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 September 30, 2023

£ 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 October 23, 2023**:** 273,165,817

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ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

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

Assets	September 30, 2023	December 31, 2022
Property, plant and equipment, at cost	$ 14,681,336	$ 13,737,387
Less: accumulated depreciation	2,834,771	2,606,441
Net property, plant and equipment	11,846,565	11,130,946
Current assets:		
Cash and cash equivalents	8,505	11,398
Accounts receivable, net	133,735	206,324
Unbilled revenues	75,101	170,504
Inventory - materials and supplies	48,811	46,592
Inventory - gas stored	78,634	153,143
Current assets held for sale	7,461	11,167
Prepayments and other current assets	31,409	39,759
Regulatory assets	25,692	19,272
Total current assets	409,348	658,159
Regulatory assets	1,564,056	1,342,753
Deferred charges and other assets, net	191,958	166,653
Funds restricted for construction activity	1,370	1,342
Goodwill	2,340,661	2,340,792
Non-current assets held for sale	37,327	32,124
Operating lease right-of-use assets	37,836	41,734
Intangible assets	3,672	4,604
Total assets	$ 16,432,793	$ 15,719,107

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	September 30, 2023	December 31, 2022
Stockholders' equity:		
Common stock at $0.50 par value, authorized 600,000,000 shares, issued 276,471,716 and 266,973,321 as of September 30, 2023 and December 31, 2022	$ 138,235	$ 133,486
Capital in excess of par value	4,131,834	3,793,262
Retained earnings	1,739,271	1,534,331
Treasury stock, at cost, 3,305,899 and 3,236,237 shares as of September 30, 2023 and December 31, 2022	(86,783)	(83,693)
Total stockholders' equity	5,922,557	5,377,386
Long-term debt, excluding current portion	6,501,254	6,418,039
Less: debt issuance costs	45,214	46,982
Long-term debt, excluding current portion, net of debt issuance costs	6,456,040	6,371,057
Commitments and contingencies (See Note 14)		
Current liabilities:		
Current portion of long-term debt	218,619	199,356
Loans payable	131,832	228,500
Accounts payable	191,924	238,843
Book overdraft	19,688	28,694
Accrued interest	81,429	47,063
Accrued taxes	29,113	34,393
Liabilities related to assets held for sale	2,669	3,263
Regulatory liabilities	80,190	35,276
Dividends payable	-	75,808
Other accrued liabilities	141,104	130,673
Total current liabilities	896,568	1,021,869
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,486,979	1,345,766
Customers' advances for construction	129,139	114,732
Regulatory liabilities	825,659	778,754
Asset retirement obligations	845	843
Operating lease liabilities	35,133	37,666
Non-current liabilities related to assets held for sale	758	974
Pension and other postretirement benefit liabilities	32,380	31,244
Other	24,326	28,562
Total deferred credits and other liabilities	2,535,219	2,338,541
Contributions in aid of construction	622,409	610,254
Total liabilities and equity	$ 16,432,793	$ 15,719,107

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 September 30, 2023	Three Months Ended September 30, 2022
Operating revenues	$ 411,255	$ 434,618
Operating expenses:		
Operations and maintenance	147,018	151,361
Purchased gas	16,590	52,041
Depreciation	84,348	80,471
Amortization	1,687	2,259
Taxes other than income taxes	24,207	22,625
Total operating expenses	273,850	308,757
Operating income	137,405	125,861
Other expense (income):		
Interest expense	68,590	60,488
Interest income	(942)	(1,510)
Allowance for funds used during construction	(5,455)	(5,812)
Loss (gain) on sale of other assets	285	(299)
Other	(1,438)	(441)
Income before income taxes	76,365	73,435
Provision for income taxes (benefit)	(3,711)	4,797
Net income	$ 80,076	$ 68,638
Comprehensive income	$ 80,076	$ 68,638
Net income per common share:		
Basic	$ 0.30	$ 0.26
Diluted	$ 0.30	$ 0.26
Average common shares outstanding during the period:		
Basic	266,767	262,213
Diluted	267,176	262,754

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)

