	8720500 Transportation Overhead	-314.55
		Transportation - Other	9,752.82
5100	6996050	6996050 Transportation Expenses	-58,452.18
		Capitalized Transportation	-58,452.18
		Total Transportation	157,602.88
		Miscellaneous Expenses	
5100	5308010	5308010 Subscriptions	330.6
5100	5308021	5308021 Professional Dues	8,332.08
5100	5308041	5308041 Industry Assoc Dues	78,436.28
5100	5308090	5308090 Other Dues&Membershp	1,226.95
		Dues & Subscriptions	88,325.91
5100	5310010	5310010 Operating Permits	660
5100	5310020	5310020 Licensing Fees	3,861.29
		Licenses & Permits	4,521.29
5100	5310080	5310080 Bank Fees	8,982.67
5100	5310085	5310085 Bond Servicing Fees	63,370.32
		Bank Fees	72,352.99
5100	5302010	5302010 Travel Expense	27,403.12

5100	5302015	5302015 Travel - Meals (50% Non-Deductible)	7,190.83
5100	5302020	5302020 Entertainment Expense	1,918.41
5100	5302021	5302021 Entertainment Expense - Non-Deductible	632.12
		Travel & Entertainment	37,144.48
5100	5303830	5303830 Advertising	41,729.25
5100	5399110	5399110 Chamber of Commerce & Civic Org	813.16
5100	6996060	6996060 Advertising Expense	-2,270.60
		Public Relations	40,271.81
5100	5399210	5399210 Penalties - Operating - Nondeductible-WTR/WWTR	2,493.35
		Fines & Penalties	2,493.35
5100	5304310	5304310 Office Supplies	48,297.84
5100	5304320	5304320 Postage, Shipping, & Freight	18,107.11
5100	5304350	5304350 Office Furn & Equip	31,967.24
5100	5304360	5304360 Promotion Supplies	3,850.01
5100	5304410	5304410 Purchasing Card Expenses-MC	47,069.49
		Office Supplies	149,291.69
5100	5309010	5309010 Utilities - Electric and Gas	4,147.27
5100	5309025	5309025 Utilities - Communications	151,894.15
5100	5309030	5309030 Utilities - Water	34,119.77
5100	5309040	5309040 Utilities - Other	28,885.19
		Utilities	219,046.38
5100	5310090	5310090 Miscellaneous Fees	634.75
5100	5310100	5310100 Other Misc – PFAS	238.08
5100	5399040	5399040 Lost Discount Exp	-11,038.43
5100	5399900	5399900 Miscellaneous Expense	2,697.95
5100	5399910	5399910 Miscellaneous Expense - Acct Recon Write-offs	-699.97
5100	6996751	6996751 Other Miscellaneous Expense	-74.44
		Other Miscellaneous	-8,242.06
5100	5303900	5303900 Conversion-Projects	-1,197.84
5100	5399074	5399074 Vehicle Purchases	500,632.46
5100	5399310	5399310 Advances for Construction - Non-Cash - Non-Taxable	-1,885,545.00
5100	5399315	5399315 Advances for Construction - Cash - Non-Taxable	33,900.61
5100	5399325	5399325 Advances for Construction - Cash - Taxable	14,400.00
5100	5399340	5399340 Salvage Proceeds	-73,300.00
5100	5996850	5996850 RECLASS-Capital Overhead	-45.08
5100	6996075	6996075 Miscellaneous Expense	-456,428.14
5100	6996082	6996082 CAC	1,837,244.39
5100	6996085	6996085 Capital Overhead	17.53
5100	8720400	8720400 A&G Capital Support Overhead	29.6
		Capital Miscellaneous & Overheads	-30,291.47
		Total Miscellaneous Expenses	574,914.37
		Insurance	
5100	5305010	5305010 Injury Expenses	457,573.20
5100	5305020	5305020 Damages - Property	21,864.03
5100	5305030	5305030 Claims Reimburse	3,471.93
5100	5305050	5305050 Worker's Compensation Claim Expenses	66,600.72
5100	5306010	5306010 Insurance-Directors&Officers/Fiduciary/Crime	121,635.45
5100	5306060	5306060 Insurance-General Property	6,754.23
5100	5306099	5306099 Insurance-Other	400
5100	6996057	6996057 Insurance General Liability	-96,247.14
5100	6996058	6996058 Insurance Workman's Compensation	-15,948.23
5100	6996059	6996059 Insurance Other	-29,635.99
		Total Insurance	536,468.20

		Bad Debt	
5100	5311020	5311020 Uncollect Accts Exp-Writeoffs	301,118.28
5100	5311030	5311030 Uncollect Accts Exp-Recovery of Bad Debt	-73,201.64
5100	5311040	5311040 Uncollect Accts Exp-Reserve Change	-50,445.43
		Total Bad Debt	177,471.21
		Non Operating Expenses	
5100	5381000	5381000 Acquisition Related Expenses	9,528.51
5100	6201011	6201011 Donations - 501(c)(3)	2,190.61
5100	6204160	6204160 Misc NonUtil-Other-Prof Servic	14,467.16
5100	6204170	6204170 Misc NonUtil-Nontax Ded Bus Ex	51,400.66
		Total Non Operating Expenses	77,586.94
		Total Operations & Maintenance Expense	18,579,146.93
		Depreciation:	
5100	5501001	5501001 Deprec Exp - Utility Plant	13,647,610.79
5100	5502011	5502011 Amortization Expense - CIAC	-1,621,719.60
5100	6996083	6996083 Capitalized Depreciation	-425,991.25
		Total Depreciation	11,599,899.94
		Amortization:	
5100	5507011	5507011 Amortization Exp - Rate Case Expenses WT/WW	59,143.09
5100	5507030	5507030 Amort-Tank Painting	437,103.26
5100	5507050	5507050 Regulatory Deferrals/Amortization	656,102.54
5100	5507070	5507070 Amort-Util Plant Acq Adj	-106,612.09
		Total Amortization	1,045,736.80
		Taxes Other Than Income:	
5100	5310031	5310031 Assessment-PUC	171,898.01
5100	5310032	5310032 Assessment-Consumer Advocate	22,995.76
5100	5310034	5310034 Pumping Fees	35
5100	5701151	5701151 Franchise Taxes	2,163,290.01
5100	5702120	5702120 Property Taxes-WT/WW	358,253.39
5100	5703100	5703100 Payroll Taxes	391,942.37
5100	5705101	5705101 Excise Taxes	728,657.99
5100	5709110	5709110 Other Taxes-Water	47,863.93
5100	5709120	5709120 Other Taxes-Allocation Fees	119,236.12
5100	5709150	5709150 Other Taxes-Gross Receipts Tax	3,665,964.00
5100	5996050	5996050 RECLASS-Employee Taxes	-17.74
5100	6996005	6996005 Payroll Tax	-96,878.17
5100	8720100	8720100 Payroll Tax Overhead	-336.34
		Total Taxes Other Than Income	7,572,904.33
		TOTAL UTILITY COSTS & EXPENSES	38,797,688.00
		TOTAL OPERATING INCOME	-17,245,979.06
		OTHER (INCOME) EXPENSE	
		Interest Expense:	
5100	6499011	6499011 Interest Expense - Long Term Debt	636,698.91
		Interest on LTD	636,698.91
5100	6407010	6407010 Interco Interest Expense-Essential-9100	5,240,683.61
		Interest on Pushdown Debt	5,240,683.61
5100	6402430	6402430 Amort-Debt Issuance Costs	147,976.53
		Amortization of Debt Issuance Costs	147,976.53
		Interest on Long Term Debt	6,025,359.05
5100	6499041	6499041 Interest Expense-Int on Customer Deposits-WT/WW	1,051.63
		Interest Expense - Other	1,051.63
		Other Interest (Income) Expense	1,051.63
5100	6996079	6996079 Interest Expense	-481,808.43

			-481,808.43
5100	5996800	5996800 Reclass-AFUDC-Debt	-819.83
5100	5996801	5996801 Reclass-AFUDC-Equity	-613.94
5100	6404001	6404001 Allowance for Funds Used Dur Constr-Debt	-264,634.37
5100	6499998	6499998 Capitalized AFUDC Debt - Project Use	264,634.37
5100	6996080	6996080 AFUDC-Debt	-263,814.54
		AFUDC - Debt	-265,248.31
5100	6103000	6103000 Allowance Funds Used During Construction-Equity	-614,754.31
5100	6499999	6499999 Capitalized AFUDC Equity - Project Use	614,754.31
5100	6996086	6996086 AFUDC-Equity	-614,140.37
		AFUDC - Equity	-614,140.37
		Allow For Funds Used During Construction	-879,388.68
		Total Interest Expense	4,665,213.57
		Other Net (Income) Expense:	
5100	6299100	6299100 Other Expense - Non-Service Cost Benefits-Pension	133,118.31
5100	6299101	6299101 Other Expense - Non-Service Cost OPEB	-10,325.99
		Other Net Periodic Benefit Costs	122,792.32
		Other Net (Income) Expense	122,792.32
		TOTAL OTHER (INCOME) EXPENSE	4,788,005.89
		TOTAL INCOME BEFORE TAX & GAIN	-12,457,973.17
		INCOME TAXES	
		Income Taxes - Current	
5100	6310011	6310011 Federal Income Tax Expense	-22,694.45
		Federal Taxes - Current	-22,694.45
		Total Income Taxes - Current	-22,694.45
		Income Taxes - Deferred	
5100	6320021	6320021 Defd Federal Income Tax Expense-Noncurr Asset	1,203,250.72
5100	6320031	6320031 Defd Federal Income Tax Expense-Other Curr Liab	-1,805,540.14
5100	6320041	6320041 Defd Federal Income Tax Expense-Plant Noncurr Liab	1,201,027.44
5100	6320051	6320051 Defd Federal Income Tax Expense-Other NC Liab	-2,966,396.23
5100	6322011	6322011 Amortization - Deferred ITC	-26,736.00
		Federal Taxes - Deferred	-2,394,394.21
		Total Income Taxes - Deferred	-2,394,394.21
		TOTAL INCOME TAXES	-2,417,088.66
		TOTAL NET INC BFR EQTY EARNG IN SUBSIDIARIES	-14,875,061.83
		TOTAL NET INCOME	-14,875,061.83
		NET INCOME AVAILABLE FOR COMMON	14,875,061.83
		TOTAL NET INCOME AVAILABLE FOR COMMON	0

EXHIBIT I

Certified Copies of Articles of Incorporation

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS FILED FROM AND INCLUDING THE RESTATED CERTIFICATE OR A MERGER WITH A RESTATED CERTIFICATE ATTACHED OF "AMERICAN WATER WORKS COMPANY, INC." AS RECEIVED AND FILED IN THIS OFFICE.

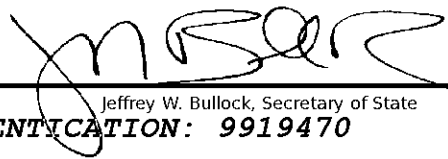
THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

RESTATED CERTIFICATE, FILED THE TWENTY-FOURTH DAY OF APRIL, A.D. 2008, AT 5:30 O'CLOCK P.M.

0352210 8100X

121133548




Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 9919470

DATE: 10-16-12

**RESTATED
CERTIFICATE OF INCORPORATION
OF**

AMERICAN WATER WORKS COMPANY, INC.

American Water Works Company, Inc., a corporation organized under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

A. The name of the Corporation is "American Water Works Company, Inc." The Corporation was originally incorporated under the name "American Communities Company," and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 28, 1936.

B. This Restated Certificate of Incorporation, which amends the provisions of the Corporation's Certificate of Incorporation as heretofore amended, restated and supplemented, was duly adopted by the Board of Directors of the Corporation and by the sole stockholder of the Corporation in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

C. The text of the Certificate of Incorporation of the Corporation, as heretofore amended, restated and supplemented, is hereby amended and restated to read in its entirety as follows:

ARTICLE I

The name of the corporation (hereinafter called the "Corporation") is American Water Works Company, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV

A. Authorized Capital Stock. The total number of shares of all classes of stock that the Corporation shall have authority to issue is 550,000,000 shares, divided into two classes consisting of (i) 500,000,000 shares of common stock, par value \$0.01 per share (the "Common Stock"), and (ii) 50,000,000 shares of preferred stock, par value \$0.01 per share (the "Preferred Stock"). The following is a statement of the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, in respect of each such class.

B. Preferred Stock. The Board of Directors is authorized to provide for the issuance from time to time of shares of Preferred Stock in one or more series and, by filing a certificate pursuant to the applicable provisions of the General Corporation Law of the State of Delaware (a "Preferred Stock Certificate of Designation"), to establish from time to time the number of shares to be included in each such series, with such powers, designations, preferences and relative, participating, optional or other rights, if any, and qualifications, limitations or restrictions thereof, if any, as are stated and expressed in the resolution or resolutions providing for the issuance thereof adopted by the Board of Directors (as such resolutions may be amended by a resolution or resolutions subsequently adopted by the Board of Directors), and as are not stated and expressed in this Restated Certificate of Incorporation, including, but not limited to, determination of any of the following:

- (1) the distinctive designation of the series, whether by number, letter or title, and the number of shares which will constitute the series, which number may be increased or decreased (but not below the number of shares then outstanding and except to the extent otherwise provided in the applicable Preferred Stock Certificate of Designation) from time to time by action of the Board of Directors;
- (2) the dividend rate, if any, and the times of payment of dividends, if any, on the shares of the series, whether such dividends will be cumulative and, if so, from what date or dates, and the relation which such dividends, if any, shall bear to the dividends payable on any other class or classes of stock;
- (3) the price or prices at which, and the terms and conditions on which, the shares of the series may be redeemed at the option of the Corporation;
- (4) whether or not the shares of the series will be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of

such shares and, if so entitled, the amount of such fund and the terms and provisions relative to the operation thereof;

(5) the amounts payable on, and the preferences, if any, of the shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(6) whether or not the shares of the series will be convertible into, or exchangeable for, any other shares of stock of the Corporation or other securities and, if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(7) whether or not the shares of the series will have priority over or be on a parity with or be junior to the shares of any other series or class of stock in any respect, or will be entitled to the benefit of limitations restricting the issuance of shares of any other series or class of stock, restricting the payment of dividends on or the making of other distributions in respect of shares of any other series or class of stock ranking junior to the shares of the series as to dividends or assets, or restricting the purchase or redemption of the shares of any such junior series or class, and the terms of any such restriction;

(8) whether or not the shares of the series will have voting rights in addition to any voting rights provided by law and, if so, the terms of such voting rights; and

(9) any other terms of the shares of the series.

C. Common Stock.

Except as otherwise required by applicable law, all shares of Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights, subject to the same qualifications, limitations and restrictions. The terms of the Common Stock set forth below shall be subject to the express terms of any series of Preferred Stock.

(1) Dividends. As, if and when dividends are declared or paid thereon, whether in cash, property or securities of the Corporation, the holders of Common Stock shall be entitled to participate in such dividends ratably on a per share basis.

(2) Voting Rights. Except as otherwise required by applicable law, the holders of Common Stock shall be entitled to one vote per share on all matters to be voted on by the Corporation's stockholders. No stockholder of the Corporation shall be entitled to exercise any right of cumulative voting.

(3) Liquidation Rights. The holders of Common Stock shall be entitled to participate ratably on a per share basis in all distributions to holders of Common Stock as a result of the liquidation, dissolution or winding up of the Corporation.

ARTICLE V

The number of directors of the Corporation shall be fixed from time to time in the manner provided in the Bylaws.

ARTICLE VI

In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation without the assent or vote of the stockholders of the Corporation. The stockholders may, at any annual or special meeting of the stockholders of the Corporation, duly called and upon proper notice thereof, make, alter, amend or repeal the Bylaws by the affirmative vote of the holders of not less than a majority of the then outstanding stock of the Corporation entitled to vote generally in the election of directors.

ARTICLE VII

Unless and except to the extent that the Bylaws of the Corporation so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE VIII

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (A) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (B) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (C) under Section 174 of the General Corporation Law of the State of Delaware, or (D) for any transaction from which the director derived an improper personal benefit.

Any repeal or modification of this Article by the stockholders of the Corporation shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE IX

Each person who is or was or had agreed to become a director or officer of the Corporation, and each such person who is or was serving or who had agreed to serve

at the request of the Corporation as a director, officer, partner, member, trustee, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise (including the heirs, executor, administrators or estate of such person), shall be indemnified by the Corporation to the fullest extent permitted from time to time by applicable law.

ARTICLE X

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is specifically denied.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation of the Corporation
has been executed by its duly authorized officer this 24th day of April, 2008.

AMERICAN WATER WORKS COMPANY, INC.

by



Name: George W. Patrick

Title: Senior Vice President, General Counsel
and Secretary

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE

05/19/2020

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

Essential Utilities, Inc.

I, Kathy Boockvar, Secretary of the Commonwealth of Pennsylvania, do hereby certify that the foregoing and annexed is a true and correct copy of

Amendment filed on May 12, 2020 - Pages (12)

which appear of record in this department.



IN TESTIMONY WHEREOF, I have hereunto set
my hand and caused the Seal of the Secretary's
Office to be affixed, the day and year above written

Kathy Boockvar

Secretary of the Commonwealth

Certification Number: TSC200519090537-1

Verify this certificate online at <http://www.corporations.pa.gov/orders/verify>

**PENNSYLVANIA DEPARTMENT OF STATE
BUREAU OF CORPORATIONS AND CHARITABLE ORGANIZATIONS**

☐ Return document by mail to: Esquire Assist, Ltd. Name Address City State Zip Code ☒ Return document by email to: <u>assist@esquireassist.com</u>	Articles of Amendment Domestic Corporation DSCB:15-1915/5915 (rev. 7/2015)  TCO200513JF0190

Read all instructions prior to completing. This form may be subm

Fee: \$70

Check one: ☒ Business Corporation (§ 1915) ☐ Nonprofit Corporation (§ 5915)

In compliance with the requirements of the applicable provisions (relating to articles of amendment), the undersigned, desiring to amend its articles, hereby states that:

1. The name of the corporation is: <u>Essential Utilities, Inc.</u>																				
2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is: <i>(Complete only (a) or (b), not both)</i> <table><tr><td>(a) Number and Street</td><td>City</td><td>State</td><td>Zip</td><td>County</td></tr><tr><td colspan="5"><u>762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19087, Montgomery County</u></td></tr><tr><td colspan="4">(b) Name of Commercial Registered Office Provider</td><td>County</td></tr><tr><td colspan="5"><u>c/o:</u></td></tr></table>	(a) Number and Street	City	State	Zip	County	<u>762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19087, Montgomery County</u>					(b) Name of Commercial Registered Office Provider				County	<u>c/o:</u>				
(a) Number and Street	City	State	Zip	County																
<u>762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19087, Montgomery County</u>																				
(b) Name of Commercial Registered Office Provider				County																
<u>c/o:</u>																				
3. The statute by or under which it was incorporated: <u>Pennsylvania Business Corporation Law of 1933</u>																				
4. The date of its incorporation: <u>11/14/1968</u> (MM/DD/YYYY)																				
5. Check, and if appropriate complete, one of the following: ☒ The amendment shall be effective upon filing these Articles of Amendment in the Department of State. ☐ The amendment shall be effective on: _____ at _____ Date (MM/DD/YYYY) Hour (if any)																				

PA DEPT. OF STATE

MAY 12 2020

DSCB:15-1915/5915-2

6. Check one of the following:

☒ The amendment was adopted by the shareholders or members pursuant to 15 Pa.C.S. § 1914(a) and (b) or § 5914(a).

☐ The amendment was adopted by the board of directors pursuant to 15 Pa. C.S. § 1914(c) or § 5914(b).

7. Check, and if appropriate complete, one of the following:

☐ The amendment adopted by the corporation, set forth in full, is as follows

☒ The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. Check if the amendment restates the Articles:

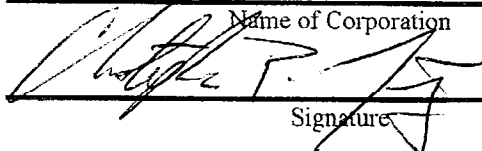
☒ The restated Articles of Incorporation supersede the original articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this

12th day of May, 2020

Essential Utilities, Inc.

Name of Corporation



Signature

Christopher Luning, Executive Vice President, General
Title Counsel and Secretary

EXHIBIT A

ESSENTIAL UTILITIES, INC.
AMENDED AND RESTATED ARTICLES OF INCORPORATION
(as of May 12, 2020)

ARTICLE I
NAME

The name of the Corporation is Essential Utilities, Inc.

ARTICLE II
ADDRESS OF REGISTERED OFFICE

The location and address of the registered office of the Corporation in this Commonwealth is 762 West Lancaster Avenue, Bryn Mawr, Montgomery County, Pennsylvania, 19010.

ARTICLE III
PURPOSE

The purpose or purposes for which the Corporation is incorporated under the Pennsylvania Business Corporation Law of 1933, as amended, are to engage in, and to do any lawful act concerning, any or all lawful business for which corporations may be incorporated under said Business Corporation Law, including but not limited to, manufacturing, processing, owning, using and dealing in personal property of every class and description, engaging in research and development, furnishing services, and acquiring, owning, using and disposing of real property of any nature whatsoever.

ARTICLE IV
CAPITAL STOCK

4.01 The aggregate number of shares which the Corporation shall have authority to issue is 601,770,819 shares, divided into 600,000,000 shares of Common Stock, par value \$.50 per share, and 1,770,819 shares of Series Preferred Stock, par value \$1.00 per share. The Board of Directors shall have the full authority permitted by law to fix by resolution full, limited, multiple or fractional, or no voting rights, and such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights, and other special or relative rights of any class or any series of any class that may be desired. Any or all classes and series of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby until the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates. The rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

4.02 Series A Preferred Shares. The first series of the Series Preferred Stock, par value \$1.00 per share, shall consist of 100,000 shares and shall be designated as Series A Junior Participating Preferred Shares (the "Series A Preferred Shares").

4.02 (a) Dividends and Distributions.

(1) The rate of dividends payable per share of Series A Preferred Shares on the first day of January, April, July and October in each year or such other quarterly payment date as shall be specified by the Board of Directors (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of the Series A Preferred Shares, shall be (rounded to the nearest cent) equal to the greater of (i) \$10.00 or (ii) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in cash, based upon the fair market value at the time the non-cash dividend or other distribution is declared or paid as determined in good faith by the Board of Directors) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, \$.50 par value, of the Corporation since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of the Series A Preferred Shares. Dividends on the Series A Preferred Shares shall be paid out of funds legally available for such purpose. In the event the Corporation shall at any time after February 19, 1988 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amounts to which holders of Series A Preferred Shares were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(2) Dividends shall begin to accrue and be cumulative on outstanding Series A Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series A Preferred Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

4.02 (b) Voting Rights. In addition to any other voting rights required by law, the holders of Series A Preferred Shares shall have the following voting rights:

(1) Subject to the provision for adjustment hereinafter set forth, each Series A Preferred Share shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of Series A Preferred Shares were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(2) Except as otherwise provided herein, in the articles of the Corporation or by law, the holders of Series A Preferred Shares and the holders of Common Stock (and the holders of shares of any other series or class entitled to vote thereon) shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

4.02(c) Reacquired Shares. Any Series A Preferred Shares purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Series Preferred Stock and may be reissued as part of a new series of Series Preferred Stock to be created by resolution or resolutions of the Board of Directors.

4.02(d) Liquidation, Dissolution or Winding Up. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series A Preferred Shares shall be entitled to receive the greater of (a) \$100.00 per share, plus accrued dividends to the date of distribution, whether or not earned or declared, or (b) an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount to which holders of Series A Preferred Shares were entitled immediately prior to such event pursuant to clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

4.02(e) Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the Series A Preferred Shares shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind),

as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Shares shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

4.02(f) No Redemption. The Series A Preferred Shares shall not be redeemable.

4.02(g) Ranking. The Series A Preferred Shares shall rank junior to all other series of the Corporation's Series Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

4.02(h) Fractional Shares. Series A Preferred Shares may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Shares.

4.03 Series B Preferred Shares. The second series of the Series Preferred Stock, par value \$1.00 per share, shall consist of 32,200 shares and shall be designated as the Series B Preferred Stock.

4.03(a) Designation. The shares of such series of Preferred Stock shall be designated as "Series B Preferred Stock."

4.03(b) Authorized Number. The number of shares constituting the Series B Preferred Stock shall be 32,200 shares.

4.03(c) Dividends. Beginning on March 1, 1997, and on each June 1, September 1, December 1 and March 1 thereafter, the holders of shares of Series B Preferred Stock shall be entitled to receive a quarterly dividend in arrears equal to \$1.5125 per share of Series B Preferred Stock (as adjusted for any stock dividends, combinations or splits with respect to such shares) out of funds legally available for such purchase. Such dividends shall be payable only when, as and if declared by the Board of Directors, provided that quarterly dividends that are not so paid shall be cumulative, and accumulations of dividends shall bear interest at the rate of 6.05% per annum. No dividend or other distribution shall be declared or paid (other than dividends payable in shares of common stock of the Corporation, par value \$.50 per share (the "Common Stock") or options to purchase or rights to subscribe for Common Stock, or securities by their terms convertible into or exchangeable for Common Stock, or options to purchase or rights to subscribe for such convertible or exchangeable securities, provided that such securities rank junior to the Series B Preferred Stock with respect to the payment of dividends and liquidation proceeds) on any shares of the Corporation's capital stock ranking junior to the Series B Preferred Stock as to payment of dividends unless all dividends on the Series B Preferred Stock

accrued for all past quarterly dividend periods shall have been paid and the full dividend thereon for the current dividend period shall be paid or declared and set apart for payment. The Corporation's Series B Preferred Stock shall rank senior to its Series A Preferred Stock and its Common Stock with respect to the right to receive dividends and other distributions.

4.03(d) Rights on Liquidation, Dissolution, Winding-Up.

(1) In the event of any liquidation, dissolution or winding-up of the affairs of the Corporation (collectively, a "Liquidation"), whether voluntary or involuntary, before any payment of cash or distribution of other property is made to the holders of the Common Stock or any other class or series of shares ranking on Liquidation junior to the Series B Preferred Stock, the holders of Series B Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available for distribution to its shareholders, an amount per share (rounded to the nearest \$0.01 equal to the Liquidation Preference (as defined below), plus an amount equal to any accrued but unpaid cumulative dividends and any interest accrued thereon. The Liquidation Preference shall be equal to \$100.00 per share (as adjusted for any stock dividends, combinations or splits with respect to such shares).

(2) If upon the occurrence of any Liquidation, whether voluntary or involuntary, the assets and funds to be distributed among holders of Series B Preferred Stock and any other class or series of stock ranking equal to the Series B Preferred Stock as to distribution of assets upon Liquidation shall be insufficient to permit the payment to the holders of the preferential amounts described in Section 4.03 (d)(1), then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among holders of Series B Preferred Stock and any other class or series of stock ranking equal to the Series B Preferred Stock as to distribution of assets upon Liquidation in accordance with the sums that would be payable on such distribution if all sums payable thereon to holders of all shares of such classes or series were paid in full.

(3) If upon the occurrence of any liquidation, the assets and funds thus distributed among holders of Series B Preferred Stock shall be sufficient to permit the payment to such holders of the preferential amounts described in 4.03(d)(1), then the holders of shares of Series B Preferred Stock shall be entitled to no further participation in the distribution of the assets of the Corporation and any remaining net assets of the Corporation may be distributed to the holders of Common Stock and any other class or series of stock ranking junior to the Series B Preferred Stock as to the distribution of assets upon Liquidation in accordance with their relative liquidation preferences. Written notice of such liquidation, dissolution or winding up, stating a payment date, the amount of the Liquidation payments and the place where said Liquidation payments shall be payable, shall be given by mail, postage prepaid, not less than 30 days prior to the payment date stated therein, to the holders of record of Series B Preferred Stock, such notice to be addressed to each such holder at his post office address as shown by the records of the Corporation.

(4) Except as provided in 4.03(e), a consolidation or merger of the Corporation into or with any other corporation or corporations shall not be deemed to be a liquidation, dissolution or winding up of the Corporation within the meanings of the provisions of 4.03(d).

(5) The Company's Series B Preferred Stock shall rank senior to its Series A Preferred Stock with respect to the right to the distribution of the Company's assets upon liquidation.

