UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 10-Q

(Mark One)
S QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended March 31, 2024

£ 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, Pennsylvania (Address of principal executive offices)	19010 -3489 (Zip Code)

(610) 527-8000
(Registrant's telephone number, including area code)
N/A
(Former Name, former address and former fiscal year, if changed since last report.)

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 **S** 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 **S** 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 12(b)-2 of the Exchange Act.:

Large Accelerated Filer **S**	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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes **£** No **S**

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, $0.50 par value	WTRG	New York Stock Exchange

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 26, 2024**:** 273,523,533

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ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Assets	March 31, 2024	December 31, 2023
Property, plant and equipment, at cost	$ 15,208,072	$ 14,977,021
Less: accumulated depreciation	2,952,487	2,879,949
Net property, plant and equipment	12,255,585	12,097,072
Current assets:		
Cash and cash equivalents	35,200	4,612
Accounts receivable, net	164,638	144,300
Unbilled revenues	102,793	101,436
Inventory - materials and supplies	48,947	47,494
Inventory - gas stored	17,849	65,173
Prepayments and other current assets	34,619	99,884
Regulatory assets	15,488	29,080
Total current assets	419,534	491,979
Regulatory assets	1,899,984	1,766,892
Deferred charges and other assets, net	97,865	102,388
Funds restricted for construction activity	1,391	1,381
Goodwill	2,340,733	2,340,738
Operating lease right-of-use assets	35,739	37,416
Intangible assets	3,513	3,593
Total assets	$ 17,054,344	$ 16,841,459

The accompanying notes are an integral part of these consolidated financial statements

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Liabilities and Equity	March 31, 2024	December 31, 2023
Stockholders' equity:		
Common stock at $0.50 par value, authorized 600,000,000 shares, issued 276,878,103 and 276,595,228 as of March 31, 2024 and December 31, 2023	$ 138,438	$ 138,297
Capital in excess of par value	4,142,610	4,137,696
Retained earnings	1,888,521	1,706,675
Treasury stock, at cost, 3,354,887 and 3,299,191 shares as of March 31, 2024 and December 31, 2023	(88,442)	(86,485)
Total stockholders' equity	6,081,127	5,896,183
Long-term debt, excluding current portion	6,903,544	6,870,593
Less: debt issuance costs	47,415	44,508
Long-term debt, excluding current portion, net of debt issuance costs	6,856,129	6,826,085
Commitments and contingencies (See Note 14)		
Current liabilities:		
Current portion of long-term debt	67,247	67,415
Loans payable	87,500	160,123
Accounts payable	161,210	221,191
Book overdraft	10,938	13,358
Accrued interest	86,512	53,084
Accrued taxes	36,911	40,641
Regulatory liabilities	14,216	31,270
Dividends payable	83,999	83,929
Other accrued liabilities	130,073	126,916
Total current liabilities	678,606	797,927
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,733,947	1,628,324
Customers' advances for construction	125,191	128,755
Regulatory liabilities	838,084	820,910
Asset retirement obligations	851	848
Operating lease liabilities	32,415	34,425
Pension and other postretirement benefit liabilities	37,363	38,850
Other	23,699	24,086
Total deferred credits and other liabilities	2,791,550	2,676,198
Contributions in aid of construction	646,932	645,066
Total liabilities and equity	$ 17,054,344	$ 16,841,459

The accompanying notes are an integral part of these consolidated financial statements

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands of dollars, except per share amounts)
(UNAUDITED)

	Three Months Ended March 31,	
	2024	2023
Operating revenues	$ 612,069	$ 726,450
Operating expenses:		
Operations and maintenance	136,900	137,994
Purchased gas	129,675	256,315
Depreciation	88,716	82,923
Amortization	1,088	871
Taxes other than income taxes	25,024	22,878
Total operating expenses	381,403	500,981
Operating income	230,666	225,469
Other expense (income):		
Interest expense	73,273	72,668
Interest income	(989)	(819)
Allowance for funds used during construction	(4,681)	(5,688)
Gain on sale of other assets	(91,625)	(249)
Other	(442)	(240)
Income before income taxes	255,130	159,797
Income tax benefit	(10,642)	(31,637)
Net income	$ 265,772	$ 191,434
Comprehensive income	$ 265,772	$ 191,434
Net income per common share:		
Basic	$ 0.97	$ 0.72
Diluted	$ 0.97	$ 0.72
Average common shares outstanding during the period:		
Basic	273,377	264,192
Diluted	273,738	264,751

The accompanying notes are an integral part of these consolidated financial statements

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)
(UNAUDITED)

			March 31, 2024		December 31, 2023
Stockholders' equity:					
Common stock, $0.50 par value		$	138,438	$	138,297
Capital in excess of par value			4,142,610		4,137,696
Retained earnings			1,888,521		1,706,675
Treasury stock, at cost			(88,442)		(86,485)
Total stockholders' equity			6,081,127		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 2033		2,885		2,935
1.00% to 1.99%	2024 to 2039		7,352		7,538
2.00% to 2.99%	2024 to 2058		207,403		207,917
3.00% to 3.99%	2024 to 2056		1,312,241		1,313,932
4.00% to 4.99%	2024 to 2059		1,242,557		1,245,727
5.00% to 5.99%	2024 to 2061		313,406		312,745
6.00% to 6.99%	2026 to 2036		31,000		31,000
7.00% to 7.99%	2025 to 2027		28,061		28,125
8.00% to 8.99%	2025		1,086		1,289
9.00% to 9.99%	2026		11,800		11,800
			3,157,791		3,163,008
Notes payable to bank under revolving credit agreement, variable rate, due 2027			258,000		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 5.375%, due 2034			500,000		-
Notes at 4.28%, due 2049			500,000		500,000
Notes at 5.30%, due 2052			500,000		500,000
Notes at 5.95%, due 2024 through 2034			30,000		30,000
Total long-term debt			6,970,791		6,938,008
Current portion of long-term debt			67,247		67,415
Long-term debt, excluding current portion			6,903,544		6,870,593
Less: debt issuance costs			47,415		44,508
Long-term debt, excluding current portion, net of debt issuance costs			6,856,129		6,826,085
Total capitalization		$	12,937,256	$	12,722,268

The accompanying notes are an integral part of these consolidated financial statements

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
(In thousands of dollars, except per share amounts)
(UNAUDITED)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2023	$ 138,297	$ 4,137,696	$ 1,706,675	$ (86,485)	$ 5,896,183
Net income	-	-	265,772	-	265,772
Dividends of March 1, 2024 ($0.3071 per share)	-	-	(1)	-	(1)
Dividends of June 1, 2024 declared ($0.3071 per share)	-	-	(83,998)	-	(83,998)
Issuance of common stock under dividend reinvestment plan (117,210 shares)	59	3,823	-	-	3,882
Repurchase of stock (62,872 shares)	-	-	-	(2,231)	(2,231)
Equity compensation plan (160,694 shares)	80	(80)	-	-	-
Exercise of stock options (4,971 shares)	2	173	-	-	175
Stock-based compensation	-	1,049	73	-	1,122
Other	-	(51)	-	274	223
Balance at March 31, 2024	$ 138,438	$ 4,142,610	$ 1,888,521	$ (88,442)	$ 6,081,127

The accompanying notes are an integral part of these consolidated financial statements

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
(In thousands of dollars, except per share amounts)
(UNAUDITED)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2022	$ 133,486	$ 3,793,262	$ 1,534,331	$ (83,693)	$ 5,377,386
Net income	-	-	191,434	-	191,434
Dividends of March 1, 2023 ($0.287 per share)	-	-	(1)	-	(1)
Dividends of June 1, 2023 declared ($0.287 per share)	-	-	(75,876)	-	(75,876)
Issuance of common stock under dividend reinvestment plan (97,315 shares)	49	4,068	-	-	4,117
Issuance of common stock from at-the-market sale agreements (399,128 shares)	200	19,094	-	-	19,294
Repurchase of stock (88,051 shares)	-	-	-	(3,911)	(3,911)
Equity compensation plan (222,782 shares)	111	(111)	-	-	-
Exercise of stock options (2,917 shares)	2	101	-	-	103
Stock-based compensation	-	3,410	(267)	-	3,143
Other	-	(20)	-	273	253
Balance at March 31, 2023	$ 133,848	$ 3,819,804	$ 1,649,621	$ (87,331)	$ 5,515,942

The accompanying notes are an integral part of these consolidated financial statements

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)
(UNAUDITED)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flows from operating activities:		
Net income	$ 265,772	$ 191,434
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	89,804	83,794
Deferred income taxes	(12,323)	(33,257)
Provision for doubtful accounts	7,756	4,532
Stock-based compensation	1,061	3,422
Gain on sale of utility systems and other assets	(91,625)	(249)
Net change in receivables, deferred purchased gas costs, inventory and prepayments	122	219,624
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	(18,212)	(58,361)
Other	(1,642)	(9,311)
Net cash flows from operating activities	240,713	401,628
Cash flows from investing activities:		
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of $1,807 and $1,428	(252,998)	(243,730)
Acquisitions of utility systems, net	-	(136)
Net proceeds from the sale of utility systems and other assets	166,563	337
Other	(48)	321
Net cash flows used in investing activities	(86,483)	(243,208)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	4,094	7,010
Repayments of customers' advances	(2,171)	(984)
Net repayments of short-term debt	(72,623)	(206,000)
Proceeds from long-term debt	618,008	229,770
Repayments of long-term debt	(586,649)	(114,889)
Change in cash overdraft position	(2,420)	(8,624)
Proceeds from issuance of common stock under dividend reinvestment plan	3,882	4,117
Proceeds from issuance of common stock from at-the-market sale agreement	-	19,294
Proceeds from exercised stock options	175	103
Repurchase of common stock	(2,231)	(3,911)
Dividends paid on common stock	(83,930)	(75,808)
Other	223	253
Net cash flows used in financing activities	(123,642)	(149,669)
Net change in cash and cash equivalents	30,588	8,751
Cash and cash equivalents at beginning of period	4,612	11,398
Cash and cash equivalents at end of period	$ 35,200	$ 20,149
Non-cash investing activities:		
Property, plant and equipment additions purchased at the period end, but not yet paid for	$ 91,576	$ 86,136
Non-cash utility property contributions	5,740	13,126

The accompanying notes are an integral part of these consolidated financial statements

Note 1 – *Basis of Presentation*

The accompanying unaudited consolidated balance sheets and statements of capitalization of Essential Utilities, Inc. and subsidiaries (collectively, the "Company", "we", "us" or "our") at March 31, 2024, and the unaudited consolidated statements of operations and comprehensive income, cash flows and equity for the three months ended March 31, 2024 and 2023, have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim reporting and the rules and regulations for reporting on Quarterly Reports on Form 10-Q. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Interim results are not necessarily indicative of results for a full year. In the opinion of management, all adjustments, consisting of only recurring accruals, which are necessary to present a fair statement of its consolidated balance sheets, consolidated statements of equity, consolidated statements of operations and comprehensive income, and consolidated cash flow for the periods presented, have been made.