	Nine Months Ended September 30,	
	2023	2022
Operating revenues	$ 1,574,405	$ 1,582,649
Operating expenses:		
Operations and maintenance	418,520	428,923
Purchased gas	314,838	354,896
Depreciation	252,208	235,774
Amortization	3,282	4,478
Taxes other than income taxes	67,433	67,352
Total operating expenses	1,056,281	1,091,423
Operating income	518,124	491,226
Other expense (income):		
Interest expense	210,440	169,345
Interest income	(2,731)	(2,943)
Allowance for funds used during construction	(14,567)	(17,802)
Gain on sale of other assets	(184)	(777)
Other	(2,001)	(2,566)
Income before income taxes	327,167	345,969
Income tax benefit	(35,611)	(4,336)
Net income	$ 362,778	$ 350,305
Comprehensive income	$ 362,778	$ 350,305
Net income per common share:		
Basic	$ 1.37	$ 1.34
Diluted	$ 1.37	$ 1.33
Average common shares outstanding during the period:		
Basic	265,135	262,089
Diluted	265,688	262,641

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)

		September 30, 2023	December 31, 2022
Stockholders' equity:			
Common stock, $0.50 par value		$ 138,235	$ 133,486
Capital in excess of par value		4,131,834	3,793,262
Retained earnings		1,739,271	1,534,331
Treasury stock, at cost		(86,783)	(83,693)
Total stockholders' equity		5,922,557	5,377,386
Long-term debt of subsidiaries (substantially collateralized by utility plant):			
Interest Rate Range	Maturity Date Range		
0.00% to 0.99%	2023 to 2033	1,411	1,875
1.00% to 1.99%	2023 to 2039	7,730	8,369
2.00% to 2.99%	2024 to 2058	208,425	209,755
3.00% to 3.99%	2023 to 2056	1,315,519	1,351,432
4.00% to 4.99%	2023 to 2059	1,398,614	1,403,313
5.00% to 5.99%	2023 to 2061	313,698	14,357
6.00% to 6.99%	2026 to 2036	31,000	31,000
7.00% to 7.99%	2025 to 2027	28,188	28,378
8.00% to 8.99%	2025	1,488	2,116
9.00% to 9.99%	2026	11,800	11,800
		3,317,873	3,062,395
Notes payable to bank under revolving credit agreement, variable rate, due 2027		347,000	490,000
Unsecured notes payable:			
Notes at 2.40% due 2031		400,000	400,000
Notes at 2.704% due 2030		500,000	500,000
Notes ranging from 3.01% to 3.59% due 2029 through 2050		1,125,000	1,125,000
Notes at 4.28%, due 2049		500,000	500,000
Notes at 5.30%, due 2052		500,000	500,000
Notes at 5.95%, due 2023 through 2034		30,000	40,000
Total long-term debt		6,719,873	6,617,395
Current portion of long-term debt		218,619	199,356
Long-term debt, excluding current portion		6,501,254	6,418,039
Less: debt issuance costs		45,214	46,982
Long-term debt, excluding current portion, net of debt issuance costs		6,456,040	6,371,057
Total capitalization		$ 12,378,597	$ 11,748,443

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 ($0.2870 per share)	-	-	(1)	-	(1)
Dividends of June 1, 2023 declared ($0.2870 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
Net income	-	-	91,268	-	91,268
Dividends of June 1, 2023 ($0.2870 per share)	-	-	(1)	-	(1)
Issuance of common stock under dividend reinvestment plan (102,676 shares)	51	3,901	-	-	3,952
Repurchase of stock (971 shares)	-	-	-	(42)	(42)
Equity compensation plan (17,054 shares)	9	(9)	-	-	-
Exercise of stock options (3,026 shares)	1	105	-	-	106
Stock-based compensation	-	3,515	(206)	-	3,309
Other	-	(117)	-	281	164
Balance at June 30, 2023	$ 133,909	$ 3,827,199	$ 1,740,682	$ (87,092)	$ 5,614,698
Net income	-	-	80,076	-	80,076
Dividends of September 1, 2023 ($0.3071 per share)	-	-	(81,230)	-	(81,230)
Issuance of common stock under dividend reinvestment plan (113,043 shares)	56	3,936	-	-	3,992
Issuance of common stock from at-the-market sale agreements (8,539,711 shares)	4,270	299,419	-	-	303,689
Repurchase of stock (48 shares)	-	-	-	(2)	(2)
Equity compensation plan (133 shares)	-	-	-	-	-
Exercise of stock options (610 shares)	-	20	-	-	20
Stock-based compensation	-	1,967	(257)	-	1,710
Other	-	(707)	-	311	(396)
Balance at September 30, 2023	$ 138,235	$ 4,131,834	$ 1,739,271	$ (86,783)	$ 5,922,557