4.03(e) Merger, Consolidation, etc. The Corporation shall give notice to each holder of Series B Preferred Stock at least 20 days prior to the effective date of (i) any consolidation or merger of the Corporation with or into any other corporation or corporations (other than a merger or consolidation in which the holders of Series B Preferred Stock receive securities of the surviving corporation having substantially similar rights to the Series B Preferred Stock and in which the shareholders of the Corporation immediately prior to the transaction will be the holders of at least a majority of the voting securities of the surviving corporation immediately after the transaction); (ii) a sale, conveyance or disposition of all or substantially all of the assets of the Corporation; or (iii) the effectuation by the Corporation of a transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of. The holders of a majority of the Series B Preferred Stock shall be entitled, by electing prior to the effective date of any of the foregoing types of transactions, to require the Corporation to treat any such transaction as if it were a Liquidation and to cause the proceeds of such transaction, or any property deliverable from such transaction to be distributed among the shareholders as if such transaction were a Liquidation.

4.03(f) Protective Provisions. So long as any shares of Series B Preferred Stock shall remain outstanding, the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of Series B Preferred Stock at the time outstanding adopt any amendment to its Articles of Incorporation which would adversely affect in any material respect the rights or preferences of shares of the Series B Preferred Stock as set forth in this Statement of Designation.

4.03(g) Conversion. The Series B Preferred Stock shall not be convertible into any other class or series of capital stock of the Corporation.

4.03(h) Redemption.

(1) The Series B Preferred Stock shall not be redeemable by the Corporation prior to November 30, 2001. Thereafter, up to 20% of the number of shares of Series B Preferred Stock originally issued may be called for redemption by the Corporation, in whole or in part, each year starting on December 1, 2001 (the "Redemption Date"), upon 30 days prior written notice, by the payment therefor of an amount per share (rounded to the nearest \$0.01) equal to the sum of (i) the Liquidation Preference and (ii) all accumulations of accrued and unpaid dividends on such outstanding shares of Series B Preferred Stock (together with any accrued interest thereon) through the date of redemption (such amount, the "Redemption Price"). The Corporation's right to redeem shall be cumulative, such that any shares the Corporation has a right to redeem in one year that are not so redeemed, may be redeemed by the Corporation in a subsequent year. At the election of the holders of the Series B Preferred Stock called for redemption by the Corporation, the Redemption Price may be paid in cash or by the delivery of a promissory note of the Corporation in substantially the form approved by the Board of Directors (the "Note"). The election by the holders of the shares being redeemed shall be made by written

notice to the Corporation no less than 15 days prior to the Redemption Date, otherwise the Corporation may elect to pay the Redemption Price in cash.

(2) The Series B Preferred Stock shall not be called for redemption by the holders prior to December 1, 1998. Thereafter, the Series B Preferred Stock may be called for redemption, in whole or in part, by such holders, and thereupon shall be redeemed for cash by the Corporation, upon 30 days prior written notice, from such holders at a per share price equal to the Redemption Price.

(3) Shares of Series B Preferred Stock are not subject to or entitled to the benefit of a sinking fund.

(4) Shares of Series B Preferred Stock that are redeemed shall be canceled and shall not be reissuable by the Corporation and the Articles of Incorporation of the Corporation shall be appropriately amended to effect a corresponding reduction in the Corporation's authorized capital stock.

(5) If notice of redemption as provided in Section 4.03 (h) (1) above shall have been duly given or if the Corporation shall have given to the bank or trust company hereinafter referred to irrevocable authorization promptly to give such notice, and if on or before the Redemption Date specified therein the Corporation shall have either deposited the funds necessary for such redemption with, or delivered a Note in the amount of the applicable Redemption to, such bank or trust company in trust for the benefit of the holders of the shares called for redemption, then, notwithstanding that any certificates for shares so called for redemption shall not have been surrendered for cancellation, from and after the Redemption Date, all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest. Any interest accrued on such funds shall be paid to the Corporation from time to time. The aforesaid bank or trust company shall be organized and in good standing under the laws of the United States of America, or the Commonwealth of Pennsylvania, shall be doing business in Pennsylvania, and shall be identified in the notice of redemption. Any funds so set aside or deposited, as the case may be, and unclaimed at the end of two years from such Redemption Date shall, to the extent permitted by law, be released or repaid to the Corporation, after which repayment the holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

ARTICLE V MANAGEMENT

5.01 Board of Directors

5.01(a) (1) Number; Term. The Board of Directors of the Corporation shall consist of such number of directors as shall be fixed from time to time by resolution of the Board adopted by a vote of three-quarters of the entire Board of Directors. Cumulative voting for directors shall not be permitted. Directors shall be elected at each annual meeting of shareholders, each elected director to serve for a term of one-year and until his or her successor is duly elected and

qualified, in the manner provided in the Bylaws or, in order to fill any vacancy on the Board of Directors, in the manner provided in the Bylaws.

(2) Election of Directors.

(i) In an election of directors that is not a contested election, each director shall be elected by the vote of the majority of the votes cast with respect to that director. For the purposes of this Article V, a majority of the votes cast means that the number of votes cast "for" a nominee must exceed the number of votes cast "against" that nominee.

(ii) In a contested election of directors, the candidates receiving the highest number of votes, up to the number of directors to be elected in such election, shall be elected. Shareholders shall not have the right to vote against a nominee in a contested election of directors.

(iii) For purposes of this Article V, a contested election is one in which the number of candidates exceeds the number of directors to be elected. The number of candidates for an election shall be determined in accordance with these Articles of Incorporation, the Bylaws, including any advance notice provisions of each, and applicable law.

(iv) If an incumbent director who is a candidate for re-election is not elected, the director shall be deemed to have tendered his or her resignation to the Board.

5.01(b) Qualifications. Directors of the Corporation need not be residents of Pennsylvania or Shareholders. No person shall be appointed or elected a director of the Corporation unless:

(1) such person is elected to fill a vacancy in the Board of Directors (including any vacancy resulting from any increase in the authorized number of directors) by a vote of a majority of the entire Board of Directors, and any director so elected shall hold office until the next election of directors and until a successor shall have been elected and qualified; or

(2) the name of such person, together with such consents and information concerning present and prior occupations, transactions with the Corporation or its subsidiaries and other matters as may at the time be required by or pursuant to the Bylaws, shall have been filed with the Secretary of the Corporation no later than a time fixed by or pursuant to the Bylaws immediately preceding the annual or special meeting at which such person intends to be a candidate for director.

5.01(c) Removal of Directors. Directors of the Corporation may be removed without cause by vote of the shareholders only if authorized in the manner provided in Section 5.05 (b). No decrease or increase in the size of the Board shall shorten or otherwise affect the term of any incumbent director.

5.02 Bylaws. Bylaws may be adopted, amended or repealed by the Board of Directors to the full extent permitted by law.

5.03 Special Meetings. A special meeting of shareholders may be called by the President, the Board of Directors, or shareholders entitled to cast a majority of the votes, which all shareholders

are entitled to cast at the particular meeting or by such other officers or persons as may be provided in the Bylaws.

5.04 Amendment of Articles. Any amendment of the Articles of Incorporation may be proposed by either the Board of Directors or by the shareholders. An amendment initiated by the shareholders shall be proposed only by a petition of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast thereon, setting forth the proposed amendment, which petition shall be directed to and filed with the Board of Directors.

5.05 Fundamental and Other Transactions.

5.05(a) Shareholder Authorization of Corporate Action Recommended by Management. Whenever any corporate action, other than the election of directors, is to be taken by vote of the Shareholders on recommendation of a vote of a majority of the entire Board of Directors, the proposed corporate action, including a Fundamental Transaction (as defined in Section 5.06), shall be authorized upon receiving the minimum vote required for the authorization of such action by statute, after taking into account the express terms of any class or any series of any class of shares of the Corporation with respect to such vote.

5.05(b) Shareholder Authorization of Other Corporate Action. Except as provided in Section 5.05 (a), whenever any corporate action, other than the election of directors, is to be taken by vote of the shareholder, the proposed corporate action, including a Fundamental Transaction (as defined in Section 5.06), shall be authorized only upon receiving at least three-quarters of the vote which all voting shareholders, voting as a single class, are entitled to cast thereon and, in addition, the affirmative vote of the number or proportion of shares of any class or any series of any class of shares of the Corporation, if any, as shall at the time be required by the express terms of any such class or series of shares of the Corporation.

5.06 Fundamental Transactions Defined. For the purposes of this Article V, the term "Fundamental Transaction" shall mean:

5.06(a) Any of the following, if such action is effected by vote of the shareholders: amendment of the Articles of Incorporation; adoption, amendment or repeal of the Bylaws; a change in the number of directors constituting the entire Board of Directors; or removal of one or more directors; or

5.06(b) Any of the following, if any such transaction requires the approval of the shareholders under the Articles of Incorporation of the Corporation as then in effect or the Business Corporation Law as then in effect with respect to the Corporation: the sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation; the issuance in a single or one or more related transactions of voting shares of the Corporation sufficient to elect a majority of the directors of the Corporation; or the merger, consolidation, division, reorganization, recapitalization, dissolution, liquidation or winding up of the Corporation.

5.07 Series Preferred Stock Provisions. The provisions of Sections 5.01, 5.03 and 5.04 shall be subject to the express terms of any class or series of any class of the Corporation.

**ARTICLE VI
MISCELLANEOUS**

6.01 Reservation of Right to Amend. Subject to the provisions of Article V hereof, the Corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by the statute, and all rights conferred upon Shareholders herein are granted subject to this reservation.

Matter#	NOT PROVIDED	Order#	571437-2
Project Id :		Order Date	01/07/2019
Additional Reference : NOT PROVIDED			

Entity Name :	AQUA NEW JERSEY, INC.
Jurisdiction :	NJ-State of New Jersey
Request for :	Certified/Plain Copies
Document Type :	All Documents on File
Result :	Document Retrieved

Ordered by ELIZABETH M. TAYLOR at AQUA AMERICA, INC.

Thank you for using CSC. For real-time 24 hour access to the status of any order placed with CSC, access our website at www.cscglobal.com.

If you have any questions concerning this order or CSCGlobal, please feel free to contact us.

Michael Melocchi
mmelocch@cscinfo.com

The responsibility for verification of the files and determination of the information therein lies with the filing officer; we accept no liability for errors or omissions.

~~1585~~

(245)

X 0495

Certificate of
Organization of
"The People Water
Company of
Philadelphia, Pa."

Filed Aug 9, 1888

George H. Brown

Secretary of A.W.C.

2

✓ Samuel Trumbore Howard Melick ✓
Samuel Thomas Joseph C. Kent

State of New Jersey
County of Warren ss.

Be it remembered that on
this twenty ninth day of June in the
year of our Lord one thousand eight
hundred and eighty five before me a
master in chancery of New Jersey,
personally appeared John A. Bachman
Moses Bush, Bartlett C. Froot, George E. Fuller
Alfred H. Lee, Howard Melick, James A.
Petrie, Irwin W. Schultz, David S. Seifert
Jacob S. Stewart, Samuel Trumbore and
Samuel Thomas,

who I am satisfied
are the persons named in, and the per-
sons who have signed their names to
the foregoing certificate, and I hav-
ing first made known to them the
contents thereof, they did each acknowl-
edge that they signed sealed and de-
livered the same as their voluntary
act and deed, for the uses and
purposes therein expressed.

W. H. Walters

M. C. M.

This is to Certify,

That under the act of the Legislature of the State of New Jersey entitled "An Act for the construction, maintenance and operation of Water Works for the purpose of supplying cities, towns and villages of this state with water" approved April 21st A.D. 1876, and the several supplements, and acts amendatory thereto we John A. Bachman, Moses A. Bush, Bartlett C. Frost, George E. Fuller, Alfred B. Lee, Howard Mellick, James A. Petrie, Irwin W. Shultz, Jacob S. Stewart, David S. Seifert, Samuel Trumbore, Samuel Thomas and Joseph C. Kent.

All of the town of Phillipsburg in the County of Warren and State of New Jersey, who have hereunto subscribed our names, hereby form a company for the purpose of constructing, maintaining and operating Water Works in said town of Phillipsburg.

That we have adopted as the corporate name of said company, "The Peoples Water Company of Phillipsburg N.J."

That the amount of Capital stock of said Company is one hundred thousand dollars

divided into ten thousand shares of ten
dollars each:

That the term of its
existence is fifty years;

That the number of
its directors is eleven

That the names of
those who shall manage the affairs
of the company for the first year or
until their successors are elected
and qualified are James A. Petrie, Sam-
uel Thomas, Jacob S. Stewart, Alfred H. Lee,
David J. Seifert, John A. Bachman,
Moses H. Bush, George E. Fuller,
Bartlett C. Frost, Joseph C. Kent
and Howard Melick

That the name of
the town, in or for which such works
are to be constructed and the business
carried on, is the said town of Phillipstun,
said town having a population of not
more than fifteen thousand and
not less than five hundred in-
habitants

James A. Petrie
Ernest W. Schultz
D. J. Seifert
Jacob S. Stewart

John A. Bachman
Moses H. Bush
B. C. Frost
Geo. E. Fuller
Alfred H. Lee

a
State of Massachusetts }
County of Suffolk } ss.

Be it remembered that
on this 2^d day of July A.D. 1885 before me
Cyrus H. Pease Notary Public
personally appeared Joseph
B. Kent, who I am satisfied is one of the persons
named in, and who signed his name to the fore-
going certificate and I having first made known
to him the contents thereof he did acknowledge
that he signed and delivered the same as his vol-
untary act and deed for the uses and purposes
therein expressed

C. H. Pease
Notary Public

State of Massachusetts }
County of Dukes County } ss.

Said Notary,
Clerk of the Superior Court in and for said County,
said Court being a Court of record, do hereby certify that
Cyrus H. Pease, of Edgartown in said County, before
whom the foregoing acknowledgment was made was at the
time of taking the same authorized by the laws of the State
of Massachusetts to take the acknowledgment and proofs of
deeds or conveyances for lands tenements + hereditaments in
the State of Massachusetts, And further that I am well
acquainted with the handwriting of said Cyrus
H. Pease, and verily believe that the signature to said
certificate of proof or acknowledgment is genuine.

b
In testimony whereof I have
hereunto set my hand and affixed the

1 seal of said Court
2 July ad. 1885

this second day of
San Francisco.
Circuit Superior Court.

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of the Town of Phillipsburg New Jersey
held July 6th A.D. 1886 on motion of
Messrs Thimney & Hager the following
resolution was adopted.

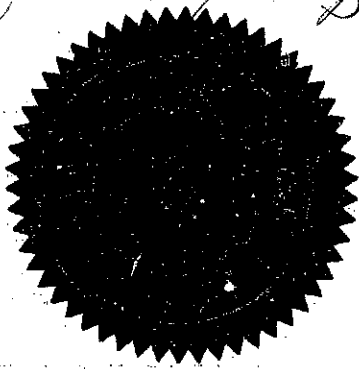
Resolved that the consent of the
Common Council of the Town of Phillipsburg
in the County of Warren and state of New
Jersey be and the same is hereby given
to John A Bachman, Moses Busch, Bartlett
C Frost, George E Fuller, Alfred H Lee-
Howard Melick, James A Petrie Drwin
W Schultz, Jacob S Stewart, Samuel Thomas,
David J Seifert, Samuel Trumbore, and
Joseph E Kent, to form a company by the
name of the Peoples Water Company of
Phillipsburg New Jersey under the act of
the Legislature of the State of New Jersey
entitled "An act for construction main-
tenance and operation of Water works for the
purpose of supplying cities, towns and
villages of this state with water" approved
April 21st A.D. 1876 and the supplements
thereto, for the purpose of constructing
maintaining and operating water works in
said town of Phillipsburg N.J. said
town having a population of not more

seal of said Court
Subscribed 1885-

this second day of

than fifteen thousand and not less
than five hundred inhabitants.

And the consent of the Common Council
of said town is hereby further given to
said company to construct maintain
and operate water works in said town
of Phillipsburg



Approved

Peter H. Hagerthy
Mayor

I hereby certify that the above is a true and
correct copy of a resolution which was
passed by the Common Council of the
Town of Phillipsburg N.J. at a regular
stated meeting held the sixteenth day of July
A.D. 1885. As witness my hand and the
official seal of said town of Phillipsburg
affixed by the mayor and by him
approved as above.

Attest

P. H. Brakely Jr.

Town Clerk

At a regular meeting of the Common Council
of the Town of Phillipsburg New Jersey held
June 30 - 1885 on motion of Messrs. Newman
and Reamer - the following resolution was
unanimously adopted.

"Whereas the citizens of the Town of Phillipsburg
are about to organize and establish a
water company to be known and designated
as the Peoples Water Company of the Town
of Phillipsburg New Jersey for the purpose
of erecting water works and laying pipes
to supply the inhabitants of said Town
with water for the use of manufactories
and for the extinguishment of fires and
other purposes.

Now therefore Be it, Resolved that the
Common Council of the Town of Phillipsburg
New Jersey consent to the erection of
water works by the Peoples Water Company
of Phillipsburg New Jersey within the
limits of said town, to supply the
inhabitants of said Town with water for
the use of manufactories, and for the
extinguishment of fires and other purposes
and grant to said company the right
and privilege of laying their water pipes

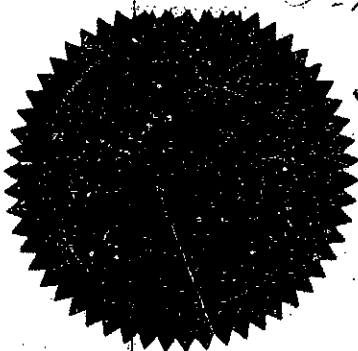
anywhere beneath the public streets,
alleys and avenues of said town.
And that a copy of this resolution
signed by the Mayor with the corporate
seal of said town attached be given
to said company.

Peter H. Hagerity Mayor

From the minutes.

Attest

P. F. Brattle Jr.
Town Clerk.



~~A7585~~ ~~177585~~

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
THE PEOPLES WATER COMPANY
OF PHILLIPSBURG N. J.

SEP 17 1957

FILED AND RECORDED
Edward J. [Signature]
SECRETARY OF STATE

X2995

Filed:

FILING FEE \$40.00
RECORDING 2.00
3 CERTIFYING COPY 3.00
\$45.00

Cert. Fee 1.50
\$46.50

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF
INCORPORATION OF
THE PEOPLES WATER COMPANY OF PHILLIPSBURG N. J.

The location of the principal office in this State is at No. 165 South Main Street, in the Town of Phillipsburg, County of Warren.

The name of the agent therein and in charge thereof upon whom process against this corporation may be served is John Exley.

RESOLUTION OF DIRECTORS

The following resolution was adopted by the Board of Directors of The Peoples Water Company of Phillipsburg N. J., a corporation of New Jersey, on the Fourteenth day of May, 1957:

Resolution

RESOLVED that the Board of Directors of The Peoples Water Company of Phillipsburg N. J., a corporation of the State of New Jersey, deems it advisable, and hereby declares it to be advisable that the certificate of incorporation of the company be amended, changed and altered in the following respects:

1. That the name of the corporation be changed to THE PEOPLE'S WATER COMPANY.
2. That the period of existence of the corporation be unlimited.
3. That the stated objects for which this corporation is formed be broadened to include the construction, maintenance and operation of waterworks in the Town of Phillipsburg, the Township of Lopatcong and the Township of Pohatcong in the County of Warren and State of New Jersey and, in addition, in such other municipality or municipalities in the County of Warren and State of New Jersey as may hereafter be determined.
4. That the stated powers of this corporation be broadened to include the power to conduct its business in all of its branches, to have one or more offices, and unlimitedly to hold, purchase, mortgage and convey real and personal property, as well as the powers enumerated in Chapter 19, Title 48 of the Revised Statutes of New Jersey.

BE IT FURTHER RESOLVED that the foregoing matters, including such proposed amendments, changes and alterations in the certificate of incorporation of the company shall be submitted for action thereon by the stockholders of the company at a special meeting thereof to be held at the principal office of the Company, No. 165 South Main Street, Phillipsburg, New Jersey, on Saturday, the 22nd day of June, 1957, at 10:00 o'clock in the forenoon, Daylight Saving Time, and that notice of the time, place and purpose of such meeting, including the taking of action upon the foregoing matters, shall be given in accordance with the requirements of the by-laws of the company.

CERTIFICATE OF CHANGE

The Peoples Water Company of Phillipsburg N. J., a corporation of New Jersey, does hereby certify that it has amended, changed and altered its certificate of incorporation, this amendment, change and alteration having been declared by resolution of the Board of Directors of said corporation (above recited) to be advisable, and having been duly and regularly assented to by the vote of two-thirds in interest of each class of stockholders having voting powers, at a meeting duly called by the Board of Directors for that purpose.

IN WITNESS WHEREOF, said corporation has made this certificate under its seal and the hands of its Vice-President and Secretary the Twenty-second day of June, 1957.

Howard R. Metz
Howard R. Metz, Vice-President

Karl H. Philipp
Karl H. Philipp, Secretary

Attest:

Karl H. Philipp
Karl H. Philipp, Secretary

STATE OF NEW JERSEY:

: SS.

COUNTY OF WARREN :

BE IT REMEMBERED, that on this Twenty-second day of June, 1957, before me, the subscriber, a Notary Public of the State of New Jersey, personally appeared Karl H. Philipp, Secretary of The Peoples Water Company of Phillipsburg N. J., the corporation named in and which executed the foregoing certificate, who, being by me duly sworn, according to law, does depose and say and make proof to my satisfaction that he is the Secretary of said corporation; that the seal affixed to said corporation certificate is the corporate seal of said corporation, the same being well known to him; that it was affixed by order of said corporation; that Howard R. Metz is Vice-President of said corporation; that he saw said Howard R. Metz as such Vice-President sign said certificate and affix said seal thereto and deliver said certificate, and heard him declare that he signed, sealed and delivered said certificate as the voluntary act and deed of said corporation, by its order and by authority of its Board of Directors and by the vote, either in person or by proxy, duly constituted and thereunto duly authorized, of more than two-thirds in interest of each class of said stockholders having voting powers, for the uses and purposes therein expressed; and that said Karl H. Philipp signed his name thereto at the same time as subscribing witness.

Subscribed and sworn to
before me the day and
year aforesaid.

Karl H. Philipp
Karl H. Philipp, Secretary

Nellie T. Tumulty
Nellie T. Tumulty
Notary Public of New Jersey

MGR

12/23/69

SENT BY: STRYKER TAMS & DILL 110-1-90 112:3774 1 STRYKER TAMS & DILL-609'5330TATE RECORDS: 5

State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

December 22, 1969

TELEPHONE: 201-262-2222
J.N. TAMS & TAMS
201-262-2222
PUBLIC UTILITY TAXES
201-262-2222PUBLIC UTILITY TAX BUREAU
100 WALL STREET, ROOM 1700
TREASURY, NEW YORK, N.Y. 10038

THIS IS TO CERTIFY, that all reports required of the PEOPLES WATER COMPANY OF PHILADELPHIA, N. J. by Chapter 5, of the Laws of 1940, as amended and supplemented, have been filed with this Bureau and that all of that portion of the Public Taxes payable to this Bureau, which has been assessed and which is now due, has been paid, and that there are no other taxes due and payable to this Bureau by the PEOPLES WATER COMPANY OF PHILADELPHIA, N. J. of which this Bureau has any record or knowledge.

DEPARTMENT OF THE TREASURY
Division of Taxation

By J. H. P. [Signature]
State Supervisor
Public Utility Tax Bureau.

0001-0134-00

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0000-0134-00

SENT BY: STRYKER TAMS & DILL :10- 1-80 :12:38PM : STRYKER TAMS & DILL-509'5330TATE RECORDS:8 8



State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

December 22, 1969

TELEPHONE: AREA CODE 609
N.J. TAXES & TAX MAPS
201-261-1111
PUBLIC UTILITY TAXES
201-261-1111

INQUIRY: 201-261-1111
SEE WRITING: 201-261-1111
TRAINING: 201-261-1111

THIS IS TO CERTIFY, that all reports required of
the HAMILTON SQUARE WATER COMPANY by Chapter 3, of the Laws
of 1940, as amended and supplemented, have been filed with
this Bureau and that all of that portion of the Excise taxes
payable to this Bureau, which has been assessed and which is
now due, has been paid, and that there are no other taxes due
and payable to this Bureau by the HAMILTON SQUARE WATER COM-
PANY of which this Bureau has any record or knowledge.

DEPARTMENT OF THE TREASURY
Division of Taxation

By J. H. D. [Signature]
State Supervisor
Public Utility Tax Bureau

0001 - 0134-00

SENT BY:STRYKER TAMS & DILL :10-1-90 :12:39PM : STRYKER TAMS & DILL-309*5320TATE RECORDS: 7



State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

December 22, 1969

100-100000-100-100000-100
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 100-100000-100-100000-100

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THIS IS TO CERTIFY, that all reports required of the BLACKWOOD WATER COMPANY by Chapter 5, of the laws of 1940, as amended and supplemented, have been filed with this Bureau and that all of that portion of the Excise Taxes payable to this Bureau, which has been assessed and which is now due, has been paid, and that there are no other taxes due and payable to this Bureau by the BLACKWOOD WATER COMPANY of which this Bureau has any record or knowledge.

DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

By J. L. Dumas
State Supervisor
Public Utility Tax Bureau.

0001-0134-00

SENT BY: STRYKER TAMS & DILL 110- 1-30 112:38PM : STRYKER TAMS & DILL-S09*5330TATE RECORDS: 8

CERTIFICATE OF MERGER

BLACKWOOD WATER COMPANY, THE PEOPLE'S WATER COMPANY and HAMILTON SQUARE WATER COMPANY, in accordance with R.S. 14A:10-1 do hereby execute the following Certificate for the purpose of merging the aforesaid corporations.

FIRST: The name of the surviving corporation shall be GARDEN STATE WATER COMPANY.

SECOND: The plan of merger is attached hereto and made a part hereof.

THIRD: BLACKWOOD WATER COMPANY has an authorized capital stock consisting of 24,000 shares of common stock, \$25.00 par value each, of which 1,826 shares are now issued, outstanding, and entitled to vote, and 8,000 shares of preferred stock, \$25.00 par value each, of which none are now issued and outstanding and

HAMILTON SQUARE WATER COMPANY has an authorized capital stock consisting of 6,000 shares of common stock, Class A, \$50.00 par value each, of which 3,914 shares are now issued, outstanding, and entitled to vote, and 6,000 shares of Class B, \$50.00 par value each, of which 1,727 shares are now issued, outstanding, and entitled to vote; and

THE PEOPLE'S WATER COMPANY has an authorized capital stock consisting of 50,000 shares of common stock, \$10.00 par value each, of which 43,674 shares are now issued, outstanding and entitled to vote.

0001-0134-00

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FOURTH: The number of shares voted for and against the plan of merger are as follows:

- (a) BLACKHOOD WATER COMPANY for 1,926 and against 0.
- (b) HAMILTON SQUARE WATER COMPANY:
Class A for 3,914 and against 0;
Class B for 1,727 and against 0.
- (c) THE PEOPLE'S WATER COMPANY for 43,319 and against 38 and 327 not voting.

FIFTH: The merger is effective at the date of filing.

DATED: DECEMBER 18, 1969

BLACKHOOD WATER COMPANY

BY: Gerald H. Lamprey
GERALD H. LAMPREY
Vice President

THE PEOPLE'S WATER COMPANY

BY: John E. Kelly
JOHN KELLY
President

HAMILTON SQUARE WATER COMPANY

BY: Gerald H. Lamprey
GERALD H. LAMPREY
Vice President

0001-0134-00

SENT BY: STRYKER TAMS & DILL 110- 1-90 112:40PM : STRYKER TAMS & DILL-509 5330TATE RECORDS:W10

PLAN AND AGREEMENT OF MERGER

PLAN AND AGREEMENT OF MERGER (Plan) entered into this 7 day of October, 1989, by and between BLACKWOOD WATER COMPANY (Blackwood), HAMILTON SQUARE WATER COMPANY (Hamilton) and THE PEOPLE'S WATER COMPANY (People's), all corporations of the State of New Jersey.