The preparation of financial statements often requires the selection of specific accounting methods and policies. Significant estimates and judgments may be required in selecting and applying those methods and policies in the recognition of the assets and liabilities in its consolidated balance sheets, the revenues and expenses in its consolidated statements of operations and comprehensive income, and the information that is contained in its summary of significant accounting policies and notes to consolidated financial statements. Making these estimates and judgments requires the analysis of information concerning events that may not yet be complete and of facts and circumstances that may change over time. Furthermore, we are exposed to the uncertain state of the economy and macroeconomic conditions, including inflation and rising interest rates. As these continue to evolve, future events and effects related to these conditions cannot be determined with precision. Accordingly, actual amounts or future results can differ materially from those estimates that the Company includes currently in its consolidated financial statements, summary of significant accounting policies, and notes.

There have been no changes to the summary of significant accounting policies previously identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

(In thousands of dollars, except per share amounts)

Note 2 – *Revenue Recognition*

The following table presents our revenues disaggregated by major source and customer class:

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:								
Residential	$ 151,831	$ 35,594	$ 206,926	$ -	$ 147,252	$ 33,490	$ 292,230	$ -
Commercial	41,737	8,983	42,171	-	40,954	8,591	65,157	-
Fire protection	10,381	-	-	-	10,259	-	-	-
Industrial	8,142	542	890	-	7,857	578	1,789	-
Gas transportation & storage	-	-	70,491	-	-	-	67,653	-
Other water	15,607	-	-	-	8,844	-	-	-
Other wastewater	-	3,624	-	-	-	2,734	-	-
Other utility	-	-	2,702	2,810	-	-	13,077	6,159
Revenues from contracts with customers	227,698	48,743	323,180	2,810	215,166	45,393	439,906	6,159
Alternative revenue program	656	(13)	1,151	-	402	180	1,389	-
Other and eliminations	-	-	-	7,844	-	-	-	17,855
Consolidated	$ 228,354	$ 48,730	$ 324,331	$ 10,654	$ 215,568	$ 45,573	$ 441,295	$ 24,014

Note 3 – *Acquisitions*

Water and Wastewater Utility Acquisitions - Completed

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.

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 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 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 June 2023, the Company entered into a purchase agreement to acquire Westfield HOA wastewater assets, which serves approximately 200 customers within Westfield Homeowners Subdivision in Glenview, Illinois for $50.

In April 2023, the Company entered into a purchase agreement to acquire Greenville Sanitation Authority's wastewater utility assets, which serves approximately 2,300 customers in Greenville, Pennsylvania 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 equivalent retail customers for $41,250.

The purchase price for these pending acquisitions are subject to certain adjustments at closing, and are 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 2024. 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. The Company is currently waiting to see if the Supreme Court will grant allocatur. Management believes the final resolution of this matter will not 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

(In thousands of dollars, except per share amounts)

Southeast Pennsylvania for $276,500. There are several legal proceedings involving the Company as a result of the purchase agreement that are on-going. For additional information, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2023. 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 4 –*Dispositions*

On October 1, 2023, the Company sold 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 of Peoples Gas West Virginia 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 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.

Note 5 – *Goodwill*

The following table summarizes the changes in the Company's goodwill, by business segment:

	Regulated Water	Regulated Natural Gas	Other	Consolidated
Balance at December 31, 2023	$ 58,450	$ 2,277,447	$ 4,841	$ 2,340,738
Reclassification to utility plant acquisition adjustment	(5)	-	-	(5)
Balance at March 31, 2024	$ 58,445	$ 2,277,447	$ 4,841	$ 2,340,733

The reclassification of goodwill to utility plant acquisition adjustment results from a mechanism approved by the applicable utility commission. The mechanism provides for the transfer over time, and the recovery through customer rates, of goodwill associated with some acquisitions upon achieving specific objectives.

Note 6 – *Capitalization*

In March 2024, the Company filed a new universal shelf registration through a filing 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 expires in the second quarter of 2024.

At-the-Market Offering

On October 14, 2022, the Company entered into at-the market sales agreements ("ATM") with third-party sales agents, under which the Company may offer and sell shares of its common stock, from time to time, at its option, having an aggregate gross offering price of up to $500,000 pursuant to the Company's effective shelf registration statement on Form S-3 (File No. 333-255235). The Company intends to use the net proceeds from the sales of shares through the ATM for working capital, capital expenditures, water and wastewater utility acquisitions and repaying outstanding indebtedness. During the three months ended March 31, 2024, there were no common stock sales under the ATM. As of March 31, 2024, approximately $110,000 remained available for sale under the ATM.

Long-term Debt and Loans Payable

On January 8, 2024, the Company issued $500,000 of long-term debt (the "2024 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 2024 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.

Note 7 – *Financial Instruments*

Financial instruments are recorded at carrying value in the financial statements and approximate fair value as of the dates presented. The fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments. 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 three months ended March 31, 2024 and 2023.

The fair value of loans payable is determined based on its carrying amount and utilizing Level 1 methods and assumptions. As of March 31, 2024 and December 31, 2023, the carrying amount of the Company's loans payable was $87,500 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 March 31, 2024 and December 31, 2023, the carrying amounts of the Company's cash and cash equivalents was $35,200 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 March 31, 2024 and December 31, 2023, the carrying amount of these securities was $28,357 and $26,442, respectively, which equates to their fair value, and is reported in the consolidated balance sheet in deferred charges and other assets.

(In thousands of dollars, except per share amounts)

Unrealized gain and loss on equity securities held in conjunction with our non-qualified pension plan is as follows:

	Three Months Ended March 31,	
	2024	2023
Net gain recognized during the period on equity securities	$ 421	$ 131
Less: net gain recognized during the period on equity securities sold during the period	-	-
Unrealized gain recognized during the reporting period on equity securities still held at the reporting date	$ 421	$ 131

The net gain 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:

	March 31, 2024	December 31, 2023
Carrying amount	$ 6,970,791	$ 6,938,009
Estimated fair value	5,883,354	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.

The Company’s customers’ advances for construction have a carrying value of $125,191 as of March 31, 2024, and $128,755 as of December 31, 2023. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rates. Portions of these non-interest-bearing instruments are payable annually through 2033, and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest-bearing feature.

Note 8 – ***Net Income per Common Share***

Basic net income per common 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 common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted net income per common share. The dilutive effect of stock-based compensation is calculated using the treasury stock method and expected proceeds upon exercise of the stock-based compensation. The treasury stock method assumes that the proceeds from stock-based compensation is 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 common share:

	Three Months Ended March 31,	
	2024	2023
Average common shares outstanding during the period for basic computation	273,377	264,192
Effect of dilutive securities:		
Employee stock-based compensation	361	559
Average common shares outstanding during the period for diluted computation	273,738	264,751

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: 268,273 for the three months ended March 31, 2024; and 152,138 for the three months ended March 31, 2023. 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.

(In thousands of dollars, except per share amounts)

Note 9 – *Stock-based Compensation*

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 awards, 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 Company 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 of the Company, 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 March 31, 2024, 1,227,138 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 – 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 period, 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 following table provides compensation expense for PSUs:

	Three Months Ended March 31,	
	2024	2023
Stock-based compensation within operations and maintenance expenses	$ 106	$ 2,443
Income tax benefit	26	612

The following table summarizes the PSU transactions for the three months ended March 31, 2024:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	531,437	$ 40.03
Granted	226,971	38.10
Performance criteria adjustment	(142,772)	30.22
Actual vested	(96,425)	43.40
Forfeited	(4,271)	42.63
Nonvested share units at end of period	514,940	41.25

(In thousands of dollars, except per share amounts)

A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions using the Monte Carlo valuation method, which assesses probabilities of various outcomes of market conditions. The other portion of the fair value of the PSUs is 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 per unit weighted-average fair value at the date of grant for PSUs granted during the three months ended March 31, 2024 and 2023 was $38.10 and $45.06, respectively. The fair value of each PSU grant is amortized monthly into compensation expense on a straight-line basis over their respective vesting periods, generally 36 months. The accrual of compensation costs is based on the Company's 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.

Restricted Stock Units – A restricted stock unit ("RSU") represents the right to receive a share of the Company's common stock. RSUs are eligible to be earned at the end of a specified restricted period, which is generally three years, beginning on the date of grant. 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:

	Three Months Ended March 31,	
	2024	2023
Stock-based compensation within operations and maintenance expenses	$ 846	$ 681
Income tax benefit	211	171

The following table summarizes the RSU transactions for the three months ended March 31, 2024:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	192,217	$ 45.06
Granted	102,306	36.60
Stock units vested and issued	(63,982)	44.45
Forfeited	(1,600)	42.40
Nonvested stock units at end of period	228,941	41.46

The per unit weighted-average fair value at the date of grant for RSUs granted during the three months ended March 31, 2024 and 2023 was $36.60 and $45.61, respectively.

(In thousands of dollars, except per share amounts)

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 10 years from the grant date, subject to satisfaction of designated performance goals. 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 the compensation cost and income tax benefit for stock-based compensation related to stock options:

	Three Months Ended March 31,	
	2024	2023
Stock-based compensation within operations and maintenance expenses	$ 131	$ 77
Income tax benefit	33	19

The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model. The following assumptions were used in the application of this valuation model:

	2024	2023
Expected term (years)	5.5	5.5
Risk-free interest rate	4.00%	4.03%
Expected volatility	28.30%	27.80%
Dividend yield	3.43%	2.53%
Grant date fair value per option	$ 8.12	$ 11.37

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 time 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.

(In thousands of dollars, except per share amounts)

The following table summarizes stock option transactions for the three months ended March 31, 2024:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding at beginning of period	882,442	$ 37.03		
Granted	119,548	35.78		
Expired	(527)	35.94		
Exercised	(4,971)	35.25		
Outstanding at end of period	996,492	$ 36.89	5.8	$ 1,380
Exercisable at end of period	803,853	$ 36.29	5.0	$ 1,228

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:

	Three Months Ended March 31,	
	2024	2023
Stock-based compensation within operations and maintenance expenses	$ 12	$ 12
Income tax benefit	3	3

The following table summarizes restricted stock transactions for the three months ended March 31, 2024:

	Number of Shares	Weighted Average Fair Value
Nonvested restricted stock at beginning of period	1,412	$ 35.42
Granted	-	-
Vested	-	-
Nonvested restricted stock at end of period	1,412	$ 35.42

There were no restricted stock awards granted during the three months ended March 31, 2024.

