



Essential<sup>™</sup>  
UTILITIES

EARNINGS CALL  
First Quarter 2023

May 9, 2023

NYSE  
LISTED

WTRG

# Welcome

## Brian Dingerdissen

Vice President, Investor Relations  
and Treasurer



# 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](http://www.essential.co)

# Agenda

Corporate Update

Financial Results

Acquisition Program Update

Summary and Guidance

Q&A



# Company Update

**Chris Franklin**

Chairman, Chief Executive Officer,  
and President



# Corporate Updates

**\$0.72**  
**Earnings Per**  
**Share**

**Infrastructure**  
**Investment of**  
**\$243.7M**

**Pending**  
**Acquisition of**  
**Nine Systems<sup>(1)</sup>**

**2<sup>nd</sup> Annual**  
**Essential Earth**  
**Day**

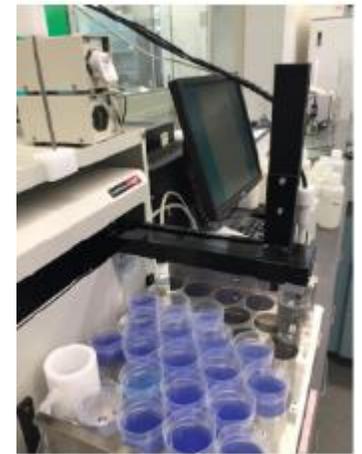
**Industry-leading**  
**Approach to**  
**Emerging**  
**Contaminants**

# Industry Leading Water Quality Commitment



## Managing Contaminants of Emerging Concern:

Industry-leading multi-year plan to ensure that finished water does not exceed the federal maximum contaminant level once finalized, of PFOA, PFOS, and PFNA compounds across all states served by our regulated water segment



# Operational Excellence with a Customer Focus



NEWS **phillyburbs.com**

### As toxic spill cleanup continues in Bristol, tap water in Bucks County is deemed safe

**Peg Quann**  
Bucks County Courier Times  
Published 2:30 p.m. ET March 28, 2023 Updated 9:48 a.m. ET March 30, 2023

A chemical spill Friday night sent 8,100 gallons of water and latex polymer into the Otter Creek in Bristol, Pa.

**Video: Chemical spill in Bristol causes alarm throughout Philadelphia region**  
A chemical spill Friday night sent some 8,100 gallons of water and polymer solution into the Otter Creek, which feeds into the Delaware River Bucks County Courier Times

Breaking News: Delaware River Spill

**AQUA**  
An Essential Utilities Company

Customers Partner With Us All About Water About Aqua Pay My Bill

Breaking News: Delaware River Spill

### Aqua | An Essential Utilities Company >

- Aqua News and Articles >
- Partner With Us >
- All About Water >
- Customers >
- About Aqua >
- Contact Us >
- Service Alerts >
- Media Requests >
- Privacy Policy >
- Terms of Use >
- Accessibility Policy >
- WaterSmart Alerts >

## Breaking News: Delaware River Spill

#### Aqua Resumes Operations at Bristol Plant, Confident Spill Risk Is Over

Today, Aqua Pennsylvania will resume normal operations of our Bristol Water Treatment Plant, following the March 25 chemical spill into the Delaware River. Our operations team made the decision after detecting no chemicals in our drinking water and at our plant intake since the spill occurred, and in close collaboration with governmental agencies.

Throughout the five-day incident, Aqua continuously tested our drinking water. Each and every test confirmed it remained clean, safe and reliable. We also worked to support the greater region by lending our laboratory expertise to those who were also responding.

# Financial Results

**Dan Schuller**

Executive Vice President,  
Chief Financial Officer



# Q1 Financial Highlights

As of March 31, 2023

<i>In millions except per share</i>	Q1 2022	Q1 2023
Operating Revenues	\$699.3	\$726.5
Purchased Gas	\$227.7	\$256.3
Operations and Maintenance Expense	\$142.6	\$138.0
Operating Income	\$227.6	\$225.5
Net Income	\$199.4	\$191.4
Net Income per Share	\$0.76	\$0.72

---

## Revenues

- Additional revenues from higher purchased gas costs, regulatory recoveries, and regulated water segment customer growth were the main drivers for the quarter; offset by lower natural gas consumption.