WITNESSETH

WHEREAS, the Board of Directors of each of said corporations, parties hereto, to the end that through the combination and integration of the three corporations efficiencies and greater financial stability may be accomplished, and in consideration of the mutual agreement of each corporation as set forth herein, have determined and do deem it advisable and generally to the advantage and welfare of said corporations and their respective stockholders and customers that Blackwood and Hamilton be merged into People's; AND

WHEREAS, the corporate parties hereto have each been organized under the laws of this State for the purpose of carrying on a business of the same or similar nature, to wit: the maintenance and supplying of water service to municipalities within the confines of this State; and

WHEREAS, Blackwood, by its Certificate of Incorporation, has an authorized capital stock consisting of 24,000 shares of common stock, \$15 par value each, of which 1,226 shares are now issued and outstanding and 8,000 shares of preferred stock, \$15 par value each, of which none are now issued and outstanding; AND

0001-013460

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WHEREAS, Hamilton, by its Certificate of Incorporation has an authorized capital stock consisting of 6,000 shares of common stock, Class A, \$50 par value each, of which 3,614 shares are now issued and outstanding and 6,000 shares of common stock, Class B, \$50 par value each, of which 1,727 shares are now issued and outstanding; and

WHEREAS, People's, by its Certificate of Incorporation has an authorized capital stock consisting of 50,000 shares of common stock, par value \$10 each, of which 43,674 shares are now issued and outstanding;

NOW, THEREFORE, the aforesaid corporations have agreed and do hereby agree, each with the others, in consideration of the promises and the mutual agreements, provisions, covenants and grants herein contained and in accordance with the New Jersey Business Corporation Act that People's merges Blackwood and Hamilton into itself, and that Blackwood and Hamilton be merged with People's and that People's shall be the continuing and surviving corporation (hereinafter sometimes referred to as the "Surviving Corporation") and do hereby agree upon and prescribe that the terms and conditions of the merger hereby agreed upon and the manner of converting the shares of Blackwood and Hamilton into shares of the surviving Corporation shall be as hereinafter set forth.

1. The name of the Surviving Corporation shall be changed to Garden State Water Company. Except as affected by amendments to the Certificate of Incorporation as specified in paragraph 2 hereof, the corporate identity, existence, purposes, powers, franchises, rights and immunities of People's shall continue unaffected and unimpaired by the merger and the corporate identities, existences, purposes, powers, franchises, rights and immunities of Blackwood and Hamilton shall be merged into People's.

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and People's shall be fully vested therewith. The separate existences of Blackwood and Hamilton, except insofar as it may be continued by statute, shall cease, and thereupon Blackwood, Hamilton and People's shall become a single corporation.

3. The Certificate of Incorporation of the surviving Corporation shall be amended to read as follows effective on the date of merger:

FIRST: The name of the Corporation is Garden State Water Company.

SECOND: The address of the corporation's registered office is 143 South Main Street, Phillipsburg, New Jersey, and the name of the corporation's registered agent is John Euley.

THIRD: The purposes for which the corporation is organized are the distribution of water within municipalities in the State of New Jersey, including the construction, acquisition and installation of any and all facilities and equipment in connection therewith.

FOURTH: The number of directors shall be fixed by the by-laws.

FIFTH: The aggregate number of shares which the corporation shall have authority to issue are 100,000 shares of common stock, par value \$10.00 per share. The common stock shall have no preemptive rights.

SIXTH: The majority voting requirements prescribed in N.J.S. 14A:10-3(2) and N.J.S. 14A:12-4(4) are hereby adopted.

3. The initial directors of Garden State Water Company shall be as follows:

0001-0134-00

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John Talbot
Mark Hoffman
Karl E. Philipp
K. Joseph Curry
Wayne DugganJohn van C. Parker
Gerald E. Lantry
John W. L. White
Dorset W. Johnson

all of whom shall hold office until their successors are chosen or appointed.

4. The manner and basis of converting the capital stock of Blackwood, Hamilton, and People's into the common stock of the surviving corporation shall be as follows:

Each share of People's now issued and outstanding, namely 49,174 shares, shall be converted into 1 share of the common stock of the surviving corporation and each holder of shares of People's, upon surrender to the surviving corporation of one or more certificates of such shares for cancellation shall be entitled to receive one or more certificates for the number of shares represented by the certificates so surrendered for cancellation by such holder on the aforesaid basis.

Each share of Blackwood and Hamilton shall be converted into the common stock of surviving corporation on the basis of the book value per share ratio of those respective shares to the book value of People's common stock, as at September 30, 1980, provided that no fractional share shall be issued, but the number of shares to be received shall be the lowest whole number.

Upon the effectiveness of the merger each share of common stock of Blackwood and Hamilton shall be converted into the respective number of shares of the common stock of the surviving corporation and each holder of shares of Blackwood and Hamilton, upon surrender to the surviving corporation of one or more certificates of shares for cancellation shall be entitled to receive one or more certificates for the number of shares

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SENT BY: STRYKER TAMS & DILL 110- 1-90 112:43PM : STRYKER TAMS & DILL-SQJ 5330TATE RECORDS:214

represented by the certificates so surrendered for cancellation by such holder on the aforesaid basis.

After the effective date of the merger each holder of an outstanding certificate or certificates theretofore representing shares of common stock of People's, Blackwood and Hamilton may surrender the same to People's, 165 South Main Street, Philadelphia, New Jersey, and shall receive in exchange a certificate or certificates representing the appropriate number of shares of Garden State Water Company, provided that certificates for any shares, the holders of which dissent from the plan of merger and demand payment of the value of their shares shall be deemed to represent only the rights afforded such dissenting holders by the New Jersey Business Corporation Act.

4. No certificate of merger shall be filed, and the merger shall not be effective, unless the approval of such merger by the Board of Public Utility Commissioners of the State of New Jersey is first had and obtained.

IN WITNESS WHEREOF, the corporate parties hereto have caused these presents to be signed and duly executed by their directors and attested by their respective secretaries the day and year first above written.

ATTEST:
Henry F. Henry
Secretary

BLACKWOOD WATER COMPANY

By John W. Parker
President

THE PEOPLE'S WATER COMPANY

Carl H. Phillips
Secretary

By John W. Parker
President

HAMILTON SOURCE WATER COMPANY

Henry F. Henry
Secretary

By John W. Parker
President

0001 - 0134-06

SENT BY:STRYKER TAMS & DILL 110- 1-90 12:43PM : STRYKER TAMS & DILL-508*5330TATE RECORDS:115

State of New Jersey
DEPARTMENT OF PUBLIC UTILITIES
BOARD OF
PUBLIC UTILITY COMMISSIONERSLOUIS.
22/27/69IN THE MATTER OF THE PETITION OF
HAMILTON SQUARE WATER COMPANY,
BLACKWOOD WATER COMPANY AND THE
PEOPLE'S WATER COMPANY FOR
APPROVAL OF MERGER.ORDER OF APPROVAL

Docket No. 6710-687

Schroeter & Lancaster, Pass., Newark, N.J., by
Sidney H. Schroeter, Esq., for Hamilton Square
Water Company, Blackwood Water Company and
People's Water Company.

Donald E. Nucko, Esq., for the Township of Hamilton Square.

BY HONORABLE ROBERT T. WHITE:

Hamilton Square Water Company (Hamilton), Blackwood Water
Company (Blackwood) and The People's Water Company (People's), petitioners,
filed a petition on October 9, 1969 requesting authority to merge Hamilton
and Blackwood into People's, as the surviving company under a change in its
name to Garden State Water Company.A public hearing in the matter was held on November 13, 1969,
before Hearing Examiner Hugh P. Fullam. Appearances were shown upon.
Preparation and service of the Hearing Examiner's Report and Recommendations and
were waived and the matter was certified directly to the Board for decision.

The petitioners are controlled through common stock ownership.

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SENT BY:STRYKER TAMS & DILL :10- 1-90 112:44PM : STRYKER TAMS & DILL-509'5330TATE RECORDS:#18

by Consumers Water Company (Consumers), a corporation organized under the laws of the State of Maine with its principal office located in Portland, Maine. Consumers is a holding company which operates water utility subsidiaries in the States of Maine, New Hampshire, New Jersey, Pennsylvania, Ohio and Illinois. In addition to acquiring, owning and holding controlling interests in operating water companies, it provides financial, accounting, management, insurance billing and other related services to its subsidiaries and to nonaffiliated utilities.

Consumers acquired 100% of the outstanding common stock of Blackwood (approved by the Board on September 9, 1984, Resol. No. 647-323) and Hamilton (approved by the Board on April 15, 1985, Resol. No. 6416-75).

Consumers acquired 98.77% of the outstanding common stock of People's (approved by the Board on March 11, 1986, in Resol. No. 657-346).

Under the terms of the service contracts between petitioners and Consumers, Consumers provides services to petitioners in the fields of long-range planning, general supervision, taxes, accounting, financing, engineering, legal and other specialized services, purchasing, contracts and sales, insurance and other functions as more specifically set forth in the contracts.

The plan and agreement of merger, submitted at the hearing as Exhibit 7-12, provides that the name of People's, the surviving company, will be changed to Garden State Water Company (Garden State). Each stockholder of People's is to receive one share of the common stock of the surviving company for each share of People's common stock. Consumers, as a corporation, owned 98.77% of the stock of People's. Consumers is owner of all the outstanding common stock of Blackwood and Hamilton, which receive approximately 1.13 shares of the surviving company for each share of Blackwood and approximately 6.70 shares of the surviving company for each share of Hamilton. The actual number of shares will be determined.

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SENT BY:STRYKER TAMS & DILL :10- 1-90 :12144PM : STRYKER TAMS & DILL-809'5330TATE RECORDS:#17

on the basis of the ratio of book value of each company to People's as of September 30, 1969.

Testimony shows that the surviving company intends to operate as three separate divisions maintaining with petitioners' operations and that there will be no change in policy with respect to operations, financing, accounting, depreciation, maintenance, services, and capitalization. It was also indicated that the individual corporations are experiencing some difficulty in raising outstanding indebtedness due to current money market conditions. The surviving corporation should be in a more favorable position to improve its finances than as three separate entities and more able to meet present and future financial requirements. Rates in each area will not be changed and accounting records for each of these three operating divisions will be maintained so as to separately determine the investment and costs related to each division.

The Board, after investigation and public hearing, having considered the record, is satisfied that the merger of Hamilton Square Water Company and Blackwood Water Company into the People's Water Company, and the issuance of stock by the survivor to accomplish the merger, are to be made in accordance with law, and, approving the purposes thereof, finds that the proposed merger will be in the public interest.

Therefore, the Board orders that the merger of Hamilton Square Water Company and Blackwood Water Company into The People's Water Company be, and the same is, promptly approved and promptly accomplished the issuance of the required number of shares of stock of survivor to accomplish the merger as heretofore described.

This Order is issued subject to the following provisions:

1. Survivor, upon consummation of the merger herein approved, shall file with the Board a certified copy of its certificate of merger, as filed with the Secretary of the State of New Jersey.

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SENT BY: STRYKER TAMS & DILL 110- 1-90 112:45PM 1 STRYKER TAMS & DILL-500'5330TATE RECORDS:118

2. Petitioners shall file with the Board, within sixty (60) days of the date of the merger, satisfactory proof of the cancellation of all the shares of outstanding common stock of Hamilton, Blackwood and People's.
3. Survivor shall file forthwith upon consummation of the merger, a report setting forth the accounting, in journal entry form, for the issuance of stock, the number of shares issued, exchanged and cancelled, and the basis for the exchange of shares.
4. This Order shall not be construed as approving directly or indirectly for any purpose whatsoever, any value of the tangible or intangible assets owned by the existing utilities or the survivor or the accounting for the exchange of stock on their books of account upon consummation of the merger.
5. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of the State, in any future petition or in any proceeding with respect to rates, franchises, surpluses, financing, reorganization, recapitalization, depreciation or any other matters affecting the survivor.
6. Hamilton and Blackwood shall file with the Board, within ninety (90) days of the consummation of the merger their individual final annual reports of operations for the year 1969.
7. Survivor shall file forthwith with the Board, upon consummation of the merger, its tariffs reflecting the rates for service and the terms and conditions of service.

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8. Survivor shall maintain its accounting records so that they show separately the elements required to obtain the investment and operating income to provide service in the areas served by each of the petitioners in this case.
9. The authority herein granted shall become null and void and of no effect, if not fully exercised on or before March 31, 1976.

Dated: December 17, 1969.

(SEAL)

ATTEST:

(SIGNED)

ARTHUR A. WATTS
ATTORNEY

BOARD OF PUBLIC UTILITY COMMISSIONERS
RE:

(SIGNED)

ARTHUR T. STINE
PRESIDENT

0001-0134-00

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FILED AND RECORDED

DEC 23 1993

Robert M. Foley

ATTORNEY GENERAL OF MAINE

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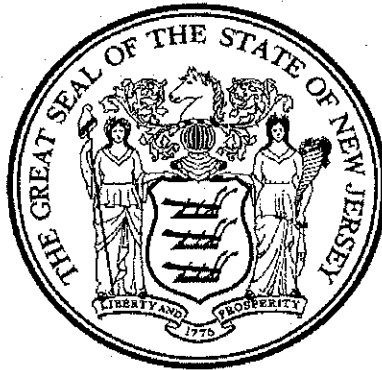
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STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
CERTIFICATE OF CORPORATE FILING

AQUA NEW JERSEY, INC
0001013400

I, the Treasurer of the State of New Jersey, do hereby certify that the above named business did on December 23, 1969, file and record in this department a certificate of Name Change as by the statutes of this state required.



Certificate Number: 141106111

Verify this certificate online at

https://www1.state.nj.us/TYTR_StandingCert/ISP/Verify_Cert.jsp

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal at Trenton, this 9th day of January, 2019

A handwritten signature in black ink, appearing to read 'Elizabeth Maher Muoio'.

Elizabeth Maher Muoio
State Treasurer

MGR

2-2-77

CERTIFICATE OF MERGER

GARDEN STATE WATER COMPANY, LOPATCONG WATER COMPANY, RIDGE WATER COMPANY, CROSSWICKS WATER COMPANY, and IVYSTONE WATER WORKS, in accordance with N.J.S.A. 14A:10-4 do hereby execute the following Certificate for the purpose of merging the aforesaid corporation.

FIRST: The name of the surviving corporation shall be GARDEN STATE WATER COMPANY.

SECOND: The plan of merger is attached hereto and made a part hereof.

THIRD: GARDEN STATE WATER COMPANY has an authorized capital stock consisting of 200,000 shares of common stock, \$10.00 par value each, of which 97,612 shares are now issued and outstanding, and entitled to vote, and;

LOPATCONG WATER COMPANY has an authorized capital stock consisting of 1,000 shares of common stock, \$100.00 par value each, of which 214 shares are now issued and outstanding, and entitled to vote, and;

RIDGE WATER COMPANY has an authorized capital stock consisting of 1,000 shares of common stock, \$100.00 par value each, of which 890 shares are now issued and outstanding, and entitled to vote;

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CROSSWICKS WATER COMPANY has an authorized capital stock consisting of 10,000 shares of common stock, \$5.00 par value each, of which 1,500 shares are now issued and outstanding, and entitled to vote; and

IVYSTONE WATER WORKS has an authorized capital stock consisting of 1,000 shares of \$100.00 preferred stock, of which there are no shares issued and outstanding; and 1,000 shares of no par value common stock of which there are 150 shares now issued and outstanding.

FOURTH: The number of shares voted for and against the plan of merger are as follows:

- (a) Garden State Water Company - The plan of merger was approved by the Board of Directors without any vote of the shareholders in accordance with N.J.S.A. 14A:10-3(4).
- (b) Lopatcong Water Company - for 214 and 0 against.
- (c) Ridge Water Company - for 990 and 0 against.
- (d) Crosswicks Water Company - for 1,453; 3 against; 44 not voting.
- (e) Ivystone Water Works - for 150 and 0 against.

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FIFTH: The merger is effective at the date of
filing.

DATED: JANUARY 25, 1977

CAJON STATE WATER COMPANY

BY

LOPACONG WATER COMPANY

BY

RIDGE WATER COMPANY

BY

CROSBICKS WATER COMPANY

BY

LYSTONE WATER COMPANY

BY

0001-0134-00

PLAN AND AGREEMENT OF MERGER

PLAN AND AGREEMENT OF MERGER (Plan) entered into this 29th day of July, 1976, by and between Garden State Water Company (Garden State), Lopatcong Water Company (Lopatcong), Ridge Water Company (Ridge), Crosswicks Water Company (Crosswicks) and Ivystone Water Works (Ivystone), all corporations of the State of New Jersey.

W I T N E S S E T H :

WHEREAS, the Board of Directors of each of said corporation, parties hereto, to the end that through the combination and integration of the five corporations greater financial stability may be accomplished, and in consideration of the mutual agreement of each corporation as set forth herein, have determined and do deem it advisable and generally to the advantage and welfare of said corporations and their respective stockholders and customers that Lopatcong, Ridge, Crosswicks and Ivystone be merged into Garden State; and

WHEREAS, the corporate parties hereto have each been organized under the laws of this State for the purpose of carrying on a business of the same or similar nature, to wit: the maintenance and supplying of water service to municipalities within the confines of this State; and

WHEREAS, Garden State, by its Certificate of Incorporation has an authorized capital stock consisting of

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200,000 shares of common stock, par value \$10 each, of which 97,612 shares are now issued and outstanding;

WHEREAS, Lopatcong, by its Certificate of Incorporation has an authorized capital stock consisting of 1,000 shares of common stock, par value \$100 each, of which 216 shares are now issued and outstanding; and

WHEREAS, Ridge, by its Certificate of Incorporation has an authorized capital stock consisting of 1,000 shares of common stock, par value \$100 each, of which 890 shares are now issued and outstanding; and

WHEREAS, Crosswicks, by its Certificate of Incorporation has an authorized capital stock consisting of 10,000 shares of common stock, par value \$5 each, of which 1,500 shares are now issued and outstanding;

WHEREAS, Ivystone, by its Certificate of Incorporation has an authorized capital stock consisting of 1,000 shares of \$100 preferred stock, of which there are no shares issued and outstanding, and 1,000 shares of no-par value common stock of which there are 150 shares now issued and outstanding.

NOW THEREFORE, the aforesaid corporations have agreed and do hereby agree, each with the others, in consideration of the promises and the mutual agreements, provisions, covenants and grants herein contained and in accordance with the New Jersey Business Corporation Act that Garden State merges Lopatcong, Ridge, Crosswicks and Ivystone into itself, and that Lopatcong, Ridge, Crosswicks and Ivystone shall be merged with Garden State and that Garden State shall be the continuing and surviving corporation (hereinafter sometimes referred to as the "Surviving

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Corporation") and do hereby agree upon and prescribe that the terms and conditions of the merger hereby agreed upon and the manner of converting the shares of Lopatcong, Ridge, Crosswicks and Ivystone into the shares of the Surviving Corporation shall be as hereinafter set forth.

1. The name of the Surviving Corporation shall be Garden State Water Company. The corporate identity, existence, purposes, powers, franchises, rights and immunities of Garden State shall continue unaffected and unimpaired by the merger and the corporate identities, existences, purposes, powers, franchises, rights and immunities of Lopatcong, Ridge, Crosswicks and Ivystone shall be merged into Garden State and Garden State shall be fully vested therewith. The separate existences of Lopatcong, Ridge, Crosswicks and Ivystone, except insofar as it may be continued by statute, shall cease and thereupon Garden State, Lopatcong, Ridge Crosswicks and Ivystone shall become a single corporation.

2. The directors of Garden State Water Company shall continue to be as follows:

John van C. Parker
Arthur Bernier
Wayne Dumont, Jr.
Edward H. Hendrickson
Joseph G. Schneider

Peter N. Johnson
Gerald H. Lamprey
David R. Monie
Donald H. Newcomb
Joseph R. Ratice
Joseph G. Varga

all of whom shall continue to hold office until their successors are chosen or appointed.

3. The manner and basis of converting the capital stock of Lopatcong, Ridge, Crosswicks and Ivystone into the common stock of the Surviving Corporation shall be as follows:

Each share of Lopatcong, Ridge, Crosswicks and Ivystone shall be converted into the common stock of the Surviving Corporation on the basis of the book value per share ratio of those respective shares to the book value of Garden State's common stock, as at March 31, 1976, provided that no fractional share shall be issued, but the number of shares to be received shall be rounded up to the next higher whole number. The book value of Garden State, Lopatcong, Ridge, Crosswicks and Ivystone is to be computed from the balance sheets as of March 31, 1976 attached to this plan in Appendix 1. So computed the conversion ratios are approximately 1.68 share of Garden State for each share of Lopatcong, 2.40 shares for each share of Ridge, 1.48 shares for each share of Crosswicks and 26.5 shares for each share of Ivystone.

Upon the effectiveness of the merger each share of common stock of Lopatcong, Ridge, Crosswicks and Ivystone shall be converted into the respective number of shares of common stock of the Surviving Corporation and each holder of shares of Lopatcong, Ridge, Crosswicks and Ivystone upon surrender to the Surviving Corporation of one or more certificates of shares for cancellation shall be entitled to receive one or more certificates for the number of shares represented by the certificates so surrendered for cancellation by such holder on the aforesaid basis.

After the effective date of the merger each holder of an outstanding certificate or certificates theretofore representing shares of common stock of Lopatcong, Ridge, Crosswicks and Ivystone may surrender the same to Garden

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State, 590 Marshall Street, Phillipsburg, New Jersey 08863, and shall receive in exchange a certificate or certificates representing the appropriate number of shares of Garden State, provided that certificates for any shares, the holders of which dissent from the plan of merger and demand payment of the value of their shares shall be deemed to represent only the rights afforded such dissenting holders by the New Jersey Business Corporation Act.

4. No Certificate of Merger shall be filed, and the merger shall not be effective, unless the approval of such merger by the Board of Public Utility Commissioners of the State of New Jersey is first had and obtained.

IN WITNESS WHEREOF, the corporate parties hereto have caused these presents to be sealed and duly executed by their duly authorized respective officers and attested by their respective secretaries the day and year first above written.

ATTEST:

David R. Morris
Secretary

GARDEN STATE WATER COMPANY

By Frank H. Lamprey
President

Arthur Beemer
Secretary

LOPATCONG WATER COMPANY

By Frank H. Lamprey
President

Arthur Beemer
Secretary

RIDGE WATER COMPANY

By Frank H. Lamprey
President

Arthur Beemer
Secretary

CROSSWICKS WATER COMPANY

By Frank H. Lamprey
President

Ernest J. Korman
Secretary

IVYSTONE WATER WORKS

By W. B. 3. [Signature]
President

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FILED

FEB 2 1977

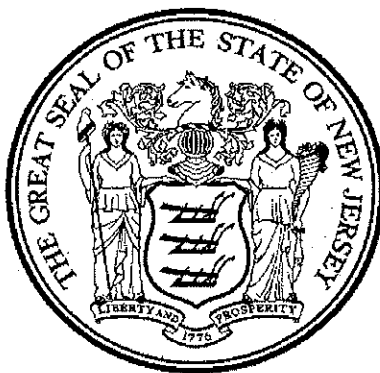
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FBI

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STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
CERTIFICATE OF CORPORATE FILING

AQUA NEW JERSEY, INC
0001013400

I, the Treasurer of the State of New Jersey, do hereby certify that the above named business did on February 2, 1977, file and record in this department a certificate of Merger as by the statutes of this state required.



Certificate Number: 141106128

Verify this certificate online at

https://www1.state.nj.us/TYTR_StandingCert/JSP/Verify_Cert.jsp

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal at Trenton, this 9th day of January, 2019

A handwritten signature in black ink, appearing to read "Elizabeth Maher Muoio".

Elizabeth Maher Muoio
State Treasurer

RECEIVED

JUN 11 1962

ONWAY, HANSON, H. VONGKHAMNEN
1 RIVINGTON, N.Y.



CERTIFICATE OF MERGER
GARDEN STATE WATER COMPANY
AND
STEWARTSVILLE WATER COMPANY
INTO
GARDEN STATE WATER COMPANY

Under Section 14A:10-4 of the
New Jersey Business Corporation Act

Pursuant to the provisions of Section 14A:10-4 of the New Jersey Business Corporation Act, the undersigned New Jersey corporations hereby certify:

FIRST: That the Plan and Agreement of Merger appended hereto and incorporated herein by reference (the "Plan") which provides for the merger of Stewartsville Water Company with and into Garden State Water Company (the "Surviving Corporation") has been duly approved by the Board of Directors of each of the constituent corporations.

SECOND: In accordance with N.J.S.A. 14A:10-3(4), the Plan and Agreement of Merger was approved by the Board of Directors of Garden State Water Company, the Surviving Corporation, without any vote of shareholders.

THIRD: As to Stewartsville Water Company, the total number of shares entitled to vote are 1,610, of which 1,420 were voted for the Plan and none against.

FOURTH: That the Surviving Corporation agrees that it may be served with process in the State of New Jersey in any proceeding for the enforcement of any obligation of each of the constituent corporations and for the enforcement, as provided in the Business Corporation Law, of the rights of dissenting shareholders of each constituent corporation. The Surviving Corporation further agrees, that it will promptly pay to the dissenting shareholders of each constituent domestic corporation the amount, if any, to which they shall be entitled under the provisions of the Business Corporation Law relating to the rights of dissenting shareholders.

FIFTH: That the Secretary of State is irrevocably appointed as the agent of the Surviving Corporation upon whom process against the Surviving Corporation may be served in any proceeding described in paragraph FOURTH

of this Certificate, and the address to which the Secretary of State shall mail a copy of any process against the Surviving Corporation served upon him is:

Garden State Water Company
38 Marlen Drive
P.O. Box 175
Robbinsville, New Jersey 08691

SIXTH: The merger is to be effective June 30, 1982.

IN WITNESS WHEREOF, each of the corporations and parties hereto has caused this Certificate to be executed on its behalf by its President and attested by its Secretary.

Dated: June 17, 1982

GARDEN STATE WATER COMPANY

By Paul D. Schumann
Paul D. Schumann, President

Attest:

Ronald F. Williams
Ronald F. Williams, Secretary

STEWARTSVILLE WATER COMPANY

By Paul D. Schumann
Paul D. Schumann, President

Attest:

Ronald F. Williams
Ronald F. Williams, Secretary

DEPARTMENT OF STATE
1982 JUN 23 PM 10 34
COMMUNICATIONS SECTION

FILED

JUN 29 1982

JANE BURGIO
Secretary of State

Handwritten: 28/10/82
JH
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Handwritten: 566CX

PLAN AND AGREEMENT OF MERGER

PLAN AND AGREEMENT OF MERGER (Plan) entered into this 20th day of October, 1981, by and between Garden State Water Company (Garden State), and Stewartsville Water Company (Stewartsville), both corporations of the State of New Jersey.

WITNESSETH:

WHEREAS, the Board of Directors of each of said corporation, parties hereto, to the end that through the combination and integration of the two corporations greater financial stability may be accomplished, and in consideration of the mutual agreement of each corporation as set forth herein, have determined and do deem it advisable and generally to the advantage and welfare of said corporations and their respective stockholders and customers that Stewartsville be merged into Garden State; and

WHEREAS, the corporate parties hereto have each been organized under the laws of this State for the purpose of carrying on a business of the same or similar nature, to wit: the maintenance and supplying of water service to municipalities within the confines of this State; and

WHEREAS, Garden State, by its Certificate of Incorporation has an authorized capital stock consisting of 200,000 shares of common stock, par value \$10 each, of which 126,424 shares are now issued and outstanding;

WHEREAS, Stewartsville, by its Certificate of Incorporation has an authorized capital stock consisting of 3,500 shares of common stock, par value \$10 each, of which 1,610 shares are now issued and outstanding.

NOW THEREFORE, the aforesaid corporations have agreed and do hereby agree, each with the other, in consideration of the promises and the mutual agreements, provisions, covenants and grants herein contained and in accordance with the New Jersey Business Corporation Act that Garden State merges Stewartsville into itself, and that Stewartsville shall be merged with Garden State and that Garden State shall be the continuing and surviving corporation (hereinafter sometimes referred to as the "Surviving Corporation") and do hereby agree upon and prescribe that the terms and conditions of the merger hereby agreed upon and the manner of converting the shares of Stewartsville into the shares of the Surviving Corporation shall be as hereinafter set forth.

1. The name of the Surviving Corporation shall be Garden State Water Company. The corporate identity, existence, purposes, powers, franchises, rights and immunities of Garden State shall continue unaffected and unimpaired by the merger and the corporate identities, existences, purposes, powers, franchises, rights and immunities of Stewartsville shall be merged into Garden State and Garden State shall be fully vested therewith. The separate existence of Stewartsville, except insofar as it may be continued by statute, shall cease and thereupon Garden State and Stewartsville shall become a single corporation.