(In thousands of dollars, except per share amounts)

Stock Awards – Stock awards represent the issuance of the Company's common stock, without restriction. The issuance of stock awards results in compensation expense that is equal to the fair market value of the stock on the grant date and is expensed immediately upon grant. There were no stock awards granted and vested during the three months ended March 31, 2024.

The following table provides the compensation cost and income tax benefit for stock-based compensation related to stock awards:

	Three Months Ended March 31,	
	2024	2023
Stock-based compensation within operations and maintenance expenses	$ -	$ 210
Income tax benefit	-	59

Note 10 – *Pension Plans and Other Postretirement Benefits*

The Company maintains a qualified defined benefit pension plan (the "Pension Plan"), a nonqualified pension plan, and other postretirement benefit plans for certain of its employees.

The following tables provide the components of net periodic benefit cost for the Company's pension and other postretirement benefit plans:

	Pension Benefits	
	Three Months Ended March 31,	
	2024	2023
Service cost	$ 357	$ 401
Interest cost	3,908	4,308
Expected return on plan assets	(4,696)	(5,672)
Amortization of prior service cost	81	171
Amortization of actuarial loss	751	809
Net periodic benefit cost	$ 401	$ 17

	Other Postretirement Benefits	
	Three Months Ended March 31,	
	2024	2023
Service cost	$ 363	$ 337
Interest cost	1,112	1,119
Expected return on plan assets	(1,105)	(1,093)
Amortization of actuarial gain	(267)	(329)
Net periodic benefit cost	$ 103	$ 34

The net periodic benefit cost is based on estimated values and 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. The Company presents the components of net periodic benefit cost other than service cost in the consolidated statements of operations and comprehensive income on the line item "Other".

There were no cash contributions made to the Pension Plan during the first three months of 2024.

Note 11 – *Rate Activity*

On January 19, 2024, Aqua New Jersey filed an application with the New Jersey Board of Public Utilities designed to increase water rates by $8,328 or 17.3% on an annual basis. The Company anticipates a final order to be issued by August 2024.

On January 2, 2024, Aqua Illinois filed an application with the Illinois Commerce Commission designed to increase water and wastewater rates by $19,196 or 18.9% on an annual basis. The Company anticipates a final order to be issued by December 2024.

On December 29, 2023, Peoples Natural Gas filed an application with the Pennsylvania Public Utility Commission designed to increase natural gas rates by $156,024 or 18.7% on an annual basis. The Company anticipates a final order to be issued by September 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 July 27, 2023, the Company's regulated water and wastewater operating subsidiary in Virginia, Aqua Virginia, filed an application with the State Corporation Commission designed to increase revenues by $6,911 or 29.5% on an annual basis. In February 2024, the Company implemented interim rates which may be subject to refund for the difference between interim and final approved rates pending the final order.

(In thousands of dollars, except per share amounts)

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 are required for the difference between interim and final approved rates.

During the first three months of 2024, two of the Company's water utility operating divisions in Ohio implemented base rate increases designed to increase total operating revenues on an annual basis by $1,627. Further, during the first three months of 2024, the Company implemented infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by $7,445 in its water and wastewater utility operating divisions in Pennsylvania and Illinois, and by $1,220 its natural gas operating division in Kentucky.

Note 12 – *Taxes Other than Income Taxes*

The following table provides the components of taxes other than income taxes:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Property	$ 8,877	$ 8,104
Gross receipts, excise and franchise	4,155	4,030
Payroll	7,658	6,632
Regulatory assessments	1,900	1,684
Pumping fees	1,496	1,466
Other	938	962
Total taxes other than income	$ 25,024	$ 22,878

Note 13 – *Segment Information*

The Company has eleven operating segments and two reportable segments. 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, acquired in the Peoples Gas Acquisition, for which the Company provides natural gas distribution services.

In addition to the Company's two reportable segments, we include two of our operating segments within the Other category below. These segments are not quantitatively significant and are comprised of our non-regulated natural gas operations and Aqua Resources. Our 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.

(In thousands of dollars, except per share amounts)

The following table presents information about the Company's reportable segments:

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	Regulated Water	Regulated Natural Gas	Other	Consolidated	Regulated Water	Regulated Natural Gas	Other	Consolidated
Operating revenues	$ 279,894	$ 324,331	$ 7,844	$ 612,069	$ 267,300	$ 441,295	$ 17,855	$ 726,450
Operations and maintenance expense	90,683	45,917	300	136,900	82,802	57,150	(1,958)	137,994
Purchased gas	-	125,542	4,133	129,675	-	241,856	14,459	256,315
Depreciation and amortization	57,194	32,411	199	89,804	53,467	30,128	199	83,794
Interest expense, net (a)	34,790	25,356	12,138	72,284	29,713	27,507	14,629	71,849
Allowance for funds used during construction	(3,688)	(993)	-	(4,681)	(4,946)	(742)	-	(5,688)
Provision for income taxes (benefit)	20,810	(29,150)	(2,302)	(10,642)	13,514	(43,484)	(1,667)	(31,637)
Net income (loss)	63,905	209,940	(8,073)	265,772	77,402	123,546	(9,514)	191,434
Capital expenditures	152,231	100,767	-	252,998	159,394	81,669	2,667	243,730

(a) The regulated water and regulated natural gas segments report interest expense that includes long-term debt that was pushed-down to the regulated operating subsidiaries from Essential Utilities, Inc.

	March 31, 2024	December 31, 2023
Total assets:		
Regulated water	$ 9,498,773	$ 9,386,347
Regulated natural gas	7,191,015	6,965,350
Other	364,556	489,762
Consolidated	$ 17,054,344	$ 16,841,459

Note 14 – *Commitments and 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 March 31, 2024, the aggregate amount of $23,819 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 March 31, 2024, estimates that approximately $1,283 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 conditional settlement that was reached with the regulators. The settlement was subject to court approval. However, the court declined to approve the settlement agreement. The Company is considering its options in the light of this decision. 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 that exceeded the standards established by the federal Lead and Copper Rule. The complaint is in the discovery phase and class certification has not been granted. 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. The Company is vigorously defending against this claim. The Company submitted a claim for the expenses incurred to its insurance carrier for potential recovery of a portion of these costs and is currently in litigation with one of its carriers seeking to enforce its claims. The Company continues to assess the potential loss contingency on this matter. 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 operations, or cash flows.

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. In August 2023, a potential class action settlement involving defendants The Chemours Company, Corteva, Inc., and DuPont de Nemours, Inc. to resolve claims brought in the MDL against them by public water systems, including the Company, and a similar class action settlement with defendant 3M Company received preliminary approval from the MDL court. In February and April 2024, the MDL court issued its final approval of the DuPont and 3M settlements, respectively. The Company is monitoring and evaluating the ongoing litigation and settlement activity with the PFAS manufacturers for potential impacts to the various claims that the Company has asserted.

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 $1,846 at March 31, 2024 and represents a reserve for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

Note 15 – *Income Taxes*

The Company's effective tax rate was a benefit of 4.2 % and 19.8% for the three months ended March 31, 2024 and 2023, respectively. The decrease in 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 partially offset by the increase in tax benefit associated with the tax deduction for continued qualifying infrastructure investment. In determining its interim tax provision, the Company reflects its estimated permanent and flow-through tax differences for the taxable year. The Company uses the flow-through method to account for the tax deduction for qualifying utility infrastructure at its regulated Pennsylvania and New Jersey subsidiaries.

The statutory Federal tax rate is 21.0% for the three months ended March 31, 2024 and 2023. For states with a corporate net income tax, the state corporate net income tax rates range from 2.5% to 9.50% for all periods presented.

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 evaluated the safe harbor and intends to adopt 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, as the accounting treatment is expected to be determined in the next rate case.

Note 16 – *Recent Accounting Pronouncements and Disclosure Rules*

Pronouncements to be adopted upon the effective date:

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 is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

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 all 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 is currently assessing the timing and impact of adopting the updated provisions.

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 currently evaluating the impact of the new rule and, depending on the outcome of the proceedings, will include the required disclosures once it becomes effective.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In thousands of dollars, except per share amounts)

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: the expected timing of closing of our acquisitions; the projected impact of various legal proceedings; the projected effects of recent accounting pronouncements; prospects, plans, objectives, expectations and beliefs of management, as well as information contained in this report 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. Forward-looking statements are based on a number of assumptions concerning future events, and are subject to a number of risks, uncertainties and other factors, many of which are outside our control, which could cause actual results to differ materially from those expressed or implied by such statements. These risks and uncertainties include, among others, the effects of regulation, abnormal weather, geopolitical forces, the impact of inflation and supply chain pressures, the threat of cyber-attacks and data breaches, changes in capital requirements and funding, our ability to close acquisitions, changes to the capital markets, impact of public health threats, and our ability to assimilate acquired operations, as well as those risks, uncertainties and other factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in such reports. As a result, readers are cautioned not to place undue reliance on any forward-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information

Essential Utilities, Inc. ("we", "us", "our" or the "Company"), 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, who 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 distribution services to 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 businesses, 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.

On October 1, 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. 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. 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. The sale was completed in January 2024, and the Company recognized a gain of $91,236 in the first quarter of 2024. 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.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes.

Recent Developments

Macroeconomic Factors

Our industry has been significantly impacted by inflation, higher interest rates, and other macroeconomic factors. This resulted in an increase in our operating and capital spending requirements in 2022 and 2023. As of the current period, inflation decelerated compared with the prior year, however, is still above historical levels. Additionally, interest rates remain elevated to curb inflation. We experienced moderate macroeconomic pressures during the first quarter of 2024, which we expect to continue through the remainder of 2024. 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.

Environmental Compliance

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. In 2023, the Company performed its initial 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 estimated 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. 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.

On April 19, 2024, the U.S. Environmental Protection Agency ("EPA") announced a final rule that designated two PFAS chemicals, perfluorooctanoic acid ("PFOA") and perfluorooctanesulfonic acid ("PFOS"), as hazardous substances under the 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, 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.

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 Part I - Item I - Note 14 to the Company's consolidated financial statements.