---

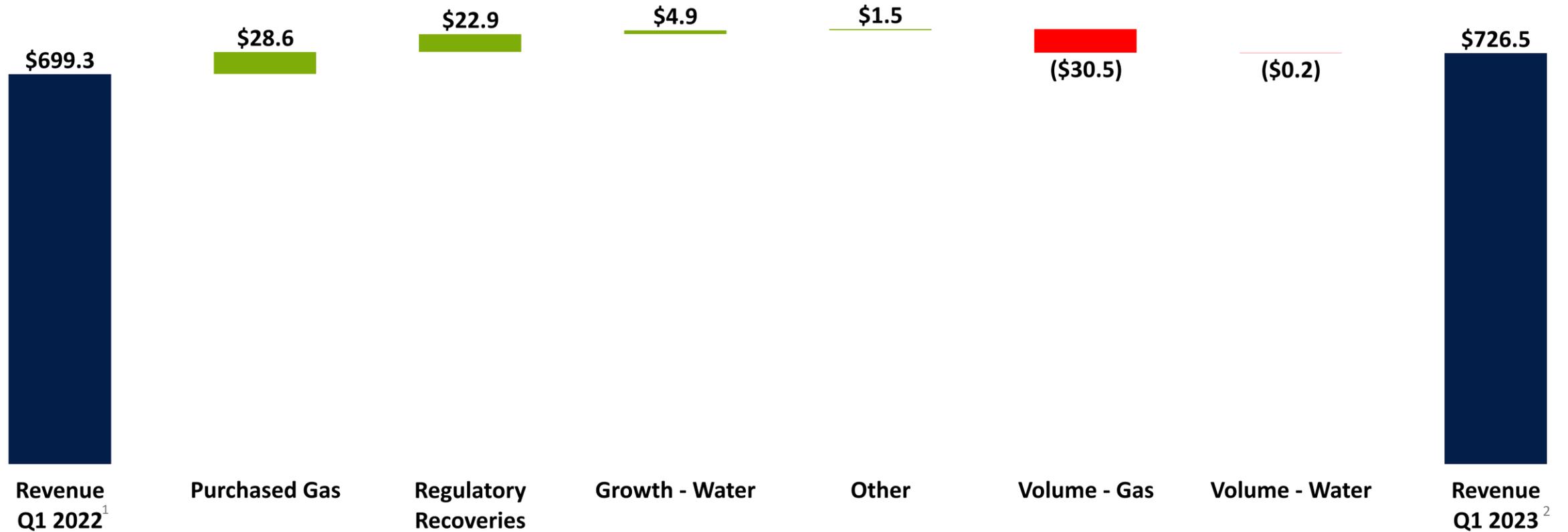
## O&M

- Higher water production costs and added acquisitions were offset by lower employee-related costs, improved bad debt, and other expense items for the quarter.
-

# Operating Revenues

Q1 2023 vs. Q1 2022

## Change in Operating Revenues (millions)



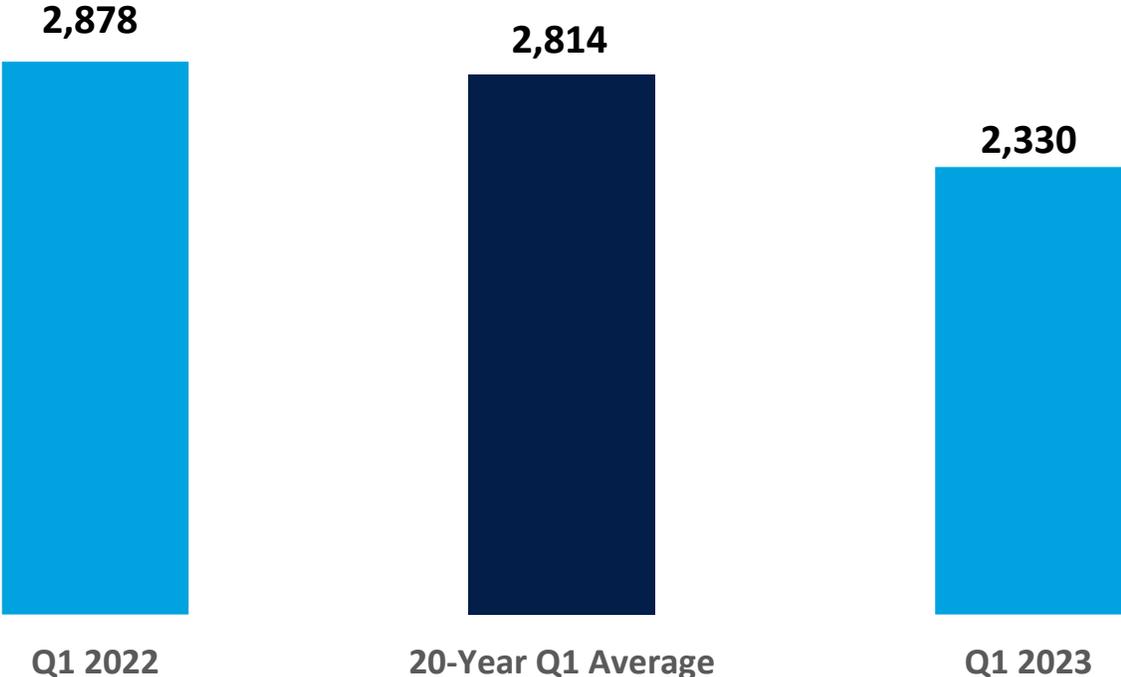
<sup>1</sup> Includes \$227.7 of purchased gas.

<sup>2</sup> Includes \$256.3 of purchased gas.

# Q1 2023 Heating Degree Days

Weather, as indicated by heating degree days, drives natural gas consumption and thus revenue. A heating degree day (HDD) is a measurement designed to quantify the demand for energy needed to heat a building. It is the number of degrees that a day's average temperature is below 65 degrees Fahrenheit.