2. The directors of Garden State Water Company shall continue to be as follows:

John van C. Parker	Paul F. Noran
Arthur Bernier	Donald H. Newcomb
Wayne Dumont, Jr.	Joseph G. Varga
Edward M. Hendrickson	Paul D. Schumann
Joseph G. Schneider	

all of whom shall continue to hold office until their successors are chosen or appointed.

3. The manner and basis of converting the capital stock of Stewartsville into the common stock of the Surviving Corporation shall be as follows:

Each share of Stewartsville shall be converted into the common stock of the Surviving Corporation on the basis of the book value per share ratio of those respective shares to the book value of Garden State's common stock, as at September 30, 1981, provided that no fractional share shall be issued, but the number of shares to be received shall be rounded up to the next higher whole number. The book value of Garden State and Stewartsville is to be computed from the balance sheets as of September 30, 1981, attached to this plan in Appendix 1. So computed the conversion ratios are approximately 0.01 share of Garden State for each share of Stewartsville.

Upon the effectiveness of the merger each share of common stock of Stewartsville shall be converted into the respective number of shares of common stock of the Surviving Corporation and each holder of shares of Stewartsville, upon surrender to the Surviving Corporation of one or more certificates of shares for cancellation shall be entitled to receive one or more certificates for the number of shares represented by the certificates so surrendered for cancellation by such holder on the aforesaid basis.

After the effective date of the merger each holder of an outstanding certificate or certificates theretofore representing shares of common stock of

Stewartsville may surrender the same to Garden State, 590 Marshall Street, Phillipsburg, New Jersey 08865, and shall receive in exchange a certificate or certificates representing the appropriate number of shares of Garden State, provided that certificates for any shares, the holders of which dissent from the plan of merger and demand payment of the value of their shares shall be deemed to represent only the rights afforded such dissenting holders by the New Jersey Business Corporation Act.

4. No Certificate of Merger shall be filed, and the merger shall not be effective, unless the approval of such merger by the Board of Public Utility Commissioners of the State of New Jersey is first had and obtained.

IN WITNESS WHEREOF, the corporation parties hereto have caused these presents to be sealed and duly executed by their duly authorized respective officers and attested by their respective secretaries the day and year first above written.

ATTEST:

GARDEN STATE WATER COMPANY

Ronald Williams
Secretary

By *Paul D. Schumann*
President

STEWARTSVILLE WATER COMPANY

Ronald Williams
Secretary

By *Paul D. Schumann*
President

AOB
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APR 2 1992

DANIEL J. DALTON
Secretary of State

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
GARDEN STATE WATER COMPANY

0761391

Garden State Water Company, a corporation organized under the laws of the State of New Jersey (the "Corporation") hereby certifies that:

1. The name of the Corporation is Garden State Water Company.

2. By Unanimous Consent in Lieu of a Special Meeting, the Board of Directors adopted the following resolution:

That the Certificate of Incorporation of Garden State Water Company, as the same has previously been amended, be, and it hereby is, further amended by deleting the current Article "FIFTH" thereof, and substituting the following:

FIFTH: The aggregate number of shares which the Corporation shall have authority to issue is 800,000 shares of common stock, par value \$5.00 per share.

The common stock shall have no preemptive rights.

Each share of common stock of the Corporation issued and outstanding or held in the treasury of the Corporation immediately prior to the close of business on March 10, 1992, that being the time when the amendment to this Article FIFTH of the Certificate of Incorporation shall have become effective, is changed into and reclassified as two fully paid and nonassessable shares of common stock, par value of \$5.00 per share, and at the close of business on such date, each holder of record of common stock shall, without further action, be and become the holder of one additional share of

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common stock for each share of common stock held of record immediately prior thereto. Effective at the close of business on such date, each certificate representing shares of common stock outstanding or held in treasury immediately prior to such time shall continue to represent the same number of shares of common stock and as promptly as practicable thereafter, the Corporation shall issue and cause to be delivered to each holder of record of common stock at the close of business on such date an additional certificate or certificates representing one additional share of common stock for each share of common stock held of record immediately prior thereto.

3. The date of the adoption of the amendment by the shareholders was January 21, 1992.

4. The number of shares issued and outstanding was 156,690 and the number of shares entitled to vote on the amendment was 156,690.

5. The number of shares voted for the amendment was 153,843 and the number of shares voted against the amendment was 1.

6. By Unanimous Consent in Lieu of a Special Meeting, the Board of Directors adopted the following resolution:

WHEREAS, the Board of Directors, and on January 21, 1992, the shareholders adopted resolutions amending Article "FIFTH" to the Certificate of Incorporation of the Corporation (the "Amendment") and the resolutions provided that the Amendment would become effective on March 10, 1992; and

WHEREAS, the Amendment required the prior approval of the New Jersey Board of Regulatory Commissioners and such approval had not been given by March 10, 1992;

NOW, THEREFORE, BE IT RESOLVED that the effective date of the Amendment, the effective date of the share reclassification effected by those resolutions, and the record date for such share reclassification shall be the date of filing with the New Jersey Secretary of State's office of the Certificate of Amendment with respect to the Amendment.

7. The amendment is intended to provide a reclassification of the common stock of the Corporation, of which 156,690 shares are issued and outstanding or held in the treasury of the Corporation. Upon the amendment becoming effective, each share of common stock of the Corporation

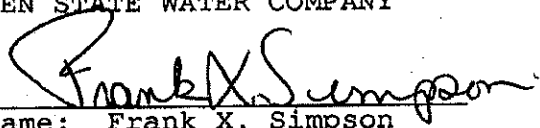
issued and outstanding or held in the treasury of the Corporation shall be changed into and reclassified as two fully paid and nonassessable shares of common stock, par value of \$5.00 per share.

8. The amendment shall become effective on the date of filing of this Certificate.

IN WITNESS WHEREOF, Garden State Water Company has caused this Certificate of Amendment to be executed on behalf of the Corporation, this 20th day of March, 1992.

GARDEN STATE WATER COMPANY

BY:


Name: Frank X. Simpson

Title: Vice President - Financial

CERTIFICATE OF MERGER

DEC 22 1994

GARDEN STATE WATER COMPANY, a New Jersey corporation, and CALIFON WATER COMPANY, a New Jersey corporation, in accordance with N.J.S.A. Section 14A:10-5.1 do hereby execute the following Certificate of Merger for the purpose of merging the aforesaid Corporations.

FIRST: The name of the surviving corporation shall be GARDEN STATE WATER COMPANY, and the name of the merged corporation is CALIFON WATER COMPANY.

SECOND: The Plan of Merger is attached hereto and made a part hereof.

THIRD: The Plan of Merger was approved by the Board of Directors of GARDEN STATE WATER COMPANY, the parent corporation, on November 15, 1994.

FOURTH: CALIFON WATER COMPANY, the subsidiary corporation, has an authorized capital stock consisting of 8,000 shares of common stock, \$25 par value each, of which 5060 shares are now issued and outstanding and of which 4723 shares are owned by GARDEN STATE WATER COMPANY, the parent corporation. None of the outstanding shares of any class and series of CALIFON WATER COMPANY, the subsidiary corporation, is entitled to vote upon the merger.

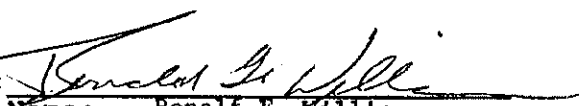
FIFTH: A copy or a summary of the Plan of Merger was mailed to minority shareholders of CALIFON WATER COMPANY, the subsidiary corporation, on December 15, 1994.

SIXTH: Approval of the Plan of Merger by the shareholders of GARDEN STATE WATER COMPANY, the parent corporation, is not required.

SEVENTH: The merger shall be effective at 12:01 a.m., January 1, 1995.

DATED: December 15th, 1994

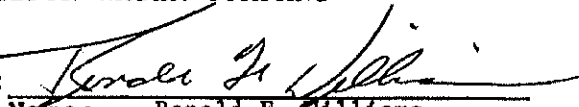
GARDEN STATE WATER COMPANY

By: 

Name: Ronald F. Williams

Title: President

CALIFON WATER COMPANY

By: 

Name: Ronald F. Williams

Title: President

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of December , 1994 (hereinafter called "Agreement"), between GARDEN STATE WATER COMPANY, a New Jersey corporation (hereinafter called "Garden State" or the "Surviving Corporation"), having a principal place of business in Hamilton, New Jersey and CALIFON WATER COMPANY, a New Jersey corporation (hereinafter called "Califon") having a principal place of business in Hamilton, New Jersey.

WHEREAS, Garden State owns at least ninety percent (90%) of the outstanding shares of each class and series of Califon;

WHEREAS, the Board of Directors of Garden State has approved a proposed merger of Califon with and into Garden State (hereinafter called the "Merger") in accordance with the provisions of Section 14A:10-5.1 of the New Jersey Business Corporation Act ("NJBCA"); and

WHEREAS, the Merger has been approved by the New Jersey Board of Regulatory Commissioners by order dated December 14, 1994 (Docket No. WM94100451).

NOW THEREFORE in consideration of the premises and the agreements herein contained, the parties hereto agree to the following plan of merger, being the same plan heretofore approved by the Board of Directors of Garden State.

1. On the Effective Date (as hereinafter defined), Califon shall be merged with and into Garden State, which shall be the Surviving Corporation. The separate corporation existence of Califon shall cease on the Effective Date, but Garden State, as the Surviving Corporation, shall have all of the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of Califon. Upon and after the Effective Date, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, as well of a public as of a private nature, of Califon. All property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest, or belonging to or due to Califon, shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed. The title to any real estate, or any interest therein, vested in Califon shall not revert or be in any way impaired by reason of the merger.

2. The Surviving Corporation shall from and after the Effective Date be responsible and liable for all of the liabilities and obligations of Califon. Any claim existing or action or proceeding pending by or against Califon may be prosecuted as if the merger had not taken place, or the Surviving Corporation may be substituted in its place. Neither the rights of creditors nor any liens upon the property of Califon shall be impaired by the merger.

3. The certificate of incorporation and by-laws of Garden State as in effect on the Effective Date shall be the certificate of incorporation and by-laws of the Surviving Corporation until the same shall thereafter be altered, amended or repealed in accordance with law, the certificate of incorporation and by-laws of the Surviving Corporation.

4. The directors and officers of Garden State at the Effective Date shall be the directors and officers of the Surviving Corporation until their respective successors shall have been elected and shall qualify.

5. On the Effective Date, each common share of Califon issued and outstanding on the Effective Date other than common shares held of record by Garden State shall be converted into common shares of the Surviving Corporation on the basis of the book value per share ratio of the common shares of Califon to the book value of the common shares of Garden State, as at September 30, 1994, provided that no fractional share shall be issued, but the number of shares to be received shall be rounded up to the next higher whole number. So computed the conversion ratio is .40 shares of Garden State for each share of Califon. The number of common shares of the Surviving Corporation to be received by each Califon shareholder shall be determined by multiplying the number of Califon shares owned by such shareholder by .40.

6. As soon as practicable after the Effective Date, each holder of an outstanding certificate or certificates that prior thereto represented common shares of Califon shall surrender the same to the Surviving Corporation and such holder (other than Garden State) shall be entitled upon such surrender to receive in exchange therefore a certificate or certificates representing the number of common shares of the Surviving Corporation into which the shares theretofore represented by the Califon certificate or certificates so surrendered shall have been converted pursuant to this Agreement. Until so surrendered, each outstanding certificate of Califon shall be deemed for all corporate purposes to evidence the ownership of the number of common shares of the Surviving Corporation into which such Califon shares have been so converted.

7. Each share of Califon common stock issued and outstanding and held of record by Garden State shall, by virtue of the merger and without any further action on the part of the holder thereof, be cancelled as of the Effective Date and shall thereafter not evidence any interest in Califon or the Surviving Corporation.

8. No holder of Califon common stock which has been converted into and exchanged for common stock of the Surviving Corporation pursuant to Section 5 of this Agreement and Plan of Merger shall be entitled to receive any dividend or other distribution payable to the holders of shares of the common stock of the Surviving Corporation until such holder surrenders the certificate or certificates representing the Califon common stock held by such holder in accordance with Section 6 hereof; provided,

however, that upon surrender of such certificate or certificates there shall be paid to the record holder of each certificate representing shares of the common stock of the Surviving Corporation issued upon such surrender the amount of dividends or other distributions (without interest) which theretofore became payable and have not been paid with respect to the number of shares of the common stock of the Surviving Corporation represented by that certificate.

9. From time to time following the Merger as and when requested by the Surviving Corporation and to the extent permitted by law, the officers and directors of Califon last in office shall execute and deliver such assignments, deeds and other instruments and shall take or cause to be taken such further or other action as shall be necessary in order to vest or perfect in or to confirm of record or otherwise to the Surviving Corporation title to, and possession of, all the assets, rights, franchises and interests of Califon in and to every type of property (real, personal and mixed) and choses in action, and otherwise to carry out the purposes of this Agreement and Plan of Merger, and the proper officers and directors of the Surviving Corporation are fully authorized to take any and all such action in the name of Califon or otherwise.

10. The Effective Date and time of the Merger shall be 12:01 a.m., January 1, 1995.

11. Upon the Effective Date, the assets and liabilities of Califon shall be carried on the books of the Surviving Corporation at the amounts at which they respectively were carried on such date on the books of Califon. The capital surplus and earned surplus of the Surviving Corporation shall be the sum of the respective capital surpluses and earned surpluses of Califon and of Garden State, subject in each case to such intercompany adjustments or eliminations as may be required to give effect to the merger. The aggregate amount of the net assets of Califon and Garden State which was legally available for the payment of dividends immediately prior to the merger shall continue to be available for the payment of dividends by the Surviving Corporation.

12. This plan of merger may be terminated and abandoned by action of the Board of Directors of Garden State at any time prior to the Effective Date.

13. This plan may be executed in any number of counterparts, each of which shall be an original.

14. This Agreement and Plan of Merger shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have caused their corporate names to be hereunto subscribed by their duly authorized officers, this 15th day of December, 1994.

Attest:

CALIFON WATER COMPANY

By: Virginia A. Minnich
Name: Virginia A. Minnich
Title: Secretary

By: Ronald F. Williams
Name: Ronald F. Williams
Title: President

GARDEN STATE WATER COMPANY

By: Ronald F. Williams
Name: Ronald F. Williams
Title: President

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APR 26 1995

LONNA R. HOOKS
Secretary of State

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N/C
CERTIFICATE OF AMENDMENT

TO

THE ARTICLES OF INCORPORATION

OF

GARDEN STATE WATER COMPANY

Pursuant to N.J.S.A. 14A:9-4(3)

Dated: April 18, 1995

The undersigned Corporation, having adopted an amendment to its Articles of Incorporation, hereby certifies as follows:

1. The name of the Corporation is Garden State Water Company.
2. Article I of the Corporation's Articles of Incorporation is amended to reflect that the Corporation's name has been changed from "Garden State Water Company" to "Consumers New Jersey Water Company." *W*
3. The date of the adoption of the amendment by the shareholders was April 18, 1995.
4. The number of shares entitled to vote on the amendment was 563,539.
5. The number of shares voted for and against the amendment was as follows:

For: 558,184

Against: 0

IN WITNESS WHEREOF, the undersigned Corporation has caused this certificate to be executed on its behalf by its duly authorized officer as of the date first written above.

GARDEN STATE WATER COMPANY

By: Paul D. Schumann

Paul D. Schumann
Acting Chief Executive Officer

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**CERTIFICATE OF THE SECRETARY TO
RESOLUTIONS MADE BY
THE BOARD OF DIRECTORS
OF
GARDEN STATE WATER COMPANY
RECOMMENDING AMENDMENT
TO
THE ARTICLES OF INCORPORATION
AND
RELATED MATTERS**

THE UNDERSIGNED does hereby certify that she is Secretary of Garden State Water Company ("the Corporation"); that the following resolutions were duly adopted by the Board of Directors of the Corporation on April 18, 1995; that the resolutions remain in full force and effect; and that the resolutions are not inconsistent with any provision in the Corporation's Articles of Incorporation or Bylaws:

RESOLVED, that an amendment of the Articles of Incorporation is hereby declared advisable for changing the Corporation's name from "Garden State Water Company" to "Consumers New Jersey Water Company;" *A.*

FURTHER RESOLVED, that the proposed amendment to the Articles of Incorporation be submitted to a vote of the stockholders of the Corporation at the Annual Meeting to be held on Tuesday, April 18, 1995, at 3 p.m. at the offices of the Corporation at 530 Horizon Center, Route 130 South, Hamilton, New Jersey;

FURTHER RESOLVED, that March 31, 1995 be fixed as the record date for determining stockholders entitled to vote at such special meeting;

FURTHER RESOLVED, that the Secretary of the Corporation be, and hereby is, directed to give notice to the shareholders of such meeting at least 10 days prior to the date fixed for the meeting;

FURTHER RESOLVED, that upon the filing of a Certificate of Amendment to the Corporation's Articles of Incorporation with the New Jersey Secretary of State following stockholder approval of such amendment, Article I of the Bylaws of the Corporation shall be amended to read as follows:

ARTICLE I

Name and Seal

Section 1. **Name.** The name of this corporation shall be CONSUMERS NEW JERSEY WATER COMPANY.

Section 2. **Seal.** The seal of this corporation shall consist of a flat-faced circular die, with the words "CONSUMERS NEW JERSEY WATER COMPANY, INCORPORATED, NEW JERSEY" cut or engraved thereon.

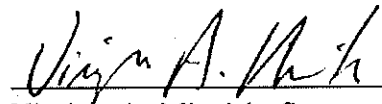
FURTHER RESOLVED, that the form of common share certificate presented at this meeting, which form of certificate is hereby ordered attached to the minutes of this meeting as Exhibit A, is hereby adopted for use with the common shares of the Corporation following the filing of Articles of Incorporation with the New Jersey Secretary of State reflecting the change in name of the Corporation to "Consumers New Jersey Water Company;"

FURTHER RESOLVED, that the appropriate officers of this Corporation be, and each of them hereby is, authorized to execute any and all documents and to do any and all other actions as they may in their sole individual discretion deem necessary, advisable, or convenient to accomplish the purposes of the foregoing resolutions; and

FURTHER RESOLVED, that any and all acts of the officers of this Corporation, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such votes, are hereby severally ratified, confirmed, approved, and adopted as acts in the name and on behalf of the Corporation.

IN WITNESS WHEREOF, the undersigned has executed and affixed the Corporate Seal to this Certificate on the 18th day of April, 1995.

SEAL



Virginia A. Minnich, Secretary

MRG **FILED**CERTIFICATE OF MERGER

SEP 17 1998

CONSUMERS NEW JERSEY WATER COMPANY, a New Jersey corporation, and
WOOLWICH WATER COMPANY, INC., a New Jersey corporation, in accordance with
N.J.S.A. Section 14A:10-5.1 do hereby execute the following Certificate of Merger for the
purpose of merging the aforesaid Corporations.

FIRST: The name of the surviving corporation shall be CONSUMERS NEW
JERSEY WATER COMPANY, and the name of the merged corporation is WOOLWICH
WATER COMPANY, INC. - 9379912000

SECOND: The Agreement and Plan of Merger is attached hereto and made a part
hereof.

THIRD: The Agreement and Plan of Merger was approved by the Board of
Directors of CONSUMERS NEW JERSEY WATER COMPANY, the parent corporation, on
July 21, 1998.

FOURTH: WOOLWICH WATER COMPANY, INC., the subsidiary corporation, has
an authorized capital stock consisting of 2,500 shares of common stock, no par value, of which
100 shares are now issued and outstanding and of which 100 shares are owned by CONSUMER
NEW JERSEY WATER COMPANY, the parent corporation. The balance of the shares are held
in Treasury.

FIFTH: Approval of the Agreement and Plan of Merger by the shareholders of
CONSUMERS NEW JERSEY WATER COMPANY, the parent corporation, is not required.

SIXTH: The merger shall be effective upon filing of this Certificate with the New
Jersey Secretary of State's Office.

DATED: September 16, 1998

CONSUMERS NEW JERSEY WATER
COMPANY

By: Sharon E. Schulman
Name: Sharon E. Schulman
Title: President

WOOLWICH WATER COMPANY, INC.

By: Sharon E. Schulman
Name: Sharon E. Schulman
Title: President

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of September 17, 1998 (hereinafter called "Agreement"), between CONSUMERS NEW JERSEY WATER COMPANY, a New Jersey corporation (hereinafter called "Consumers" or the "Surviving Corporation"), having a principal place of business in Hamilton, New Jersey and WOOLWICH WATER COMPANY, INC., a New Jersey corporation (hereinafter called "Woolwich") having a principal place of business in Hamilton, New Jersey.

WHEREAS, Consumers owns one hundred percent (100%) of the outstanding shares of each class and series of Woolwich;

WHEREAS, the Board of Directors of Consumers has approved a proposed merger of Woolwich with and into Consumers (hereinafter called the "Merger") in accordance with the provisions of Section 14A:10-5.1 of the New Jersey Business Corporation Act; and

WHEREAS, the Merger has been approved by the New Jersey Board of Public Utilities by order dated August 20, 1998 (BPU Docket Nos. WM98050310 and WM98050311).

NOW THEREFORE in consideration of the premises and the agreements herein contained, the parties hereto agree to the following plan of merger, being the same plan heretofore approved by the Board of Directors of Consumers.

1. On the Effective Date (as hereinafter defined), Woolwich shall be merged with and into Consumers, which shall be the Surviving Corporation. The separate corporation existence of Woolwich shall cease on the Effective Date, but Consumers, as the Surviving Corporation, shall have all of the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of Woolwich. Upon and after the Effective Date, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, as well of a public as of a private nature, of Woolwich. All property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest, or belonging to or due to Woolwich, shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed. The title to any real estate, or any interest therein, vested in Woolwich shall not revert or be in any way impaired by reason of the merger.

2. The Surviving Corporation shall from and after the Effective Date be responsible and liable for all of the liabilities and obligations of Woolwich. Any claim existing or action or proceeding pending by or against Woolwich may be prosecuted as if the merger had not taken place, or the Surviving Corporation may be substituted in its place. Neither the rights of creditors nor any liens upon the property of Woolwich shall be impaired by the merger.

3. The certificate of incorporation and by-laws of Consumers as in effect on the Effective Date shall be the certificate of incorporation and by-laws of the Surviving Corporation until the same shall thereafter be altered, amended or repealed in accordance with law, the certificate of incorporation and by-laws of the Surviving Corporation.

4. The directors and officers of Consumers at the Effective Date shall be the directors and officers of the Surviving Corporation until their respective successors shall have been elected and shall qualify.

5. The number of outstanding shares of each class of Woolwich is 100 shares of Common Stock, all of which are owned by Consumers.

6. Each share of Woolwich common stock issued and outstanding and held of record by Consumers shall, by virtue of the merger and without any further action on the part of the holder thereof, be cancelled as of the Effective Date and shall thereafter not evidence any interest in Woolwich or the Surviving Corporation.

7. The Effective Date and time of the Merger shall be upon the filing of the Certificate of Merger with the New Jersey Secretary of State's Office.

8. This plan of merger may be terminated and abandoned by action of the Board of Directors of Consumers at any time prior to the Effective Date.

9. This plan may be executed in any number of counterparts, each of which shall be an original.

10. This Agreement and Plan of Merger shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have caused their corporate names to be hereunto subscribed by their duly authorized officers, this 16 day of September, 1998.

ATTEST:

CONSUMERS NEW JERSEY WATER
COMPANY

By: Virginia A. Minnich
Name: Virginia A. Minnich
Title: Secretary

By: Sharon E. Schulman
Name: Sharon E. Schulman
Title: President

ATTEST:

WOOLWICH WATER COMPANY, INC.

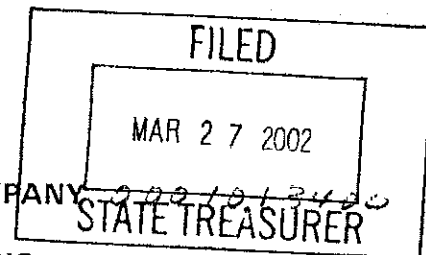
By: Virginia A. Minnich
Name: Virginia A. Minnich
Title: Secretary

By: Sharon E. Schulman
Name: Sharon E. Schulman
Title: President

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CERTIFICATE OF MERGER

CONSUMERS NEW JERSEY WATER COMPANY
and
CONSUMERS NEW JERSEY NEWCO, INC.



CONSUMERS NEW JERSEY WATER COMPANY, a public utility corporation of the State of New Jersey and CONSUMERS NEW JERSEY NEWCO, INC., a New Jersey corporation, in accordance with N.J.S.A. 14A:10-1 et seq., hereby execute the following Certificate of Merger for the purpose of merging the aforesaid corporations.

FIRST: The name of the surviving corporation is Consumers New Jersey Water Company ("CNJWC"), and the name of the merged corporation is Consumers New Jersey Newco, Inc. ("Newco").

SECOND: The Plan of Merger is attached hereto and made a part hereof.

THIRD: The shareholders of CNJWC and the sole shareholder of Newco have approved the Plan of Merger as of March 25, 2002.

FOURTH: CNJWC has an authorized capital stock consisting of 800,000 shares of no par value common stock of which 727,171 shares are now issued and outstanding. The balance of the common shares are held in Treasury. All of the outstanding shares of CNJWC are entitled to vote upon the plan. CNJWC has no other class or series of stock entitled to vote upon the plan.

FIFTH: Newco has an authorized capital stock consisting of 1,000 shares of no par value common stock, all of which are now issued and outstanding. All of the outstanding shares of Newco are entitled to vote upon the plan. Newco has no other class or series of stock entitled to vote upon the plan.

SIXTH: Approval of the Plan of Merger by the shareholders of CNJWC was given at a special meeting of shareholders. The number of shares attending the special meeting was 726,845 (by proxy). The number of shares voted in favor of the plan was 726,845. The number of shares voted against the plan was 0.

SEVENTH: Approval of the Plan of Merger by the shareholders of Newco was given without a meeting by unanimous written consent. The number

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of shares voted in favor of the plan and represented by the consent was 1,000.
No shares were voted against the plan.

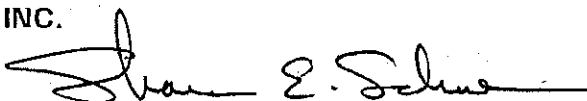
EIGHTH: The merger shall be effective on March 27, 2002.

DATED: March 25, 2002

CONSUMERS NEW JERSEY WATER
COMPANY

By: 
Name: Sharon E. Schulman
Title: President & CEO

CONSUMERS NEW JERSEY NEWCO,
INC.

By: 
Name: Sharon E. Schulman
Title: President

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New Jersey Division of Revenue

JAN 16 2004

Certificate of Amendment to the Certificate of Incorporation State Treasurer
 (For Use by Domestic Profit Corporations)

Pursuant to the provisions of Section 14A:9-2 (4) and Section 14A:9-4 (3), Corporations, General, of the New Jersey Statutes, the undersigned corporation executes the following Certificate of Amendment to its Certificate of Incorporation:

1. The name of the corporation is:

Consumers New Jersey Water Company

2. The following amendment to the Certificate of Incorporation was approved by the directors and thereafter duly adopted by the shareholders of the corporation on the 19th day of December, 20 03

Resolved, that Article I of the Certificate of Incorporation be amended to read as follows:

Section 1. Name. The name of this corporation shall be Aqua New Jersey, Inc.

3. The number of shares outstanding at the time of the adoption of the amendment was: NA

The total number of shares entitled to vote thereon was:

If the shares of any class or series of shares are entitled to vote thereon as a class, set forth below the designation and number of outstanding shares entitled to vote thereon of each such class or series. (Omit if not applicable).

4. The number of shares voting for and against such amendment is as follows: (If the shares of any class or series are entitled to vote as a class, set forth the number of shares of each such class and series voting for and against the amendment, respectively).

Number of Shares Voting for Amendment

NA

Number of Shares Voting Against Amendment

NA

5. If the amendment provides for an exchange, reclassification or cancellation of issued shares, set forth a statement of the manner in which the same shall be effected. (Omit if not applicable).

6. Other provisions: (Omit if not applicable).

BY:

Sharon E. Schulman
 (Signature)

Sharon E. Schulman, President

Dated this 16th day of January, 2004

May be executed by the Chairman of the Board, or the President, or a Vice President of the Corporation.

