

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): February 27, 2020

Essential Utilities, Inc.
(Exact Name of Registrant Specified in Charter)

Pennsylvania
(State or Other Jurisdiction of Incorporation)

001-06659
(Commission File Number)

23-1702594
(I.R.S. Employer Identification No.)

762 West Lancaster Avenue
Bryn Mawr, Pennsylvania

(Address of Principal Executive Offices)

19010-3489

(Zip Code)

Registrant's telephone number, including area code: (610) 527-8000

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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, \$.50 par value	WTRG	New York Stock Exchange
6.00% Tangible Equity Units	WTRU	New York Stock Exchange

Item 7.01 Regulation FD Disclosure.

On February 27, 2020, Essential Utilities, Inc. (the “Company”) is holding an Analyst Day via webcast from the New York Stock Exchange. As disclosed in its press release, dated January 28, 2020, the Analyst Day will begin at 8:30 a.m. on February 27, 2020. President and Chief Executive Officer Chris Franklin and other members of the Company’s senior leadership team will present on the Company’s current operations, corporate finance, regulatory affairs, the status of the Peoples Natural Gas acquisition and the Company’s future growth strategy. The presentation to be used during the Analyst Day is attached as an exhibit to this Form 8-K.

The information in this Form 8-K and the exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Corporate Presentation of Essential Utilities, Inc., February 2020
104	Cover Page Interactive Data File (formatted in inline XBRL)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ESSENTIAL UTILITIES, INC.

By: /s/ Christopher P. Luning
Christopher P. Luning
Executive Vice President, General Counsel and Secretary

Dated: February 27, 2020

Essential Utilities Inc. 2020 Investor Day



February 27, 2020



Welcome

Brian Dingerdissen

Vice President, Chief of Staff, Investor Relations,
and Communications

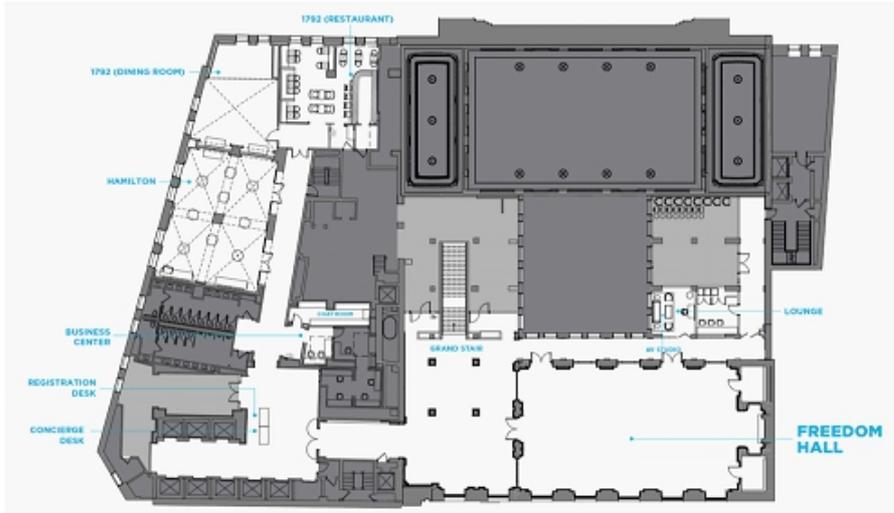
Forward Looking Statement

This presentation contains in addition to historical information, forward looking statements based on assumptions made by management regarding future circumstances over which the company may have little or no control, that involve risks, uncertainties and other factors that may cause actual results to be materially different from any future results expressed or implied by such forward-looking statements. These factors include, among others, the following: general economic and business conditions; weather conditions affecting customers' usage or the company's cost of operations; costs arising from changes in regulations; regulatory treatment of rate increase requests; availability and cost of capital; the success of growth initiatives, including pending acquisitions; the ability to generate earnings from capital investment; and other factors discussed in our Form 10-K, which is on file with the SEC. We undertake no obligation to publicly update or revise any forward-looking statement.

Non-GAAP Reconciliation

For reconciliation of non-GAAP financial measures, see the Investor Relations section of the company's Web site at www.essential.co

Safety Message



Agenda

Chris Franklin – Company Update

Matt Rhodes – Strategy and Corporate Development

Rick Fox – Operations Overview

15 Minute Break

Operational Excellence & Regulatory Affairs Panel

- *Colleen Arnold*
- *Christopher Crockett*
- *Kimberly Joyce*
- *Joseph Gregorini*

Dan Schuller – Financial Overview

Chris Franklin – Summary

Q&A

Lunch



Company Update

Chris Franklin

Chairman, Chief Executive Officer, and President

Growth Strategy

Core Competencies

- Infrastructure Investment (pipes, plants, etc.)
- Regulatory Affairs
- Operational Excellence

Which leads to our three-pronged growth strategy.



Strategic Rationale

Adds platform for growth	<ul style="list-style-type: none"> • Introduces new platform for growth • Expands infrastructure investment opportunities to drive rate base growth
Benefits of increased scale	<ul style="list-style-type: none"> • Increases rate base ~45%¹ and diversifies earnings mix • Creates only multi-platform water and natural gas utility of scale in the US
Constructive jurisdictions	<ul style="list-style-type: none"> • Increases presence in PA; one of the most highly-regarded regulatory environments
Shared expertise in infrastructure	<ul style="list-style-type: none"> • Highly complementary infrastructure businesses
Management team experience	<ul style="list-style-type: none"> • Peoples team brings meaningful experience, with COO having been with Peoples for over 30 years
Pure natural gas distribution company	<ul style="list-style-type: none"> • No material non-utility businesses • No exploration

¹Based on rate base as of year-end 2019.

Expected Benefits to Key Stakeholders

Customers	
<ul style="list-style-type: none"> • Continued best-in-class service from established gas and water utilities • No impact to customer rates from transaction 	<ul style="list-style-type: none"> • Financial capacity will enhance infrastructure investments, increasing reliability and safety
Shareholders	
<ul style="list-style-type: none"> • Accretive to earnings • Improves future rate base and earnings growth • Supports continued long-term dividend growth 	<ul style="list-style-type: none"> • Larger market capitalization, float and trading liquidity post permanent financings
Communities	
<ul style="list-style-type: none"> • Continued engagement in the communities that each company serves 	<ul style="list-style-type: none"> • Infrastructure investment will improve quality of life and contribute to economic prosperity in our communities

PEOPLESTM Transaction Timeline

Anticipated closing of the Peoples Gas acquisition is expected to be March 16, 2020

NYSE: WTRG



● Transaction ● Financial ● Regulatory

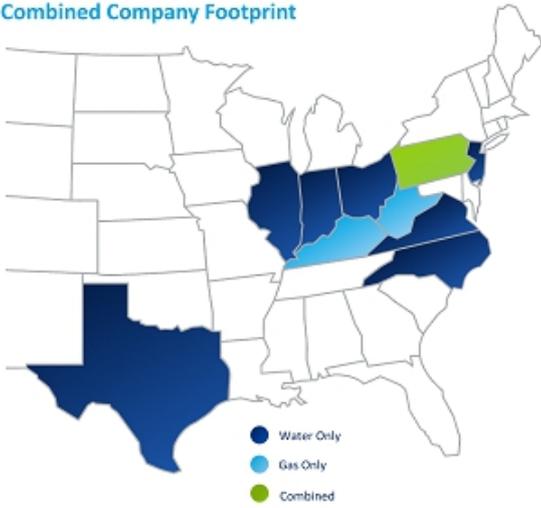


Combined Pro Forma Utility Profile

Creating an infrastructure company well-positioned for strong growth



Combined Company Footprint



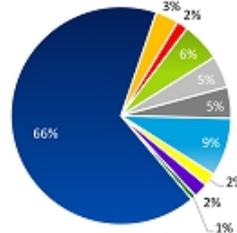
2019 Combined Rate Base (\$B)

- Water
- Gas



2019 Combined Customers by State¹

- PA
- OH
- NC
- IN
- VA
- NJ
- TX
- IL
- WV
- KY



¹ As of 12-Dec-2019. Due to rounding, percentages may not always appear to add up to 100%.