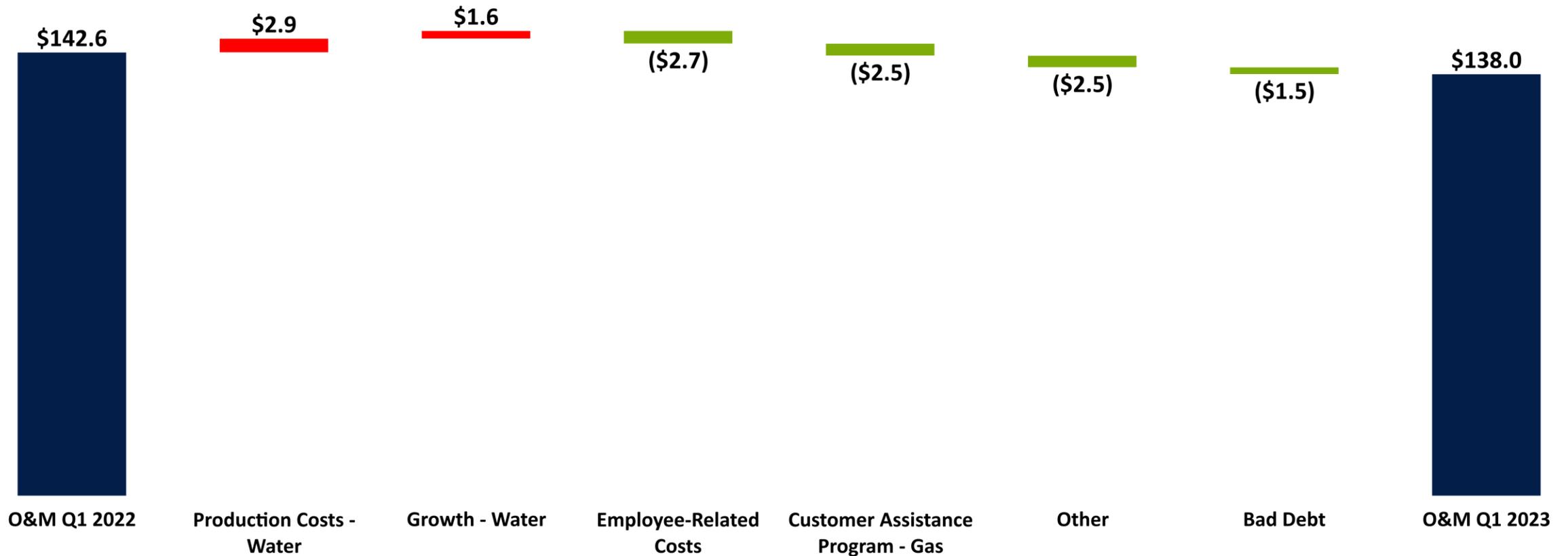
## First Quarter Heating Degree Days



# Operations & Maintenance Expenses

Q1 2023 vs. Q1 2022

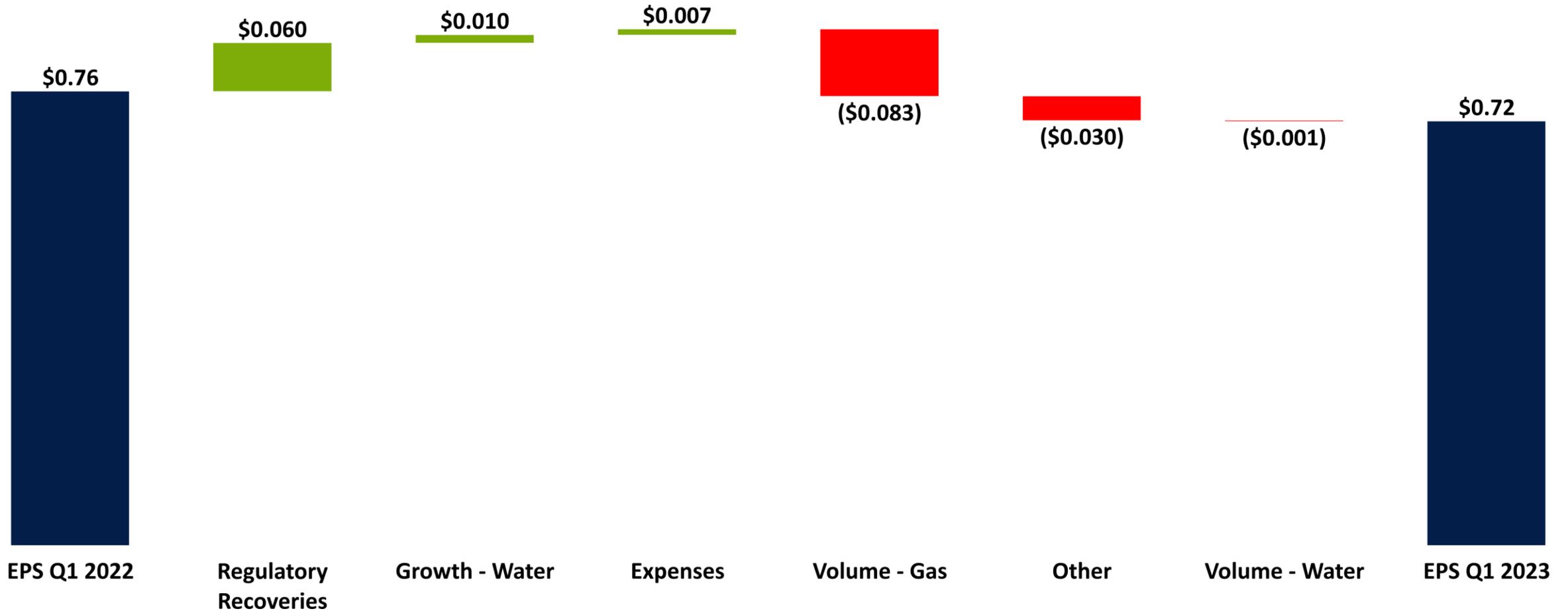
Change in Operations & Maintenance Expense (millions)