Liquidity and Capital Resources

Our regulated water and gas business is capital intensive and requires a significant level of capital spending. The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. The Company's consolidated balance sheet historically has had a negative working capital position whereby our current liabilities routinely 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 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 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. Cash flow from operations was $240,713 for the first quarter of 2024, compared to $401,628 for the first quarter of 2023. The net change in working capital and other assets and liabilities resulted in a decrease in cash from operations of $19,732 for the first quarter of 2024 compared to an increase of $151,952 for the first quarter of 2023. The change in working capital in 2024 as compared to 2023 was primarily driven by the year over year decrease in accounts receivable, unbilled revenues and deferred purchased gas cost balances, and most significantly in gas inventory, as a result of lower gas prices in the current period as compared with the prior period for our Regulated Natural Gas segment.

During the first three months of 2024, we incurred $252,998 of capital expenditures, issued $618,008 of long-term debt, received $166,563 from the sale of assets, repaid short-term debt, and made sinking fund contributions and other long-term debt repayments in aggregate of $659,272. The capital expenditures were related to new and replacement water, wastewater, and natural gas mains, improvements to treatment plants, tanks, hydrants, and service lines, well and booster improvements, information technology improvements, and other enhancements and improvements. The proceeds from the issuance of long-term debt, including borrowings from our revolving credit facility, and proceeds from the sale of the non-utility energy projects were used for capital expenditures, repayment of existing indebtedness, and general corporate purposes. Cash flows used in financing activities were lower during the first three months of 2024 principally as a result of the decrease in the amount of the paydown of loans payable associated with the financing of inventory.

On January 8, 2024, the Company issued $500,000 of long-term debt (the "2024 Senior Notes"), less expenses of $4,610, due in 2034 with an interest rate of 5.375%. 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 borrowings were used to repay existing indebtedness and for general corporate purposes.

On October 14, 2022, the Company entered into at-the market sales agreements ("ATM") with third-party sales agents, under which the Company may offer and sell shares of its common stock, from time to time, at its option, having an aggregate gross offering price of up to $500,000 pursuant to the Company's effective shelf registration statement on Form S-3 (File No. 333-255235). During the three months ended March 31, 2024, there were no sales of common stock under the ATM. As of March 31, 2024, the Company had issued 10,260,833 shares of common stock for net proceeds of $386,023 under the ATM. As of March 31, 2024, approximately $110,000 remained available for sale under the ATM. The Company used the net proceeds from the sales of shares through the ATM for working capital, capital expenditures, water and wastewater utility acquisitions, and repaying outstanding indebtedness.

At March 31, 2024, we had $35,200 of cash and cash equivalents compared to $4,612 at December 31, 2023. During the first three months of 2024, we used the proceeds from long-term debt, the proceeds from issuance of common stock, and proceeds from the sale of the non-utility energy projects, as well as internally generated funds, to fund the cash requirements discussed above and to pay dividends.

At March 31, 2024 our $1,000,000 unsecured revolving credit facility, which expires in December 2027, had $725,162 available for borrowing. Additionally, at March 31, 2024, we had short-term lines of credit of $435,500, primarily used for working capital, of which $348,000 was available for borrowing. On June 29, 2023, 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 27, 2024 and updated the adjustment on the Bloomberg Short-Term Bank Yield Index (BSBY) floating rate. Our short-term lines of credit of $435,500 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.

In March 2024, the Company filed a new universal shelf registration through a filing 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 expires in the second quarter of 2024.

As of March 31, 2024, our credit ratings remained at investment grade levels. On March 19, 2024, S&P lowered its credit rating for the Company, Aqua Pennsylvania, and Peoples Natural Gas Companies 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 August 29, 2023, Moody's Investors Service ("Moody's") affirmed the Company's senior unsecured notes rating of Baa2 and stable outlook; and, affirmed Peoples Natural Gas Companies' senior secured notes rating of Baa1 and revised its outlook from stable to negative. 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.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(In thousands of dollars, except per share amounts)

Results of Operations

Consolidated Results of Operations

Consolidated financial and operational highlights for the periods ended March 31, 2024 and 2023 are presented below.

	Three Months Ended March 31,			
	2024	2023	Increase (Decrease)	% change
Operating revenues	$ 612,069	$ 726,450	$ (114,381)	-15.7%
Operations and maintenance expense	$ 136,900	$ 137,994	$ (1,094)	-0.8%
Purchased gas	$ 129,675	$ 256,315	$ (126,640)	-49.4%
Net income	$ 265,772	$ 191,434	$ 74,338	38.8%
Operating Statistics				
Selected operating results as a percentage of operating revenues:				
Operations and maintenance	22.4%	19.0%		
Purchased gas	21.2%	35.3%		
Depreciation and amortization	14.7%	11.5%		
Taxes other than income taxes	4.1%	3.1%		
Interest expense, net of interest income	11.8%	9.9%		
Net income	43.4%	26.4%		
Effective tax rate	-4.2%	-19.8%		

Three months ended March 31, 2024 compared with three months ended March 31, 2023

Consolidated operating revenues decreased by $114,381 or 15.7% as compared to the same period in 2023. Revenues from our Regulated Water segment increased by $12,594. Revenues from our Regulated Natural Gas segment and Other business segment decreased by $116,964 and $10,011, respectively. A detailed discussion of the factors contributing to the changes in segment revenue is included below under the section, Segment Results of Operations. The decrease in our Other business segment revenue is due to lower revenues from our non-regulated natural gas operations primarily as a result of lower average gas prices and lower gas usage in the current period as compared to the prior period.

Consolidated operations and maintenance expense decreased by $1,094 or 0.8%, primarily due to:

- decrease in customer assistance surcharge costs of $2,797 in our Regulated Natural Gas segment, which has an equivalent offsetting amount in revenues;
- decrease in operation and maintenance expense of $1,712 as a result of the sale of both the regulated natural gas utility assets in West Virginia in October 2023 and the three non-utility local microgrid and distributed energy projects in January 2024;
- decrease in outside services and other expenses due to higher capitalization as a result of greater capital spend in the current period compared to the prior period; offset by
- an increase in employee related costs of $2,003, primarily resulting from higher salary costs and increased contributions to the Company's defined contribution plan;
- increase in bad debt expense of $3,224;
- an increase in production costs for water and wastewater operations of $2,397, primarily due to increased purchased water, wastewater, and power costs; and
- additional operating costs resulting from acquired water and wastewater utility systems and higher customer base of $1,127.

Purchased gas decreased by $126,640 or 49.4%. Purchased gas represents the cost of gas sold by Peoples, which for the regulated gas business has a corresponding offset in revenue. The decrease is the result of the impact of lower average cost of gas of $107,916, and the impact of lower gas usage of $18,724 due to warmer weather conditions during the first quarter of 2024 as well as the sale of Peoples West Virginia.

Depreciation and amortization expense increased by $6,010 or 7.2% principally due to continued capital expenditures to expand and improve our utility facilities and our acquisitions of new utility systems.

Taxes other than income taxes increased by $2,146 or 9.4% largely due to an increase in property taxes and payroll taxes in our Regulated Natural Gas segment.

Other expense, net - Interest expense, net of interest income increased by $435 or 0.6% for the quarter. Interest expense increased by $5,077 in our Regulated Water segment and decreased by $2,151 for our Regulated Natural Gas segment. Refer to Segment Results of Operations below for further details. Interest expense in Other relates to our corporate operations, and this decreased by $2,491 primarily due to lower average borrowings on our revolving credit facility during the first quarter of 2024.

Allowance for funds used during construction (AFUDC) was $4,681 and $5,688 during the first quarter of 2024 and 2023, respectively. The decrease in 2024 is primarily due to a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied for our Regulated Water segment.

Gain on sale of assets was $91,625 and $249 during the first quarters of 2024 and 2023, respectively. 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.

(In thousands of dollars, except per share amounts)

Income tax benefit - Our effective income tax rate was a benefit of 4.2% and 19.8% in the first quarter of 2024 and 2023, respectively. 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 partially offset by the increase in income tax benefit associated with the tax deduction for continued qualifying infrastructure investment.

Segment Results of Operations

Regulated Water Segment

Our 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 Regulated Water segment is aggregated into one reportable segment.

The following tables present selected operating results and statistics for our Regulated Water segment for the periods ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
	2024	2023	Increase (Decrease)	% change
Operating revenues	$ 279,894	$ 267,300	$ 12,594	4.7%
Operations and maintenance expense	$ 90,683	$ 82,802	$ 7,881	9.5%
Segment net income	$ 63,905	$ 77,402	$ (13,497)	-17.4%
Operating Statistics				
Selected operating results as a percentage of operating revenues:				
Operations and maintenance	32.4%	31.0%		
Depreciation and amortization	20.4%	20.0%		
Taxes other than income taxes	5.8%	5.9%		
Interest expense, net of interest income	12.4%	11.1%		
Segment net income	22.8%	29.0%		
Effective tax rate	24.6%	14.9%		

Three months ended March 31, 2024 compared with three months ended March 31, 2023

Revenues from our Regulated Water segment increased by $12,594 or 4.7% for the first quarter of 2024 as compared to the same period in 2023, mainly due to the following:

- an increase in water and wastewater rates, including infrastructure rehabilitation surcharges, of $11,378;
- additional water and wastewater revenues of $2,990 associated with a larger customer base due to utility acquisitions and organic growth;
- an increase in volume consumption of $1,092; offset by

a decrease in non-utility revenue of $2,930, primarily due to higher developer fees earned in the first quarter of 2023.

Operations and maintenance expense for the three months ended March 31, 2024 increased by $7,881 or 9.5% primarily due to the following:

- increase in production costs for water and wastewater operations of $2,397, primarily due to increased purchased water, wastewater, and power costs;
- additional operating costs resulting from acquired water and wastewater utility systems and higher customer base of $1,127;
- increase in bad debt expense of $4,458; and
- increase in employee related costs of $1,814 primarily resulting from higher salary costs and increased contributions to the Company's defined contribution plan.

Depreciation and amortization increased by $3,727 or 7.0% primarily due to continued capital investment to expand and improve our utility facilities and our acquisitions of new utility systems.

Other expense, net – Interest expense, net, increased by $5,077 or 17.1% for the quarter primarily due to higher push down debt borrowings and operating company debt issuances for the Regulated Water segment and increased borrowing costs.

AFUDC decreased by $1,258 or by 25.4% due to the decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Provision for income tax – Our effective income tax rate for our Regulated Water Segment was an expense of 24.6% in the first quarter of 2024, compared to an expense of 14.9% in the first quarter of 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 a decrease in the income tax benefit associated with the tax deduction for qualifying infrastructure.

Regulated Natural Gas Segment

Our Regulated Natural Gas segment recognizes revenues by selling gas directly to customers at approved rates or by transporting gas through our pipelines at approved rates to customers that have purchased gas directly from other producers, brokers, or marketers. Natural gas sales to residential, commercial and industrial customers are seasonal, which results in higher demand for natural gas for heating purposes during the colder months.