Pro Forma Organization Overview

As part of the Essential family, Peoples provides a natural gas platform of scale and creates another avenue for growth.





About Essential



Our Mission:

To improve quality of life and economic prosperity by safely and reliably delivering earth's most essential resources.

Our Purpose:

Essential is uniquely positioned to play an important role in solving today's water and natural gas challenges by renewing and improving infrastructure through thoughtful capital investment, operational excellence, environmental stewardship and rigorous safety standards. Through our work, we help strengthen communities, improve service and enhance economic development, enabling people to lead better lives. This vital work empowers us to grow as an organization and as individuals. Together, we will make a difference for generations to come.

Board of Directors



Christopher Franklin
 Chairman
 Executive Committee*
 Risk Mitigation and Investment
 Policy Committee



Elizabeth B. Amato
 Director Since 2018
 Executive Compensation Committee
 Corporate Governance Committee



Nicholas DeBenedictis
 Chairman Emeritus
 Director Since 1993
 Risk Mitigation and Investment Policy
 Committee*



Daniel J. Hilferty
 Lead Independent Director, Director
 Since 2017
 Corporate Governance Committee*
 Executive Committee
 Audit Committee
 Executive Compensation Committee



Francis O. Idehen, Jr.
 Director Since 2019
 Audit Committee
 Risk Mitigation and Investment
 Policy Committee



Ellen T. Ruff
 Director Since 2006
 Executive Compensation Committee*
 Corporate Governance Committee



Lee C. Stewart
 Director Since 2018
 Audit Committee*
 Executive Committee
 Risk Mitigation and Investment
 Policy Committee



Christopher C. Womack
 Director Since 2019
 Executive Compensation Committee
 Corporate Governance Committee



Wendy A. Franks
 Director Effective Upon Closing of Private
 Placement Transaction and the Pending
 Peoples Acquisition

* Indicates Chair

Leadership Team



ESG Program

Environment

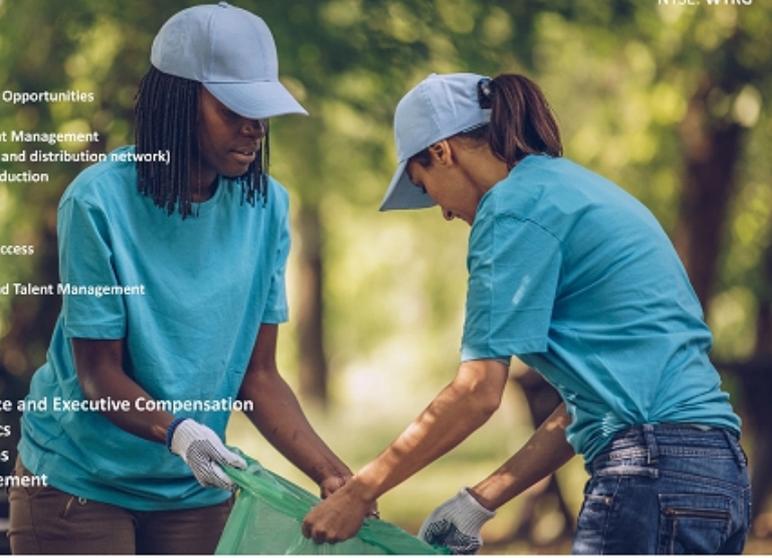
- Climate Change Risks and Opportunities
- Energy Use and Efficiency
- Water Quality and Effluent Management
- Water Efficiency (end use and distribution network)
- Waste Generation and Reduction

Social

- Water Affordability and Access
- Health and Safety
- Employee Engagement and Talent Management
- Diversity and Inclusion
- Community Engagement

Governance

- Corporate Governance and Executive Compensation
- Compliance and Ethics
- Political Contributions
- Supply Chain Management



Recent Highlights:

- 2019 CDP Score : B-
- New policies adopted and disclosed
- Tear sheets added to website
- Creation of new position focused on ESG
- Plan for New ESG Report later in 2020

2019 Corporate Highlights

Infrastructure Investment (\$m)



Adjusted Income per Common Share (Non-GAAP)



Acquisition Growth

- Closed 5 municipal acquisitions and added approximately 12,000 customers and \$52.9m of rate base
- Announced Delcora, the largest municipal agreement in our history

Peoples Transaction

- Peoples Pennsylvania rate case effective Oct. '19
- PA PUC Regulatory approval January 16, 2020
- The closing of the acquisition is anticipated to occur March 16, 2020

Integration

- Implement Peoples integration plan (culture, comms, SOX, etc.)
- Complete DELCORA and Aqua Pennsylvania Wastewater organization plan
- Develop companywide ESG program

Growth

- Prepare to close DELCORA
- Sign municipal deals of over \$100M in rate base

Maintain Standards of Operational Excellence

- Execute capital program at Aqua and Peoples
- Implement companywide PFAS strategy
- Complete safety review at Peoples



Strategy and Corporate Development

Matt Rhodes

Executive Vice President, Strategy and Corporate Development

Growth Strategy

Core Competencies

- Infrastructure Investment (pipes, plants, etc.)
- Regulatory Affairs
- Operational Excellence

Which leads to our three-pronged growth strategy.



Municipal Acquisitions

Why Municipals Sell Utilities



- Reinvestment of proceeds for community needs



- Economic development or growth



- Future infrastructure capital investment requirements



- Increasing environmental complexity

Essential's Considerations for Municipal Deals



- Community needs / use of proceeds



- Future rate expectations



- Deal scale (connections, net income)



- Muni growth profile (including future Capex)



- Rate case timing



- Ability to utilize FMV



- Funding – equity used for larger deals

Fair Market Value States



Essential has a history of successful collaboration with legislatures and regulators to implement constructive regulatory mechanisms and introduce Fair Market Value ("FMV") legislation. FMV is enacted in 7 of our 8 water/WW states.



Essential State	Year Enacted - FMV
Illinois	2013
New Jersey	2015
Indiana	2015
Pennsylvania	2016
North Carolina	2018
Ohio	2018
Texas	2019

Legend:
 Enacted FMV
 Essential State (Including Peoples)

Source: S&P Global Market Intelligence

2019 and 2020 Closed Acquisitions

Since 2015 we have closed 57 total deals (includes investor-owned utilities and municipalities). These contributed approximately 48,000¹ new connections and approximately \$237M¹ in rate base.