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CERTIFICATE OF MERGERAQUA NEW JERSEY, INC.
and
MAXIM SEWERAGE CORPORATION

AQUA NEW JERSEY, INC., a public utility corporation of the State of New Jersey and its wholly owned subsidiary corporation, MAXIM SEWERAGE CORPORATION, a public utility corporation of the State of New Jersey, in accordance with N.J.S.A. 14A:10-1 et seq., hereby execute the following Certificate of Merger for the purpose of merging the aforesaid corporations.

FIRST: The name of the surviving corporation is Aqua New Jersey, Inc. ("Aqua New Jersey"), and the name of the merged corporation is Maxim Sewerage Corporation ("Maxim").

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SECOND: The Plan of Merger is attached hereto and made a part hereof.

THIRD: The sole shareholder of Aqua New Jersey, Inc. and the sole shareholder of Maxim have approved the Plan of Merger as of April 30, 2004.

FOURTH: Aqua New Jersey, Inc. has an authorized capital stock consisting of 800,000 shares of no par value common stock. All of the issued and outstanding shares of common stock of Aqua New Jersey, Inc. are held by the sole shareholder of Aqua New Jersey, Inc.. The balance of the common shares are held in Treasury. All of the outstanding shares of Aqua New Jersey, Inc. are entitled to vote upon the plan. Aqua New Jersey, Inc. has no other class or series of stock entitled to vote upon the plan.

FIFTH: Maxim has an authorized capital stock consisting of 1,000 shares of no par value common stock, of which 900 are issued and 675 are outstanding. The balance of the common shares is held in Treasury. All of the outstanding shares of Maxim are entitled to vote upon the plan. Maxim has no other class or series of stock entitled to vote upon the plan.

SIXTH: Approval of the Plan of Merger by the sole shareholder of Aqua New Jersey, Inc. was given without a meeting by unanimous written consent. All of the issued and outstanding shares of Aqua New Jersey were voted in favor of the plan. No shares were voted against the plan.

SEVENTH: Approval of the Plan of Merger by the sole shareholder of Maxim was given without a meeting by unanimous written consent. The number of shares voted in favor of the plan and represented by the consent was 675. No shares were voted against the plan.

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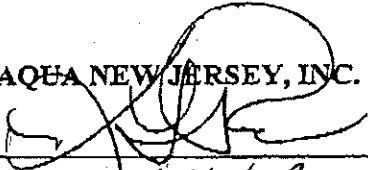
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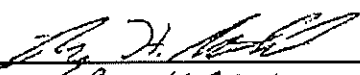
EIGHTH: The merger shall be effective on April 30, 2004.

DATED: April 30, 2004

AQUA NEW JERSEY, INC.

By: 
Name: Kelly L. Pope
Title: Vice President

MAXIM SEWERAGE CORPORATION

By: 
Name: Ray H. Stahl
Title: Vice President

AGREEMENT AND PLAN OF MERGER
of
AQUA NEW JERSEY, INC.
and
MAXIM SEWERAGE CORPORATION

THIS PLAN OF MERGER is dated as of April 30, 2004 ("Plan of Merger"), between AQUA NEW JERSEY, INC. (formerly Consumers New Jersey Water Company), a public utility company of the State of New Jersey, having a principal place of business in Hamilton, New Jersey ("Aqua New Jersey"), and MAXIM SEWERAGE CORPORATION, a public utility company of the State of New Jersey, and a wholly owned subsidiary corporation of Aqua New Jersey, having a principal place of business in Howell Township, New Jersey ("Maxim").

WHEREAS, the Board of Directors and the sole shareholder of Maxim have approved the proposed merger of Maxim with and into Aqua New Jersey (the "Merger"); and

WHEREAS, the Board of Directors and the sole shareholder of Aqua New Jersey have approved the Merger.

NOW THEREFORE, in consideration of the premises and the agreements herein contained, the parties hereto agree to the following Plan of Merger, being the same plan heretofore approved by the parties' respective Boards of Directors.

1. On the Effective Date (as hereinafter defined), Maxim shall be merged with and into Aqua New Jersey. Aqua New Jersey shall be the Surviving Corporation of the Merger and shall continue its existence under the laws of the State of New Jersey. As used herein, the term "Surviving Corporation" refers to Aqua New Jersey following the Effective Date. The separate corporate existence of Maxim shall cease on the Effective Date, and the Surviving Corporation shall have all of the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of Maxim. Upon and after the Effective Date, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises of Maxim that are of a public as well as of a private nature, which will include without limitation the utility operations of Maxim. All property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest, belonging to or due to Maxim, shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed.

2. The Surviving Corporation shall, from and after the Effective Date, be responsible and liable for all of the liabilities and obligations of Maxim. Any claim existing or action or proceeding pending by or against Maxim may be prosecuted as if the merger had not taken place, or the Surviving Corporation may be substituted in its place. Neither the rights of creditors nor any liens upon the property of Maxim shall be impaired by the merger.

3. The certificate of incorporation and by-laws of Aqua New Jersey as in effect on the Effective Date shall be the certificate of incorporation and by-laws of the Surviving Corporation until the same shall thereafter be altered, amended or repealed in accordance with law, the certificate of incorporation and by-laws of the Surviving Corporation.

4. The directors and officers of the Aqua New Jersey on the Effective Date shall be the directors and officers of the Surviving Corporation until changed by election or appointment in accordance with law, the certificate of incorporation and by-laws of the Surviving Corporation.

5. As of the Effective Date, each outstanding share of common stock of Maxim will be cancelled, retired and cease to exist and no consideration shall be delivered in exchange therefor.

6. The authorized capital stock, and issued and outstanding common stock of Aqua New Jersey as of the Effective Date, shall become the authorized capital stock, and issued and outstanding common stock of the Surviving Corporation, until the same shall thereafter be altered, amended or repealed in accordance with law, the certificate of incorporation and by-laws of the Surviving Corporation.

7. Each shareholder of Aqua New Jersey as in effect on the Effective Date shall be a shareholder of the Surviving Corporation with identical designations, preferences, limitations and rights, immediately after the Effective Date of the merger.

8. The Board of Directors and the proper officers of Maxim and of Aqua New Jersey, respectively, are hereby authorized, empowered, and directed to do any and all acts and things, and to make, execute, deliver, file, and/or record any and all instruments, papers, and documents, including a Certificate of Merger, which shall be or become necessary, proper, or convenient to carry out or put into effect any of the provisions of this Plan of Merger or of the Merger herein provided for.

9. The "Effective Date" of the Merger shall be April 30, 2004.

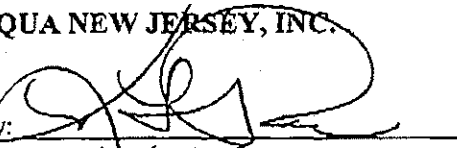
10. This Plan of Merger may be terminated and abandoned by action of the Board of Directors of Maxim at any time prior to the Effective Date.

11. This Plan of Merger may be executed in any number of counterparts, each of which shall be an original.

12. This Plan of Merger shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties to this Plan of Merger have caused their corporate names to be hereunto subscribed by their duly authorized officers, as of the day hereinabove written.

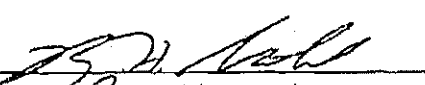
AQUA NEW JERSEY, INC.

By: 

Name: Kathy L. Pope

Title: Vice President

MAXIM SEWERAGE CORPORATION

By: 

Name: Ray H. Stahl

Title: Vice President

UMC-2 11/03

New Jersey Division of Revenue
Certificate of Merger/Consolidation
(Profit Corporations)



This form may be used to record the merger or consolidation of a corporation with or into another business entity or entities, pursuant to NJSA 14A. Applicants must insure strict compliance with the requirements of State law and insure that all filing requirements are met. This form is intended to simplify filing with the State Treasurer. Applicants are advised to seek out private legal advice before submitting filings to the Department of the Treasury, Division of Revenue's office.

1. Type of Filing (check one): ☒ Merger ☐ Consolidation
2. Name of Surviving Business Entity: Aqua New Jersey, Inc.
3. Name(s)/Jurisdiction(s) of All Participating Business Entities including Surviving Entity:
- | Name | Jurisdiction | Identification # Assigned by Treasurer (if applicable) |
|-----------------------------|------------------------|--|
| Aqua New Jersey, Inc. | New Jersey Corporation | 0001013400 |
| Lawrenceville Water Company | New Jersey Corporation | 0001017600 |
4. Date Merger/Consolidation adopted: 3/23/12
5. Voting: (all corporations involved; attach additional sheets if necessary)
- a Corp. Name Aqua New Jersey Inc. Outstanding Shares 800,000
If applicable, set forth the number and designation of any class or series of shares entitled to vote.
- Voting For _____ Voting Against _____ ; OR
- Merger/consolidation plan was adopted by the unanimous written consent of the shareholders without a meeting (check) ☒
- b Corp. Name Lawrenceville Water Company Outstanding Shares 1,496
If applicable, set forth the number and designation of any class or series of shares entitled to vote.
- Voting For _____ Voting Against _____ ; OR
- Merger/consolidation plan was adopted by the unanimous written consent of the shareholders without a meeting (check) ☒
- c Corp. Name _____ Outstanding Shares _____
If applicable, set forth the number and designation of any class or series of shares entitled to vote.
- Voting For _____ Voting Against _____ ; OR
- Merger/consolidation plan was adopted by the unanimous written consent of the shareholders without a meeting (check) ☐
6. Service of Process Address (For use if the surviving business entity is not authorized or registered by the State Treasurer:

The surviving business entity agrees that it may be served with process in this State in any action, suit or proceeding for the enforcement of any obligation of any domestic or foreign corporation, previously amenable to suit in this State, which is a party to this merger/consolidation, and in any proceeding for the enforcement of the rights of a dissenting shareholder of such domestic corporation against the surviving corporation.

The Treasurer is hereby appointed as agent to accept service of process in any such action, suit, or proceeding which shall be forwarded to the surviving business entity at the Service of Process address stated above.

The Surviving Business Entity also agrees that it will promptly pay to the dissenting shareholders of any such domestic corporation the amount, if any, to which they may be entitled under the provisions of Title 14A.

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11/16/1792

Certificate of Merger/Consolidation
UMC-2
Page 2

7. Effective Date (see inst.): 3/30/12

Signature	Name	Title	Date
<u>William B. Davis</u>	William B. Davis	President, Aqua New Jersey, Inc.	<u>3/23/12</u>
<u>William B. Davis</u>	William B. Davis	President, Lawrenceville Water	<u>3/23/12</u>

**Remember to attach: 1) the plan of merger or consolidation; and 2) if the surviving or resulting business is not a registered or authorized domestic or foreign corporation, a Tax Clearance Certificate for each participating corporation.

NJ Division of Revenue, PO Box 308, Trenton NJ 08646

PLAN AND AGREEMENT OF MERGER

Between

AQUA NEW JERSEY, INC.

And

LAWRENCEVILLE WATER COMPANY

THIS Agreement, dated as of the 30th day of March, 2012 by and among, **Lawrenceville Water Company** a New Jersey corporation ("Merged Company"), and **Aqua New Jersey, Inc.**, a New Jersey corporation, ("Surviving Corporation"). (**Lawrenceville Water Company** and **Aqua New Jersey, Inc.** are sometimes collectively referred to as the "Merged Parties.")

RECITALS

A. The Surviving Corporation, Aqua New Jersey, Inc., is a New Jersey Corporation providing water and/or sewer service in the state of New Jersey. Aqua New Jersey, Inc., is a wholly owned subsidiary of Aqua America, Inc., a Pennsylvania corporation. Aqua America, Inc. is not a Merged Party under this Agreement.

B. The Merged Company, Lawrenceville Water Company, is a New Jersey Corporation providing water and/or sewer service in the state of New Jersey and is a wholly owned subsidiary of Aqua America, Inc.

H. The Merged Company and the Surviving Corporation are the constituent corporations to the merger contemplated by this Agreement (the "Merger"), which has been approved by duly adopted resolutions of the respective Boards of Directors of each company, pursuant to which the Merged Company will be merged into the Surviving Corporation upon the terms and conditions set forth herein.

I. Both the Merged Company and the Surviving Corporation intend, by approving resolutions authorizing this Agreement, to adopt the Agreement as a "plan of reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder and to cause the merger to qualify as a reorganization under Section 368(a)(1)(A) of the Code.

J. The New Jersey Board of Public Utilities has issued a final Order approving the merger ("BPU Order") contemplated herein. A copy of the BPU Order is attached hereto as Exhibit 1.

NOW THEREFORE, in consideration of the recitals, covenants and agreements herein contained, and intending to be legally bound hereby, the Merged Parties hereto agree as follows:

1. The Merger

1.01 On the Effective Date, as defined in paragraph 1.03, below, the Merged Company shall be merged with and into the Surviving Corporation which shall survive

the merger, pursuant to Chapter 10 of the New Jersey Business Corporation Act. *N.J. Stat. § 14A:10-1, et. seq.* The separate existence and corporate organization of the Merged Company shall thereupon cease and the Merged Company and the Surviving Corporation will be a single corporation. The terms and conditions of the Merger, the terms of carrying the same into effect, and all other provisions deemed desirable in connection therewith are set forth in this Agreement.

1.02 The Surviving Corporation shall without further act or deed succeed to and possess all of the rights, property, privileges, powers and franchises, whether public or private in nature, and be subject to all the restrictions, disabilities, debts, obligations, duties and liabilities of the Merged Company. All property of every kind, whether real, personal, or mixed, belonging to the Merged Company shall be vested in the Surviving Corporation without further act or deed and all debts, obligations, duties or other liabilities of the Merged Company shall thereby attach to and be assumed by the Surviving Corporation and may be enforced against it to the same extent as if the Surviving Corporation had itself incurred them.

1.03 The "Effective Date" of this Plan and Agreement, and the merger described herein, shall be the date upon which Articles of Merger reflecting this Plan and Agreement are filed with and approved by the New Jersey Department of Treasury.

2. Name and Corporate Structure

2.01 The Name of the Surviving Corporation is Aqua New Jersey, Inc. The corporate existence and registered office in New Jersey of the Surviving Corporation shall be unaffected by the Merger.

2.02 The Articles of Incorporation and Bylaws of the Surviving Corporation shall be unaffected by the Merger and shall remain unchanged and in full force and effect as a result of the Merger.

2.03 Upon the Effective Date, the directors and officers of the Surviving Corporation shall continue to serve as directors and officers of the Surviving Corporation until successors are elected and shall qualify. If, by reason of death or otherwise, any such person on the Effective Date cannot or will not act as a director or officer, the vacancy thereby created will be filled after the Merger becomes effective in accordance with the Bylaws of the Surviving Corporation. Upon the Effective Date, the term of office of each director and officer of each Merged Corporation shall terminate.

2.04 The Merger shall not affect the issued or outstanding shares of capital stock of the Surviving Corporation and the number of authorized shares of the Surviving Corporation shall be unaffected by the Merger.

2.05 On the Effective Date, the stock transfer books of the Merged Company shall be deemed to be closed and no transfer or purported transfer of shares of the capital stock of the Merged Corporation shall thereafter be made, effected, consummated or given effect.

3. Effect of the Transaction

3.01 At the Effective Date, the following actions shall occur:

- (a) the separate existence of Merged Company shall cease;
- (b) the Surviving Corporation shall possess all the rights, privileges, powers and franchises of the Merged Company;
- (c) all the property, real, personal and mixed, and franchises of the Merged Company and all debts due on whatever account to them, including any choses in action belonging to them, shall be deemed to be transferred to and vested in the Surviving Corporation by operation of law and without further acts or deeds;
- (d) all rights, privileges, powers and franchises, and all and every other interest of Merged Company shall be thereafter the property of the Surviving Corporation as they were of the Merged Company;
- (e) the title to and interest in any real estate vested by deed, lease or otherwise in Merged Company shall not revert or be impaired;
- (f) the Surviving Corporation shall be responsible for all the liabilities and obligations of the Merged Company, but the liabilities of Merged Company or their Shareholders, directors or officers shall not be affected by the Merger;
- (g) the officers or directors of Merged Company shall execute and deliver all such instruments and take all such actions as the Surviving Corporation may determine to be necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of all such properties, assets, rights privileges and franchises and otherwise to carry out the purposes of this Agreement.

3.02 Effect on Shares of the Stock

- (a) Shares of all Common Stock and Preferred Stock of Aqua New Jersey, Inc., whether authorized, issued or outstanding shall be unaffected by the Merger and shall remain unchanged and in full force and effect as a result of the Merger.
- (b) As of the Effective Date, all of the previously issued and outstanding shares of the Common Stock and Preferred Stock of the Merged Company whether authorized, issued or outstanding immediately prior to the Effective Date shall be automatically retired and canceled.

4. Conduct Pending the Merger

4.01 Neither the Merged Company, the Surviving Corporation, nor their Shareholders shall, prior to the Effective Date of the Merger, engage in any activity or transaction other than in the ordinary course of business, except as contemplated by this Plan and Agreement of Merger.

5. Representations and Warranties

5.01 The Merged Company is corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey and the Surviving Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey.

5.02 The Merged Company, the Surviving Corporation, and their Shareholders each has full power and lawful authority to execute and deliver this Agreement and upon the receipt of any and all governmental authorizations have the authority to consummate and perform the transactions contemplated hereby. Upon the receipt of any governmental authorizations, this Agreement will constitute the legal, valid and binding obligations of the signatories thereto, enforceable against them in accordance with its terms.

6. Execution and Counterparts

6.01 This Plan and Agreement of Merger may be executed in any number of counterparts, and all such counterparts and copies shall be and constitute one original instrument.

Aqua New Jersey, Inc.

By: William B. Davis
William B. Davis, President

Lawrenceville Water Company.

By: William B. Davis
William B. Davis, President

File

Agenda Date: 7/1/09
Agenda Item: 5C



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE JOINT PETITION)
FOR APPROVAL OF THE CHANGE OF CONTROL) **ORDER**
OF THE LAWRENCEVILLE WATER COMPANY)
AND OTHER REQUIRED APPROVALS) **DOCKET NO. WM08110884**

(SERVICE LIST ATTACHED)

BY THE BOARD:

Procedural History

On November 12, 2008, Lawrenceville Water Company ("Lawrenceville"), Aqua America, Inc. ("Aqua America"), Aqua New Jersey, Inc. ("Aqua-NJ"), and LWC Acquisition Corp. ("LWC Acquisition"), (collectively the "Petitioners") filed a Petition¹ ("Petition") pursuant to N.J.S.A. 48:2-51.1 seeking Board of Public Utilities ("Board") approval of a series of transactions that will take place over approximately two years. First, Petitioners sought authority for Aqua America to acquire Lawrenceville by way of a merger with LWC Acquisition², with Lawrenceville the surviving entity.³ At the

¹ Petitioners supplemented their Petition by way of a letter filed on March 10, 2009, advising the Board of their intent to implement monthly billing for the current customers of Lawrenceville and to close Lawrenceville's current office located at 12 Gordon Avenue, Lawrenceville, NJ.

² As noted below, LWC Acquisition Corp. was formed for the purpose of effectuating this transaction.

³ Aqua America, LWC Acquisition and Lawrenceville signed an Agreement and Plan of Merger (the "Agreement") dated October 3, 2008, pursuant to which Aqua America shall acquire Lawrenceville. The purchase price is \$2,880,000. As described in Section 2.7 of the

conclusion of this step, Lawrenceville will be a direct, wholly owned subsidiary of Aqua America. Petitioners anticipate that this initial merger transaction will take place as soon as practicable following receipt of the Board's approval requested in this matter. Second, Petitioners sought authority for Aqua-NJ to merge with Lawrenceville, with Aqua-NJ becoming the surviving entity. Petitioners anticipate that the second transaction will occur approximately two years after the initial merger of Lawrenceville and LWC Acquisition.

The matter was retained by the Board for consideration, and Commissioner Nicholas Asselta was assigned to hear the matter. The parties have engaged in extensive and detailed discovery. On April 6, 2009, a public hearing was held in Lawrenceville. No members of the public appeared at the hearing. Subsequently, settlement discussions were held and those efforts have resulted in the Stipulation of Settlement set forth below.

Background

Lawrenceville is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board. Lawrenceville provides water service to approximately 2,600 customers located in Lawrence Township, Mercer County, New Jersey.

Aqua America is a Pennsylvania corporation which provides water and wastewater services to approximately 2.8 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York and South Carolina. Aqua America's principal business office is located at 762 West Lancaster Avenue, Bryn Mawr, PA 19010.

Aqua-NJ is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board, and a wholly-owned subsidiary of Aqua America. Aqua-NJ provides water and/or wastewater services to approximately 51,000 customers in several municipalities located in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Sussex, Ocean and Gloucester Counties.

LWC Acquisition is a New Jersey corporation and a wholly-owned subsidiary of Aqua America. LWC Acquisition was formed solely for the purpose of effectuating the merger transactions described herein.

Proposed Stipulation

The parties that have participated in the proceeding are as follows: Lawrenceville Water Company, Aqua America, Inc., Aqua New Jersey, Inc., and LWC Acquisition Corp., the Department of Public Advocate, Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Board Staff"). As a result of an analysis of the filed Petition and exhibits, conferences, negotiations, responses to data requests, and a duly noticed public comment hearing held in Lawrenceville, N.J., the Petitioners, Rate Counsel and Board Staff (collectively, the "Parties") have entered

Agreement, each share of Lawrenceville capital stock will be converted into the right to receive a certain number of shares of Aqua America common stock. The precise number of shares will be determined at closing pursuant to the conversion formula contained in the Agreement.

Into a Stipulation of Settlement ("Stipulation"), on all of the issues in dispute in this matter.

Pursuant to the Stipulation, the Parties have agreed that rates charged to Lawrenceville customers for water service will remain unchanged after the transactions have been completed. Petitioners note that customers in Lawrenceville will continue to pay for water service at the current, Board-approved Lawrenceville rates and such rate schedules are attached as Schedule A to the Stipulation. Petitioners intend that these rates will remain in effect until such time as Lawrenceville is merged with Aqua-NJ. The merger of Lawrenceville and Aqua-NJ is estimated to occur approximately two years after the initial merger of Lawrenceville and LWC. It has been agreed that at Aqua-NJ's first base rate proceeding filed after the consummation of the Lawrenceville-Aqua-NJ merger, Aqua-NJ will propose to transition the Lawrenceville customers to the then-effective Aqua-NJ rates.

Lawrenceville has no full-time employees and instead is operated by a combination of contract operators and part-time employees. The Parties agree that one part-time employee will continue with Lawrenceville following the merger as a consultant. Aqua-NJ will assign qualified individuals to inspect and operate the Lawrenceville system on a daily basis to ensure the system is operating properly.

The provision of safe, adequate and proper utility service will be enhanced as a result of the proposed transactions in that it will make available to the customers of Lawrenceville the environmental, technical, operational and financial resources of the Aqua America family of companies.

The proposed transactions will have no immediate, direct or measurable impact on competition. Moreover, Aqua-NJ and Lawrenceville will continue to be subject to the jurisdiction of the Board.

The Parties have agreed to recommend to the Board that the Board approve the merger of Lawrenceville and LWC Acquisition (with Lawrenceville the surviving entity), and the merger of Lawrenceville and Aqua-NJ (with Aqua-NJ the surviving entity).

The Parties agree that within thirty days of the closing of each of the merger transactions, Aqua-NJ will file with the Board and the Parties to the Stipulation written notice of the closing and detailed final journal entries reflecting actual amounts at the time of closing and the BPU Uniform System of Accounts number(s) associated with each entry.

The Parties have further agreed that any requests for an acquisition adjustment which may result from the proposed merger transactions will be addressed, if necessary, in a future Aqua-NJ base rate proceeding (after Aqua-NJ and Lawrenceville have been merged in approximately two years). In addition, no direct and/or indirect transaction costs (financial, legal, consulting, etc) shall ever be passed on to, or recovered from, or funded by the customers of Aqua-NJ either in the form of expenses or as capitalized organization and franchise costs. Aqua-NJ shareholders shall be responsible for all direct and indirect transaction costs (financial, legal, consulting, etc.).

The Parties also agree that approval of this Petition does not constitute Board approval of any costs or expenses associated with these transactions, including the costs associated with the Consulting Agreement between Lawrenceville and Charles Conover. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the customers currently served by Lawrenceville, including but not limited to the costs of construction, or any related capital improvements, and the allocation of such costs and expenses, shall be made in a future Aqua-NJ base rate proceeding.

The Parties have agreed that customers of Lawrenceville should continue to pay for water service at rates pursuant to Lawrenceville's existing Board-approved tariff. In a future Aqua-NJ base rate proceeding, the Board will be presented with the issue as to the rates and charges that Lawrenceville customers should be charged pursuant to Aqua-NJ's then-approved tariffs. At this time, the Board makes no determination as to the appropriateness of any such changes to Lawrenceville's rates.

The Parties also have agreed that subject to appropriate confidentiality protections, the Board shall be provided with reasonable access to the books and records of Aqua-NJ and any of its affiliates for the purpose of reviewing the proper allocation of costs to its operations. Nothing in the Stipulation shall be construed so as to limit the authority of the Board pursuant to N.J.S.A. 48:2-16 et seq.

The Parties agreed that prior to the closing of the current Lawrenceville office, the Parties will meet with Board Staff and Rate Counsel to develop a reasonable plan for notifying customers, and the affected municipalities of Aqua American or -NJ's acquisition of Lawrenceville and the office closing. The Parties to the Stipulation acknowledge that the office closing shall be completed in accordance with the provisions of N.J.A.C. 14:3-5.1(e)

The Parties acknowledge that any Board Order approving the Companies' Petition will contain language which recognizes that the Order issued in this matter shall not affect or in any way limit the exercise of the authority of the Board or the State in any future proceedings with respect to rates, franchises, service, customer service and call center operations, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioners.

The Parties acknowledge the Petitioners' March 10, 2009 request to implement monthly billing for Lawrenceville customers. The Parties recommend that the Board authorize, to the extent required, such monthly billing subject to:

- (a) The switch from quarterly to monthly billing will not constitute approval of any costs or expenses associated with the change in billing frequency. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the switch from quarterly to monthly billing shall be made in an appropriate subsequent proceeding. Petitioners shall maintain their records in such a manner that costs related to the switch from quarterly to monthly billing can be determined.

(b) Petitioners shall provide individual notice by first class mail to all customers of Lawrenceville Water Company 60 days in advance of the switch from quarterly to monthly billing and provide proof of such mailings to the Board within ten (10) days of such mailing.

(c) Petitioners shall submit revised tariff pages reflecting the change in billing of the Lawrenceville Water Company customers from quarterly to monthly within ten (10) days of the date of such change.

Following completion of the proposed transactions, Aqua America and Aqua-NJ agree to continue to keep the Board and Board Staff apprised of any significant issues affecting Aqua America and/or Aqua-NJ in the manner in which they currently do so and shall use their best commercially reasonable efforts to provide notification of any such significant issues to the Board and Board Staff, as an 'Interested Party' under the SEC Regulation Fair Disclosure (FD) no later than Aqua America and Aqua-NJ give notice of such significant issues to any person or entity outside their respective companies, including any other state regulatory body or agency, to the extent permitted by the requirements of all applicable laws and regulations.

Aqua America and Aqua-NJ agree to provide notice to the Board and Board Staff, upon the applicable SEC filing relating to such event, if Aqua America experiences any of the following events: (i) a change of control, (ii) a material acquisition or disposal of assets other than in the ordinary course of business, (iii) a filing of bankruptcy or appointment of a receiver, or (iv) a change in its independent accounting firm.

The Parties agreed that the Stipulation reflects a mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to the Stipulation as a whole, since the Parties expressly and jointly state that they would not have signed the Stipulation had any terms been modified in any way. In the event any particular aspect of the Stipulation is not accepted and approved by the Board, then any Party materially affected thereby shall not be bound to proceed under the Stipulation.

The Parties have further agreed that the purpose of the Stipulation is to avoid protracted and costly litigation, and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

It is specifically understood and agreed that the Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Petitioners, the Board, Board Staff or Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided in the Stipulation in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of the Stipulation. Furthermore, it has been agreed that all rates are subject to audit by the Board.