# Earnings per Common Share

Q1 2023 vs. Q1 2022

## Change in Earnings Per Share



# Regulatory Activity

As of May 8, 2023

## 2023 Completed Rate Cases and Surcharges

Water segment base rate cases or surcharges in IL, IN, OH and VA with annualized revenue increase of \$3.6 million

No completed gas segment base rate cases or surcharges

## Pending Rate Cases and Surcharges

Water segment base rate cases or surcharges in NC, OH, and TX with requested annualized revenue increase of \$44.7 million

Gas segment surcharge in KY with requested annualized revenue increase of \$1.5 million

# Acquisition Growth and 2023 Guidance

**Chris Franklin**

Chairman, Chief Executive Officer,  
and President



# Pending Municipal Transactions

~\$380M of pending rate base is expected to generate ~\$19M of incremental annual earnings potential<sup>(1)</sup>

**Nearly 219,000<sup>(2)</sup>** Total Customers

**\$380.2M** Total Purchase Price

**PA**

**DELCORA**

- Wastewater
- 198,000 customers<sup>(2)</sup>
- \$276.5M purchase price

**PA**

**Shenandoah**

- Water
- 3,000 customers
- \$12.0M purchase price

**PA**

**Beaver Falls**

- Wastewater
- 7,600 customers<sup>(2)</sup>
- \$41.25M purchase price

**TX**

**Southern Oaks**

- Water
- 740 customers
- \$3.33M purchase price

**IL**

**Village of Frankfort**

- Water/Wastewater
- 711 / 711 customers
- \$1.4M purchase price

**OH**

**Union Rome Sewer**

- Wastewater
- 5,300 customers
- \$25.5M purchase price

**OH**

**Village of La Rue**

- Water
- 290 customers
- \$2.25M purchase price

**PA**

**Greenville**

- Wastewater
- 2,300 customers
- \$18.0M purchase price

(1) This is an illustrative earnings assumption based on an assumed 50% debt / 50% equity capital structure and a hypothetical 10% allowed return on equity.

(2) Essential's estimate of the number of equivalent dwelling units.

# Active Municipal Opportunities

Size Range  
(Approx. # of Customers)



Total Customers  
(Approx. # of Customers)



We are actively pursuing acquisition opportunities in most of our states, totaling over 400,000 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.

**Over 400,000**  
Total Customers

# 2023 Guidance<sup>(1)</sup>

Earnings	Capex	Rate Base	Customer Growth	ESG
<ul style="list-style-type: none"> <li>In 2023, net income per diluted common share will be \$1.85 to \$1.90</li> <li>Through 2025, earnings per share will grow at a compounded annual growth rate of 5 to 7%, based off the company's 2022 earnings per share of \$1.77</li> </ul>	<ul style="list-style-type: none"> <li>Through 2025, we will make regulated infrastructure investments of approximately \$1.1 billion annually, weighted towards the regulated water segment; an increase of approximately \$100 million annually from the current plan</li> </ul>	<ul style="list-style-type: none"> <li>Through 2025, the regulated water segment rate base will grow at a compounded annual rate of 6 to 7%</li> <li>Through 2025, the regulated natural gas segment rate base will grow at a compounded annual rate of 8 to 10%</li> </ul>	<ul style="list-style-type: none"> <li>The regulated water customer base (or equivalent dwelling units) of the business will grow at an average annual growth rate of between 2 to 3% from acquisitions and organic customer growth</li> <li>Excluding the divestiture of West Virginia, the regulated natural gas customer base of the business will be stable in 2023</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of Scope 1 and 2 greenhouse gas emissions by 60% by 2035 from the company's 2019 baseline</li> <li>Multi-year plan to ensure that finished water does not exceed the federal maximum contaminant level once finalized, of PFOA, PFOS, and PFNA compounds</li> <li>Multi-year plan to increase diverse supplier spend to 15%</li> <li>Multi-year plan to reach 17% employees of color</li> </ul>

(1) Guidance includes signed municipal water and wastewater acquisitions for which the company has entered into signed purchase agreements as of the time the 2023 guidance was announced but does not include other potential municipal acquisitions from the company's list of acquisition opportunities. Guidance also does not include any impact from the agreement to sell its West Virginia natural gas utility, which is expected to close mid-year 2023, as it is not expected to materially impact guidance. The guidance is also based on the company's expectation that it will continue to issue equity and debt on an as needed basis to support acquisitions and capital investment plans.

Questions?