(In thousands of dollars, except per share amounts)

The following tables present selected operating results and statistics for our Regulated Natural Gas segment, for the periods ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
	2024	2023	Increase (Decrease)	% change
Operating revenues	$ 324,331	$ 441,295	$ (116,964)	-26.5%
Operations and maintenance expense	$ 45,917	$ 57,150	$ (11,233)	-19.7%
Purchased gas	$ 125,542	$ 241,856	$ (116,314)	-48.1%
Segment net income	$ 209,940	$ 123,546	$ 86,394	69.9%
Operating Statistics				
Selected operating results as a percentage of operating revenues:				
Operations and maintenance	14.2%	13.0%		
Purchased gas	38.7%	54.8%		
Depreciation and amortization	10.0%	6.8%		
Taxes other than income taxes	2.2%	1.3%		
Segment net income	64.7%	28.0%		
Effective tax rate	-16.1%	-54.3%		

Three months ended March 31, 2024 compared with three months ended March 31, 2023

Operating revenues from the Regulated Natural Gas segment decreased by $116,964 or by 26.5% due to:

- decrease in purchased gas costs of $116,314 during the quarter as compared to the prior period, refer to purchased gas costs discussion below for further information;
- decrease in customer assistance surcharge of $2,797, which has an equivalent offsetting amount in operations and maintenance expense; and offset by,
- an increase of $2,479 due to higher rates and other surcharges.

Operations and maintenance expense for the three months ended March 31, 2024 decreased by $11,233 or 19.7% primarily due to the following:

- decrease in customer assistance surcharge costs of $2,797, which has an equivalent offsetting amount in revenues;
- decrease in bad debt expense of $1,261;
- decrease in operation and maintenance expense of $1,712 as a result of the sale of both the regulated natural gas utility assets in West Virginia in October 2023 and the three non-utility local microgrid and distributed energy projects in January 2024; and
- decrease in outside services and other expenses due to higher capitalization as a result of greater capital spend in the current period.

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. Fluctuations in the cost of purchased gas impact operating revenues on a dollar-for-dollar basis. Purchased gas decreased by $116,314 or 48.1% as a result of the impact of: (1) decrease in the average cost of gas of $107,122; (2) lower gas usage of $5,994 due to warmer weather conditions during the first quarter of 2024; and (3) the sale of Peoples West Virginia of $3,198 in October 2023.

Depreciation and amortization increased by $2,283 or 7.6% primarily due to continued capital investment.

Taxes other than income taxes increased by $1,599 or 28.4% primarily due an increase in property taxes and payroll taxes.

Other expense, net – Interest expense, net, decreased by $2,151 or 7.8% due to interest incurred in the first quarter of 2023 on refunded gas cost collections, partially offset by an increase in interest expense resulting from higher push down debt borrowings of the Regulated Natural Gas segment with Essential Utilities, Inc.

Gain on sale of assets was $91,581 and $0 during the first quarters of 2024 and 2023, respectively. 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 – Our effective income tax rate was a benefit of 16.1% in the first quarter of 2024, compared to a benefit of 54.3% in the first quarter of 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 partially offset by the increase in income tax benefit associated with the tax deduction for continued qualifying infrastructure investment.

Impact of Recent Accounting Pronouncements

We describe the impact of recent accounting pronouncements in Note 16, *Recent Accounting Pronouncements*, to the consolidated financial statements in this report.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed February 29, 2024, for additional information on market risks.

Item 4 – Controls and Procedures

(a) 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 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 report are effective such 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 Securities and Exchange Commission'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.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1 – Legal Proceedings

For a discussion of the Company's legal proceedings, see Part I – Item I – Note 14 to the Company's consolidated financial statements.

Item 1A – Risk Factors

Please review the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, under "Part 1, Item 1A – Risk Factors".

Item 5 - Other Information

(a) Amendments to the Form of Stock Award Agreements

On May 2, 2024, the Board of Directors approved amendments to the forms of award agreements for the grant of Restricted Stock Units ("RSUs"), Performance-based Share Units ("PSUs") and stock options to acquire shares of common stock to certain officers of the Company, including the named executive officers. The amendments amend the definition of "Retirement" under the award agreements to mean (i) the executive's voluntary termination of employment after (A) the executive has attained age fifty-five (55) and has five (5) full years of service with the Company or (B) a combination of age and years of service equal to at least 60, and (ii) the executive has provided the Company at least six (6) months' advance written notice of such Retirement. In the event of a Retirement, all outstanding awards under the award agreement accelerate and vest in full. However, if a change in control of the Company occurs, the provisions in the award agreement with respect to the impact of a change in control supersede this amended Retirement provision. The changes to the award agreements will apply prospectively to any new awards made to the designated officers.

(c) Security Trading Plans of Directors and Executive Officers

During the quarter ended March 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 6 – Exhibits

Exhibit No.	**Description**
10.1*!	Form of 2025 Restricted Stock Unit Grant Terms and Conditions for Certain Officers and Executive Officers
10.2*!	Form of 2025 Stock Option Terms and Conditions for Certain Officers and Executive Officers
10.3*!	Form of 2025 Performance Stock Unit Terms and Conditions for Certain Officers and Executive Officers
31.1*	Certification of Chief Executive Officer, filed pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934
31.2*	Certification of Chief Financial Officer, filed pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934
32.1*	Certification of Chief Executive Officer, furnished pursuant to 18 U.S.C. Section 1350
32.2*	Certification of Chief Financial Officer, furnished pursuant to 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRES	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101)

*Filed herewith.
! Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

May 8, 2024

Essential Utilities, Inc.
Registrant

/s/ Christopher H. Franklin
Christopher H. Franklin
Chairman, President and
Chief Executive Officer

/s/ Daniel J. Schuller
Daniel J. Schuller
Executive Vice President and
Chief Financial Officer

ESSENTIAL UTILITIES, INC.
AMENDED AND RESTATED EQUITY COMPENSATION PLAN

2025 RESTRICTED STOCK UNIT GRANT
TERMS AND CONDITIONS

1. Grant of Restricted Units.

These Restricted Stock Unit Grant Terms and Conditions (the “Grant Conditions”) shall apply and be part of the grant made by Essential Utilities Inc., a Pennsylvania corporation (the “Company”), to the Grantee named in the Restricted Stock Unit Grant (the “Restricted Stock Unit Grant”) to which these Grant Conditions are attached (the “Grantee”), under the terms and provisions of the Essential Utilities Inc. Amended and Restated Equity Compensation Plan, as amended and restated (the “Plan”). The applicable provisions of the Plan are incorporated into these Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries or its Affiliates (collectively, the “Employer”).

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”), has granted to the Grantee the number of restricted stock units specified in the Restricted Stock Unit Grant (the “Restricted Units”). The Restricted Units shall become vested as set forth in these Grant Conditions and Grant. The Restricted Units are granted with Dividend Equivalents (as defined in Section 8).

2. Restricted Unit Account.

Restricted Units represent hypothetical shares of common stock of the Company (“Company Stock”), and not actual shares of Company Stock. The Company shall establish and maintain a Restricted Unit account, as a bookkeeping account on its records, for the Grantee and shall record in such account the number of Restricted Units granted to the Grantee. No shares of Company Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a shareholder of the Company with respect to any Restricted Units recorded in the account, including no voting rights and no rights to receive dividends (other than Dividend Equivalents). The Grantee shall not have any interest in any fund or specific assets of the Company by reason of this award or the Restricted Unit account established for the Grantee.

3. Vesting.

Except as otherwise set forth in these Grant Conditions, the Grantee shall vest and receive payment with respect to the Restricted Units on the Vesting Date specified in the Restricted Stock Unit Grant (the “Vesting Date”), provided that the Grantee continues to be employed by the Employer through the Vesting Date.

4. Termination of Employment on Account of Retirement, Death, or Disability.

(a) Except as described below, if the Grantee ceases to be employed by the Employer prior to the Vesting Date, the Restricted Units shall be forfeited as of the termination date.

(b) Subject to Section 5(b), if the Grantee ceases to be employed by the Employer prior to the Vesting Date on account of the Grantee's Retirement (defined below), the Grantee shall vest in the unvested Restricted Units upon such Retirement. Shares of Company Stock equal to the the Restricted Units that so vest shall be issued to the Grantee within sixty (60) days following the Grantee's Retirement date, subject to applicable tax withholding and subject to Section 19 below. For purposes of these Grant Conditions, "Retirement" shall mean (i) the Grantee's voluntary termination of employment after (A) the Grantee has attained age fifty-five (55) and has five (5) full years of service with the Employer or (B a combination of age and years of service equal to at least 60, and (ii) the Grantee has provided the Company at least six (6) months' advance written notice of such Retirement.

(c) If the Grantee ceases to be employed by the Employer prior to the Vesting Date on account of the Grantee's death or Disability, the Grantee's Restricted Units shall fully vest and shares of Company Stock equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Grantee's date of termination, subject to applicable tax withholding and subject to Section 19 below.

5. Change in Control.

(a) Except as described in Section 5(d) below, if a Change in Control occurs prior to the Vesting Date, the Grantee's Restricted Units shall remain outstanding and shall vest on the Vesting Date if the Grantee continues to be employed by the Employer through the Vesting Date. Shares of Company Stock (or other consideration, as described below) equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and Section 19 below.

(b) If the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee's Retirement, (ii) termination by the Employer without Cause, (iii) termination by the Grantee for Good Reason (defined below), or (iv) the Grantee's Disability or death, the Grantee's outstanding unvested Restricted Units shall fully vest. Shares of Company Stock (or such other consideration, as described below) equal to the Grantee's vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Grantee's date of termination, subject to applicable tax withholding and Section 19 below.

(c) If the Grantee terminates employment for any other reason prior to the Vesting Date, except as set forth in Section 4, the Restricted Units shall be forfeited as of the date of termination.

(d) If, in connection with the Change in Control, shares of Company Stock are converted into the right to receive a cash payment or other form of consideration, the vested Restricted Units shall be payable in such form of consideration, as determined by the Committee.

6. Definitions.

(a) For purposes of these Grant Conditions, “Good Reason” shall have the meaning set forth in any written severance or employment agreement between the Grantee and Essential Utilities or, if there is no such agreement or such agreement does not define Good Reason, shall mean, except as otherwise provided in the last paragraph of this subsection, a termination of employment as a result of one or more of the following events, without the Grantee’s written consent to the event:

(i) any action or inaction that constitutes a material breach by Essential Utilities (or any successor thereto) of this Agreement;

(ii) a material diminution of the authority, duties or responsibilities of the Grantee held immediately prior to the Change in Control;

(iii) a material diminution in the Grantee’s base salary, which, for purposes of this Agreement, means a reduction in base salary of ten (10) percent or more that does not apply generally to all executive officers of Essential Utilities; or

(iv) a material change in the geographic location at which the Grantee must perform services under this Agreement, which, for purposes of this Agreement, means a requirement that the Grantee be based at any office or location which is located more than fifty (50) miles from the Grantee’s primary place of employment immediately prior to the Change in Control on other than on a temporary basis (less than 6 months).