Discussion and Findings:

When considering a transaction pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14, the Board is required to evaluate the impact of the proposed change of control on competition, on the rates of ratepayers affected by the change in control, on the employees of the affected public utility, and on the provision of safe, adequate and proper utility service at just and reasonable rates, and to state the benefits to the public which will be realized as a result of the change in control. As to rates, Petitioners have agreed that Lawrenceville's rate schedule will remain in effect at least until Lawrenceville is merged with Aqua-NJ, which will occur in approximately 2 years after the merger of Lawrenceville and LWC Acquisition. Any proposed transition to Aqua-NJ rates will be determined in Aqua-NJ's first base rate proceeding following the Lawrenceville and Aqua-NJ merger. As to employees, Lawrenceville current has only part-time and contract employees. After the merger, one part-time employee will be retained by Lawrenceville. All responsibilities will be assigned to qualified Aqua-NJ personnel. As to the provision of safe and adequate utility service, the transaction will make Aqua America's environmental, technical, operational and financial resources available to Lawrenceville customers. Additionally, Aqua-NJ has significantly more financial resources than the current owners of Lawrenceville, that will allow it to make capital improvements to the Lawrenceville system. Finally, the transaction will not have any direct or measurable impact on competition as water services at the distribution level have not traditionally been competitive. As such the Board HEREBY FINDS that the standards which are to be met in order for the Board to approve a change of control have been satisfied.

The Board adopts the Stipulation as its own, incorporating by reference the terms and conditions as if fully set forth at length herein, and HEREBY APPROVES the agreements between Lawrenceville, Aqua America, Aqua-NJ and LWC Acquisition. Except as set forth below. Should there be any discrepancy between the terms of the Stipulation and descriptions found in this Order, the executed Stipulation shall control.

The approvals granted, hereinabove, shall be subject to the following provisions:

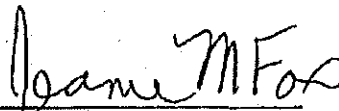
1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Petitioners.
2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting Petitioners.
3. In an appropriate subsequent proceeding, the Petitioners shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this Petition shall be allocated to ratepayers. Approval of these change of control agreements do not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.

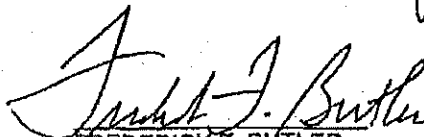
4. Approval of this Petition does not constitute Board approval of any costs or expenses associated with this acquisition. Any requests for an acquisition adjustment which may result from the proposed merger transactions will be addressed, if necessary, in a future Aqua-NJ base rate proceeding (after Aqua-NJ and Lawrenceville have been merged in approximately two years). In addition, no direct and/or indirect transaction costs (financial, legal, consulting, etc) shall ever be passed on to, or recovered from, or funded by the customers of Aqua-NJ either in the form of expenses or as capitalized organization and franchise costs. Aqua-NJ shareholders shall be responsible for all direct and indirect transaction costs (financial, legal, consulting, etc.).
5. Approval of this Petition does not constitute Board approval of any costs or expenses associated with these transactions. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the customers currently served by Lawrenceville, including but not limited to the costs of construction, or any related capital improvements, and the allocation of such costs and expenses, shall be made in a future Aqua-NJ base rate proceeding.
6. Approval of this Petition shall not be construed as Board approval of the appropriateness and reasonableness of any future changes to Lawrenceville's rates. Such determination shall be made in a future Aqua-NJ base rate proceeding, but not prior to the merger of Lawrenceville and Aqua-NJ.
7. Subject to any claim of confidentiality pursuant to N.J.A.C. 14:1-12.1 et seq. the Board shall be provided with reasonable access to the books and records of Aqua-NJ and any of its affiliates for the purpose of reviewing the proper allocation of costs to its operations. Such claims shall not limit the authority of the Board pursuant to N.J.S.A. 48:2-16 et seq.

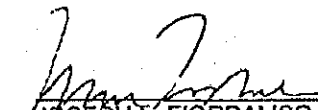
Furthermore, the Board HEREBY ORDERS that Aqua-NJ shall file written notice of the closing of each merger transaction and final journal entries with the Board and the Parties within thirty (30) days of the closing of the transaction.

DATED: 7/1/09

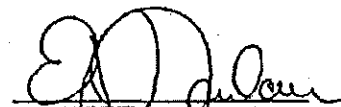
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

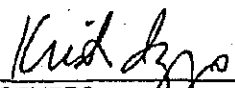

FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

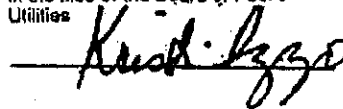

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

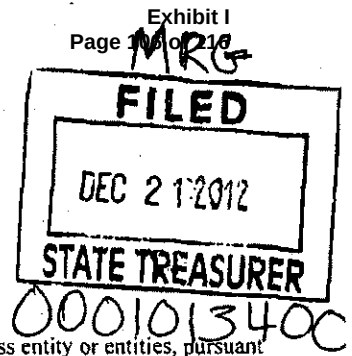
ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



New Jersey Division of Revenue
Certificate of Merger/Consolidation
(Profit Corporations)



This form may be used to record the merger or consolidation of a corporation with or into another business entity or entities, pursuant to NJSA 14A. Applicants must insure strict compliance with the requirements of State law and insure that all filing requirements are met. This form is intended to simplify filing with the State Treasurer. Applicants are advised to seek out private legal advice before submitting filings to the Department of the Treasury, Division of Revenue's office.

1. Type of Filing (check one): ☒ Merger ☐ Consolidation

2. Name of Surviving Business Entity: Aqua New Jersey, Inc.

3. Name(s)/Jurisdiction(s) of All Participating Business Entities including Surviving Entity:

Name	Jurisdiction	Identification # Assigned by Treasurer (if applicable)
Aqua New Jersey, Inc.	New Jersey Corp	0001013400
Walkkill Water Company	New Jersey Corp	0100049832
Walkkill Sewer Company	New Jersey Corp	0100049831

4. Date Merger/Consolidation adopted: 12-17-12

5. Voting: (all corporations involved; attach additional sheets if necessary)

-a Corp. Name Aqua New Jersey, Inc. Outstanding Shares
If applicable, set forth the number and designation of any class or series of shares entitled to vote.

Voting For _____ Voting Against _____ ; OR

Merger/consolidation plan was adopted by the unanimous written consent of the shareholders without a meeting (check) ☒

-b Corp. Name Walkkill Water Company Outstanding Shares
If applicable, set forth the number and designation of any class or series of shares entitled to vote.

Voting For _____ Voting Against _____ ; OR

Merger/consolidation plan was adopted by the unanimous written consent of the shareholders without a meeting (check) ☒

-c Corp. Name Walkkill Sewer Company Outstanding Shares
If applicable, set forth the number and designation of any class or series of shares entitled to vote.

Voting For _____ Voting Against _____ ; OR

Merger/consolidation plan was adopted by the unanimous written consent of the shareholders without a meeting (check) ☒

6. Service of Process Address (For use if the surviving business entity is not authorized or registered by the State Treasurer:

The surviving business entity agrees that it may be served with process in this State in any action, suit or proceeding for the enforcement of any obligation of any domestic or foreign corporation, previously amenable to suit in this State, which is a party to this merger/consolidation, and in any proceeding for the enforcement of the rights of a dissenting shareholder of such domestic corporation against the surviving corporation.

The Treasurer is hereby appointed as agent to accept service of process in any such action, suit, or proceeding which shall be forwarded to the surviving business entity at the Service of Process address stated above.

The Surviving Business Entity also agrees that it will promptly pay to the dissenting shareholders of any such domestic corporation the amount, if any, to which they may be entitled under the provisions of Title 14A.

2550670
4566800

FILED
DEC 3 1971
STATE TREASURER

THE COMMONS FOR

Certificate of Merger/Consolidation
UMC-2
Page 2

7. Effective Date (see inst.): 1/1/13

Signature	Name	Title	Date
<u>William B. Davis</u>	William Davis	President - Aqua New Jersey, Inc.	12/17/12
<u>William B. Davis</u>	William Davis	President - Wallkill Water Company	12/17/12
<u>William B. Davis</u>	William Davis	President - Wallkill Sewer Company	12/17/12

**Remember to attach: 1) the plan of merger or consolidation; and 2) if the surviving or resulting business is not a registered or authorized domestic or foreign corporation, a Tax Clearance Certificate for each participating corporation.

NJ Division of Revenue, PO Box 308, Trenton NJ 08646

PLAN AND AGREEMENT OF MERGER

Between
AQUA NEW JERSEY, INC.
and
WALLKILL WATER COMPANY
and
WALLKILL SEWER COMPANY

THIS Agreement, dated as of the 17th day of December, 2012, is by and among, Wallkill Water Company and Wallkill Sewer Company, New Jersey corporations (each a "Merged Company" and collectively the "Merged Companies"), and Aqua New Jersey, Inc., a New Jersey corporation, ("Surviving Corporation"). (Wallkill Water Company and Wallkill Sewer Company and Aqua New Jersey, Inc., are sometimes collectively referred to as the "Merged Parties.")

RECITALS

A. The Surviving Corporation, Aqua New Jersey, Inc., is a New Jersey Corporation providing water and/or sewer service in the state of New Jersey. Aqua New Jersey, Inc., is a wholly owned subsidiary of Aqua America, Inc., a Pennsylvania corporation. Aqua America, Inc. is not a Merged Party under this Agreement.

B. The Merged Company, Wallkill Water Company, is a New Jersey Corporation providing water and/or sewer service in the state of New Jersey and is a wholly owned subsidiary of the Surviving Corporation.

C. The Merged Company, Wallkill Sewer Company, is a New Jersey Corporation providing water and/or sewer service in the state of New Jersey and is a wholly owned subsidiary of the Surviving Corporation.

D. The Merged Companies and the Surviving Corporation are the constituent corporations to the merger contemplated by this Agreement (the "Merger"), which has been approved by duly adopted resolutions of the respective Boards of Directors of each company, pursuant to which the Merged Companies will be merged into the Surviving Corporation upon the terms and conditions set forth herein.

E. The Merged Companies and the Surviving Corporation intend, by approving resolutions authorizing this Agreement, to adopt the Agreement as a "plan of reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder and to cause the merger to qualify as a reorganization under Section 368(a)(1)(A) of the Code.

NOW THEREFORE, in consideration of the recitals, covenants and agreements herein contained, and intending to be legally bound hereby, the Merged Parties hereto agree as follows:

1. The Merger

1.01 On the Effective Date, as defined in paragraph 1.03, below, the Merged Companies shall be merged with and into the Surviving Corporation which shall survive the merger, pursuant to Chapter 10 of the New Jersey Business Corporation Act. *N.J. Stat. § 14A:10-1, et. seq.* The separate existence and corporate organization of the Merged Companies shall thereupon cease and the Merged Companies and the Surviving Corporation will be a single corporation. The terms and conditions of the Merger, the terms of carrying the same into effect, and all other provisions deemed desirable in connection therewith are set forth in this Agreement.

1.02 The Surviving Corporation shall without further act or deed succeed to and possess all of the rights, property, privileges, powers and franchises, whether public or private in nature, and be subject to all the restrictions, disabilities, debts, obligations, duties and liabilities of the Merged Companies. All property of every kind, whether real, personal, or mixed, belonging to the Merged Companies shall be vested in the Surviving Corporation without further act or deed and all debts, obligations, duties or other liabilities of the Merged Companies shall thereby attach to and be assumed by the Surviving Corporation and may be enforced against it to the same extent as if the Surviving Corporation had itself incurred them.

1.03 The "Effective Date" of this Plan and Agreement, and the merger described herein, shall be January 1, 2013.

2. Name and Corporate Structure

2.01 The Name of the Surviving Corporation is Aqua New Jersey, Inc. The corporate existence and registered office in New Jersey of the Surviving Corporation shall be unaffected by the Merger.

2.02 The Articles of Incorporation and Bylaws of the Surviving Corporation shall be unaffected by the Merger and shall remain unchanged and in full force and effect as a result of the Merger.

2.03 Upon the Effective Date, the directors and officers of the Surviving Corporation shall continue to serve as directors and officers of the Surviving Corporation until successors are elected and shall qualify. If, by reason of death or otherwise, any such person on the Effective Date cannot or will not act as a director or officer, the vacancy thereby created will be filled after the Merger becomes effective in accordance with the Bylaws of the Surviving Corporation. Upon the Effective Date, the term of office of each director and officer of each Merged Companies shall terminate.

2.04 The Merger shall not affect the issued or outstanding shares of capital stock of the Surviving Corporation and the number of authorized shares of the Surviving Corporation shall be unaffected by the Merger.

2.05 On the Effective Date, the stock transfer books of the Merged Companies shall be deemed to be closed and no transfer or purported transfer of shares of the capital

stock of the Merged Companies shall thereafter be made, effected, consummated or given effect.

3. Effect of the Transaction

3.01 At the Effective Date, the following actions shall occur:

- (a) the separate existence of Merged Companies shall cease;
- (b) the Surviving Corporation shall possess all the rights, privileges, powers and franchises of the Merged Companies;
- (c) all the property, real, personal and mixed, and franchises of the Merged Companies and all debts due on whatever account to them, including any choses in action belonging to them, shall be deemed to be transferred to and vested in the Surviving Corporation by operation of law and without further acts or deeds;
- (d) all rights, privileges, powers and franchises, and all and every other interest of Merged Companies shall be thereafter the property of the Surviving Corporation as they were of the Merged Companies;
- (e) the title to and interest in any real estate vested by deed, lease or otherwise in Merged Companies shall not revert or be impaired;
- (f) the Surviving Corporation shall be responsible for all the liabilities and obligations of the Merged Companies, but the liabilities of Merged Companies or their Shareholders, directors or officers shall not be affected by the Merger;
- (g) the officers or directors of Merged Companies shall execute and deliver all such instruments and take all such actions as the Surviving Corporation may determine to be necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of all such properties, assets, rights privileges and franchises and otherwise to carry out the purposes of this Agreement.

3.02 Effect on Shares of the Stock

- (a) Shares of all Common Stock and Preferred Stock of Aqua New Jersey, Inc., whether authorized, issued or outstanding shall be unaffected by the Merger and shall remain unchanged and in full force and effect as a result of the Merger.
- (b) As of the Effective Date, all of the previously issued and outstanding shares of the Common Stock and Preferred Stock of the Merged Companies whether authorized, issued or outstanding immediately prior to the Effective Date shall be automatically retired and canceled.

4. Conduct Pending the Merger

4.01 Neither the Merged Companies, the Surviving Corporation, nor their Shareholders shall, prior to the Effective Date of the Merger, engage in any activity or transaction other than in the ordinary course of business, except as contemplated by this Plan and Agreement of Merger.

5. Representations and Warranties

5.01 The Merged Companies are corporations duly organized, validly existing and in good standing under the laws of the State of New Jersey and the Surviving Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey.

5.02 The Merged Companies, the Surviving Corporation, and their Shareholders each has full power and lawful authority to execute and deliver this Agreement and upon the receipt of any and all governmental authorizations have the authority to consummate and perform the transactions contemplated hereby. Upon the receipt of any governmental authorizations, this Agreement will constitute the legal, valid and binding obligations of the signatories thereto, enforceable against them in accordance with its terms.

6. Execution and Counterparts

6.01 This Plan and Agreement of Merger may be executed in any number of counterparts, and all such counterparts and copies shall be and constitute one original instrument.

SURVIVING CORPORATION
Aqua New Jersey, Inc.

By: William B. Davis
William B. Davis, President

MERGED COMPANY
Wallkill Water Company

By: William B. Davis
William B. Davis, President

MERGED COMPANY
Wallkill Sewer Company

By: William B. Davis
William B. Davis, President

Joint Petitioners Statement No. 1
Direct Testimony of Cheryl Norton

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF
THE MERGER OF AMERICAN WATER WORKS COMPANY, INC.
AND ESSENTIAL UTILITIES, INC.**

BPU DOCKET NO. WM2511_____

DIRECT TESTIMONY OF

CHERYL NORTON

EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER
AMERICAN WATER WORKS COMPANY, INC.

DATED: NOVEMBER 26, 2025

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1 **DIRECT TESTIMONY**
2 **OF**
3 **CHERYL NORTON**

4 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

5 **1. Q. Please state your full name and business address.**

6 A. My name is Cheryl Norton. My business address is 1 Water Street, Camden, NJ
7 08102.

8 **2. Q. By whom are you employed and in what capacity?**

9 A. I am employed by American Water Works Service Company, Inc. and serve as
10 Executive Vice President and Chief Operating Officer (“COO”) for American Water
11 Works Company, Inc. (“American Water”). In that role, I am responsible for the
12 successful performance of American Water’s regulated state subsidiaries. I also lead
13 business development and customer service across American Water’s footprint, as well
14 as systemwide Engineering, Health and Safety, Environmental and Regulatory
15 Compliance, and Information Technology (IT).

16 **3. Q. Please briefly describe your educational and professional background.**

17 A. I received a Bachelor of Science degree in biology and a Master of Science degree in
18 environmental studies from Southern Illinois University at Edwardsville. I have been
19 with American Water since 1988, when I began my career as a research analyst at the
20 American Water Central Laboratory conducting microbiological research related to
21 improved treatment techniques. I continued to work in the research department through
22 May 2000, holding Senior Research Analyst and Environmental Scientist positions.
23 From 2000 to 2007, I served as laboratory director for American Water’s Central
24 Laboratory in Belleville, Illinois, assuming oversight of all operational areas of Illinois
25 American Water, including water quality, field operations, production and maintenance

1 for water and sewer. In 2007, I became the Vice President of Operations for Illinois-
2 American Water Company (“Illinois American Water”) in Belleville, Illinois,
3 assuming oversight of all operational areas of Illinois American Water, including water
4 quality, field operations, production and maintenance for water and sewer. In January
5 2011, I became President at Kentucky-American Water Company, in November of
6 2015, I became President of Missouri-American Water Company, and in March, 2019,
7 I assumed the roles of Senior Vice President of the Eastern Division of American
8 Water, which was comprised of New Jersey, New York, Virginia, and Maryland, and
9 President of New Jersey-American Water Company, Inc. (“NJAWC”). In 2020, I also
10 took on the role of American Water’s Chief Environmental Officer, overseeing
11 environmental leadership and compliance across American Water’s national footprint.
12 In March 2021, I took on my current role as COO.

13 **4. Q. Have you previously testified before the New Jersey Board of Public Utilities (the**
14 **“BPU” or “Board”)?**

15 A. Yes. I have provided testimony on behalf of NJAWC in its 2019 general rate case
16 (Docket No. WR19121516).

17 **5. Q. What is the purpose of your direct testimony in this proceeding?**

18 A. My testimony first provides an overview of the proposed merger of American Water
19 and Essential Utilities, Inc. (“Essential”) (the “Merger”). Second, I explain why
20 American Water decided to merge with Essential and, in particular, how the Merger
21 will strengthen the combined company’s utilities to better serve our customers and
22 support the shared vision and core values of both merger partners. Third, I discuss the
23 benefits the Merger will produce, explain why it will have no adverse impact on rates,

1 the provision of safe, adequate and proper utility service, employees, or competition in
2 New Jersey, and describe the Merger’s positive benefits to customers and the State of
3 New Jersey. Finally, I introduce other witnesses submitting direct testimony in support
4 of the Merger.

5 II. OVERVIEW OF THE MERGER

6 6. Q. Please provide an overview of the Merger.

7 A. On October 26, 2025, American Water, Alpha Merger Sub, Inc., a new wholly owned
8 subsidiary of American Water formed for the sole purpose of effectuating the
9 Merger (“Merger Sub”), and Essential entered into an Agreement and Plan of Merger
10 (the “Merger Agreement”) to combine American Water and Essential in an all-stock,
11 tax-free merger. As explained in the Joint Petition and in the direct testimony of
12 American Water’s Executive Vice President and Chief Financial Officer (“CFO”),
13 David Bowler (Joint Petitioners Statement No. 2), when the Merger is complete,
14 Essential will be a wholly owned subsidiary of American Water. American Water will
15 remain the ultimate corporate parent of NJAWC¹ and all other existing American Water
16 subsidiaries, and will become the ultimate corporate parent of Essential and all its
17 subsidiaries, including Aqua New Jersey, Inc. (“Aqua”).

18 7. Q. Please describe the post-Merger American Water operational structure.

19 A. Operationally, the post-Merger corporate structure will continue to reflect a regional
20 focus, and the combination of American Water and Essential in New Jersey will not in
21 any way reduce the regulatory oversight of the BPU with respect to NJAWC’s or
22 Aqua’s rates and operations. The corporate headquarters of the combined company

¹ American Water is not proposing to merge NJAWC and Aqua at this time.

1 will be in Camden, New Jersey, and Essential's existing corporate offices in Bryn
2 Mawr and Pittsburgh, Pennsylvania, will each continue to maintain a strong operational
3 presence, as will Aqua's principal business office in Hamilton, New Jersey. In
4 addition, day-to-day operations will continue to be locally managed by dedicated local
5 employees serving our customers and living in and giving back to our communities.

6 **III. OVERVIEW OF AMERICAN WATER AND REASONS FOR THE MERGER**

7 **8. Q. Please provide a brief history of American Water and a summary of its business**
8 **operations today.**

9 A. With a history dating back to 1886, American Water employs more than 6,700
10 dedicated professionals and is the largest and most geographically diverse investor-
11 owned water and wastewater utility in the United States. We provide clean, safe,
12 reliable and affordable drinking water and wastewater services to 3.5 million customer
13 connections, or more than 14 million people in 14 states, including New Jersey, and on
14 18 military installations. The primary operating assets of American Water's utilities
15 include approximately 80 surface water treatment plants, 520 groundwater treatment
16 plants, 190 wastewater treatment plants, 54,500 miles of transmission, distribution, and
17 collection mains and pipes, 1,200 groundwater wells, 1,800 water and wastewater
18 pumping stations, 1,100 treated water storage facilities, and 75 dams.

19 American Water has a strong financial track record and broad access to capital
20 markets, as discussed further by Mr. Bowler. Notably, over the next five years,
21 American Water plans to invest nearly \$18 billion across its footprint, including \$3.3
22 billion in 2025, to replace pipes and pumps, upgrade plants and otherwise support the

resiliency of utility systems, as well as for acquisitions of water and wastewater systems to provide needed water quality and delivery improvements to additional communities.

9. Q. What are American Water’s mission, vision and core values?

A. American Water’s mission is to provide clean, safe, reliable, and affordable water and wastewater services to customers, and it has a long-standing history of commitments to safety, affordability, customer service, protecting the environment, an inclusive workforce and strengthening communities. As part of our vision—We Keep Life Flowing®—American Water’s customer-focused company culture is grounded in our five core values:

- 1. Safety First:** Safety is our top focus – for every employee, customer, and community we serve. This includes physical safety, emotional safety, and health and wellbeing. Safety always comes first, without exception.
- 2. Trust, Dignity & Respect:** These are the central underpinnings of how we interact with each other. It means being dependable, honest, transparent, and accountable, ensuring everyone is acknowledged, heard, and empowered to thrive, while fostering a positive and inclusive environment promoting active listening, and open communication. Everyone should feel valued.
- 3. One Team:** We leverage our size, scale, and expertise to act as a cohesive team working towards a greater purpose, sharing our successes and challenges. We are committed to working together to achieve shared goals.
- 4. Environmental Leadership:** We deliver clean, safe, reliable, and affordable water and wastewater services to our customers, setting the standard for excellence while acting as a trusted steward of our most precious resource.
- 5. High Performance:** We are committed to excellence in everything we do because what we do is so critical to the lives of our customers. High Performance is all about executing to the best of our abilities including getting the fundamentals right every time and addressing issues quickly and transparently.

10. Q. What were the main considerations driving the Merger?

A. The merger of American Water and Essential brings together two industry leaders with a shared mission and common core values that are committed to safety, sustainable

1 growth, operational excellence, a superior customer experience and recognition as a
2 top-tier employer, all while protecting the natural environment in the areas in which
3 they operate. Together, and as further discussed by Mr. Bowler, the Merger creates a
4 stronger, more resilient utility with improved credit quality, a balanced capital
5 structure, and a stable cash flow to support long-term growth and reliable service. The
6 credit profile of the combined company falls comfortably within American Water's
7 current credit ratings of A (Standard & Poor's or "S&P") and Baa1 (Moody's), and the
8 combined equity market capitalization of \$40 billion will rank among the top 250 in
9 the S&P 500.

10 This business combination expands diversification across service territories and
11 broadens the customer base—17 states and 4.7 million water and wastewater
12 connections. It also presents opportunities to leverage operational and financial
13 expertise and efficiencies from complementary platforms to drive high-quality,
14 affordable service, and maximize the ability to help solve water and wastewater
15 challenges across the United States. The enhanced scale and operational efficiency of
16 the combined company will support sustained and necessary investment in water and
17 wastewater infrastructure in New Jersey and across the country. The unification of two
18 highly skilled and experienced teams will also expand the ability to attract top talent
19 and retain employees by offering broader career advancement prospects across the
20 organization.

21 In short, the Merger will result in a combined company with a breadth and depth
22 of expertise unmatched in the water and wastewater regulated utility space.

1 11. Q. Please describe American Water's history of owning and managing public utility
2 infrastructure in New Jersey.

3 A. American Water has owned and operated water systems in New Jersey for over 150
4 years and has owned and operated wastewater systems since 1893. Its subsidiary
5 NJAWC provides high-quality water and wastewater services to over 746,000
6 customers (representing a population of approximately 2.9 million people) in 18 of the
7 21 counties across New Jersey. NJAWC maintains 11,174 miles of water and sewer
8 pipeline and plans to invest more than \$500 million annually in infrastructure renewal.

9 Over the past 10 years American Water subsidiaries have invested \$10 billion
10 in infrastructure improvements that includes replacement of 3,500 miles of water and
11 sewer mains and associated hydrants, valves, service lines, and water meters. In New
12 Jersey alone, over that same period, NJAWC has invested over \$1.3 billion in pipeline
13 infrastructure.

14 IV. BENEFITS THE MERGER WILL PRODUCE

15 12. Q. Please provide an overview of the benefits that the Merger will produce.

16 A. The Merger will create benefits for Aqua, its customers, and the State of New Jersey.
17 First, the Merger will create a larger platform to continue and enhance the provision of
18 essential utility services including industry-leading water and wastewater service and
19 water-quality best practices, support needed infrastructure investment, and drive
20 innovation, sustainability, and a better overall customer experience. Second, Aqua and
21 its customers will benefit from being part of a larger corporate organization with a
22 strong financial track record, as detailed in the direct testimony of Mr. Bowler. Third,
23 the Joint Petitioners are confident that the Merger will generate synergies and result in

1 overall aggregate cost savings opportunities for the combined company over the long-
2 term. Fourth, Essential's charitable contributions and community support will be
3 embodied in a firm commitment to maintain aggregate charitable giving in its service
4 areas at levels consistent with those historically provided by Aqua for two years after
5 completion of the Merger, and thereafter, at levels consistent with American Water's
6 contributions in the areas it serves. Finally, American Water is proposing to take
7 several important steps to protect customers and employees and to maintain the local
8 presence of Aqua, which I will describe later in my testimony.

9 **13. Q. Please explain how the increased scale and scope of the post-Merger**
10 **organization will benefit Aqua's customers.**

11 A. In addition to the financial benefits described by Mr. Bowler, the increased scale and
12 scope of the combined company will deliver operational efficiencies, enhanced
13 customer service, and broader resources and capabilities. The size and breadth of
14 American Water, combined with Essential, will enable the entire American Water
15 enterprise (which will now include Aqua) to maximize its purchasing power and obtain
16 significant discounts on necessary goods and services including, but not limited to,
17 water treatment chemicals, pipe valves and fittings, meters, engineering services,
18 consulting services, professional services and employee benefits.

19 The water and wastewater industries are highly capital intensive due to the need
20 to comply with increasingly stringent environmental standards, while also
21 rehabilitating and replacing aging water and wastewater system infrastructure. The
22 expanded set of resources and greater scale achieved through the Merger will support
23 continued investment in critical infrastructure and our ability to meet the evolving

needs of our customers. Customers will also benefit from the combined best practices, knowledge and skills of both utilities. Aqua, along with American Water's and Essential's other regulated subsidiaries, will have exclusive access to a "deeper bench" of highly trained professionals who possess significant operational experience in various specialized areas and are skilled at, and dedicated to, providing necessary, cost-effective, value-added service that supports the provision of clean, safe, reliable, and affordable water and wastewater service in a manner consistent with the long-term best interest of customers. This centralized expertise will drive and further enhance knowledge sharing, standardization of processes and practices, training, and operational efficiencies among American Water's subsidiaries, including Aqua.