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, 2021	$ 128,050	$ 3,705,814	$ 1,434,201	$ (83,615)	$ 5,184,450
Net income	-	-	199,376	-	199,376
Dividends of March 1, 2022 ($0.2682 per share)	-	-	(67,821)	-	(67,821)
Dividends of June 1, 2022 declared ($0.2682 per share)	-	-	(67,863)	-	(67,863)
Issuance of common stock under dividend reinvestment plan (93,833 shares)	47	4,070	-	-	4,117
Repurchase of stock (21,290 shares)	-	-	-	(1,012)	(1,012)
Equity compensation plan (57,052 shares)	29	(29)	-	-	-
Exercise of stock options (28,516 shares)	14	998	-	-	1,012
Stock-based compensation	-	2,716	(136)	-	2,580
Other	-	(9)	-	270	261
Balance at March 31, 2022	$ 128,140	$ 3,713,560	$ 1,497,757	$ (84,357)	$ 5,255,100
Net income	-	-	82,291	-	82,291
Dividends of June 1, 2022 ($0.2682 per share)	-	-	(2,424)	-	(2,424)
Issuance of common stock from stock purchase contracts (9,029,461 shares)	4,515	(4,515)	-	-	-
Issuance of common stock under dividend reinvestment plan (92,889 shares)	47	4,007	-		4,054
Repurchase of stock (305 shares)	-	-	-	(15)	(15)
Equity compensation plan (4,736 shares)	2	(2)	-	-	-
Exercise of stock options (6,462 shares)	3	224	-	-	227
Stock-based compensation	-	2,725	(182)	-	2,543
Other	-	(24)	-	280	256
Balance at June 30, 2022	$ 132,707	$ 3,715,975	$ 1,577,442	$ (84,092)	$ 5,342,032
Net income	-	-	68,638	-	68,638
Dividends of September 1, 2022 ($0.2870 per share)	-	-	(75,246)	-	(75,246)
Issuance of common stock under dividend reinvestment plan (89,123 shares)	44	4,206	-	-	4,250
Repurchase of stock (604 shares)	-	-	-	(29)	(29)
Equity compensation plan (6,555 shares)	3	(3)	-	-	-
Exercise of stock options (18,992 shares)	10	660	-	-	670
Stock-based compensation	-	2,702	(182)	-	2,520
Other	-	(17)	-	284	267
Balance at September 30, 2022	$ 132,764	$ 3,723,523	$ 1,570,652	$ (83,837)	$ 5,343,102

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)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net income	$ 362,778	$ 350,305
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	255,490	240,252
Deferred income taxes	(40,541)	(12,794)
Provision for doubtful accounts	17,021	18,519
Stock-based compensation	8,929	8,164
Gain on sale of utility systems and other assets	(184)	(777)
Net change in receivables, deferred purchased gas costs, inventory and prepayments	265,922	(116,804)
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	(5,266)	65,845
Pension and other postretirement benefits contributions	(20,343)	(20,390)
Other	(39,237)	(13,161)
Net cash flows from operating activities	804,569	519,159
Cash flows from investing activities:		
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of $4,502 and $4,527	(874,491)	(719,688)
Acquisitions of utility systems, net	(45,303)	(104,383)
Net proceeds from the sale of utility systems and other assets	634	797
Other	451	205
Net cash flows used in investing activities	(918,709)	(823,069)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	13,151	10,732
Repayments of customers' advances	(5,222)	(1,726)
Net proceeds (repayments) of short-term debt	(96,668)	148,235
Proceeds from long-term debt	681,203	944,882
Repayments of long-term debt	(570,634)	(521,792)
Change in cash overdraft position	(9,006)	(64,326)
Proceeds from issuance of common stock under dividend reinvestment plan	12,061	12,421
Proceeds from issuance of common stock from at-the-market sale agreement	322,983	-
Proceeds from exercised stock options	229	1,909
Repurchase of common stock	(3,955)	(1,056)
Dividends paid on common stock	(232,916)	(213,354)
Other	21	784
Net cash flows from financing activities	111,247	316,709
Net change in cash and cash equivalents	(2,893)	12,799
Cash and cash equivalents at beginning of period	11,398	10,567
Cash and cash equivalents at end of period	$ 8,505	$ 23,366
Non-cash investing activities:		
Property, plant and equipment additions purchased at the period end, but not yet paid for	$ 106,150	$ 97,777
Non-cash utility property contributions	36,913	21,736

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 September 30, 2023, the unaudited consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2023, and the unaudited consolidated statements of cash flows and of equity for the nine months ended September 30, 2023 and 2022, 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, 2022. 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, 2022.