(v) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Grantee is required to report, including a requirement that the Grantee report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation).

(vi) a material diminution in the budget over which the Grantee retains authority.

A termination of employment after any of the foregoing events shall be a Good Reason only if the Grantee provides written notice to Essential Utilities of the existence of such event within ninety (90) days after the initial occurrence of such event, and Essential Utilities fails to remedy the event within thirty (30) days following the receipt of such notice and the Grantee terminates employment within fifteen (15) days thereafter.

7. Payment with Respect to Restricted Units.

Except as otherwise set forth in Section 4 and 5 above, shares of Company Stock equal to the vested Restricted Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and subject to Section 19. Any fractional Restricted Units shall be paid to the Grantee in cash.

8. Dividend Equivalents with Respect to Restricted Units.

(a) Dividend Equivalents shall accrue with respect to Restricted Units and shall be payable subject to the same vesting terms and other conditions as the Restricted Units to which they relate. Dividend Equivalents shall be credited when dividends are declared on shares of Company Stock from the Grant Date until the payment date for the vested Restricted Units. If and to the extent that the underlying Restricted Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Restricted Units are outstanding, the Company will keep records in a bookkeeping account for the Grantee. On each date on which a dividend is declared by the Company on Company Stock, the Company shall credit to the Grantee's account an amount equal to the Dividend Equivalents associated with the Restricted Units held by the Grantee on the record date for the dividend. No interest will be credited to any such account.

(c) Dividend Equivalents will be paid in cash at the same time as the underlying vested Restricted Units are paid.

(d) Notwithstanding the foregoing, if shares of Company Stock are converted to cash as described in Section 5(d) above in connection with a Change in Control, Dividend Equivalents shall cease to be credited with respect to Restricted Units.

9. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Restricted Units, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Restricted Units. Any adjustment that occurs under the terms of this Section 10 or the Plan will not change the timing or form of payment with respect to any Restricted Units.

10. No Right to Continued Employment.

Neither the award of Restricted Units, nor any other action taken with respect to the Restricted Units, shall confer upon the Grantee any right to continue to be employed by the Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time, consistent with the terms of any written employment agreement between the Grantee and the Employer and applicable law.

11. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

12. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Chief Human Resources Officer, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the Company, or to such other address as the Grantee may designate to the Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Restricted Units via the Company's electronic mail system or other electronic delivery system.

13. Incorporation of Plan by Reference.

The Restricted Stock Unit Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Restricted Units constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Restricted Units shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Restricted Units. The settlement of any award with respect to the Restricted Units is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

14. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of Restricted Units and payment of Dividend Equivalents pursuant to these Grant Conditions. At the time of taxation, the Employer shall have the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Restricted Units, as approved in advance by the Committee.

15. Company Policies.

This Restricted Unit Grant and all shares issued pursuant to this grant shall be subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

16. Governing Law; Enforcement.

The validity, construction, interpretation and effect of the Restricted Stock Unit Grant and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle. The resolution of any dispute regarding, or the enforcement of, this Restricted Stock Unit Grant and these Grant Conditions shall take place in a court of competent jurisdiction located within the Commonwealth of Pennsylvania, notwithstanding any dispute resolution terms that may exist under any employment agreement between the Grantee and the Company.

17. Assignment.

The Restricted Stock Unit Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Restricted Units, except to a successor grantee in the event of the Grantee's death.

18. Code Section 409A.

The Restricted Stock Unit Grant and these Grant Conditions are intended to comply with Code Section 409A or an exemption, and payments may only be made under these Grant Conditions upon an event and in a manner permitted by Code Section 409A, to the extent applicable. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if the Grantee is considered a "specified employee" for purposes of Code Section 409A and if any payment under these Grant Conditions is required to be delayed for a period of six (6) months after separation from service pursuant to Code Section 409A, such payment shall be delayed as required by Code Section 409A, and the accumulated payment amounts shall be paid in a lump sum payment within ten (10) days after the end of the six (6)-month period. If the Grantee dies during the postponement period prior to payment, the amounts withheld on account of Code Section 409A shall be paid to the personal representative of the Grantee's estate within sixty (60) days after the date of the Grantee's death. Any payments to be made upon a termination of employment under these Grant Conditions may only be made upon a "separation from service" under Code Section 409A. In no event may the Grantee, directly or indirectly, designate the calendar year of a payment, except in accordance with Code Section 409A.

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ESSENTIAL UTILITIES, INC.
AMENDED AND RESTATED EQUITY COMPENSATION PLAN

STOCK OPTION
TERMS AND CONDITIONS

1. Grant of Option.

These Stock Option Terms and Conditions (the "Grant Conditions") shall apply and be part of the grant made by Essential Utilities, a Pennsylvania corporation (the "Company"), to the Grantee named in the Stock Option Grant (the "Option") to which these Grant Conditions are attached (the "Grantee"), under the terms and provisions of the Essential Utilities, Inc. Amended and Restated Equity Compensation Plan, as amended and restated (the "Plan"). The applicable provisions of the Plan are incorporated into the Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries or its Affiliates (collectively, the "Employer").

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"), has granted to the Grantee a nonqualified stock option (the "Option") to purchase the number of shares of common stock of the Company (the "Shares") as specified in the Stock Option Grant at the exercise price per Share set forth in the Stock Option Grant (the "Exercise Price"). The Option shall vest according to Section 2 below.

2. Vesting of Option.

The Option shall vest on the following dates (each date, a "Vesting Date") if (i) the Grantee continues to be employed by the Employer through the Vesting Date and (ii) the Performance Goal described on the attached Schedule A is achieved for the calendar year ending on December 31 immediately preceding the Vesting Date (each such calendar year, a "Performance Year"), except as otherwise provided in Sections 3 and 5 below.

Vesting Date	Shares for Which the Option is Vested
First Anniversary of the Grant Date	33.33% of the Shares
Second Anniversary of the Grant Date	33.33% of the Shares
Third Anniversary of the Grant Date	33.33% of the Shares

The vesting of the Option is cumulative but shall not exceed 100% of the Shares subject to the Option. If the foregoing schedule would produce fractional Shares, the number of Shares for which the Option becomes vested shall be rounded down to the nearest whole Share; provided that, the portion of the Option subject to vesting on the Third Anniversary of the Grant Date shall include the Shares subject the Option that did not previously vest as a result of such rounding.

3. Term of Option.

(a) The Option shall have a term of ten (10) years from the Grant Date specified in the Stock Option Grant (the “Grant Date”) and shall terminate at the expiration of that period, unless it is terminated at an earlier date pursuant to the provisions of these Grant Conditions or the Plan.

(b) If the Grantee ceases to be employed by the Employer for any reason, the unvested portion of the Option will terminate on the date the Grantee ceases to be employed by the Employer (the “Termination Date”), unless otherwise provided in this Section 3. Any vested portion of the Option as of the Termination Date may be exercised for the period described in this Section 3.

(c) If the Grantee ceases to be employed by the Employer for the following reasons, the Option will be treated as follows:

(i) *General Rule*. If the Grantee ceases to be employed by the Employer, except as provided below, the Option will thereafter be exercisable only with respect to that number of Shares with respect to which the Option has vested as of the Termination Date. The vested portion of the Option will terminate upon the earlier of the expiration of the term of the Option or the expiration of the ninety (90) day period commencing on the Termination Date.

(ii) *Retirement*. If the Grantee ceases to be employed by the Employer on account of the Grantee’s Retirement, except as otherwise provided in subsection (iv) below, the unvested Option will vest on the Vesting Date coincident with or immediately following the Termination Date (the “Retirement Vesting Date”) if the Performance Goal is achieved for the Performance Year that relates to the Retirement Vesting Date. If the Grantee ceases to be employed by the Employer on account of Retirement, the vested portion of the Option shall remain outstanding until the expiration of the term of the Option. For purposes of these Grant Conditions, “Retirement” shall mean (i) the Grantee’s voluntary termination of employment after (A) the Grantee has attained age fifty-five (55) and has five (5) full years of service with the Employer or (B) a combination of age and years of service equal to at least 60 , and (ii) the Grantee has provided the Company at least six (6) months’ advance written notice of such Retirement.

(iii) *Death or Disability*. If the Grantee ceases to be employed by the Employer on account of the Grantee’s death or Disability, any unvested portion of the outstanding Option will become immediately vested on the Termination Date. The Option will terminate upon the earlier of the expiration of the term of the Option or the date that is 12 months following the Termination Date.

(iv) *Termination Upon or Following a Change in Control.* Notwithstanding the foregoing, if the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee’s Retirement, (ii) termination by the Employer without Cause, (iii) the termination by the Grantee for Good reason (as defined below), or (iv) the

Grantee's Disability or death, any unvested portion of the outstanding Option shall become fully vested on the Termination Date. The vested Option shall be exercisable for the applicable period described in subsections (i) through (iii) above.

(v) *Termination for Cause*. If the Committee determines that the Grantee has engaged in conduct that constitutes Cause at any time while the Grantee is employed by the Employer or after the Grantee's termination of employment (A) the vested and unvested Option shall immediately terminate and (B) the Grantee shall automatically forfeit all Shares underlying any exercised portion of the Option for which the Company has not yet delivered the share certificates, upon refund by the Company of the Exercise Price paid by the Grantee for such shares.

(vi) For purposes of these Grant Conditions, "Good Reason" shall have the meaning set forth in any written severance or employment agreement between the Grantee and Essential Utilities or, if there is no such agreement or such agreement does not define Good Reason, shall mean, except as otherwise provided in the last paragraph of this subsection, a termination of employment as a result of one or more of the following events, without the Grantee's written consent to the event:

(1) any action or inaction that constitutes a material breach by Essential Utilities (or any successor thereto) of this Agreement;

(2) a material diminution of the authority, duties or responsibilities of the Grantee held immediately prior to the Change in Control;

(3) a material diminution in the Grantee's base salary, which, for purposes of this Agreement, means a reduction in base salary of ten (10) percent or more that does not apply generally to all executive officers of Essential Utilities; or

(4) a material change in the geographic location at which the Grantee must perform services under this Agreement, which, for purposes of this Agreement, means a requirement that the Grantee be based at any office or location which is located more than fifty (50) miles from the Grantee's primary place of employment immediately prior to the Change in Control on other than on a temporary basis (less than 6 months).