# Thank You for Attending Essential's First Quarter 2023 Conference Call



## Second Quarter 2023 Earnings Conference Call and Webcast

Tuesday, August 8, 2023

NYSE  
LISTED

---

**WTRG**

For more information contact:



**Brian  
Dingerdissen**

Vice President,  
Investor Relations and Treasurer

(610)645-1191  
BJDingerdissen@Essential.co



**Renee  
Marquis**

Director, Investor Relations

(610)645-1021  
RTMarquis@Essential.co

# Appendix



# 2023 Regulatory Activity Completed

As of May 8, 2023

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)
Ohio		Water	Rate Case	\$1,569
Indiana		Wastewater	Rate Case	\$134
Illinois		Water	Surcharge	\$1,352
		Wastewater	Surcharge	\$567
Virginia	PUR-2022-00113	Wastewater	Surcharge	\$15
<b>Total</b>				<b>\$3,637</b>

# Regulatory Activity Pending

As of May 8, 2023

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)
<b>North Carolina</b>	W-218, Sub 573	Water	Rate Case – Year 1	\$12,704
	W-218, Sub 573	Wastewater	Rate Case – Year 1	\$5,360
	W-218, Sub 573	Water	Rate Case – Year 2	\$3,143
	W-218, Sub 573	Wastewater	Rate Case – Year 2	\$1,160
	W-218, Sub 573	Water	Rate Case – Year 3	\$3,283
	W-218, Sub 573	Wastewater	Rate Case – Year 3	\$1,294
<b>Ohio</b>	22-1094-WW-AIR	Water	Rate Case	\$9,364
	22-1096-ST-AIR	Wastewater	Rate Case	\$452
<b>Texas</b>	53428	Water	Surcharge	\$5,715
	53428	Wastewater	Surcharge	\$2,234
<b>Kentucky</b>	2022-00341	Gas	Surcharge	\$1,483
<b>Total</b>				<b>\$46,192</b>

# State by State Comparison

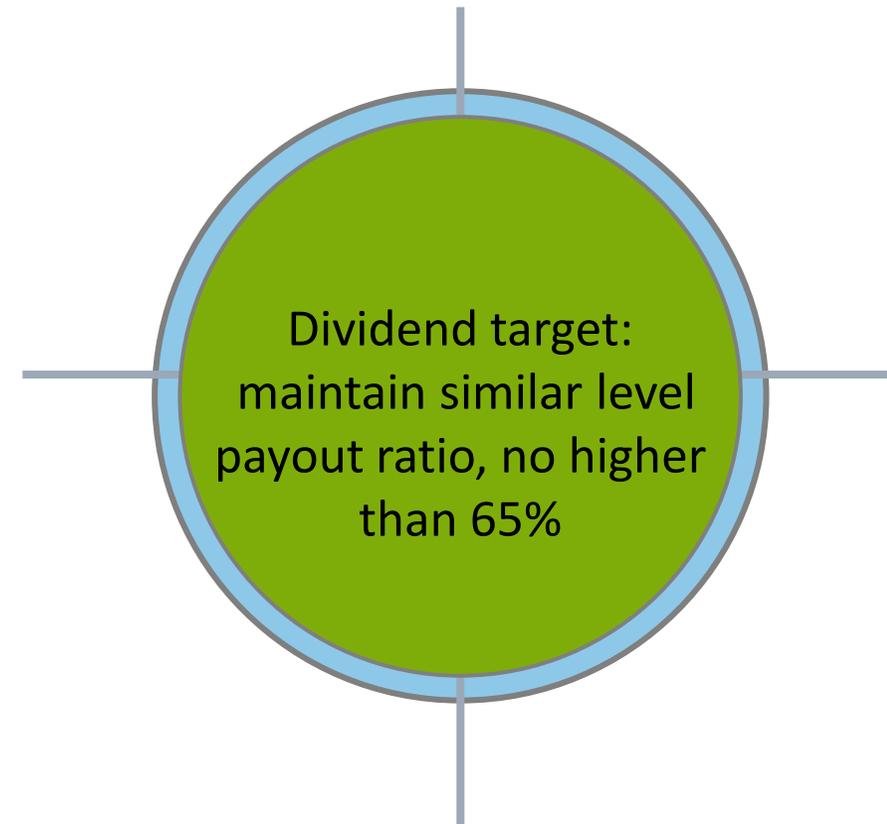
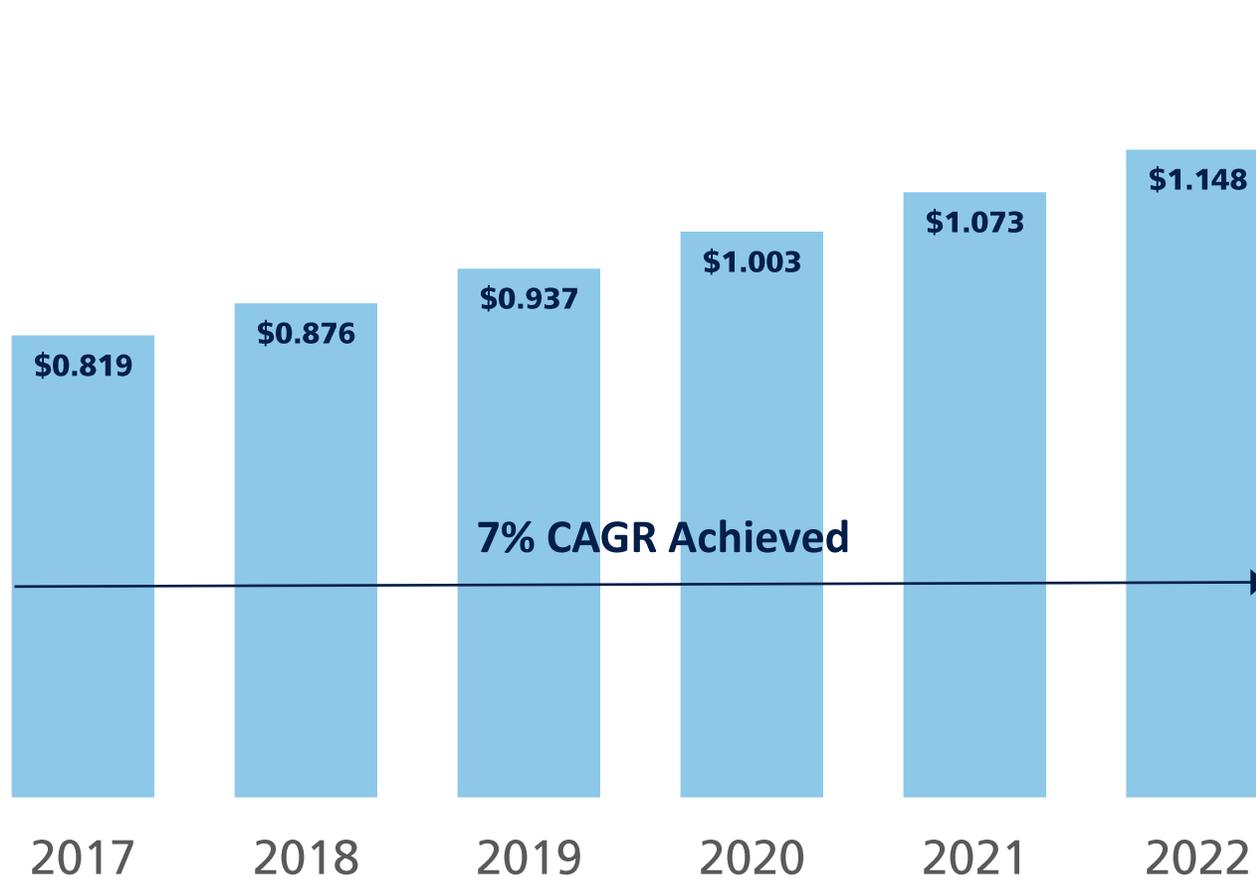
As of December 31, 2022