14. Q. What other benefits do you believe will be realized as a result of the combination of American Water's and Essential's water and wastewater capabilities?

A. American Water maintains various centralized or center-led resources that drive knowledge sharing and standardization to support enhanced operational efficiency across the business. This includes our Central Laboratory, research and development ("R&D") program, environmental compliance model, operational training program, and geographic information system ("GIS") and engineering departments, to name a few. The availability of these resources to Essential's utilities will enhance their capabilities and aid in enhancing their service to customers.

15. Q. Please describe American Water's Central Laboratory.

A. American Water's Central Laboratory supports research and water compliance efforts through sophisticated testing and analysis, each of which is further discussed below.

1 The Central Laboratory processes more than 30,000 sample events each year, is
2 certified in 19 states and territories, and performs testing using 35 methodologies for
3 over 220 compounds. Our NELAC²-certified laboratory will perform over 120,000
4 individual analyses in 2025. A laboratory information management system (“LIMS”)
5 is used to manage certain water quality data and sample reporting requirements. The
6 LIMS sample scheduling feature provides a tool to streamline thousands of water
7 sample tests annually and ensures that the results are tracked and reported as required
8 by the environmental regulators. It also allows the business to use that data to support
9 its capital planning efforts. The lab has a history of being on the forefront of
10 monitoring, testing, identifying and controlling analytes in advance of federal
11 regulations, and regularly collaborates with the U.S. Environmental Protection Agency
12 (“EPA”) to help develop federal drinking water standards and regulations. Our highly
13 sophisticated analytical and research capabilities are why the EPA regularly taps into
14 our lab and our research team to help develop federal drinking water standards and
15 regulations.

16 **16. Q. Please describe American Water’s R&D efforts.**

17 A. Since its inception, our R&D program has evolved to become a leading water-related
18 research program, achieving advancements in the science of drinking water and
19 wastewater. It is designed to enhance our services, help ensure compliance, and shape
20 a more sustainable future.

² NELAC stands for the National Environmental Laboratories Accreditation Conference. Established by the EPA in 1995 as a means to bring consistency in environmental laboratory accreditation programs, NELAC strives for consistent standards for environmental laboratories through the development of consensus standards based on International Organization for Standardization requirements.

1 The benefits of American Water’s R&D team span multiple areas of our
2 service offerings, driving increased strategic value, stronger industry leadership and
3 regulatory alignment, greater innovation, proactive risk management, and an enhanced
4 customer experience. As part of our R&D and innovation efforts, we are working with
5 research institutions and partners to develop and pilot new technology advances. We
6 collaborate on a significant number of our research projects with many stakeholders,
7 including governmental entities (such as the EPA), consultants, universities, other
8 utilities, and research agencies (such as the Water Research
9 Foundation, WateReuse Research Foundation, and the Water Environment Research
10 Foundation). We also participate in, and collaborate with, numerous state and local
11 organizations through our state-regulated entities. We are also committed to working
12 with companies that have developed promising technologies, allowing them
13 to benefit from the resources, experience, and scope of an industry leader. Our R&D
14 team leverages internal expertise and resources to lead solution-focused research for
15 source water contamination events, such as harmful algal blooms (“HABs”). These
16 efforts improve preparedness and support coordinated response.

17 For example, in the summer of 2024, a HAB occurred on the upper Mississippi
18 River, a source for four American Water treatment plants in Iowa and Illinois.
19 American Water’s R&D team supported a multi-state and corporate emergency
20 response effort, implementing additional preparations for potential prolonged or severe
21 HAB conditions. This event provided valuable insights into the benefits of involving
22 R&D in emergency response, the importance of cyanotoxin management plans, and
23 novel data from the bloom.

1 17. Q. Please describe American Water's environmental compliance model.

2 A. In addition to the Central Laboratory, use of LIMS technology, and the support of our
3 R&D team, our environmental compliance is further bolstered by a center-led model
4 leveraging Regional Directors to drive consistent compliance controls across the entire
5 American Water footprint through creating and maintaining minimum requirements
6 that are often more stringent than state regulatory requirements. This provides
7 consistent support to state operations to support compliance controls and regulatory
8 compliance with the Safe Drinking Water Act and the Clean Water Act. This center-
9 led team provides a community of experts that helps ensure risks are escalated and
10 mitigated, and that policy and regulatory changes are anticipated and shared to support
11 compliance planning.

12 18. Q. Please describe American Water's GIS and engineering departments.

13 A. American Water's centralized GIS department drives standard asset data collection that
14 serves as the basis for our work order management and pipe prioritization modeling,
15 and also supports effective and efficient identification and deployment of alerts to
16 customers when necessary. Having the ability to enter digital as-built drawings in real-
17 time as work is completed, and keep asset location and condition information up-to-
18 date, helps support the efficient and effective deployment of resources to address issues
19 in the field as they arise. This internal expertise can be leveraged to support Aqua upon
20 completion of the Merger and potentially reduce or even eliminate the need for external
21 contractors with similar expertise.

22 In addition to local engineering resources, American Water has a robust
23 centralized engineering team that supports efficient capital planning, deployment, and

governance over the capital investment program. This includes effective management and performance of buried and above-ground utility plant assets; the treatment, storage, pumping, transmission and distribution of water; and the collection and treatment of wastewater. Our centralized engineering team is responsible for preparing long-term (20-year planning horizon) Comprehensive Planning Studies, developing design concepts for major capital improvement projects, completing design quality control and constructability reviews of consultant-prepared design packages, leading detailed in-house designs for smaller-scale projects, and providing technical expertise and specialized engineering disciplines for solving complex treatment or asset-performance problems. The team also has a construction management group to provide resources to local teams for large capital investment projects from bidding through completion, including expertise in alternative project delivery. There is also an engineering technology function as part of the centralized engineering team that develops and manages technology applications used across the engineering function. This team also supports enterprise-wide initiatives driven by ever changing regulatory requirements, such as evaluating and planning for per- and polyfluoroalkyl substances-related capital needs. This internal expertise can also be leveraged to support Aqua upon completion of the Merger and potentially reduce the need for external contractors with similar expertise. It also provides real opportunities for employees looking to grow and develop within the organization.

19. Q. Please describe American Water's operational training program.

A. American Water has implemented a centralized operations training team tasked with cultivating and sustaining a highly skilled and adaptable workforce of water and

1 wastewater professionals to help ensure the sustained provision of safe, compliant, and
2 reliable services to our customers, and enable employee growth. They are doing so by
3 implementing operational training programs that enhance skills and capabilities of the
4 frontline operations workforce to help ensure safe, efficient, and effective work across
5 the enterprise. The team is also developing standardized curriculum and training for
6 transmission and distribution, production, field services, and wastewater collections
7 and plants, and has already developed and are actively delivering operations
8 onboarding training for new hires. These resources can be shared and leveraged to
9 continue to provide training and development for Aqua's employees.

10 **20. Q. Please elaborate on American Water's commitment to safety.**

11 A. Safety is of paramount importance to American Water. It is a core value that goes
12 beyond a priority and is simply how we choose to do our work. American Water is not
13 only committed to conducting its operations in a safe and reliable manner and in
14 conformance with applicable regulatory requirements, but it strives to foster a work
15 environment that promotes emotional safety, a healthy lifestyle, and being physically
16 safe while at work and home, and helps ensure that the communities it serves are kept
17 safe and that employees choose safety in every job they perform. To American Water,
18 defining what it means to be safe goes beyond measuring accident and injury rates, but
19 instead focuses on lowering or reducing exposures in the workplace that can lead to
20 injuries. American Water's goal is zero injuries. In fact, American Water has
21 established ten Life Saving Rules that every employee is required to follow to help
22 achieve zero injuries. This includes requiring every employee to utilize Stop Work
23 Authority in any situation that feels unsafe, whether seen in daily work activities or in

1 our facilities. American Water's commitment to safety is based on its care for its
2 customers, employees, contractors, the communities in which American Water
3 operates, and the environment.

4 With the safety of our employees, customers, contractors, and the public in
5 mind, we approach safety with a focus on continuous improvement through the
6 implementation of proactive initiatives, plans, practices, and processes that
7 complement and sustain a robust workplace safety program. American Water is also
8 committed to securing assets across our system and recognizes the importance of
9 protecting our water sources, treatment plants, infrastructure, and data from malevolent
10 acts, as demonstrated by our robust physical security and cyber security programs. In
11 addition, our emergency response program demonstrates American Water's
12 recognition that rapid response and recovery from security breaches and all other types
13 of incidents are critical to maintaining the safe and reliable operation of water and
14 wastewater systems.

15 **21. Q. Do you expect the Merger to generate synergies at American Water and Essential?**

16 A. Yes. The merging companies have established an integration task force to determine
17 how Aqua will be integrated into the American Water organization model. Currently,
18 this effort is in the preliminary stages. However, the Joint Petitioners anticipate that
19 the business combination will improve efficiency and the integration process is
20 expected to lead to cost efficiencies in various functional areas. While there will be
21 some costs to achieve Merger-related synergies, customers will realize benefits from
22 those synergies as they are recognized in future rate cases in the form of costs that are
23 lower than they would have been absent the Merger.

1 22. Q. Please explain how the Merger will maintain Aqua's charitable contributions and
2 community support.

3 A. American Water and Aqua both have a legacy of volunteerism and generous support
4 of communities in New Jersey, which will remain central to the combined company.
5 Aqua will continue to be a strong and productive leader in New Jersey communities by
6 working to enhance system resiliency and customer service to attain operational
7 excellence and deploy new technology that benefit their customers. Further, consistent
8 with the terms of the Merger Agreement, American Water has agreed to continue to
9 make charitable contributions in its service areas at levels consistent with those
10 historically provided by Aqua for the next two years after completion of the Merger
11 and, thereafter, at levels consistent with American Water's contributions in the areas it
12 serves.

13 23. Q. Please explain how the Merger will affect Aqua's local presence in New Jersey.

14 A. The day-to-day operations of both companies will continue to be locally managed by
15 dedicated local employees who serve our customers and live in and give back to our
16 communities. In addition, American Water is committed to maintaining the workforce,
17 operational facilities, and offices needed to support Aqua's continued provision of
18 clean, safe, reliable and affordable service over the long term. This includes honoring
19 all Essential collective bargaining agreements under their current terms and Aqua's
20 pension obligations.

21 24. Q. What customer protections will be part of Merger?

22 A. As discussed in more detail in the direct testimony of Mr. Bowler, American Water and
23 Aqua will not pass along to utility customers any acquisition premium (i.e., goodwill)

1 or transaction costs associated with the Merger. In addition, American Water will be
2 extending additional measures to Aqua that are designed to protect American Water's
3 operating subsidiaries from exposure to financial risks that may be experienced by the
4 parent company or affiliates. A full list of commitments is identified further below in
5 my testimony.

6 **25. Q. Please describe the benefits of the Merger for Essential and Aqua employees.**

7 A. The Merger will offer expanded opportunities to Essential employees for career
8 advancement and professional development for those employees who remain with the
9 combined company. After the Merger, Aqua's day-to-day operations will continue to
10 be locally managed by dedicated local employees and employee compensation and
11 benefits are expected to stay the same following completion of the Merger. Together,
12 American Water and Essential will broaden career paths, provide employees with more
13 opportunities to grow, collaborate and contribute to a larger, more dynamic
14 organization, and create long-term opportunities for career growth, both inside and
15 outside of New Jersey.

16 **26. Q. How will the Merger affect the access to and accountability of management?**

17 A. The Merger will not affect access to and the accountability of management. Regulators,
18 government officials, community leaders and customers will continue to have access
19 to people working at the utility level. American Water has a straightforward utility
20 management structure with clear, direct lines of authority and reporting. Thus,
21 American Water's operating utilities, which, post-Merger, will include Aqua, are able
22 to access the resources, expertise and financial strength of a large organization while
23 maintaining the ability to respond to local conditions and priorities. As noted earlier,

1 Aqua will maintain its current office in Hamilton and the BPU and New Jersey
2 stakeholders will enjoy the same access to Aqua personnel as they do today. Simply
3 stated, the Merger will not create multiple tiers of management that have to be
4 penetrated to access the decision-makers in the organization.

5 **27. Q. How will the Merger impact competition in New Jersey?**

6 A. Unlike in the electric and natural gas utility sectors, the BPU has previously determined
7 that there is no retail competition in the water and wastewater utility industry.³ Thus,
8 the Merger will not impact competition. Mr. Daniel Schuller, Executive Vice President
9 and CFO of Essential, discusses the impact on competition further in this direct
10 testimony.

11 **28. Q. Are the Joint Petitioners willing to make commitments and assurances related to**
12 **the Merger?**

13 A. Yes. In furtherance of their shared mission to provide clean, safe, reliable, and
14 affordable water and wastewater service, the Joint Petitioners make several affirmative
15 commitments regarding operations, capital investment, rates and governance going
16 forward that collectively serve to bolster a finding that the Merger is in the public
17 interest. Joint Petitioners' list of commitments is set forth in Exhibit C to the Joint
18 Petition.

³ *In re Joint Petition of American Water Works Company, Inc. and Environmental Disposal Corporation*, Docket No. WM15040492 (Order dated Dec. 16, 2015). *See also In Re Joint Petitioners of New Jersey American Water Company, Inc., S.J. Services, Inc., South Jersey Water Supply Company, Inc., and Pennsgrove Water Supply Company, Inc.*, Docket No. WM07020076 (Order dated Sept. 13, 2007).

1 29. Q. Ms. Norton, will the public interest be served by completing the Merger?

2 A. Yes. It definitely will, for all of the reasons that I set forth above, which are explained
3 in more detail in the Joint Petition and the direct testimony of other witnesses
4 supporting the Merger.

5 V. INTRODUCTION OF OTHER WITNESSES

6 30. Q. Please identify the other witnesses that have submitted direct testimony in support
7 of the Merger.

8 A. The witnesses that submitted direct testimony with the Joint Petition are listed below
9 along with a general description of the subject matter of their direct testimony:

10 **David Bowler** is Executive Vice President and CFO of American Water. He provides
11 an overview of the Merger and describes the financial benefits arising from the
12 transaction, including enhanced access to capital. Mr. Bowler also discusses post-
13 Merger commitments and proposed affiliate agreements. (Joint Petitioners Statement
14 No. 2).

15 **Colleen Arnold** is President of the Aqua companies of Essential. Ms. Arnold describes
16 Aqua and its operations. She also provides an overview of the Merger's benefits. (Joint
17 Petitioners Statement No. 3).

18 **Daniel Schuller** is Executive Vice President and CFO of Essential. Mr. Schuller
19 provides an overview of Essential and its utility subsidiaries, as well as Essential's
20 strategic rationale for the Merger. Mr. Schuller also addresses the "no harm" standard
21 and demonstrates that the Merger will have no adverse impact. (Joint Petitioners
22 Statement No. 4).

1 **VI. CONCLUSION**

2 **31. Q. Does this conclude your direct testimony?**

3 A. Yes, it does. However, I reserve the right to supplement this testimony and/or file
4 additional testimony if necessary or appropriate to do so.

Joint Petitioners Statement No. 2
Direct Testimony of David Bowler

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF
THE MERGER OF AMERICAN WATER WORKS COMPANY, INC.
AND ESSENTIAL UTILITIES, INC.**

BPU DOCKET NO. WM2511_____

DIRECT TESTIMONY OF

DAVID BOWLER

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
AMERICAN WATER WORKS COMPANY, INC.

DATED: NOVEMBER 26, 2025

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1 **DIRECT TESTIMONY**
2 **OF**
3 **DAVID BOWLER**

4 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

5 **1. Q. Please state your full name and business address.**

6 A. My name is David Bowler. My business address is 1 Water Street, Camden, NJ
7 08102.

8 **2. Q. By whom are you employed and in what capacity?**

9 A. I am employed by American Water Works Service Company, Inc. (“AWWSC”) and
10 serve as Executive Vice President and Chief Financial Officer for American Water
11 Works Company, Inc. (“American Water”). In that role, I am responsible for all aspects
12 of American Water’s financial management and strategy, including finance strategy
13 and planning, treasury, accounting, tax, enterprise risk and internal audit, regulatory
14 services and supply chain functions.

15 **3. Q. Please briefly describe your educational and professional background.**

16 A. I earned a Bachelor of Science degree in mechanical engineering from Purdue
17 University and a Master of Business Administration degree from the University of
18 Indianapolis. I am also a certified public accountant.

19 I joined American Water as Senior Vice President of Planning, Regulatory and
20 Financial Services in 2020. I served as Senior Vice President, Deputy Chief Financial
21 Officer and Treasurer from November 2022 until I assumed my current role on August
22 1, 2024. Prior to joining American Water, I worked as director of financial accounting
23 for CenterPoint Energy, Inc. (“CenterPoint”). In that role, I oversaw all accounting
24 matters for the company’s regulated operations, including the integration of the finance

1 teams of CenterPoint and Vectren Corporation (“Vectren”). I also served as vice
2 president, controller, and assistant treasurer at Vectren.

3 **4. Q. Have you previously testified before the New Jersey Board of Public Utilities (the**
4 **“BPU”)?**

5 A. No.

6 **5. Q. What is the purpose of your direct testimony in this proceeding?**

7 A. My testimony first provides an overview of the proposed merger of American Water
8 and Essential Utilities, Inc. (“Essential”) (the “Merger”). I then explain why the
9 proposed merger of American Water and Essential will create a combined company
10 that is financially stronger than either company standing alone. I will describe the
11 economic terms of the Merger and explain why the all-stock transaction will not impact
12 customer rates. I will then explain how the greater financial strength of the post-Merger
13 company will benefit its subsidiaries that provide water and wastewater service in New
14 Jersey. Additionally, I will describe American Water’s existing measures to protect its
15 operating subsidiaries from exposure to financial risks that may be experienced by the
16 parent company or affiliates. Finally, I address proposed affiliate agreements to
17 facilitate the sharing of services between the American Water and Essential systems.

18 **II. OVERVIEW OF THE MERGER TRANSACTION**

19 **6. Q. Please provide an overview of the Merger.**

20 A. On October 26, 2025, American Water, Alpha Merger Sub, Inc., a new wholly owned
21 subsidiary of American Water formed for the sole purpose of effectuating the
22 Merger (“Merger Sub”), and Essential entered into an Agreement and Plan of Merger
23 (the “Merger Agreement”) to combine American Water and Essential in an all-stock,

1 tax-free merger. Pursuant to the terms of the Merger Agreement and subject to various
2 shareholder and regulatory approvals, Merger Sub will be merged with and into
3 Essential and will cease to exist, and Essential will continue as the surviving
4 corporation. When the Merger is complete, Essential will be a wholly-owned
5 subsidiary of American Water. American Water will remain the ultimate corporate
6 parent of New Jersey-American Water Company (“NJAWC”) and all other existing
7 American Water subsidiaries, and will become the ultimate corporate parent of
8 Essential and all its subsidiaries, including Aqua New Jersey, Inc. (“Aqua”). NJAWC
9 and Aqua will each remain separate in terms of their respective corporate existence,
10 franchises, obligation, and privileges, including their names and logos.

11 **7. Q. Do shareholders of American Water and Essential need to approve the Merger?**

12 A. Yes. The Merger requires (1) the affirmative vote of a majority of the votes cast by all
13 Essential shareholders entitled to vote on the Merger Agreement at a duly held meeting
14 of the Essential shareholders; and (2) the affirmative vote of holders of a majority of
15 American Water stock present or represented and entitled to vote on the issuance of
16 American Water shares in connection with the Merger at a duly held meeting of the
17 American Water shareholders. Upon consummation of the Merger, Essential
18 shareholders will receive 0.305 shares of American Water common stock for each share
19 of Essential common stock that they hold. The Merger is designed to be a
20 “reorganization” under Section 368 of the Internal Revenue Code and, therefore,
21 generally will not result in Essential shareholders recognizing income for federal
22 income tax purposes. As this is a stock-for-stock transaction, no additional funds will
23 be paid as consideration to Essential shareholders. Following the Merger, the existing

1 shareholders of American Water will own approximately 69% of the combined
2 company, and the former shareholders of Essential will own approximately 31% of the
3 combined company.

4 **8. Q. Please briefly describe the combined post-Merger American Water.**

5 A. The Merger will join two complementary businesses to create a best-in-class multi-
6 utility provider that will provide essential services to approximately 4.7 million water
7 and wastewater customers across 17 states and over 800,000 natural gas customers in
8 Pennsylvania and Kentucky. The combined company would have a rate base of
9 approximately \$33.6 billion as of December 31, 2024. With a larger footprint and
10 customer base, as well as increased geographic diversity, American Water will be well
11 positioned post-Merger to continue to deliver clean, safe, reliable, and affordable
12 service to support the economic prosperity of the more than 2,000 communities where
13 the combined company will operate.

14 **9. Q. Please describe the post-Merger American Water corporate structure.**

15 A. As shown on the corporate organizational structure charts attached to the Joint Petition
16 as Exhibit B and the simplified chart shown in the Joint Petition, Essential will be a
17 direct subsidiary of American Water, and each Essential utility, including Aqua, will
18 remain a subsidiary of Essential. Each issued and outstanding share of American Water
19 common stock will remain outstanding following the Merger, and each American
20 Water shareholder will hold the same number of shares of American Water common
21 stock that the shareholder held immediately prior to the Merger. American Water will
22 be issuing new shares of American Water common stock to Essential stockholders in
23 exchange for their shares of Essential common stock. Accordingly, each outstanding

1 share of American Water common stock immediately prior to the Merger will represent
2 a smaller percentage of the aggregate number of shares of American Water common
3 stock outstanding after the Merger. In addition, the Merger will not change the
4 character of the outstanding indebtedness of Essential or any Essential subsidiary,
5 including Aqua.

6 **10. Q. Will there be any changes to American Water’s board of directors?**

7 A. Yes. Following completion of the Merger, American Water will increase the size of
8 its board of directors from 10 to 15 members. The combined company’s 15-member
9 board of directors will include the 10 directors serving on American Water’s board of
10 directors prior to closing of the Merger and five directors designated by Essential.

11 **11. Q. Who will hold the position of President and Chief Executive Officer (“CEO”) of**
12 **American Water after the Merger?**

13 A. John C. Griffith will remain in that position. Essential’s current Chairman and CEO,
14 Christopher H. Franklin, will become the Executive Vice Chair of the board of directors
15 of American Water.

16 **12. Q. Will the Merger result in increased rates for Aqua customers?**

17 A. No. Aqua’s BPU-approved rates that are in effect when the Merger closes will not
18 change as a result of the Merger. Additionally, American Water will not pass along to
19 utility customers any acquisition premium (i.e., goodwill) or transaction costs
20 associated with the Merger. The goodwill associated with the Merger will not be
21 recorded on Aqua’s books. Aqua also will not claim a return on or recovery of the
22 transaction costs in future base rate proceedings.

1 **13. Q. Will the Merger affect Aqua’s capital structure or dividend payout policy?**

2 A. No. The capital structure and dividend payout policies of Aqua will be unchanged as
3 a direct result of the Merger.

4 **14. Q. How does American Water intend to raise debt for Aqua following the Merger?**

5 A. Following closing, new debt for the combined company’s New Jersey operating
6 utilities will be raised either at the financing subsidiary of American Water (American
7 Water Capital Corp. (“AWCC”)) or the subsidiary level, as appropriate, based on
8 market conditions.

9 **III. FINANCIAL BENEFITS OF THE MERGER**

10 **15. Q. Please provide an overview of American Water’s financial standing.**

11 A. American Water is a water and wastewater holding company that has over 140 years
12 of experience in raising capital to support investment in infrastructure improvements
13 in Pennsylvania and around the country. Through its regulated operating subsidiaries
14 in 14 states,¹ American Water has over \$35 billion in utility assets and \$4.3 billion in
15 annual operating revenue from regulated business as of December 31, 2024. As of
16 December 31, 2024, American Water’s enterprise-wide rate base totaled approximately
17 \$22 billion. In 2024, American Water acquired water and wastewater systems totaling
18 \$417 million and about 69,500 customers through acquisitions and has binding
19 commitments to add another \$600 million of acquisitions representing approximately
20 107,000 customer connections. The current credit profile for American Water is
21 comfortably within the single A, Baa1 ratings band for S&P and Moody’s, respectively.

¹ American Water’s unregulated subsidiaries account for approximately 8% of total operating revenues (for calendar year 2024), consisting primarily of the Military Services Group, which provides water and wastewater services to 18 U.S. military installations under 50-year contracts.

1 16. **Q. What are the key financial benefits that are expected to result from the Merger?**

2 A. The Merger will generate financial benefits for American Water and its subsidiaries, of
3 which Essential will be one, in three areas: (1) a stronger balance sheet for the combined
4 company than either merger partner on a stand-alone basis; (2) more stable operating
5 cash flows; and (3) enhanced access to capital at competitive rates.

6 17. **Q. How will the Merger produce a stronger balance sheet for the combined
7 company?**

8 A. As previously discussed, the Merger is an all-equity transaction. As American Water
9 issues additional stock to complete the Merger, the equity component of its total
10 capitalization will increase, which will reduce its debt to total capitalization ratio at the
11 parent-company level. This, in turn, will enhance American Water's financial strength.
12 Furthermore, the current Essential companies will benefit since they will become part
13 of a holding company that has a much larger regulated asset base. The combined
14 company will continue to have ready access to the equity capital markets. The
15 combined company will also have an attractive consolidated debt maturity profile
16 spaced out over many years, mitigating refinancing risk.

17 18. **Q. Will a stronger balance sheet at the American Water level benefit its New Jersey
18 operating subsidiaries?**

19 A. Yes. There is a relationship between the balance sheet strength of the parent company
20 and its operating subsidiaries. A stronger balance sheet at American Water provides
21 greater overall group liquidity, which will provide the operating companies with lower
22 cost financing, subject to market conditions. The credit profile and metrics of the
23 combined company are expected to remain strong, benefiting from diversified service

territories and regulatory exposure, and a broader customer and revenue base. The scale of the combined entity will provide a stronger credit profile, and the diversification of the regulatory jurisdictions presents a reduction to the seasonal impacts to cash flows.

There is no debt issuance related to the Merger, resulting in a combined, consolidated entity with an improved and accretive debt to capital ratio.

19. Q. What effect will the Merger have on cash flows for the combined company?

A. The Merger will result in greater cash flow stability as a direct result of the increased scale, scope and diversification of the combined company. Based on data as of October 24, 2025, the combined entity is expected to have nearly \$6.5 billion in annual operating revenues from the regulated business, a market value of about \$40 billion and a combined enterprise value of approximately \$63 billion, which will rank among the top 250 in the S&P 500. Moreover, increasing the scope and scale of operations and increasing diversity (geography and regulatory jurisdictions) will reduce the possibility that regional factors could adversely affect financial performance. Economic trends and localized weather conditions are two examples of contingencies that could increase the volatility of financial and operating performance in specific regions, but would be mitigated by greater size and an expanded geographic footprint.

20. Q. Will more stable cash flows for American Water after the Merger benefit its utility subsidiaries in New Jersey?

A. Yes. Stable, predictable cash flow is a primary factor considered by financial markets and rating agencies in their valuation of the financial strength of a company. Debt investors typically ascribe a lower risk premium to more stable cash flows, resulting in

1 lower financing costs. Since cash flow is a primary factor influencing the cost and
2 availability of debt financing, improvement in cash flows can result in reduced interest
3 expense to the utility subsidiaries in New Jersey as new debt is issued or existing debt
4 is refinanced. Additionally, a larger and more diverse set of cash flow streams allows
5 for flexibility in spending and lowers the risk of funding capital expenditure programs
6 at the utility subsidiaries as capital market conditions change.

7 **21. Q. How does American Water expect credit ratings assigned by the major credit**
8 **rating agencies to be affected by the announcement of the proposed Merger?**

9 A. The credit profile and metrics of the combined company are expected to remain strong
10 with a credit profile comfortably within American Water's current single A, Baa1
11 ratings band for S&P and Moody's, respectively. The combined company will also
12 have an attractive consolidated debt maturity profile spaced out over many years,
13 mitigating refinancing risk.