2019 Acquisition	State	Type	Total Customers	Approx. Rate Base (\$000s)
Skyline	IL	W/WW	752	\$3,550
Phoenixville	PA	W	529	\$2,500
Grant Park	IL	WW	540	\$2,300
Cheltenham	PA	WW	9,887	\$44,558
Total			11,708	\$52,908

2020 Acquisition	State	Type	Total Customers	Approx. Rate Base (\$000s)
Campbell	OH	W	3,200	\$7,535
Total			3,200	\$7,535

Note: In addition to the above, we have also closed two additional privately owned utility deals which added 597 connections

1. Rate base includes the Valley Creek Trunk Sewer. This is non-regulated but operates similar to a regulated asset; contributes an estimated \$25M in rate base equivalent

Recent Municipal Acquisition Activity

Signed Municipal Agreements Pending Closing



\$100m of rate base acquired expected to generate ~\$5m of incremental annual earnings potential²

Acquisition	State	Type	Total Customers	Approx. Purchase Price (\$000s)
New Garden	PA	WW	2,106	\$29,500
East Norriton	PA	WW	4,952	\$21,000
DELCORA	PA	WW	198,000 ¹	\$276,500
Total			205,058¹	\$327,000

Additional non-municipal system in IL with ~500 customers signed in 2019 (closing expected Q2 2020)

Note: Transactions above listed in chronological order of signing. In addition, we have additional signed deal with a privately owned utility in IL that will add approximately 512 customers

¹Aqua's estimate on the number of equivalent retail customers.

²This is an illustrative earnings assumption based on assumed 50% debt / 50% equity capital structure and hypothetical 10% allowed return on equity and historical results.

Current Water and Wastewater Municipal Transaction Opportunities

NYSE: WTRG



We are actively pursuing acquisition opportunities in most of our states, totaling approx. 320,000 customers. While we do not expect to close all of these opportunities, this illustrates the number of municipals we are evaluating and the increasing opportunity size. Of these potential pipeline opportunities, a majority are wastewater.

Size Range (Approx. # of Customers)	Total Customers (approx.)
>25,000	160,000
10,000 – 25,000	85,000
<10,000	75,000
Total	320,000

Essential signed an Asset Purchase Agreement (APA) with the Delaware County Regional Water Quality Control Authority (DELCORA) to acquire the municipal Authority's wastewater (WW) assets for \$276.5M.

- DELCORA provides WW services to 42 municipalities and ~500,000 people primarily in Delaware county, PA
- ~189 total miles of wastewater pipe, including gravity and force main; owns collection systems and ~50MGD WWTP in western service territory
- In eastern service territory (ESA), conveys wastewater to a Philadelphia Water Department (PWD) plant; contract expires in 2028
- Presents opportunities to acquire other collection systems who currently convey WW to DELCORA

Situation Overview

- Under current arrangement with PWD, DELCORA could face more than \$1.2B in capital costs through 2042, significantly increasing customer rates
- DELCORA also building the infrastructure necessary to divert ESA WW flows to its own plant
- Majority of capex to occur from 2026-2028
- APA signed with Aqua on 9/17/19
- Aqua has experience in large/complex projects and operates in many DELCORA communities
- PA PUC filing expected to occur early March, with closing expected late 2020 or early 2021
- FMV legislation to be utilized

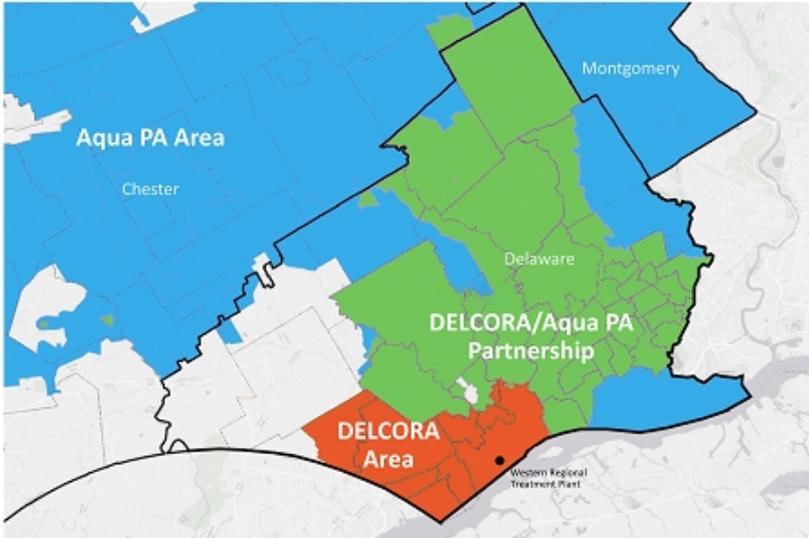
Financial/Operating Data for DELCORA

Metric	
Purchase Price	\$276.5M
Aqua's Estimated CapEx (Through 2028)	~\$700.0M
Revenues (2019)	\$69.0M ¹

¹Based on 2019 preliminary, unaudited financials

Aqua PA and DELCORA Service Territory Overlap

NYSE: WTRG



Legend

- County
- Municipality
- Aqua PA and DELCORA Combined Service Area
- DELCORA Only Service Area
- Aqua PA Only Service Area

Aqua PA currently serves nearly 500,000 people in Delaware County and approximately 200,000 people in Chester County

Water/Gas Landscape in KY and WV

Given Peoples operates in KY and WV, we continue to evaluate water / wastewater and gas utility opportunities there

Kentucky



Water / Wastewater

Municipal/Utility landscape:

- 550,000 customers (approx. 1,650,000 people) currently served by 87 water districts and 18 water associations
- One major investor owned utility

Gas

Municipal/Utility landscape:

- Nearly 50 municipally owned gas LDCs
- Several large investor owned LDCs

West Virginia



Source: EA

Water / Wastewater

Municipal/Utility landscape:

- Public entities, including municipalities, water associations and water districts serve over 450,000 customers (approx. 1,350,000 people)
- Two investor owned utilities of scale

Gas

Municipal/Utility landscape:

- The six largest investor owned utilities serve nearly all gas customers in the state (approx. 97%)
- Limited number of municipal gas LDCs

Essential's Current Market-Based Businesses



While both Aqua and Peoples have MBA's, it is not a core focus today and we will be very selective in entering these businesses in the future. Aqua has divested much of its non-regulated businesses the past five years. MBA's comprise less than 1.0% of the net income for both companies.



Raw Water Pipeline JV in Marcellus Shale:

- Two current supplier contracts
- Evaluating strategic alternatives



Current Combined Heat and Power Projects:

<p>Pittsburgh Airport</p> <ul style="list-style-type: none"> • Capital Amount: ~\$30.0M • Expected COD: 2021 	<p>Allegheny Health Network - Wexford</p> <ul style="list-style-type: none"> • Capital Amount: Not disclosed • Expected COD: 2020
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Together with Peoples Protection, provides warranty services

KY Operations - owns land and produces, processes and resells natural gas

Investment in fuel cell start-up, focusing on home use

Operations Overview

Rick Fox

Executive Vice President, Chief Operating Officer

Operations Organizational View

Officers

NYSE: WTRG



Operations Organizational View



Colleen Arnold
President, Aqua



Marc Lucca
President, Aqua Pennsylvania



Edmund Kolodziej
President, Aqua Ohio



Craig Blanchette
President, Aqua Illinois



Mark McCoy
Vice President, Aqua



Robert Laughman
President, Aqua Texas



Shannon Becker
President, Aqua North Carolina



Lawrence Carson
President, Aqua New Jersey



Kari Bennett
President, Aqua Indiana



John Aulbach
President, Aqua Virginia

Long-established water and wastewater utility with over 1 million customer connections in eight states²

Company Overview

- Founded in 1886; headquartered in Bryn Mawr, Pennsylvania
- Large multi-state water & wastewater company with \$5.02 billion of rate base as of year-end 2019
- >99% regulated water and wastewater utility¹
- 225 MGD water production

Over 1,600 employees serving more than 3 million people



Visible Track Record of Outperformance

- Proven growth model rooted in prudent capital investment & efficient regulatory recovery
- History of strong profitability

One of the Largest Water Infrastructure Footprints²



¹ Based on operating revenue for fiscal year 2019
² As of 31-Dec-2019.