(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 September 30, 2023				Three Months Ended September 30, 2022			
	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:								
Residential	$ 173,331	$ 36,096	$ 46,501	$ -	$ 173,798	$ 32,806	$ 65,631	$ -
Commercial	49,699	9,396	9,577	-	49,026	8,769	15,180	-
Fire protection	10,350	-	-	-	9,934	-	-	-
Industrial	9,438	500	353	-	9,291	466	990	-
Gas transportation & storage	-	-	26,636	-	-	-	26,824	-
Other water	15,549	-	-	-	11,920	-	-	-
Other wastewater	-	2,827	-	-	-	2,175	-	-
Other utility	-		11,731	2,898	-	-	11,096	2,362
Revenues from contracts with customers	258,367	48,819	94,798	2,898	253,969	44,216	119,721	2,362
Alternative revenue program	434	73	-	-	669	60	-	-
Other and eliminations	-	-	-	5,866	545	-	-	13,076
Consolidated	$ 258,801	$ 48,892	$ 94,798	$ 8,764	$ 255,183	$ 44,276	$ 119,721	$ 15,438

	Nine Months Ended September 30, 2023				Nine Months Ended September 30, 2022			
	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:								
Residential	$ 487,704	$ 103,632	$ 415,207	$ -	$ 454,628	$ 89,954	$ 446,679	$ -
Commercial	137,427	26,643	91,031	-	125,171	21,807	91,073	-
Fire protection	30,794	-	-	-	28,674	-	-	-
Industrial	25,584	1,587	2,613	-	24,076	1,242	3,789	-
Gas transportation & storage	-	-	129,151	-	-	-	146,571	-
Other water	36,310	-	-	-	45,170	-	-	-
Other wastewater	-	8,291	-	-	-	8,180	-	-
Other utility	-	-	35,653	11,706	-		46,162	8,602
Revenues from contracts with customers	717,819	140,153	673,655	11,706	677,719	121,183	734,274	8,602
Alternative revenue program	1,603	282	1,421	-	2,393	(128)	-	-
Other and eliminations	-	-	-	27,766	-	-	-	38,606
Consolidated	$ 719,422	$ 140,435	$ 675,076	$ 39,472	$ 680,112	$ 121,055	$ 734,274	$ 47,208

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 750 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 1,400 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 273 customer connections for a cash purchase price of $136.

In November 2022, the Company acquired certain water utility assets of Oak Brook, Illinois, which serve 2,037 customers for a cash purchase price of $12,500.

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. The Company is currently waiting to see if the Supreme Court will grant allocatur. Management believes the final resolution of this matter is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

In March 2022, the Company acquired the wastewater system of Lower Makefield Township, which serves 11,323 customer connections in Lower Makefield, Falls and Middletown townships, and Yardley Borough, Bucks County, Pennsylvania, for a cash purchase price of $53,000.

The purchase price allocation for these acquisitions consisted primarily of acquired 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 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 225 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.

In January 2021, the Company entered into a purchase agreement to acquire the wastewater utility system assets of Willistown Township, Pennsylvania, which consist of approximately 2,300 customers, for $17,500. On April 14, 2023, the Willistown Township supervisors exercised their right to terminate the agreement.

DELCORA Purchase Agreement

In September 2019, the Company entered into a purchase agreement to acquire the wastewater utility system assets of the Delaware County Regional Water Quality Control Authority ("DELCORA"), which consists of approximately 16,000 customers, or the equivalent of 198,000 retail customers, in 42 municipalities in Southeast Pennsylvania for $276,500. In May 2020, Delaware County, Pennsylvania, filed a lawsuit alleging that DELCORA did not have the legal authority to establish and fund a customer trust with the net proceeds of the transaction. In December 2020, the judge in the Delaware County Court lawsuit issued an order that (1) the County cannot interfere with the purchase agreement between DELCORA and the Company; (2) the County cannot terminate DELCORA prior to the closing of the transaction; and (3) the establishment of the customer trust was valid. Delaware County appealed this decision to Commonwealth Court of Pennsylvania. On March 3, 2022, the Commonwealth Court issued a decision finding that Delaware County can dissolve DELCORA if it so chooses, but the purchase agreement must be upheld regardless of who is operating the system. The case was remanded back to the trial court for the entry of an order consistent with the Commonwealth Court's opinion. This order was issued on September 8, 2022 ("Remand Order"). Since then, the County has challenged the Remand Order through two separate actions described in the below bullet points. The effect of those proceedings has resulted in the Remand Order being on appeal to the Commonwealth Court. Argument has not yet been scheduled by the Commonwealth Court on the appeal.