(5) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Grantee is required to report, including a requirement that the Grantee report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation).

(6) a material diminution in the budget over which the Grantee retains authority.

A termination of employment after any of the foregoing events shall be a Good Reason only if the Grantee provides written notice to Essential Utilities of the existence of such event within ninety (90) days after the initial occurrence of such event, and Essential Utilities fails to remedy the event within thirty (30) days following the receipt of such notice and the Grantee terminates employment within fifteen (15) days thereafter.

4. Exercise of the Option.

(a) Subject to the provisions of Section 2 and 3 above, the Grantee may exercise any vested portion of the Option, in whole or in part, by delivering a notice of exercise to the Company. Payment of the Exercise Price and any applicable withholding taxes must be paid prior to issuance of the Shares and must be received by the Company by the time specified by the Company, depending on the type of payment being made, but in all cases prior to the issuance or transfer of such Shares.

(b) The Grantee may pay the Exercise Price (i) in cash, (ii) by delivering shares of Company Stock owned by the Grantee and having a Fair Market Value on the date of exercise at least equal to the Exercise Price or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise at least equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iv) by such other method as the Committee may approve. The Committee may impose such limitations as it deems appropriate on the use of shares of Company Stock to exercise the Option, and shares of Company Stock used to exercise the Option shall have been held by the Grantee for the requisite period of time necessary to avoid adverse accounting consequences to the Company with respect to the Option.

(c) The obligation of the Company to deliver Shares upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as the Company's counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations. The Company may require that the Grantee (or other person exercising the Option after the Grantee's death) represent that the Grantee is purchasing Shares for the Grantee's own account and not with a view to or for sale in connection with any distribution of the Shares, or such other representation as the Company deems appropriate.

5. Change in Control.

(a) If a Change in Control before the end of the third Performance Year, vesting of the Option shall cease to subject to achievement of the Performance Goal and the Option shall vest on each Vesting Date that occurs following the Change in Control if the Grantee continues to be employed by the Employer through the applicable Vesting Date.

(b) If a Change in Control occurs following the Grantee's termination of employment on account of Retirement and during the Performance Year in which the Termination Date occurs, the portion of the Option that would have otherwise vested on the Retirement Vesting Date pursuant to Section 3(c)(ii) shall become immediately vested upon the Change in Control, without regard to whether the Performance Goal is met.

(c) The acceleration, exercise, exchange or other disposition of this Option upon a Change in Control shall be governed by the provisions of Section 15 of the Plan, notwithstanding any other provision in these Grant Conditions.

6. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of the Option, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Option and the Exercise Price to reflect the effect of such event or change in the Company's capital structure, and the Committee shall adjust the Performance Goal as necessary to reflect the effect of such event or change in the Company's capital structure.

7. Restrictions on Exercise.

Except as the Committee may otherwise permit pursuant to the Plan, only the Grantee may exercise the Option during the Grantee's lifetime and, after the Grantee's death, the Option shall be exercisable by the Grantee's estate, to the extent that the Option is exercisable pursuant to these Grant Conditions.

8. No Right to Continued Employment.

Neither the award of the Option, nor any other action taken with respect to the Option, shall confer upon the Grantee any right to continue to be employed by the Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time, consistent with the terms of any written employment agreement between the Grantee and the Employer and applicable law.

9. No Shareholder Rights.

Neither the Grantee, nor any person entitled to exercise the Grantee's rights in the event of the Grantee's death, shall have any of the rights and privileges of a shareholder with respect to the Shares subject to the Option until certificates for Shares have been issued upon exercise of the Option.

10. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

11. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Senior Vice President and Chief Human Resources Officer, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the Company, or to such other address as the Grantee may designate to the

Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Option via the Company's electronic mail system or other electronic delivery system.

12. Incorporation of Plan by Reference.

The Stock Option Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Option constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Option shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Option. The settlement of any award with respect to the Option is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

13. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the Option or the exercise of the Option pursuant to these Grant Conditions, and all obligations of the Company under these Grant Conditions shall be subject to the rights of the Employer as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable. At the time of taxation, the Employer shall have the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Option, as approved in advance by the Committee.

14. Company Policies.

This Option and all shares issued pursuant to this grant shall be subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

15. Governing Law; Enforcement.

The validity, construction, interpretation and effect of the Stock Option Grant and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle. The resolution of any dispute regarding, or the enforcement of, this Stock Option Grant and these Grant Conditions shall take place in a court of competent jurisdiction located within the Commonwealth of Pennsylvania, notwithstanding any dispute resolution terms that may exist under any employment agreement between the Grantee and the Company.

16. Assignment.

The Stock Option Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Option, except to a successor grantee in the event of the Grantee's death.

Schedule A

Performance Goal

Provided the Grantee has remained in the continuous employment of the Employer through the applicable Vesting Date (except as otherwise provided in Section 3), the applicable portion of the Option shall become vested on the Vesting Date as follows:

For purposes of this Option award, the achievement of the Performance Goal shall be determined as follows: the Company's achievement of at least an adjusted return on equity equal to 150 basis points below the return on equity granted by the Pennsylvania Public Utility Commission (the "PUC") during Aqua Pennsylvania's, the Company's Pennsylvania subsidiary, last rate proceeding. The Company's adjusted return on equity is calculated annually in accordance with the below descriptive formula and if the adjusted return on equity meets or exceeds 150 basis points below the return of equity of the most current Pennsylvania PUC rate award, the awards will vest:

> Return on Equity = 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)/equity (excluding equity applicable to acquisitions which are not yet incorporated in a rate application during the award period), all as adjusted in accordance with the Amended and Restated Omnibus Equity Plan.

Except as otherwise provided in Section 5, in the event the Company's Annual Adjusted Return on Equity for the Performance Year is less than the Adjusted Return on Equity Target, the portion of the Option that would vest for the Performance Year shall cease to be outstanding.

ESSENTIAL UTILITIES, INC.
AMENDED AND RESTATED EQUITY COMPENSATION PLAN

PERFORMANCE-BASED SHARE UNIT GRANT
TERMS AND CONDITIONS

1. Grant of Performance Units.

These Performance-Based Share Unit Grant Terms and Conditions (the “Grant Conditions”) shall apply and be part of the grant made by Essential Utilities, Inc., a Pennsylvania corporation (the “Company”), to the Grantee named in the Performance-Based Share Unit Grant (the “Performance-Based Unit Grant”) to which these Grant Conditions are attached (the “Grantee”), under the terms and provisions of the Essential Utilities, Inc. Amended and Restated Equity Compensation Plan, as amended and restated (the “Plan”). The applicable provisions of the Plan are incorporated into the Grant Conditions by reference, including the definitions of terms contained in the Plan (unless such terms are otherwise defined herein). The Grantee is an employee of the Company, its subsidiaries or its Affiliates (collectively, the “Employer”).

Subject to the terms and vesting conditions hereinafter set forth, the Company, with the approval and at the direction of the Executive Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”), has granted to the Grantee a target award (the “Target Award”) of performance-based share units as specified in the Performance-Based Share Unit Grant (the “Performance Units”). The Performance Units are contingently awarded and shall be earned, vested and payable if and to the extent that the performance goals described on Schedule A (the “Performance Goals”), employment conditions and other conditions of these Grant Conditions are met. The Performance Units are granted with Dividend Equivalents (as defined in Section 6).

2. Vesting.

Except as otherwise set forth in these Grant Conditions, the Grantee shall earn and vest in a number of Performance Units based on the attainment of the Performance Goals as of the end of the Performance Period, provided that the Grantee continues to be employed by the Employer through the Vesting Date stated on the Performance-Based Share Unit Grant (the “Vesting Date”). The “Performance Period” is the performance period beginning and ending on the applicable dates stated on the Performance-Based Share Unit Grant. The “Vesting Period” is the period beginning on the Grant Date and ending on the Vesting Date.

(a) Except as otherwise set forth in these Grant Conditions, at the end of the Performance Period, the Committee will determine whether and to what extent the Performance Goals have been met and the amount earned with respect to the Performance Units. The Grantee can earn up to two hundred percent (200%) of the Target Award based on the attainment of the Performance Goals.

(b) Except as described in Section 3 below, the Grantee must continue to be employed by the Employer throughout the Vesting Period in order for the Grantee to vest and receive payment with respect to the earned Performance Units.

(c) Except as specifically provided below, no Performance Units shall vest prior to the Vesting Date, and if the Performance Goals are not attained at the end of the Performance Period, the Performance Units shall be immediately forfeited and shall cease to be outstanding.

3. <u>Termination of Employment on Account of Retirement, Death, or Disability.</u>

(a) Except as described below, if the Grantee ceases to be employed by the Employer prior to the Vesting Date, the Performance Units shall be forfeited as of the termination date and shall cease to be outstanding.

(b) If the Grantee ceases to be employed by the Employer during the Vesting Period on account of the Grantee's death or Disability, the Grantee's outstanding Performance Units shall remain outstanding through the Vesting Period and the Grantee shall earn Performance Units based on the attainment of the Performance Goals, as determined following the end of the Performance Period (or as described in Section 4, if applicable). The earned Performance Units shall be paid as described in Section 5.

(c) If the Grantee ceases to be employed by the Employer during the Vesting Period on account of Retirement (defined below), the Grantee shall remain eligible to earn the outstanding Performance Units based on attainment of the Performance Goals, as determined following the end of the Performance Period (or as described in Section 4, if applicable). The earned portion shall be determined based on the number of Performance Units earned based on the attainment of the Performance Goals during the Performance Period, without proration. The earned Performance Units shall be paid as described in Section 5.

(d) For purposes of these Grant Conditions, "Retirement" shall mean (i) the Grantee's voluntary termination of employment after (A) the Grantee has attained age fifty-five (55) and has five (5) full years of service with the Employer or (B) a combination of age and years of service equal to at least 60, and (ii) the Grantee has provided the Company at least six (6) months advance written notice of such Retirement.

4. <u>Change in Control.</u>

(a) If a Change in Control occurs during the Vesting Period, the Grantee shall earn outstanding Performance Units as of the date of the Change in Control (the "Change in Control Date") as follows:

(i) If the Change in Control occurs before the end of the Performance Period, the Grantee shall earn the greater of (x) the number of Performance Units earned based on the attainment of the Performance Goals from the beginning of the Performance Period to the Change in Control Date, or (y) the Target Award.

(ii) If a Change in Control occurs after the end of the Performance Period but before the Vesting Date, the Grantee shall earn Performance Units based on the attainment of the Performance Goals as of the end of the Performance Period.