Substantial U.S. Water Infrastructure Needs Represent a Massive Opportunity

NYSE: WTRG

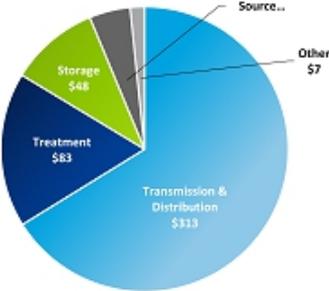


EPA Estimate of US Infrastructure Investment Needs

Water

\$473 Billion

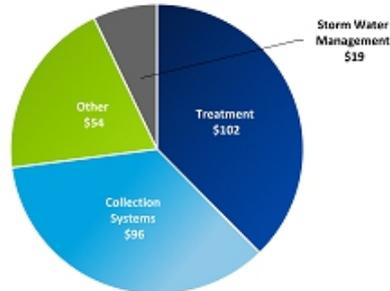
Source: 2018 EPA Needs Survey



Wastewater

\$271 Billion

Source: EPA Clean Watersheds Needs Survey (CWNS) 2012



Key Industry Statistics

Water

- 50,000 systems
- 85% of population served by municipalities
- The Aqua family serves 1% of U.S. population

Wastewater

- 14,700 systems
- 97% of population served by municipalities
- The Aqua family serves 0.1% of U.S. population

American Society of Civil Engineers gives the U.S. drinking water and wastewater infrastructure a grade of "D"

Source: EPA surveys

Building for the Future

AQUA Companies' Regulated Operations

NYSE: WTRG



Annual Capital Investment (\$millions)



Impact on the Communities We Serve

Purchased Water Expense Reduction in Pennsylvania

- \$1.7 million capital investment included a new tie-in pipeline with a control valve, magmeter and feedback loop
- Resulted in O&M savings of approximately \$450,000 a year



We are committed to sustainable business practices; excellent customer service; attracting and developing top talent; the strategic growth of our company; delivering shareholder value; investing in technology and infrastructure; and giving back to the communities in which we operate



Nutrient and Power Expense Reduction in Virginia

- \$160,000 capital investment included repairing manholes and wastewater treatment plant upgrades
- Resulted in net savings of approximately \$168,000 a year

Operations Organizational View



Joseph Gregorini
President, Peoples



Luke Ravenstahl
Vice President,
Sales and Marketing



Paul Becker
Vice President,
Construction and Engineering



Barry Leezer
Senior Director,
Customer Operations



Edward Palombo
Vice President, Reliability



John Brown
President, Kentucky
Operations



Lynda Petrichevich
Senior Director, Process Operations



Randy Ciotola
Senior Director, Gas Operations

A Leading Natural Gas Utility with over 740,000 customer connections in three states¹

Company Overview

- Founded in 1885; headquartered in Pittsburgh, Pennsylvania
- Largest natural gas distribution company in PA with \$2.3 billion of rate base as of year-end 2019
- Approximately 15,000 miles of distribution pipeline, 2,400 miles of gathering pipeline and 310 miles of intrastate transmission pipeline as of Dec. '19
- The company was created through the acquisition by SteelRiver of Peoples in 2010, TW Phillips in 2011, Equitable in 2013 and Delta Gas in 2017

Over 1,500 employees serving more than 2 million people



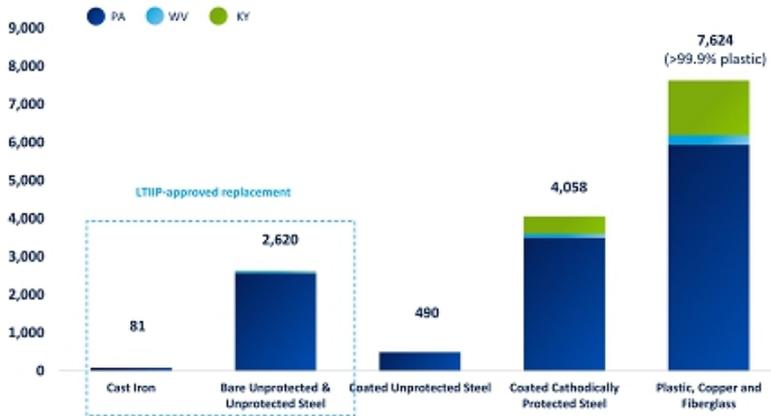
Financial Overview

- Approximately \$400M capital spending annually, which includes Long-term Infrastructure Improvement Plan ("LTIP")
- 2,640 miles of bare steel and cast-iron pipe to be replaced in coming years at a rate of approximately 189 miles per year
- 98% of earnings from regulated gas distribution

State	Approximate # of Customers
Pennsylvania	694,737
Kentucky	38,967
West Virginia	12,845
Total	746,549

¹ As of 31-Dec-2019.

2019 Distribution System Material¹ (Miles)



¹Represents data as of 12/31/2019.

Peoples has over 2,700 miles of bare steel and cast iron pipe to be replaced under its LTIP in its PA service territory alone

- Under a new 2020 accelerated pipe replacement plan, approximately 189 miles per year will be replaced, this implies ~15+ years of increased capital spending
- DSIC allows for accelerated recovery of capital between rate cases

There is ample opportunity at Peoples to deploy capital to improve aging infrastructure and earn timely recovery under the LTIP

Building for the Future

Peoples Companies' Regulated Operations

NYSE: WTRG



Annual Capital Investment (\$millions)



Pipeline Safety Initiatives

Over Pressure Protection Self Review

- Self evaluation of SOP's and Job Procedures following pipeline incidents
- Align procedures with best practice recommendations (PUC, NTSB, AGA)
- Enhance emergency response and communication plans
- Program to add 2nd form of OPP at LP regulating stations

3rd Party Consultant Review of Pipeline Safety Practices

- Black & Veatch – Industry leader in pipeline safety and integrity reviews
- Review of incident risk exposure, mitigation steps, industry best practices
- Timeline – Project Start February 9th; Final Report May 4th

Pipeline Safety Management Program

- A framework using the Plan-Do-Check-Act improvement cycle
 - Identify and manage risks
 - Promote a learning environment
 - Continuously improve gas pipeline safety



ESG – Greenhouse Gas Reduction Initiatives



Pipe Replacement (LTIIP & Gathering)

- Replace/Retire 204 miles bare steel (2020)
- Methane Reduction Impact: 353 metric tons = 9,000 tons CO₂ = Emissions from 1,900 cars or 1,000 homes

Landfill Gas Recovery (RNG)

- Capturing 1.7 Bcf from 6 landfills (2020)
- LFG gas = Usage for 19,400 homes
- CO₂ Emission Reductions = 45M gallons gasoline used

Natural Gas Vehicles (NGV)

- NGV use provides 20%-30% reduction in greenhouse gas emissions (compared to gasoline and diesel)
- Urban pollutants (CO, NO_x) reductions of 70% - 90%
- Peoples fleet - 77 NGVs
- Service to 26 public/private stations & 3 Peoples' stations

Pipeline Blow-Downs Gas Capture Techniques

Micro Grids / Combined Heat & Power (CHP)

- Electric system (generation/transmission) losses = 50% of energy consumed in the residential sector (AGA)
- 12 CHP customers (2020) & Peoples' Etna Shop
- Pittsburgh Airport Micro Grid - 20MW Gas generator & 2.5MW Solar generation field (2021)



Guidance – Capital Expenditures



We will invest over \$2.8B from 2020E through 2022E...



...and more than half of that is recoverable through various surcharges.



Note(s): DSIC refers to 'Distribution System Improvement Charge'. WSSIC refers to 'Water and Sewer System Improvement Charge'. QIPS refers to 'Qualifying Infrastructure Plant Surcharge'. PRP refers to natural gas 'Pipeline Replacement Program'.