First, Delaware County filed an Application for Determination of Finality ("Application") on October 13, 2022, with the Delaware County Court of Common Pleas. The Company filed its opposition to the Application on October 27, 2022, and on November 2, 2022, the Delaware County Court of Common Pleas denied Delaware County's Application indicating that its previous order already constituted a final order that addressed the claims of all parties. On December 2, 2022, following the denial of its Application, Delaware County filed a Petition for Permission to Appeal ("Petition") the Remand Order in the Commonwealth Court of Pennsylvania. On December 16, 2022, the Company filed an Answer in opposition to the Petition. The Commonwealth Court issued an Order denying the County's Petition on February 2,

2023. The County filed an Application for Reconsideration of the Commonwealth Court's February 2023 Order, which the Commonwealth Court granted on April 4, 2023. In that April 4, 2023 Order, the Commonwealth Court construed the Petition as a Notice of Appeal and has initiated a briefing schedule for this appeal.

Second, on November 2, 2022, Delaware County filed a Notice of Appeal ("Notice of Appeal") from the Remand Order with the Delaware County Court of Common Pleas. On December 2, 2022, the Delaware County Court of Common Pleas issued an Opinion concluding that the County Court did not err in issuing the Remand Order. On January 13, 2023, Delaware County filed an Application in Commonwealth Court seeking confirmation of briefing deadlines with respect to the Notice of Appeal. In response, by Order dated January 24, 2023, the Commonwealth Court stated that "the record received from the Court of Common Pleas of Delaware County is currently under review for finality. A briefing schedule will be issued upon completion of this review." The Company filed an Application to quash the County's Appeal on February 7, 2023. On April 4, 2023, the Commonwealth Court granted the Company's Application and quashed the appeal.

On January 25, 2023, DELCORA filed in the Delaware Court of Common Pleas a complaint for Declaratory Judgment against the Company and Delaware County seeking resolution of whether the County Ordinance dissolving DELCORA is a final action prohibiting DELCORA from carrying out the material transaction of the Asset Purchase Agreement and, in the event that DELCORA retains the ability to close the transaction, whether DELCORA is permitted to exist as a trust. The Company filed preliminary objections to DELCORA's complaint, which were scheduled for a hearing on October 12, 2023. However, prior to the scheduled hearing, the Court notified the parties that the hearing was canceled and would be re-listed after the parties receive the benefit of the Commonwealth Court's decision on the appeal addressed above.

Meanwhile, the administrative law judges ("ALJ") in the regulatory approval process recommended that the Company's application to acquire DELCORA be denied, and subsequently, the Company provided exceptions to the recommended decision. On March 30, 2021, the Pennsylvania Public Utility Commission ("PUC") ruled that the case be remanded back to the Office of Administrative Law Judge and vacated the original administrative law judges' recommended decision ("2021 Order"). This 2021 Order was also appealed to the Commonwealth Court by Delaware County on April 29, 2021. A decision was issued by the Commonwealth Court on September 12, 2022, which dismissed the appeal of the County.

After the PUC issued the 2021 Order, on April 16, 2021, the ALJ issued an order staying the proceeding until the Delaware County Court lawsuit is final and unappealable. On March 25, 2022, the Company sent a letter notifying the PUC of the March 3, 2022, Commonwealth Court decision (that originated in Delaware County Court of Common Pleas) and requested that the PUC move forward with processing the application. On July 14, 2022, the Commission moved to lift the stay imposed by the ALJ, and required the ALJ to establish a schedule on remand for the proceeding. The ALJ established a procedural schedule for the remand proceeding.

On August 17, 2022, Receiver for the City of Chester filed suit in Delaware County Common Pleas Court against DELCORA premised upon the claimed reversionary interest of the City in some of DELCORA's assets. The Company intervened in that matter on October 19, 2022 and on March 27, 2023 filed preliminary objections. Following a hearing on the Company's preliminary objections on August 28, 2023, the Receiver for the City of Chester discontinued the case without prejudice.

On January 26, 2023, several parties involved in the PUC case filed a joint motion for stay based on DELCORA's filing of the January 25, 2023 Complaint for Declaratory Judgment and referenced the City of Chester's bankruptcy filing in which the City of Chester has asserted reversionary contract interests regarding some of DELCORA's wastewater assets. On February 6, 2023, the ALJ stayed the PUC DELCORA application proceedings again.