State	Rate Base (\$000s)	Water Connections	Wastewater Connections	Total Customers
PA	\$4,245,240	450,618	61,440	512,058
IL	\$485,191	68,834	23,605	92,439
OH	\$472,344	151,884	6,949	158,833
TX	\$451,354	72,817	22,273	95,090
NC	\$309,099	85,543	22,235	107,778
NJ	\$214,694	55,354	6,613	61,967
IN	\$110,546	1,431	30,293	31,724
VA	\$93,377	27,043	8,313	35,356
<b>Total</b>	<b>\$6,381,846</b>	<b>913,524</b>	<b>181,721</b>	<b>1,095,245</b>

State	Rate Base (\$000s)	Gas Connections
PA	\$2,737,318	702,862
KY	\$139,217	40,533
WV	\$29,970	12,946
<b>Total</b>	<b>\$2,906,504</b>	<b>756,341</b>

# Dividend Growth Targeted In Line with EPS

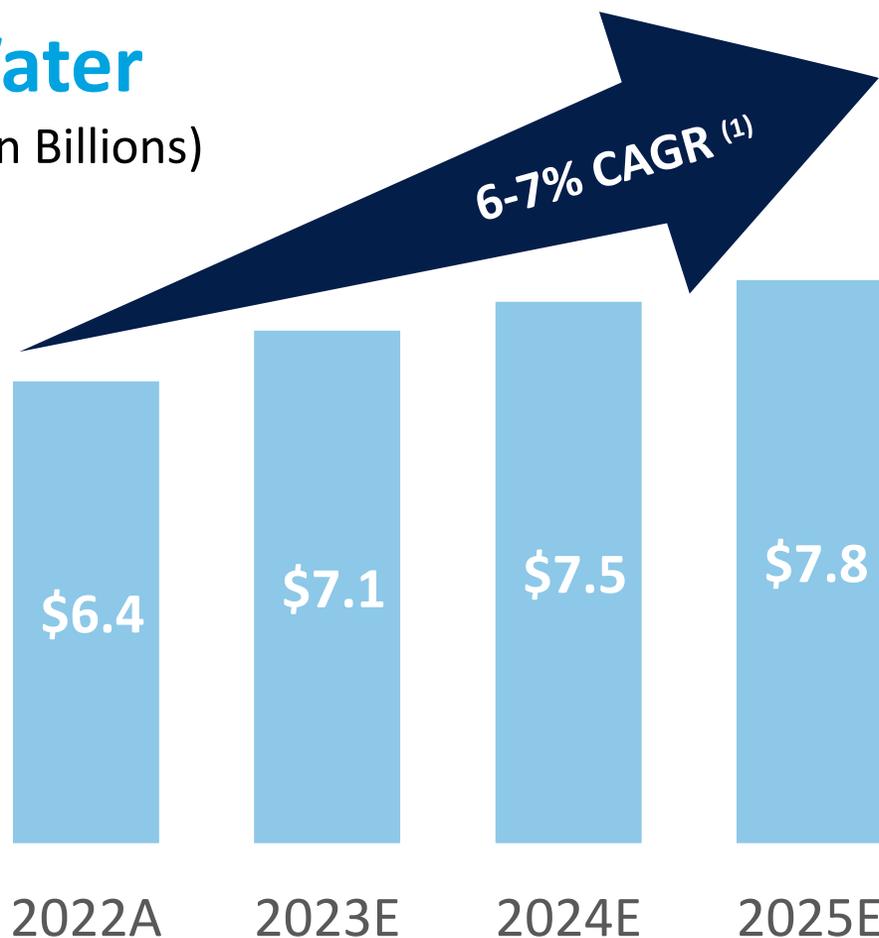
Dividends Per Share (Annualized)