Guidance – Rate Base

Water (\$ in Billions)



Gas (\$ in Billions)



15 Minute Break

Operational Excellence & Regulatory Affairs Panel

Moderator



Richard Fox

Executive Vice President and Chief Operating Officer, Regulated Operations



Colleen Arnold

President, Aqua



Christopher Crockett

Chief Environmental, Safety, and Sustainability Officer



Kimberly Joyce

VP, Regulatory and Government Affairs



Joseph Gregorini

President, Peoples

Financial Overview

Dan Schuller

Executive Vice President, Chief Financial Officer

2019 Full Year Highlights

 Favorable Change  Unfavorable Change

In millions except per share	2019		2018	Variance
Revenue	\$889.7		\$838.1	6.2%
Operations and Maintenance Expense	\$333.1		\$308.5	8.0%
Net Income (GAAP)	\$224.5		\$192.0	17.0%
Net Income per Share (GAAP)	\$1.04		\$1.08	(3.7%)
Adjusted Income (non-GAAP)	\$263.5		\$250.8	5.1%
Adjusted Income per Share (non-GAAP)	\$1.47		\$1.41	4.3%



Operating Revenues

FY 2019 vs. FY 2018

Change in Operating Revenues (thousands)





Rate Activity

2019 Completed Rate Cases and Surcharges

- Base rate cases or surcharges in NJ, NC, OH and PA with annualized revenue increase of \$58.2 million¹

As of 2/26/2020

2020 Completed Rate Cases and Surcharges

- Base rate cases or surcharges in IL, OH and NC with annualized revenue increase of \$4.8 million

As of 2/26/2020

Pending Rate Cases and Surcharges

- Base rate cases or surcharges in IN, NJ, NC and VA with requested annualized revenue increase of \$8.3 million

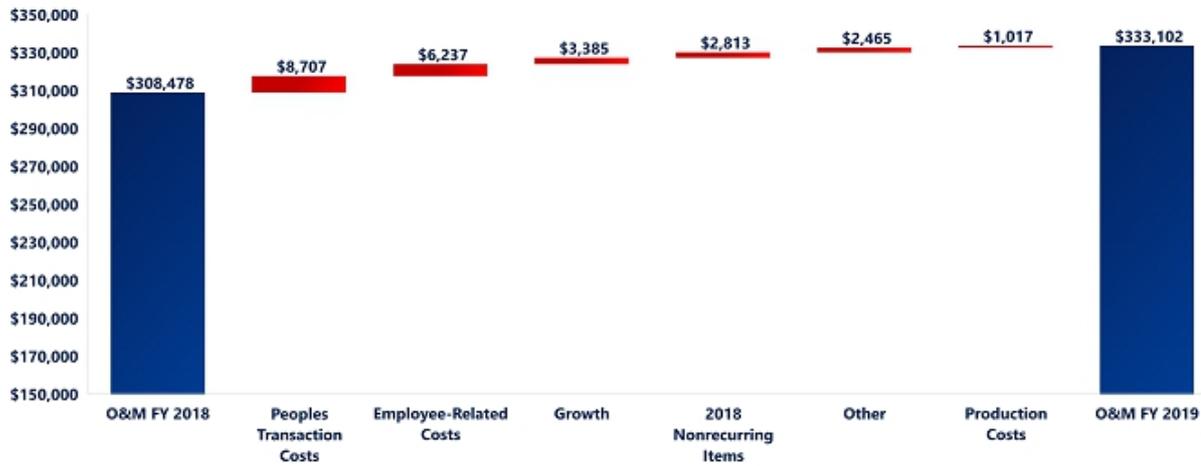
Note: Additional rate activity information provided in Appendix
¹The IL QPS surcharges of \$1.66M that was effective Apr. 1, 2019 was superseded by a filing that did not become effective until Jan. 1, 2020

Operations & Maintenance Expenses

FY 2019 vs. FY 2018



Change in Operations & Maintenance Expenses (thousands)



Earnings per Common Share

FY 2019 vs. FY 2018



Growth in Adjusted Income from Continuing Operations per Share (Diluted)

NYSE: WTRG



¹2015 Income per Share was \$1.14 (GAAP). 2015 adjusted for joint venture impairment charge (non-GAAP).

²2018 Income per Share was \$1.08 (GAAP). 2018 adjusted for transaction costs and other items related to the Peoples transaction (non-GAAP).

³2019 Income per Share was \$1.04 (GAAP). 2019 adjusted for transaction costs and other items related to the Peoples transaction (non-GAAP).

Dividend Increase History

7.0% Increase to Annualized Dividend Rate Effective 9/1/2019

NYSE: WTRG



Dividends Per Share (annualized)



Credit Ratings



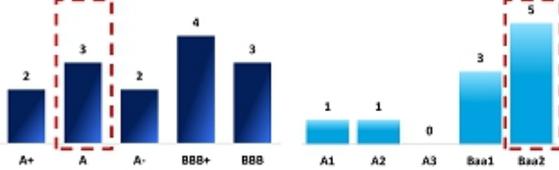
Credit Ratings Summary

S&P Global Ratings

MOODY'S

	Issuer	Issuance	Issuer	Issuance
	A	A-	Baa2	Baa2
	A	A+	--	--
	A	A	Baa1	Baa1

Peer Issuer Ratings ¹



¹ Peer ratings include LNT, AWK, AWK, ATG, AVA, BKH, CWT, NIK, NI, NWE, OGE, OGS, SIL, SWX, and SR; not all peers have ratings from both agencies

Select Credit Metrics (2020E – 2022E)

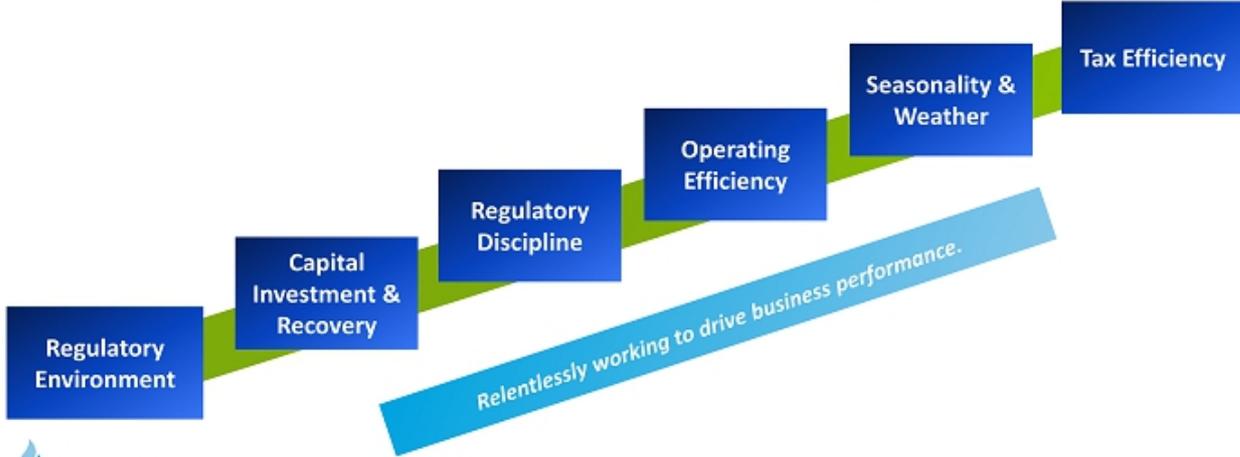


Anticipated Annual Segment Reporting



	Water	Gas	Non-reg & Parent	Consolidated
Revenue	✓	✓	✓	✓
Cost of Gas		✓		✓
Other O&M	✓	✓	✓	✓
D&A	✓	✓	✓	✓
TOTI	✓	✓	✓	✓
Operating Income	✓	✓	✓	✓
Interest	✓	✓	✓	✓
Income Taxes	✓	✓	✓	✓
Net Income	✓	✓	✓	✓
Capital Expenditures	✓	✓	✓	✓
Total Assets	✓	✓	✓	✓
Balance Sheet & Cash Flow				✓
Rate Base	✓	✓		✓

Drivers of the Business



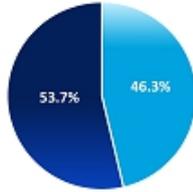


Attractive Capex Recovery Mechanisms

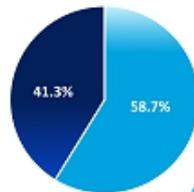
A large share of capex eligible for DSIC and other mechanisms significantly reduces regulatory lag for the combined company.