On May 23, 2023, the Bankruptcy Court issued an order in the City of Chester's bankruptcy filing staying the PUC proceedings until relief from the stay is granted by the Bankruptcy Court. The Company appealed the Bankruptcy Court stay order to the United States District Court for the Eastern District of Pennsylvania on June 6, 2023. The Company filed its brief on August 7, 2023, to which the City responded on September 6, 2023. The Company filed its Reply brief on September 20, 2023, and we are awaiting the Court to determine whether oral argument will be scheduled or a decision rendered based solely on the briefing.

On June 16, 2023, the Company filed a Complaint against DELCORA in the Delaware County Court of Common Pleas requesting a declaratory judgment and injunctive relief regarding breach of the Asset Purchase Agreement in acting outside the ordinary course of business by attempting to enter into a new agreement with Philadelphia Water Department ("PWD") for the treatment of wastewater without the Company's consent. DELCORA filed an answer, new matter and counterclaim against the Company, alleging that the Company has tortiously interfered with DELCORA's contract with the PWD. The Company filed preliminary objections to the counterclaim, and DELCORA filed an amended counterclaim. The Company filed preliminary objections to the amended counterclaim, and on October 9, 2023, DELCORA filed a second amended counterclaim, to which the Company filed preliminary objections.

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 the timing of the above-described regulatory approval process and on-going litigation.

(In thousands of dollars, except per share amounts)

Note 4 – *Assets Held for Sale and Dispositions*

On December 31, 2022, the Company entered into a definitive agreement with Hope Gas, Inc. for the sale of its regulated natural gas utility assets in West Virginia, which served approximately 13,000 customers or about 2% of the Company's regulated natural gas customers ("Peoples Gas West Virginia"). The Peoples Gas West Virginia sale closed on October 1, 2023 for an estimated purchase price of $39,965, subject to working capital and other adjustments. 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 a discontinued operation. The assets and liabilities of Peoples Gas West Virginia were reported as held for sale in the accompanying consolidated balance sheet, carried at the lower of its carrying amount or fair value less costs to sell, and consisted of the following:

	September 30, 2023	December 31, 2022
Inventory - gas stored	$ 1,197	$ 2,807
Other current assets	1,334	3,284
Regulatory assets	4,930	5,076
Current assets held for sale	$ 7,461	$ 11,167
Property, plant and equipment, net	35,232	30,267
Regulatory assets and other	2,095	1,857
Non-current assets held for sale	$ 37,327	$ 32,124
Current liabilities related to assets held for sale	$ 2,669	$ 3,263
Regulatory liabilities	509	649
Other long-term liabilities	249	325
Non-current liabilities related to assets held for sale	$ 758	$ 974

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. Balances associated with these projects are included in deferred charges and other assets, net, in the consolidated balance sheets as of September 30, 2023, and December 31, 2022. The sale is subject to various closing conditions and regulatory approvals and is expected to be completed in late 2023 or early 2024.

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, 2022	$ 58,504	$ 2,277,447	$ 4,841	$ 2,340,792
Reclassification to utility plant acquisition adjustment	(131)	-	-	(131)
Balance at September 30, 2023	$ 58,373	$ 2,277,447	$ 4,841	$ 2,340,661

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.

According to our normal schedule, we will be performing our annual goodwill impairment test during the fourth quarter for our Regulated Water, Regulated Natural Gas, and Other reporting units.

Note 6 – *Capitalization*

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. As of December 31, 2022, the Company issued 1,321,994 shares of common stock under the ATM for proceeds of $63,040, net of expenses. During the three and nine months ended September 30, 2023, the Company sold 8,539,711 and 8,938,839 shares of common stock, in exchange for net proceeds of $303,689 and $322,983, respectively, under the ATM. As of September 30, 2023, approximately $110,000 remained available for sale under the ATM.

Tangible Equity Units

On April 23, 2019, the Company issued $690,000, less expenses of $16,358, of its tangible equity units (the "Units"), with a stated amount of $50.00 per unit. This issuance was part of the permanent financing to close the Peoples Gas Acquisition. Each Unit consisted of a prepaid stock purchase contract and an amortizing note, each issued by the Company. The amortizing notes had an initial principal amount of $8.62909, or $119,081 in aggregate, and yielded interest at a rate of 3.00% per year, and paid equal quarterly per unit cash installments of $0.75 per amortizing note (except for the July 30, 2019 installment payment, which was $0.80833 per amortizing note), that constituted a payment of interest and a partial repayment of principal. This cash payment in the aggregate was equivalent to 6.00% per year with respect to each $50.00 stated amount of the Units. The amortizing notes represented unsecured senior obligations of the Company.