Performance Units earned as of the Change in Control Date, as described above in subsection (a)(i) or (ii), are referred to as the "CIC Earned Units." All reference in this Agreement to "Performance Units" includes CIC Earned Units on and after a Change in Control.

(b) The Grantee shall vest in the CIC Earned Units on the Vesting Date if the Grantee continues to be employed by the Employer through the Vesting Date. Except as described below, the CIC Earned Units shall only vest if the Grantee continues to be employed by the Employer through the Vesting Date.

(c) If prior to the Vesting Date, a Change in Control occurs and the Grantee ceases to be employed by the Employer upon or following a Change in Control on account of (i) the Grantee's Retirement, (ii) the Grantee's termination by the Company without Cause, (iii) the termination by the Grantee for Good Reason (defined below), or (iv) the Grantee's Disability or death, the CIC Earned Units shall vest as of the termination date.

(d) If the Grantee ceases to be employed by the Employer for any other reason before the Vesting Date, the shall forfeit Grantee the CIC Earned Units as of the date of termination.

(e) For purposes hereof, "Good Reason" shall have the meaning set forth in any written severance or employment agreement between the Grantee and Essential Utilities or, if there is no such agreement or such agreement does not define Good Reason, shall mean, except as otherwise provided in the last paragraph of this subsection, a termination of employment as a result of one or more of the following events, without the Grantee's written consent to the event:

(i) any action or inaction that constitutes a material breach by Essential Utilities (or any successor thereto) of this Agreement;

(ii) a material diminution of the authority, duties or responsibilities of the Grantee held immediately prior to the Change in Control;

(iii) a material diminution in the Grantee's base salary, which, for purposes of this Agreement, means a reduction in base salary of ten (10) percent or more that does not apply generally to all executive officers of Essential Utilities; or

(iv) a material change in the geographic location at which the Grantee must perform services under this Agreement, which, for purposes of this Agreement, means a requirement that the Grantee be based at any office or location which is located more than fifty (50) miles from the Grantee's primary place of employment immediately prior to the Change in Control on other than on a temporary basis (less than 6 months).

(v) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Grantee is required to report, including a requirement that the Grantee report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation).

(vi) a material diminution in the budget over which the Grantee retains authority.

A termination of employment after any of the foregoing events shall be a Good Reason only if the Grantee provides written notice to Essential Utilities of the existence of such event within ninety (90) days after the initial occurrence of such event, and Essential Utilities fails to remedy the event within thirty (30) days following the receipt of such notice and the Grantee terminates employment within fifteen (15) days thereafter.

5. Payment with Respect to Performance Units.

(a) Except as otherwise set forth in Section 4, if the Committee certifies that the Performance Goals and other conditions to payment of the Performance Units have been met, shares of Company Stock equal to the vested earned Performance Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and Section 16 below.

(b) If, prior to the Vesting Date, a Change in Control occurs and the Grantee continues to be employed by the Employer through the Vesting Date, shares of Company Stock (or other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days after the Vesting Date, subject to applicable tax withholding and Section 16 below.

(c) If, prior to the Vesting Date, a Change in Control occurs and the Grantee ceases to be employed by the Employer on or after the Change in Control on account of (i) the Grantee's Retirement, (ii) the Grantee's termination by the Employer without Cause, or (iii) the Grantee's Disability or death, shares of Company Stock (or other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days following the Grantee's date of termination, subject to applicable tax withholding and Section 16 below.

(d) If the Grantee terminates employment on account of the Grantee's Disability, death or Retirement before a Change in Control, any outstanding Performance Units under Section 3(b) or 3(c) may be earned as CIC Earned Units pursuant to Section 4(a), but in the event such termination is on account of Retirement, such outstanding Performance Units shall be prorated by applying the fraction in Section 3(c), and such CIC Earned Units shall vest on the date of the Change in Control. Shares of Company Stock (or such other consideration, as described below) equal to the vested CIC Earned Units shall be issued to the Grantee within sixty (60) days after the Change in Control, subject to applicable tax withholding and Section 16 below.

(e) If, in connection with a Change in Control, shares of Company Stock are converted into the right to receive a cash payment or other form of consideration, the vested CIC Earned Units shall be payable in such form of consideration, as determined by the Committee.

(f) Any fractional shares with respect to vested earned Performance Units shall be paid to the Grantee in cash.

6. Dividend Equivalents with Respect to Performance Units.

(a) Dividend Equivalents shall accrue with respect to Performance Units and shall be payable subject to the same vesting terms and other conditions as the Performance Units to which they relate. Dividend Equivalents shall be credited when dividends are declared on shares of Company Stock from the Grant Date until payment date for the vested earned Performance Units. If and to the extent that the underlying Performance Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Performance Units are outstanding, the Company will keep records in a bookkeeping account for the Grantee. On each date on which a dividend is declared by the Company on Company Stock, the Company shall credit to the Grantee's account an amount equal to the Dividend Equivalents associated with the Performance Units held by the Grantee on the record date for the dividend. No interest will be credited to any such account.

(c) Dividend Equivalents shall be paid in cash at the same time as the underlying vested earned Performance Units are paid.

(d) Notwithstanding the foregoing, if shares of Company Stock are converted to cash as described in Section 5(e) above in connection with a Change in Control, Dividend Equivalents shall cease to be credited with respect to the Performance Units.

7. Certain Corporate Changes.

If any change is made to the Company Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Performance Units, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Performance Units to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Performance Units, and the Committee shall adjust the Performance Goals as necessary to reflect the effect of such event or change in the Company's capital structure. Any adjustment that occurs under the terms of this Section 7 or the Plan will not change the timing or form of payment with respect to any Performance Units and will be consistent with Section 409A of the Code, to the extent applicable.

8. No Stockholder Rights.

No shares of Company Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a shareholder of the Company with respect to any Performance Units recorded in the account, including no voting rights and no rights to receive dividends (other than Dividend Equivalents).

9. No Right to Continued Employment.

Neither the award of Performance Units, nor any other action taken with respect to the Performance Units, shall confer upon the Grantee any right to continue to be employed by the

Employer or shall interfere in any way with the right of the Employer to terminate the Grantee's employment at any time, consistent with the terms of any written employment agreement between the Grantee and the Employer and applicable law.

10. Termination or Amendment.

These Grant Conditions and the award made hereunder may be terminated or amended by the Committee, in whole or in part, in accordance with the applicable terms of the Plan.

11. Notice.

Any notice to the Company provided for in these Grant Conditions shall be addressed to it in care of the Company's Chief Human Resources Officer, and any notice to the Grantee shall be addressed to the Grantee at the current address shown on the payroll system of the Company, or to such other address as the Grantee may designate to the Company in writing. Any notice provided for hereunder shall be delivered by hand, sent by telecopy or electronic mail or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage and registry fee prepaid in the United States mail or other mail delivery service. Notice to the Company shall be deemed effective upon receipt. By receipt of these Grant Conditions, the Grantee hereby consents to the delivery of information (including without limitation, information required to be delivered to the Grantee pursuant to the applicable securities laws) regarding the Company, the Plan, and the Performance Units via the Company's electronic mail system or other electronic delivery system.

12. Incorporation of Plan by Reference.

The Performance-Based Share Unit Grant and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Performance Units constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, these Grant Conditions, and/or the Performance Units shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest in the Performance Units. The settlement of any award with respect to the Performance Units is subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan as established from time to time by the Committee in accordance with the provisions of the Plan. A copy of the Plan will be furnished to each Grantee upon request.

13. Income Taxes; Withholding Taxes.

The Grantee is solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of Performance Units and Dividend Equivalents pursuant to these Grant Conditions. At the time of taxation, the Employer shall have the right to deduct from other compensation, or to withhold shares of Company Stock, in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the Performance Units, as approved in advance by the Committee.

14. Governing Law; Enforcement.

The validity, construction, interpretation and effect of the Performance-Based Share Unit Grant and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle. The resolution of any dispute regarding, or the enforcement of, this Performance-Based Share Unit Grant and these Grant Conditions shall take place in a court of competent jurisdiction located within the Commonwealth of Pennsylvania, notwithstanding any dispute resolution terms that may exist under any employment agreement between the Grantee and the Company.

15. Assignment.

The Performance-Based Share Unit Grant and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Performance Units, except to a successor grantee in the event of the Grantee's death.

16. Section 409A.

The Performance-Based Share Unit Grant and these Grant Conditions are intended to comply with Code Section 409A or an exemption, and payments may only be made under these Grant Conditions upon an event and in a manner permitted by Code Section 409A, to the extent applicable. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if the Grantee is considered a "specified employee" for purposes of Code Section 409A and if any payment under these Grant Conditions is required to be delayed for a period of six (6) months after separation from service pursuant to Code Section 409A, such payment shall be delayed as required by Code Section 409A, and the accumulated payment amounts shall be paid in a lump sum payment within ten (10) days after the end of the six (6)-month period. If the Grantee dies during the postponement period prior to payment, the amounts withheld on account of Code Section 409A shall be paid to the personal representative of the Grantee's estate within sixty (60) days after the date of the Grantee's death. Notwithstanding anything in these Grant Conditions to the contrary, if the Performance Units are subject to Code Section 409A and if required by Code Section 409A, any payments to be made upon a termination of employment under these Grant Conditions may only be made upon a "separation from service" under Code Section 409A. In no event may the Grantee, directly or indirectly, designate the calendar year of a payment, except in accordance with Code Section 409A. Notwithstanding anything in these Grant Conditions to the contrary, if required by Code Section 409A, if CIC Earned Units are subject to Code Section 409A, and if a Change in Control is not a "change in control event" under Code Section 409A or the payment event does not occur upon or within two years following a "change in control event" under Code Section 409A, any vested CIC Earned Units shall be paid to the Grantee upon the Vesting Date and not on account of an earlier termination of employment.

17. <u>Company Policies.</u>

This Performance-Based Unit Grant and all shares issued pursuant to this grant shall be subject to any applicable recoupment or clawback policies and other policies implemented by the Board, as in effect from time to time.

* * *

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Christopher H. Franklin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essential Utilities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher H. Franklin
Christopher H. Franklin
President and Chief Executive Officer
May 8, 2024

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Daniel J. Schuller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essential Utilities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Daniel J. Schuller

Daniel J. Schuller
Executive Vice President and Chief Financial Officer
May 8, 2024

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Essential Utilities, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher H. Franklin, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher H. Franklin
Christopher H. Franklin
President and Chief Executive Officer
May 8, 2024

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Essential Utilities, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel J. Schuller, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel J. Schuller
Daniel J. Schuller
Executive Vice President and Chief Financial Officer
May 8, 2024