- DSIC Eligible
- Standard Rate-Making

Aqua Capex: 2020-2022 Estimates



Peoples Capex: 2020-2022 Estimates



Total Capex: 2020-2022 Estimates



State	PA	IN	OH	NJ	IL	NC
Mechanism	DSIC	DSIC	SIC	DSIC	QPS	WSSIC
Allowed Surcharge	7.5% W 5% WW	10%	12.75% W 9% WW	5%	2.5% average annual increase	5%

State	PA	KY
Mechanism	DSIC	PRP
Allowed Surcharge	5%	No cap

Notes: DSIC refers to 'Distribute System Improvement Charge', WSSIC refers to 'Water and Sewer System Improvement Charge', QPS refers to 'Qualifying Infrastructure Plant Surcharge', PRP refers to natural gas 'Pipeline Replacement Program'.

Heating Degree Days (HDD)¹

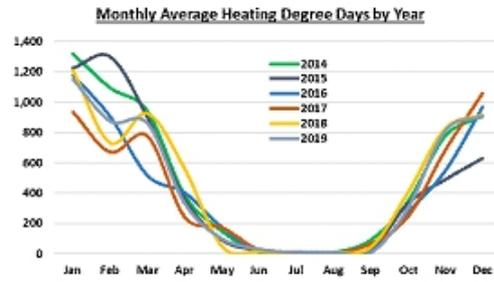
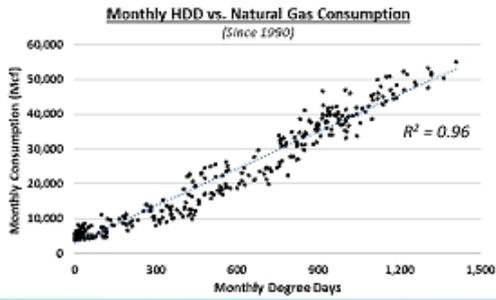
Overview



Simply put, weather drives natural gas consumption.

Relationship Between Heating Degree Days and Consumption

Heating Degree Days In Greater Pittsburgh Area



A *degree day* compares the mean outdoor temperatures recorded for a location to a standard temperature, usually 65° Fahrenheit (F) in the United States. *Heating Degree Days* (HDD) are a measure of how cold the temperature was on a given day or during a period of days.

¹Source: EIA.

Seasonality Considerations

NYSE: WTRG



As we expand into natural gas, seasonality plays a much larger role in the financial results.

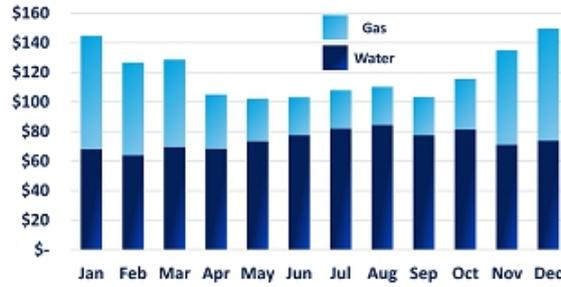
2019 Gas Throughput by Quarter

Nearly 69% of gas was sold in Q1 and Q4.



2019 Water Revenue and Natural Gas Margin by Month (\$ Millions)

The limited seasonality effects of water don't offset the more dramatic effects of colder weather on gas margin.

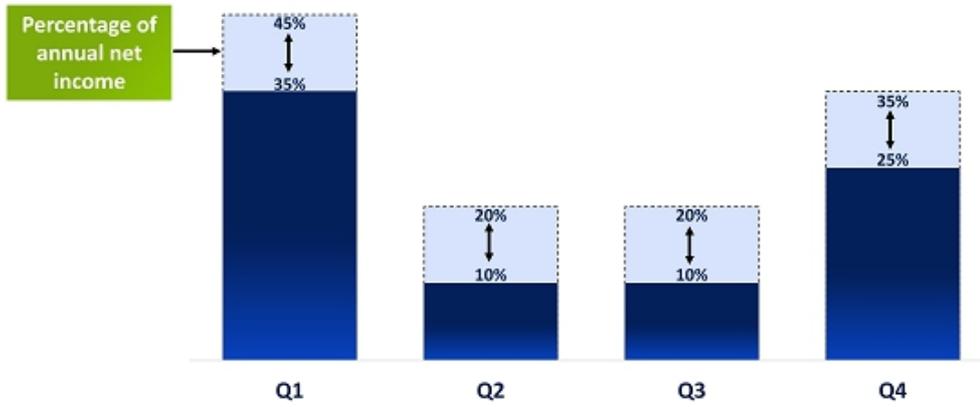


Approximate Net Income by Quarter

Overview



Based on proforma projections, we expect 65% to 75% of net income in a given year will be earned in the first and fourth quarters.



Tax Repair Regulations

Overview



IRS tax repair regulations allow repair costs that were previously capitalized to be expensed for tax purposes. We plan to elect tax repair for Peoples' largest Pennsylvania subsidiary, Peoples Natural Gas, shortly after close.

Legislative History

- IRS issued tangible property regulations which became effective for tax years beginning January 1, 2014. Taxpayers were allowed to early adopt under proposed regulations.
- Adoption of the tangible property regulations allowed companies greater deductions and increased cash flows.
- Election of tax repair requires a company to reset its tax position as if the company had always filed that way. This results in a "catch-up" deduction.
- PA PUC allows flow through tax accounting treatment that allows for the lower tax expense to flow through the P&L when incurred.

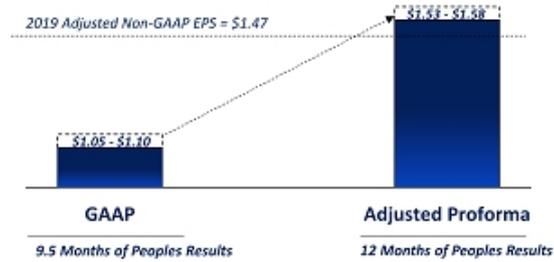
Gas Network Assets

- Gas pipelines are considered network assets.
- Unit of property for networks assets based on taxpayers facts and circumstances – e.g., pressure zones between regulator stations.
- Methodology – typically projects that replace less than a certain percentage of a unit of property are considered eligible repairs.
- Ineligible if there is a "betterment" (e.g., increased capacity providing for growth, correcting a material condition or defect).
- Commission action required to determine allocation of "catch-up" deduction benefit.