# Maximizing Rate Base Growth Potential

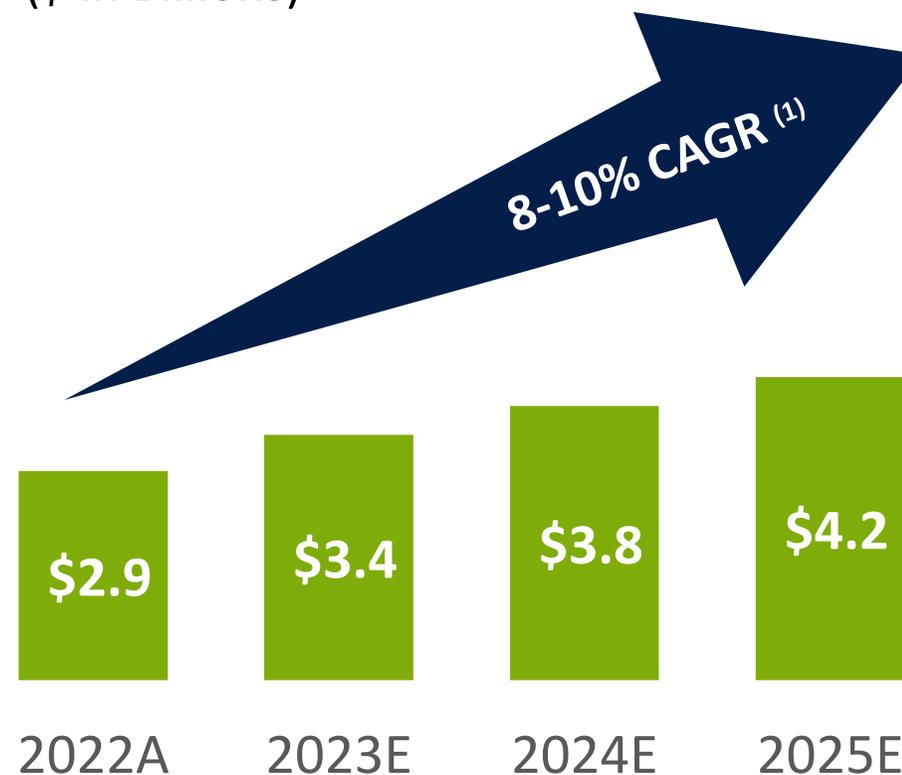
## Water

(\$ in Billions)



## Gas

(\$ in Billions)



"A" denotes Actual  
"E" denotes Estimate

(1) Includes signed municipal water and wastewater acquisitions for which the company has entered into signed purchase agreements as of the time the 2023 guidance was announced but does not include other potential municipal acquisitions from the company's list of acquisition opportunities. Guidance also does not include any impact from the recently announced agreement to sell its West Virginia natural gas utility, which is expected to close mid-year 2023, as it is not expected to materially impact guidance

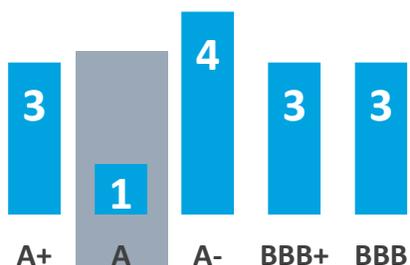
# Strong Balance Sheet: Central to our Strategy