14 **22. Q. In what ways will the Merger improve the combined company's access to capital**
15 **at competitive rates?**

16 A. To the extent that improvements to the financial metrics I mentioned earlier can be
17 realized, and credit ratings are reflective of that improvement, the debt capital markets
18 generally respond favorably with increased accessibility and reduced credit spreads
19 resulting in a lower overall cost of debt. Additionally, as a large-cap regulated utility,
20 the combined company will continue to have access to the equity capital markets.

1 23. Q. How will this improvement translate into benefits for the New Jersey utility
2 subsidiaries of American Water after the Merger?

3 A. The water and wastewater industries are highly capital intensive and require access to
4 capital markets in various forms for funding. Improved access to capital markets
5 results in more competitive interest rates, which translates into less interest expense for
6 American Water and its subsidiaries. This improved access to capital, coupled with
7 greater overall liquidity, will allow American Water and its subsidiaries to better
8 manage the timing of and need to access markets during periods of extreme volatility
9 and shield customers from the higher costs typically associated with this volatility.

10 IV. POST-MERGER COMMITMENTS

11 24. Q. Please briefly explain how American Water intends to protect the New Jersey
12 operating utilities from the business and financial risk of the parent and other
13 affiliates.

14 A. American Water uses measures to separate regulated utility operations from affiliated
15 unregulated companies and to avoid cross-subsidization among regulated companies.
16 The measures are generally designed to reduce the risk of unregulated operations
17 affecting a utility's regulated service and its financial health, and also avoid preferential
18 treatment or subsidization of unregulated affiliates by the utility.

19 NJAWC currently complies with applicable New Jersey affiliate regulations
20 designed to prevent inappropriate cross-subsidization. In addition, American Water
21 has a number of measures in place that separate its regulated operations from its
22 unregulated operations, all of which would be expected to be extended to Aqua,
23 including:

- No individual operating company will assume liability for debts issued by the holding company. Although individual operating companies may be parties to financing arrangements to which the holding company is also a party, each company, including the holding company, will be liable only for its individual borrowings or issuances under those arrangements;
- Each operating company of American Water maintains separate financial statements reflecting its own assets and liabilities; and
- Each operating company has its own capital structure, which is a function of its own debt and equity.

V. AFFILIATE AGREEMENTS

25. Q. Mr. Bowler, please explain the affiliate agreement approvals the Joint Petitioners are seeking in this case.

A. In order to give the combined company more operational flexibility to share best practices and to make the most productive use of all available resources as soon as possible after the Merger, American Water and Essential are also seeking BPU approval of certain affiliate agreements. Both American Water and Essential have service company subsidiaries that make available to their respective operating company affiliates a broad range of accounting, financial, legal and other services. NJAWC is party to a service agreement with AWWSC that was approved by the BPU in 1989 at Docket No. WE89030322. American Water also has a subsidiary, AWCC, that was established to provide certain financial services, including short-term loans, long-term borrowings and cash management to American Water and its regulated subsidiaries as cost-effectively as possible over the long-term. NJAWC is a party to a financial service

1 agreement with AWCC that was approved by the BPU in 2001 at Docket No.
2 WF00040252. The specific form of agreements (that were attached to the Joint Petition
3 as Exhibits D and E and are all in the same form as already approved by the BPU for
4 NJAWC), to become effective upon the close of the Merger for which the Joint
5 Petitioners seek the BPU's approval, are as follows:

- 6 • Services Agreement to be executed by AWWSC and Aqua; and
- 7 • Financial Services Agreement to be executed by AWCC and Aqua.

8 Through these affiliate agreements, American Water and Essential hope to begin to
9 take advantage of the shared resources and best practices created by the Merger and
10 discussed by Ms. Norton in her direct testimony (Joint Petitioners Statement No. 1) and
11 in this testimony immediately upon closing of the Merger.

12 VI. CONCLUSION

13 **26. Q. Does this conclude your direct testimony?**

14 A. Yes, it does. However, I reserve the right to supplement this testimony and/or file
15 additional testimony if necessary or appropriate to do so.

Joint Petitioners Statement No. 3
Direct Testimony of Colleen Arnold

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE MERGER
OF AMERICAN WATER WORKS COMPANY, INC. AND
ESSENTIAL UTILITIES, INC.**

BPU DOCKET NO. WM2511_____

DIRECT TESTIMONY OF

COLLEEN ARNOLD

PRESIDENT, AQUA
ESSENTIAL UTILITIES, INC.

DATED: NOVEMBER 26, 2025

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**DIRECT TESTIMONY
OF
COLLEEN ARNOLD**

I. INTRODUCTION & PURPOSE OF TESTIMONY

1. Q. Please state your name and business address.

A. My name is Colleen Arnold. My business address is 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania, 19010.

2. Q. By whom are you employed and in what capacity?

A. I am employed by Essential Utilities, Inc. f/k/a Aqua America, Inc. (“Essential”) as President, Aqua.

3. Q. What are your duties and responsibilities in your position as President, Aqua?

A. In this role, my responsibilities include the oversight of the operations, engineering, and business development functions of all the Aqua companies’ regulated water and wastewater operations encompassing over 1,500 systems throughout eight states – Pennsylvania, Ohio, Indiana, Illinois, New Jersey, Virginia, North Carolina and Texas.

4. Q. Please summarize your educational background and experience.

A. I have a Bachelor of Science in civil engineering from the University of Massachusetts, a Master of Science in environmental engineering from Manhattan College, and an executive Master of Business Administration from Villanova University.

I have more than 30 years of experience in environmental engineering and utility operations management, as well as extensive experience and education in water quality. I joined Aqua Pennsylvania, Inc. (“Aqua PA”) in 2008 as the

1 Manager of Treatment and Water Quality for about two years. In 2013, I rejoined
2 Aqua at the corporate level, as the Director of Water Quality and Environmental
3 Compliance, across all of the Aqua states. In September 2015, I was promoted to
4 Deputy Chief Operating Officer of Essential. In 2020, I took my current role as
5 President of the Aqua companies. I have been an active member of the American
6 Water Works Association (“AWWA”) since 1992, and I am currently serving as an
7 at-large member on the Water Utility Council. I am also a board trustee for the
8 Water Research Foundation, board member for the Ridley Hospital Community
9 Foundation, and a board trustee for Main Line Health.

10 **5. Q. On whose behalf are you providing testimony?**

11 A. I am providing testimony on behalf of Essential and its New Jersey subsidiary,
12 Aqua New Jersey, Inc. (“Aqua NJ”).

13 **6. Q. Have you previously provided testimony before the New Jersey Board of**
14 **Public Utilities (“BPU” or the “Board”)?**

15 A. No, I have not.

16 **7. Q. What is the purpose of your direct testimony?**

17 A. The purpose of my direct testimony is to support the Certified Joint Petition (the
18 “Petition”) of American Water Works Company, Inc. (“American Water”), Alpha
19 Merger Sub, Inc. (“Merger Sub”), Essential, and Aqua NJ requesting that the BPU
20 approve the change in control of Aqua NJ to be effectuated by the merger of
21 Essential and Merger Sub, a wholly-owned subsidiary of American Water (the
22 “Merger”), as described herein and in the Petition, pursuant to the provisions of
23 N.J.S.A. 48:2-51.1 and 48:3-10, N.J.A.C. 14:1-5.10 and 14:1-5.14, and such other

1 statutes and regulations as may be deemed relevant to this matter. More
2 specifically, the purpose of my testimony is to: provide an overview of Aqua NJ;
3 discuss the current and post-Merger management of Aqua NJ; discuss Aqua NJ's
4 customer and community commitments; and further attest to and support the public
5 benefits associated with the proposed Merger.

6 **8. Q. Are you sponsoring any exhibits?**

7 A. No.

8 **9. Q. Was your direct testimony prepared by you or under your direction,
9 supervision and control?**

10 A. Yes.

11 **II. OVERVIEW OF AQUA NJ**

12 **A. Operations**

13
14 **10. Q. Please provide an overview of Aqua NJ.**

15 A. Aqua NJ is a public utility corporation of the State of New Jersey subject to the
16 jurisdiction of the Board. Aqua NJ's principal business office is located at 10 Black
17 Forest Road, Hamilton, New Jersey 08691. Aqua NJ was formed in 1969 under
18 the name of Garden State Water Company through the merger of the Peoples Water
19 Company of Phillipsburg, the Hamilton Square Water Company, and the
20 Blackwood Water Company. Garden State Water Company grew through the
21 acquisition of numerous small privately-owned and municipally-owned water and
22 wastewater systems, and ultimately was acquired by Consumers Water Company.
23 In 1999, Philadelphia Suburban Corporation acquired Consumers Water Company
24 and its subsidiaries. Philadelphia Suburban Corporation changed its name to Aqua
25 America, Inc. in 2004, which changed its name to Essential in 2020.

1 Today, Aqua NJ serves a total customer base of approximately 63,500, of
2 which approximately 56,450 represent water service customers and approximately
3 7,050 represent wastewater service customers. Aqua NJ consists of 25 separate
4 public water systems and is organized into four geographically diverse operating
5 divisions – one in the northwestern part of the state (“Northern Division”); one in
6 the west-central part of the State (“Central Division”); the third in the southwestern
7 part of the State (“Southern Division”); and the fourth in Ocean and Monmouth
8 Counties (“Eastern Division”). Aqua NJ’s customers are located in several
9 municipalities in Warren, Hunterdon, Mercer, Morris, Burlington, Monmouth,
10 Camden, Ocean, Sussex, Gloucester, and Atlantic Counties, New Jersey.

11 **11. Q. Please describe Aqua NJ’s water operations.**

12 A. Aqua NJ is engaged in the business of treating and distributing potable water for
13 both domestic use and fire protection service. Aqua NJ’s source of supply is
14 groundwater from wells located throughout our service territories. Additional
15 supplies are purchased as needed from neighboring sources. Storage facilities
16 include eight elevated tanks, five ground tanks, fifteen standpipes, and six
17 reservoirs. Water treatment includes chlorination at all locations, pH adjustment
18 where necessary, corrosion control where necessary, and fluoridation (locally
19 mandated) in the Central Division. Aqua NJ maintains three active interconnections
20 with neighboring systems in the Southern Division, three emergency
21 interconnections with the City of Trenton and one with the Borough of Allentown
22 in the Central Division and is capable of an emergency interconnection with the

1 City of Easton, PA in the Northern Division. The Eastern Division has two
2 interconnections with the Borough of Ocean Gate and Berkeley Township.

3 **12. Q. Please describe Aqua NJ's wastewater operations.**

4 A. Aqua NJ's general approach to developing its wastewater business has been to
5 acquire systems that were designed to provide service to a specific housing
6 development or limited area, and were facing challenges such as significant needed
7 capital investment or limited professional oversight. These systems included a mix
8 of regulated utility systems and unregulated developer systems. As such, at the
9 time they were acquired by Aqua NJ several of these systems were not
10 economically viable or professionally managed, and several required substantial
11 investment and significant professional oversight to ensure customers received
12 safe, adequate and proper utility service.

13 **13. Q. Please describe Aqua NJ's New Jersey-based employees and their roles in**
14 **supporting the provision of service to customers.**

15 A. Aqua NJ's Headquarters in New Jersey is located in Hamilton. Aqua NJ is
16 managed by a state president who oversees operations, environmental compliance,
17 engineering, business development and customer care.

18 **B. Customer Assistance and Community Support**

19
20 **14. Q. How does Aqua NJ play an active role in and support the New Jersey**
21 **communities it serves?**

22 A. Aqua NJ participates in the local community in a number of ways. This includes
23 volunteering at local community events, utilizing Aqua's foundation, and actively

engaging with customers. Aqua NJ will continue to support its communities in this way following the Merger.

III. OVERVIEW OF MERGER BENEFITS

15. Q. What are the primary benefits of the Merger?

A. As discussed in detail in the direct testimony of Cheryl Norton, the Merger will result in a number of benefits to Aqua NJ, its customers, its employees, the communities in which it serves, the environment, and the State of New Jersey, including but not limited to the development of a larger overall water and wastewater utility.

First, I believe that both American Water and Essential are leaders in the water and wastewater industry and have dedicated teams of talented employees that deliver safe and reliable service to customers. As we integrate, there will be opportunities to share best practices, learn from each other, and improve. I am particularly excited to work with the American Water team on their safety-related programs and training. Safety of our employees and the communities we serve is our number one priority and top of mind every day. American Water has a centralized operations training team tasked with sustaining a highly skilled workforce of water and wastewater professionals to help ensure the provision of safe, compliant, and reliable services, and to enable employee growth. As I have reviewed American Water's organization, I believe that our employees will benefit from this robust program. In addition, as discussed in the direct testimony of Cheryl Norton, American Water has an operational excellence framework that we will be able to leverage focusing on operator training, sustainability, water loss and energy efficiency, standard operating procedures, operating and maintenance management

1 practices, and performance management for continuous improvement. While
2 Essential certainly focuses and excels in these areas, American Water has a
3 framework that we can benefit from.

4 Second, I would like to further highlight the opportunities for Essential
5 employees. Being part of the American Water enterprise will allow more paths for
6 growth and opportunities for our dedicated employees. I agree that the Merger will
7 offer expanded opportunities to Essential employees for career advancement and
8 professional development. As noted in Ms. Norton's direct testimony, Aqua NJ
9 and its employees, along with American Water's and Essential's other regulated
10 subsidiaries, will also have access to a "deeper bench" of highly trained
11 professionals who possess significant operational experience in various specialized
12 areas. This centralized expertise will drive and further enhance knowledge sharing,
13 standardization of processes and practices, training and operational efficiencies and
14 will create opportunities for greater growth for our employees.

15 Third, American Water's customer base and existing systems will have
16 access to Aqua PA's local certified laboratory located at its Bryn Mawr office in
17 Pennsylvania for water and wastewater testing, which is geographically close to
18 American Water's existing operations in New Jersey.

19 Lastly, the Merger with American Water brings a strong benefit to Aqua NJ
20 in terms of its customer information system platform. American Water has already
21 migrated to SAP's billing platform. It is anticipated that Aqua NJ and American
22 Water will work together to build a roadmap whereby all of Aqua NJ's customers

1 could be migrated off its current customer information system and onto the system
2 that American Water is currently using.

3 **16. Q. Will there be adverse impacts to customers as a result of the Merger?**

4 A. No, I am not aware of any adverse impacts to customers as a result of the Merger.

5 **17. Q. Will there be any changes to Aqua NJ's operational practices as result of the**
6 **Merger?**

7 A. Aqua NJ's will continue to have a management team that has day-to-day
8 responsibility, authority and resources to provide safe, reliable, efficient service.
9 Aqua NJ will continue to develop its own budgets and business plans. Over time,
10 plans will be developed to integrate and we will work together with American
11 Water to leverage best practices and produce economies of scale. This is further
12 discussed in the direct testimony of Cheryl Norton.

13 **18. Q. Will Aqua NJ continue to receive shared services from Essential Utility**
14 **Services and Aqua Services post-Merger?**

15 A. Yes. In addition, Aqua NJ will receive services from American Water Works
16 Service Company. Over time the combined company will analyze processes
17 systems and structures and will assess the best way to integrate Essential and
18 American Water.

19 **19. Q. Do you anticipate any adverse impacts to operations or the provision of service**
20 **for Aqua NJ customers as a result of the Merger?**

21 A. No. As I stated earlier, the Merger will combine two industry leaders in improving
22 utility infrastructure who will share in best practices to become a best in class utility

1 provider. Accordingly, I see only the potential for future improvements and
2 enhancements to the operations of Aqua NJ as a result of the Merger.

3 **IV. CONCLUSION**

4 **20. Q. Does this conclude your direct testimony?**

5 A. Yes, it does. However, I reserve the right to supplement my direct testimony
6 throughout the course of this proceeding, as appropriate.

Joint Petitioners Statement No. 4
Direct Testimony of Daniel Schuller

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE MERGER
OF AMERICAN WATER WORKS COMPANY, INC. AND
ESSENTIAL UTILITIES, INC.**

BPU DOCKET NO. WM2511_____

DIRECT TESTIMONY OF

DANIEL J. SCHULLER

**EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
ESSENTIAL UTILITIES, INC.**

DATED: NOVEMBER 26, 2025

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**DIRECT TESTIMONY
OF
DANIEL J. SCHULLER**

I. INTRODUCTION AND PURPOSE OF TESTIMONY

1. Q. Please state your name and business address.

A. My name is Daniel J. Schuller. My business address is 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania, 19010.

2. Q. By whom are you employed and in what capacity?

A. I am employed by Essential Utilities, Inc. f/k/a Aqua America, Inc. (“Essential”) as Executive Vice President and Chief Financial Officer (“CFO”).

3. Q. What are your duties and responsibilities in your position as Executive Vice President and CFO?

A. In this role, I am responsible for all financial operations for the Company, including accounting, SEC reporting, financial planning and analysis, tax, treasury, rates, and internal audit. I also lead the Company’s communications with its auditors, banks, and rating agencies. In addition, I am responsible for the Company’s administrative functions – customer service, supply chain, fleet, and facilities.

4. Q. Please summarize your educational background and professional experience.

A. I graduated from Purdue University, where I earned a Bachelor of Science, Master of Science, and Doctorate in civil engineering. In addition, I have participated in continuing executive education at the University of Chicago’s Booth School of Business.

Prior to joining Essential in 2015, I spent eight years focused on infrastructure investments with J.P. Morgan Asset Management’s Infrastructure

1 Investments Group. In this role, I was responsible for a three-state water and
2 wastewater utility owned by the Infrastructure Investment Fund (“IIF”). I also sat
3 on the board of directors of a natural gas distribution company owned by IIF. Prior
4 to J.P. Morgan, I spent eight years as a management consultant with Mars & Co.
5 Upon joining Essential, I started as Executive Vice President of Strategy &
6 Corporate Development. In this role, I was responsible for overseeing Essential’s
7 efforts to proactively serve additional customers in its eight-state footprint. In
8 October 2018, I became the Executive Vice President and CFO of Essential.

9 **5. Q. On whose behalf are you providing testimony?**

10 A. I am providing testimony on behalf of Essential and its New Jersey subsidiary,
11 Aqua New Jersey, Inc. (“Aqua NJ”).

12 **6. Q. Have you previously provided testimony before the New Jersey Board of**
13 **Public Utilities (“BPU” or the “Board”)?**

14 A. No, I have not. However, I have provided testimony before other state regulatory
15 agencies in connection with various proceedings related to Essential’s utility
16 operating companies.

17 **7. Q. What is the purpose of your direct testimony?**

18 A. The purpose of my direct testimony is to support the Certified Joint Petition (the
19 “Petition”) of American Water Works Company, Inc. (“American Water”), Alpha
20 Merger Sub, Inc. (“Merger Sub”), Essential, and Aqua NJ requesting that the BPU
21 approve the change in control of Aqua to be effectuated by the merger of Essential
22 and Merger Sub, a wholly-owned subsidiary of American Water (the “Merger”), as
23 described herein and in the Petition, pursuant to the provisions of N.J.S.A. 48:2-

1 51.1 and 48:3-10, N.J.A.C. 14:1-5.10 and 14:1-5.14, and such other statutes and
2 regulations as may be deemed relevant to this matter. More specifically, I provide
3 an overview of Essential and its subsidiaries, including Aqua NJ, and the proposed
4 merger of Essential and American Water. I then explain the rationale for the
5 proposed merger and the financial benefits that the combination will provide for
6 Aqua NJ. Finally, I outline the impacts of the Merger on competition, rates,
7 employees, and utility service levels.

8 **8. Q. Are you sponsoring any exhibits?**

9 A. No.

10 **9. Q. Was your direct testimony prepared by you or under your direction,**
11 **supervision and control?**

12 A. Yes.

13 **II. OVERVIEW OF ESSENTIAL AND ITS SUBSIDIARIES AND THE PROPOSED**
14 **MERGER**

15 **10. Q. Please explain the current organizational structure of Essential and its**
16 **subsidiaries.**

17 A. Essential is the holding company for Aqua NJ and its affiliates. Essential's
18 leadership provides management, oversight, financing, and overall guidance for
19 Aqua NJ and its affiliates. The organization operates under a shared services
20 platform in which many services, including, but not limited to, accounting, finance,
21 treasury, human resources, information technology, and customer service are
22 provided to Aqua NJ. These services have been reviewed in BPU management
23 audits and approved in other regulatory filings.

1 **11. Q. Please provide a financial overview of Aqua NJ.**

2 A. For the twelve months ending December 31, 2024, Aqua NJ’s annual water
3 production was approximately 5.178 million gallons, with water revenues for the
4 same period of approximately \$49.450 million. Taken together, Aqua NJ’s
5 wastewater systems generate annual revenues of approximately \$6.075 million,
6 including receipts of approximately \$2.484 million through purchase sewerage
7 treatment adjustment charge (“PSTAC”) rates.

8 Aqua NJ has a total rate base of \$389.74 million (\$358.47 million for water
9 and \$31.27 million for wastewater). Aqua NJ has planned capital expenditures for
10 the period from 2026 through 2030 of \$282.21 million for water and \$37.425
11 million for wastewater in its five-year capital plans, approved in 2025.

12 **12. Q. Please explain how the Merger will change the ownership structure of Aqua**
13 **NJ.**

14 A. Aqua NJ will continue to be a direct subsidiary of Essential. Through the Merger
15 Agreement, Merger Sub will merge with and into Essential, with Essential being
16 the surviving corporation as a wholly owned subsidiary of American Water.

17 **13. Q. Will the BPU’s oversight be diminished in any way as a result of the Merger?**

18 A. No. Aqua NJ will continue to operate as it does today as a New Jersey public utility
19 and will remain subject to the jurisdiction of the Board and all statutes and
20 regulations applicable to water and wastewater utilities.

1 **III. ESSENTIAL’S STRATEGIC RATIONALE FOR THE MERGER**

2 **14. Q. Please describe Essential’s decision to become part of the American Water**
3 **family of companies and why they are complementary partners.**

4 A. Essential’s decision to merge with American Water reflects the tangible benefits to
5 customers, employees, and shareholders that the proposed combination is expected
6 to deliver. We are confident that the combined company will build upon our
7 longstanding track record of delivering safe and reliable service to our customers
8 and be better positioned to solve today’s challenges while creating a sustainable
9 future. Employees are expected to benefit from expanded training, development,
10 and career growth opportunities due to the size of the combined company and the
11 sharing of best practices from both American Water and Essential. As further
12 described below, the credit profile and metrics of the combined company are
13 expected to remain strong, benefiting from diversified service territories and
14 regulatory exposure, and a broader customer and revenue base. This strong credit
15 profile will allow the combined company to access debt capital at competitive
16 interest rates. The combined company will result in the preeminent
17 water and wastewater utility in the United States, anchored by a robust rate base
18 approaching \$34 billion, serving more than five million connections, with an
19 expanded operational footprint across 17 states and 18 military installations.

20 **15. Q. From a financial perspective can you please elaborate on how Aqua NJ will**
21 **benefit from becoming an operating company of American Water.**

22 A. Financially, the combined company will be a strong parent for Aqua NJ. Currently,
23 Essential is rated A- and Baa2 by S&P and Moody’s, respectively. American Water

1 is more highly rated at A (S&P) and Baa1 (Moody's). The combined company is
2 expected to maintain American Water's stronger credit ratings and metrics. This
3 strong credit profile will allow the combined company to access debt capital at
4 competitive interest rates. Additionally, as a large-cap, regulated utility, the
5 combined company will continue to have ready access to the equity capital markets,
6 issuing equity at a strong multiple, reflecting scale, high credit quality, and strong,
7 stable cash flows. This strong access to debt and equity capital is anticipated to
8 result in more affordable rates in the long-run as the combined company executes
9 on its capital program. Additionally, the intent is that, in the future, customer rate
10 increases will be mitigated by the benefits created by increased purchasing scale
11 for materials, supplies, and services for both capital and operating activities and the
12 efficiencies created by bringing the two companies together. The combined entity
13 will also be able to better address the multi-decade need for infrastructure
14 investment in our nation's aging water and wastewater systems, including pipe
15 replacement, PFAS remediation, and lead service line replacements.

16 **IV. THE MERGER WILL NOT HAVE AN ADVERSE IMPACT ON COMPETITION**
17 **OR RATES, THE EMPLOYEES OF THE AFFECTED PUBLIC UTILITY,**
18 **AND ON THE PROVISION OF SAFE AND ADEQUATE UTILITY**
19 **SERVICE AT JUST AND REASONABLE RATES**

20 **A. Impact on Competition**

21 **16. Q. Will the Merger have an adverse impact on competition in the market for**
22 **water and wastewater services in New Jersey?**

23 **A.** No. The water and wastewater industry is highly fragmented and there are many
24 municipal providers of water and wastewater service in the State. Based on
25 information from the BPU's website, there are a number of investor-owned water

1 and wastewater utilities in New Jersey, including Middlesex Water Company
2 (“Middlesex”) and Veolia Water New Jersey, Inc. (“Veolia”), and the BPU
3 regulates approximately 30 private water and wastewater companies. While the
4 combined company will serve approximately 32% of the population of New Jersey,
5 this is relatively limited compared to the market positions of utilities in other states.
6 For example, NextEra provides electric service to over 50% of Florida residents,
7 Exelon delivers electricity to approximately 40% of Pennsylvania residents, and
8 Oncor provides electricity to nearly 40% of Texas residents. With regard to the
9 acquisition of water and wastewater systems in New Jersey, we do not believe the
10 proposed Merger is detrimental to customers or selling municipalities. In New
11 Jersey, there are other companies like Middlesex and Veolia that will continue to
12 compete for the acquisition of both investor-owned and municipal systems.

13 **B. Impact on Rates**

14 **17. Q. Please discuss how the proposed Merger will impact Aqua NJ’s rates.**

15 A. The proposed Merger will have no immediate impact on Aqua NJ’s rates. Aqua NJ
16 will continue to operate under its Board-approved rates as set forth in Aqua NJ’s
17 tariff. As indicated in the direct testimony of Cheryl Norton, it is anticipated that
18 customer rates could ultimately be lower than they otherwise would be absent the
19 Merger if the combined company is able to achieve cost efficiencies as a result of
20 economies of scale, net of the costs to achieve those efficiencies.

1 **18. Q. Will the Merger delay Aqua NJ’s anticipated filing of its next base rate case?**

2 A. No. Aqua NJ is continuing to proceed with its plans concerning all regulatory
3 filings in New Jersey, including the filing of its next base rate case. Aqua NJ last
4 filed for an increase in water base rates in 2024¹ and for wastewater in 2020.²

5 **C. Impact on Employees**

6 **19. Q. Will the Merger have an adverse impact on Aqua NJ’s employees?**

7 A. While there could be post-Merger changes to certain roles, including those in
8 support functions, these will come after a thoughtful integration process. As
9 explained in the Direct Testimony of Colleen Arnold, Aqua NJ’s day-to-day
10 operations will continue to be run by local employees, including a local core
11 operational management team.

12 **20. Q. Will the Merger have any impact on Aqua NJ’s ability to meet its pension**
13 **obligations to its employees?**

14 A. No. Aqua NJ will continue to honor all pension obligations to its employees post-
15 Merger.

16 **D. Impact on Utility Service**

17 **21. Q. Will the Merger have any impact on overall customer service and the safety**
18 **and adequacy of service to Aqua NJ’s customers.**

19 A. No. As discussed in the Direct Testimony of Colleen Arnold, Aqua NJ will
20 continue to provide safe and adequate service to its customers post-Merger. The

¹ See *I/M/O The Petition of Aqua New Jersey, Inc. for Approval of an Increase in Rates for Water Service, Covid-19 Deferred Cost Recovery, Adjustment of Certain Depreciation Rates, and Other Tariff Changes*, BPU Docket No. WR24010057, Order Approving Initial Decision and Stipulation, dated 10/9/2024.

² See *I/M/O The Petition of Aqua New Jersey, Inc. for Approval of an Increase in Rates for Wastewater Service and Other Tariff Changes*, BPU Docket No. WR20010056, Order Adopting Initial Decision Settlement, dated December 2, 2020.

1 combined company will continue to provide the high level of customer service that
2 Aqua NJ provides today. In addition, American Water has committed to continue
3 to invest in infrastructure replacement, renewal, upgrades and additions to support
4 the provision of safe, clean, reliable and affordable service for Aqua NJ's
5 customers.

6 **V. CONCLUSION**

7 **22. Q. Does this conclude your direct testimony?**

8 A. Yes, it does. However, I reserve the right to supplement my Direct Testimony
9 throughout the course of this proceeding, as appropriate.