Guidance – Earnings Per Share

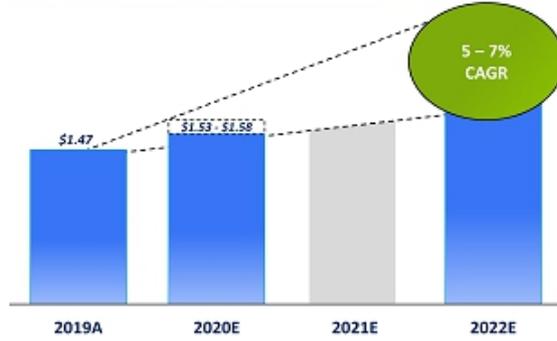
2020E Earnings Per Share



- assumes March 2020 closing
- includes transaction expenses
- includes rate credits

- assumes 12 months of ownership
- assumes ~254M diluted shares
- excludes transaction expenses
- excludes rate credits

2019 – 2022E Earnings Per Share



- Repair Tax**
- Guidance includes current repair benefit in '20, '21, and '22
 - Guidance excludes "catch-up" benefit

Diluted Shares Outstanding (Millions)

We're committed to providing clarity around share count in our EPS calculations.





Summary

Chris Franklin

Chairman, Chief Executive Officer, and President

- Continue operational excellence (water quality, gas safety, etc.)
- Integrate Peoples
- Finalize DELCORA for year end closing
- Continue to pursue municipal acquisition pipeline
- Implement Peoples capex plan; elect repair

Summary & 2020 Priorities





Guidance

Earnings ¹	<ul style="list-style-type: none"> Adjusted income of \$1.53 to \$1.58 per share for 2020 3 year earnings growth CAGR 5-7% for 2019 through 2022
Capex	<ul style="list-style-type: none"> Infrastructure investments of approximately \$550 million in 2020 for communities served by Aqua Infrastructure investments of approximately \$400 million in 2020 for communities served by Peoples Infrastructure investments of approximately \$2.8 billion through 2022 in both water and gas operations to rehabilitate and strengthen systems
Rate Base	<ul style="list-style-type: none"> Rate base growth of 6 to 7 percent per year through 2022 in water² Rate base growth of 8 to 10 percent per year through 2022 in gas
Customer Growth	<ul style="list-style-type: none"> Total annual water customer growth of between 2 and 3 percent on average depending upon regulatory approval Gas customer count expected to be relatively stable for 2020

¹ This illustrative guidance includes the full-year effects of the Peoples acquisition as if this transaction closed on January 1, 2020, by including an estimate of the results of Peoples for the period in 2020 prior to closing, excluding transaction-related expenses and the effects of transaction-related commitments to issue rate credits to utility customers.

² Represents rate base growth excluding acquisitions.

Commitment to Stakeholders

Combining Two Great Companies, Each with Over a Century of Service



Customers	<ul style="list-style-type: none"> • Continued best-in-class service from established gas and water utilities • No impact to customer rates from transaction • Financial capacity will enhance infrastructure investments, increasing reliability and safety
Employees	<ul style="list-style-type: none"> • Shared culture of safety, operational excellence and professional development • Increased opportunities for career development and advancement • Complementary values and missions
Communities	<ul style="list-style-type: none"> • Continued engagement in the communities that each company serves • Infrastructure investment will improve quality of life and contribute to economic prosperity in our communities
Shareholders	<ul style="list-style-type: none"> • Immediately accretive to earnings first full year and over the long-term post closing • Improves future rate base and earnings growth • Supports continued long-term dividend growth • Larger market capitalization, float and trading liquidity post permanent financings
Bondholders	<ul style="list-style-type: none"> • Committed to maintaining strong investment-grade credit ratings

Questions?

Thank You



Brian Dingerdissen

Vice President, Chief of Staff,
Investor Relations and Communications
610.645.1191
BJDingerdissen@Essential.co



Renee Marquis

Director, Investor Relations
610.645.1021
RTMarquis@Essential.co

Appendix

GAAP to Non-GAAP Reconciliation

(In thousands, except per share amounts)



	Quarter ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Net income (GAAP financial measure)	\$ 64,227	\$ [3,657]	\$ 224,543	\$ 191,988
Adjustments:				
Plus: Transaction-related expenses for the Peoples transaction	613	73,963	66,066	73,963
Plus: Pre-acquisition interest expense for funds borrowed for acquisition of Peoples, net	2,643	-	5,961	-
Plus: Overlapping net interest expense on refinanced debt	-	-	452	-
Less: Interest income earned on proceeds from April 2019 equity offerings	(6,898)	-	(23,377)	-
Income tax effect of non-GAAP adjustments	777	(15,127)	(10,149)	(15,127)
Adjusted income (Non-GAAP financial measure)	\$ 60,362	\$ 55,179	\$263,496	\$ 250,824
Net income (loss) per common share (GAAP financial measure):				
Basic	\$ 0.28	\$ [0.02]	\$ 1.04	\$ 1.08
Diluted	\$ 0.28	\$ [0.02]	\$ 1.04	\$ 1.08
Adjusted income per common share (non-GAAP financial measure):				
Diluted	\$ 0.34	\$ 0.31	\$ 1.47	\$ 1.41
Average common shares outstanding:				
Basic	232,107	177,987	215,550	177,904
Diluted	232,581	178,431	215,931	178,399
Average common shares outstanding:				
Shares used in calculating diluted net income per common share	232,581	178,431	215,931	178,399
Adjustment for effects of April 2019 common share issuance	(37,370)	-	(25,903)	-
Adjustment for effects of April 2019 tangible equity unit issuance	(13,328)	-	(10,533)	-
Adjustment for effects of issuance of common shares from stock purchase contracts	(2,943)	-	(745)	-
Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure)	178,940	178,431	178,750	178,399

Q4 2019 Highlights

Q4 2019 vs. Q4 2018

NYSE: WTRG



 Favorable Change  Unfavorable Change

In millions except per share	Q4 2019		Q4 2018	Variance
Revenue	\$226.0		\$205.7	9.9%
Operations and Maintenance Expense	\$85.3		\$92.4	(7.7%)
Net Income (GAAP)	\$64.2		(\$3.7)	1,856.2%
Net Income per Share (GAAP)	\$0.28		(\$0.02)	1,500%
Adjusted Income (non-GAAP)	\$61.4		\$55.2	11.2%
Adjusted Income per Share (non-GAAP)	\$0.34		\$0.31	9.7%

73

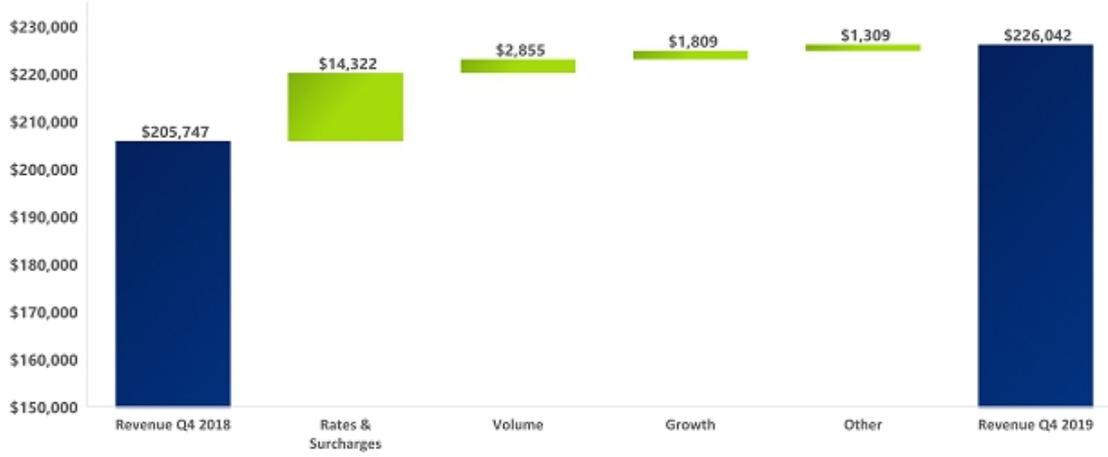
Operating Revenues

Q4 2019 vs. Q4 2018

NYSE: WTRG



Change in Operating Revenues (thousands)