Certain holders of the tangible equity units had early settled their prepaid stock purchase contracts prior to the due date, and, in exchange, the Company issued shares of its common stock. During April 2022, 981,919 stock purchase contracts were early settled by the holders of the contracts, resulting in the issuance of 1,166,107 shares of the Company's common stock. On May 2, 2022, the remaining 6,621,315 stock purchase contracts were each mandatorily settled for 1.18758 shares of the Company's common stock, and in the aggregate the Company issued 7,863,354 shares of its common stock. Additionally, the final quarterly installment payment was made, which resulted in the complete pay-off of the amortizing notes.

Long-term Debt and Loans Payable

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. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

On June 29, 2023, Aqua Pennsylvania and Peoples Natural Gas Companies amended the terms of their respective $100,000 and $300,000, 364-day revolving credit agreements, as follows: (1) extended the maturity dates to June 27, 2024; and (2) updated the adjustment on the Bloomberg Short-Term Bank Yield Index (BSBY) Rate.

In January 2023 and October 2022, Aqua Pennsylvania, issued $75,000 and $125,000 of first mortgage bonds, due in 2043 and 2052, and with interest rates of 5.60% and 4.50%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

On May 20, 2022, the Company issued $500,000 of long-term debt (the "Senior Notes"), less expenses of $5,815, due in 2052 with an interest rate of 5.30%. The Company used the net proceeds from the issuance of Senior Notes to (1) to repay $49,700 of borrowings under Aqua Pennsylvania's 364-day revolving credit facility and $410,000 of borrowings under the Company's existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

On December 14, 2022, the Company entered into a five year $1,000,000 unsecured revolving credit facility, which replaced the Company's prior five year $1,000,000 unsecured revolving credit facility. The Company's new unsecured revolving credit facility was used to repay all indebtedness and fees under our prior unsecured revolving credit facility, and for other general corporate purposes. The facility includes a $100,000 sublimit for daily demand loan. Funds borrowed under this facility are classified as long-term debt and are used to provide working capital as well as support for letters of credit for insurance policies and other financing arrangements. As of September 30, 2023, the Company has the following sublimits and available capacity under the credit facility: $100,000 letter of credit sublimit, $82,664 of letters of credit available capacity, $0 borrowed under the swing-line commitment, $100,000 was available for borrowing under the swing-line commitment, $635,664 available for borrowing and $347,000 of funds borrowed under the agreement.

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 nine months ended September 30, 2023 and 2022.

The fair value of loans payable is determined based on its carrying amount and utilizing Level 1 methods and assumptions. As of September 30, 2023 and December 31, 2022, the carrying amount of the Company's loans payable was $131,832 and $228,500, 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 September 30, 2023 and December 31, 2022, the carrying amounts of the Company's cash and cash equivalents was $8,505 and $11,398, 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 September 30, 2023 and December 31, 2022, the carrying amount of these securities was $26,297 and $24,962, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net gain (loss) recognized during the period on equity securities	$ 155	$ (257)	$ 497	$ (994)
Less: net gain / loss recognized during the period on equity securities sold during the period	-	-	-	-
Unrealized gain (loss) recognized during the reporting period on equity securities still held at the reporting date	$ 155	$ (257)	$ 497	$ (994)

The net gain (loss) recognized on equity securities is presented on the consolidated statements of operations and comprehensive income on the line item “Other.”

The carrying amounts and estimated fair values of the Company’s long-term debt is as follows:

	September 30, 2023	December 31, 2022
Carrying amount	$ 6,719,873	$ 6,617,395
Estimated fair value	5,300,219	5,528,131

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 $129,139 as of September 30, 2023, and $114,732 as of December 31, 2022. 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 2032, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Average common shares outstanding during the period for basic computation	266,767	262,213	265,135	262,089
Effect of dilutive securities:				
Employee stock-based compensation	409	541	553	552
Average common shares outstanding during the period for diluted computation	267,176	262,754	265,688	262,641

Based on the minimum number of shares to be issued upon settlement of the stock purchase contracts issued in April 2019 under the tangible equity units, the average common shares outstanding for basic computation for the three and nine months ended September 30, 2022 includes the weighted-average impact of 0 and 3,920,087 shares, respectively. On May 2, 2022, all of the remaining stock purchase contracts under the tangible equity units were mandatorily settled.