## S&P Global Ratings

Issuer	Issuance
<b>A</b>	<b>A-</b>
<b>A</b>	<b>A+</b>
<b>A</b>	<b>A</b>

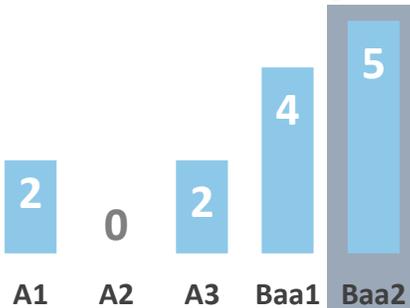
### Peer Issuer Ratings<sup>(1)</sup>



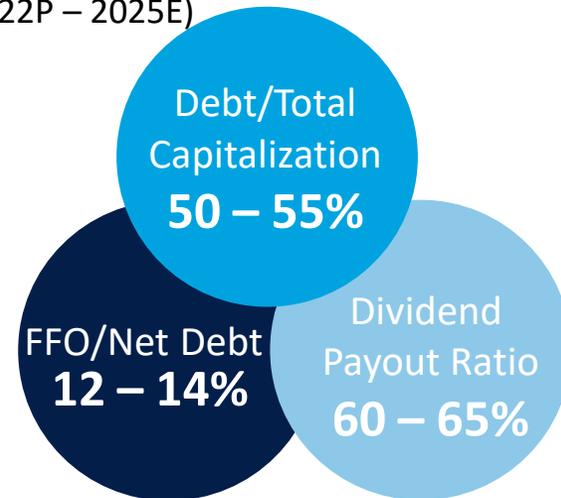
## MOODY'S

Issuer	Issuance
<b>Baa2</b>	<b>Baa2</b>
--	--
<b>Baa1</b>	<b>Baa1</b>

### Peer Issuer Ratings<sup>(1)</sup>



## Select Credit Metrics (2022P – 2025E)



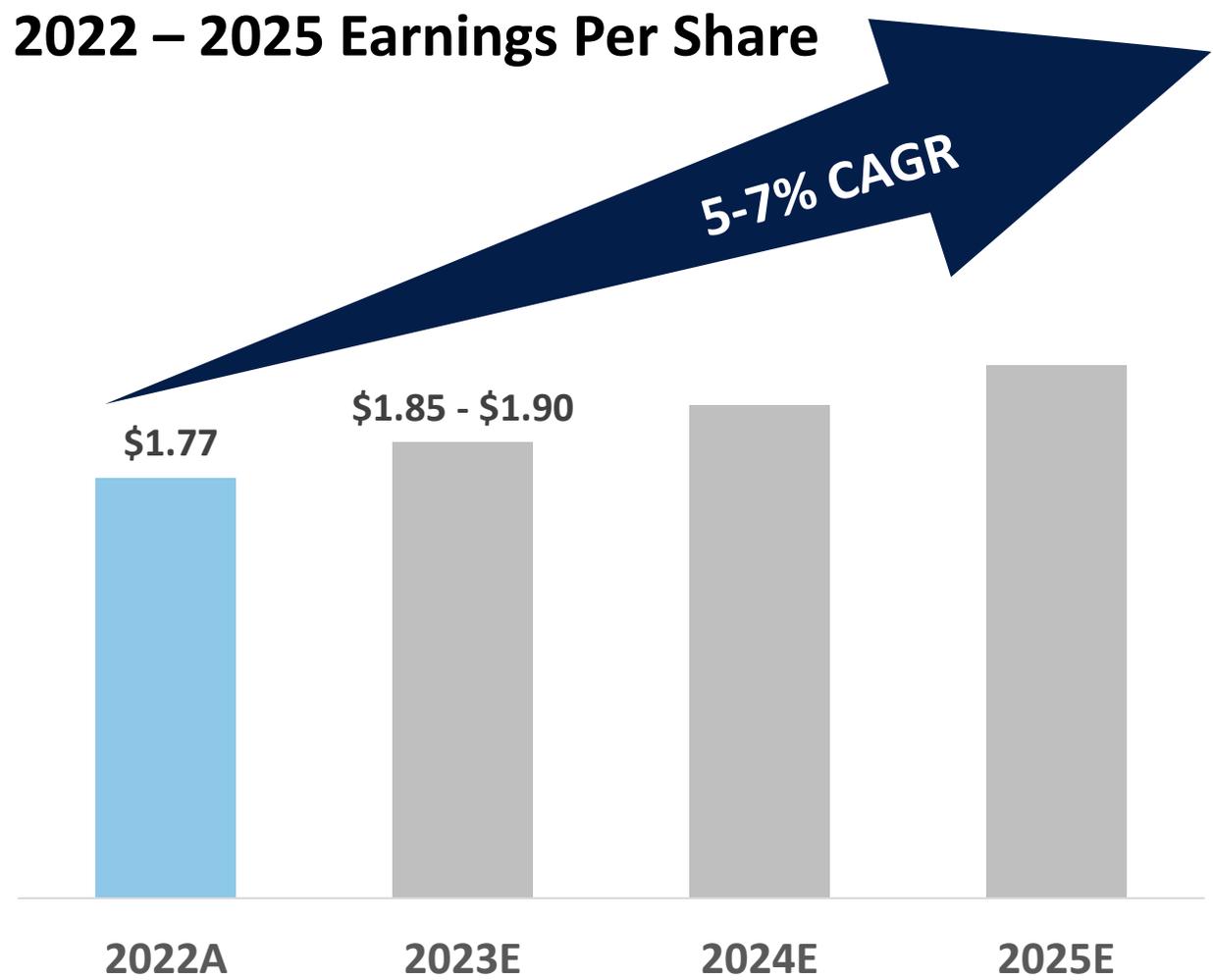
In order to maintain our credit metrics, achieve our 2023 capital investment plans and support signed acquisitions in our municipal acquisition program, we expect to regularly be in the market for debt and equity and expect to raise approximately \$500 million in equity and/or equity-linked securities this year, subject to market conditions and timing of investment and acquisition needs.

(1) Peer ratings include LNT, AWR, AWK, ATO, AVA, BKH, CWT, NJR, NI, NWE, OGE, OGS, SJI, SWX, and SR; not all peers have ratings from both agencies

"P" denotes Projected  
"E" denotes Estimate

# Earnings Guidance

2023 annual earnings per share guidance of \$1.85 to \$1.90



"A" denotes Actual  
"E" denotes Estimate