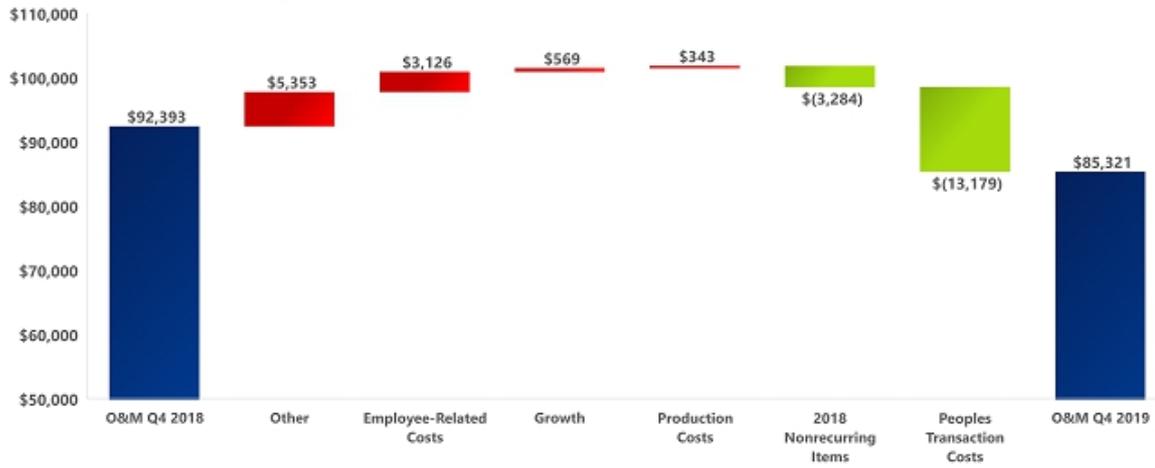
Operations & Maintenance Expenses

Q4 2019 vs. Q4 2018

NYSE: WTRG



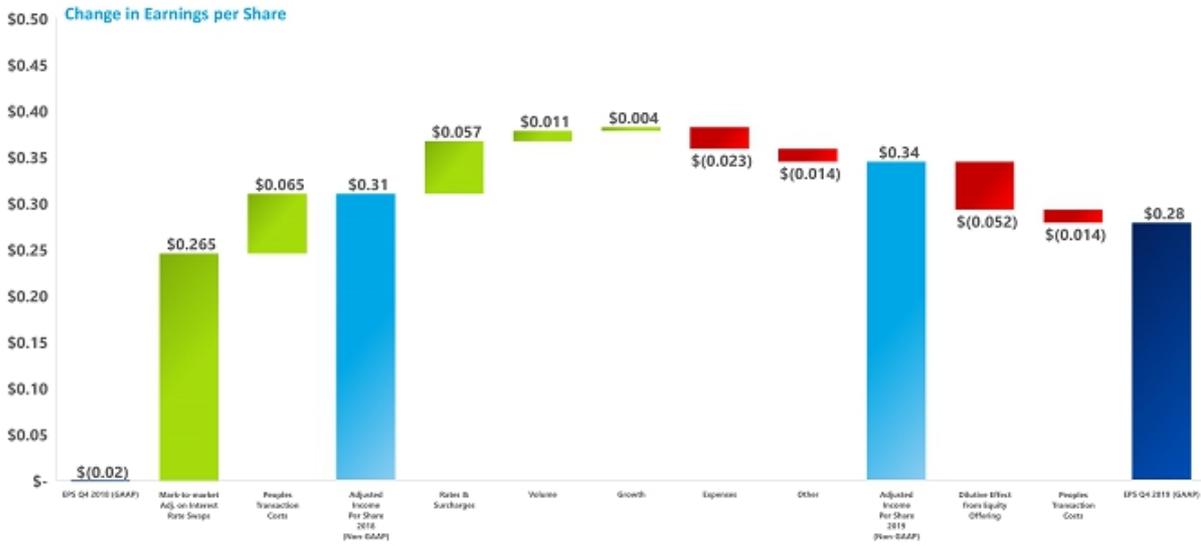
Change in Operations & Maintenance Expenses (thousands)



Earnings per Common Share

Q4 2019 vs. Q4 2018

NYSE: WTRG



2019 Rates and Surcharges Completed

NYSE: WTRG



State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Aqua New Jersey	WRT18121351	Rate Case (w)	\$5,000
Aqua North Carolina	W-218, Sub 497A	Surcharge (w)	\$539
	W-218, Sub 497A	Surcharge (ww)	\$62
Aqua Ohio	89-7028-WW-TRF	Rate Cases (w)	\$974
	18-0337-WW-SIC	Surcharge (w)	\$2,267
	19-567-WW-SIC	Surcharge (w)	\$2,313
Aqua Pennsylvania	M-2019-3008029	Surcharges (w)	\$2
	R-2018-3003558	Rate Case (w)	\$42,300
	R-2018-3003561	Rate Case (ww)	\$4,700
Total			\$58,157¹

Note: Rates and Surcharges differentiated by water (w) and wastewater (ww) systems.
¹The 0.015 GFS surcharges of \$3.66M that was effective Apr. 1, 2019 was superseded by a filing that did not become effective until Jan. 1, 2020

2020 Rates and Surcharges Completed

As of Feb. 26, 2020

NYSE: WTRG



State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Aqua Illinois	N/A	Surcharge (w)	\$2,902
	N/A	Surcharge (ww)	\$168
Aqua North Carolina	W-218, Sub 497A	Surcharge (w)	\$571
	W-218, Sub 497A	Surcharge (ww)	\$134
Aqua Ohio	89-7028-WW-TRF	Rate Cases (w)	\$995
Total			\$4,770

Note: Rates and Surcharges differentiated by water (w) and wastewater (ww) systems.

Rates and Surcharges Pending

As of Feb. 26, 2020



State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
Aqua Indiana	45314 U	Rate Case (w)	\$53
	45308 U	Rate Case (ww)	\$10
Aqua New Jersey	WR20010056	Rate Case (ww)	\$1,090
Aqua North Carolina	W-218, Sub 526	Surcharge (w)	\$5,193
	W-218, Sub 526	Surcharge (ww)	\$1,627
Aqua Virginia	PURE-2019-00209	Surcharge (w)	\$137
	PURE-2019-00209	Surcharge (ww)	\$150
Total			\$8,260

Note: Rates and Surcharges differentiated by water (w) and wastewater (ww) systems.

State by State Comparison

As of December 31, 2019



AQUA™

State	Rate Base (\$000s)	Water Connections	Wastewater Connections	Total Customers
PA	3,428,271	443,152	38,208	481,360
OH	343,602	146,483	6,922	153,405
IL	357,344	65,851	16,330	82,181
TX	298,240	65,874	18,281	84,155
NJ	199,745	54,083	6,291	60,374
NC	229,294	82,201	20,005	102,206
IN	83,833	1,278	27,774	29,052
VA	78,022	26,110	7,861	33,971
Total	5,018,351	885,032	141,672	1,026,704

PEOPLES™

State	Rate Base (\$000s)	Gas Connections
PA	2,133,506	694,737
KY	119,510	38,967
WV	26,559	12,845
Total	2,279,575	746,549