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: 150,062 for the three and nine months ended September 30, 2023; and 81,729 for the three and nine months ended September 30, 2022. 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 September 30, 2023, 1,533,338 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation within operations and maintenance expenses	$ 1,039	$ 1,676	$ 5,444	$ 5,018
Income tax benefit	260	309	1,364	1,261

The following table summarizes the PSU transactions for the nine months ended September 30, 2023:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	556,462	$ 42.77
Granted	162,030	45.06
Performance criteria adjustment	(14,805)	43.36
Actual vested	(168,549)	53.77
Forfeited	(12,513)	44.10
Nonvested share units at end of period	522,625	$ 39.88

(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 nine months ended September 30, 2023 and 2022 was $45.06 and $42.31, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation within operations and maintenance expenses	$ 746	$ 702	$ 2,186	$ 2,206
Income tax benefit	187	126	548	554

The following table summarizes the RSU transactions for the nine months ended September 30, 2023:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	180,306	$ 45.94
Granted	75,414	45.53
Stock units vested and issued	(52,744)	49.25
Forfeited	(5,104)	45.54
Nonvested stock units at end of period	197,872	$ 45.07

The per unit weighted-average fair value at the date of grant for RSUs granted during the nine months ended September 30, 2023 and 2022 was $45.53 and $45.10, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation within operations and maintenance expenses	$ 181	$ 139	$ 480	$ 380
Income tax benefit	45	26	120	95

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:

	2023	2022
Expected term (years)	5.5	5.5
Risk-free interest rate	4.03%	1.92%
Expected volatility	27.80%	26.50%
Dividend yield	2.53%	2.37%
Grant date fair value per option	$ 11.37	$ 9.34

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a 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 nine months ended September 30, 2023:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding at beginning of period	820,061	$ 36.29		
Granted	74,632	45.39		
Forfeited	(2,076)	45.31		
Expired	(664)	35.20		
Exercised	(6,553)	34.98		
Outstanding at end of period	885,400	$ 37.04	5.8	$ 206
Exercisable at end of period	762,586	$ 35.72	5.3	$ 206

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation within operations and maintenance expenses	$ 12	$ 13	$ 37	$ 38
Income tax benefit	3	4	10	11

(In thousands of dollars, except per share amounts)

The following table summarizes restricted stock transactions for the nine months ended September 30, 2023:

	Number of Shares	Weighted Average Fair Value
Nonvested restricted stock at beginning of period	1,170	$ 42.75
Granted	-	-
Vested	(1,170)	(42.75)
Nonvested restricted stock at end of period	-	$ -

The weighted-average fair value at the date of the grant for restricted stock awards granted during the nine months ended September 30, 2022 was $42.75. There were no restricted stock awards granted during the nine months ended September 30, 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation within operations and maintenance expenses	$ -	$ 165	$ 780	$ 522
Income tax benefit	-	48	219	151

There were no stock awards granted during the three months ended September 30, 2023.

The following table summarizes stock award transactions for the nine months ended September 30, 2023:

	Number of Stock Awards	Weighted Average Fair Value
Nonvested stock awards at beginning of period	-	$ -
Granted	18,676	41.78
Vested	(18,676)	(41.78)
Nonvested stock awards at end of period	-	-

The weighted-average fair value at the date of grant for stock awards granted during the nine months ended September 30, 2023 and 2022 was $41.78 and $46.40, respectively.

(In thousands of dollars, except per share amounts)

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 (credit) for the Company's pension and other postretirement benefit plans:

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Service cost	$ 400	$ 707	$ 1,201	$ 2,121
Interest cost	4,309	3,202	12,926	9,605
Expected return on plan assets	(5,673)	(5,895)	(17,018)	(17,684)
Amortization of prior service cost	171	134	513	402
Amortization of actuarial loss	810	435	2,428	1,306
Net periodic benefit cost (credit)	$ 17	$ (1,417)	$ 50	$ (4,250)

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Service cost	$ 337	$ 478	$ 1,011	$ 1,433
Interest cost	1,119	842	3,357	2,527
Expected return on plan assets	(1,093)	(1,142)	(3,279)	(3,376)
Amortization of actuarial loss	(329)	(334)	(988)	(1,002)
Net periodic benefit cost (credit)	$ 34	$ (156)	$ 101	$ (418)

The net periodic benefit cost (credit) 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 (credit) other than service cost in the consolidated statements of operations and comprehensive income on the line item "Other".

There were $20,343 in cash contributions made to the Pension Plan during the nine months ended September 30, 2023, which completed the Company's expected cash contributions for the year.

Note 11 – *Rate Activity*

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 annually.

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 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.

In January 2023, the Company's two water utility operating divisions in Ohio that are regulated by local regulatory authorities implemented base rate increases designed to increase total operating revenues on an annual basis by $1,569. Further, one of the Company's wastewater divisions in Indiana implemented a base rate increase designed to increase operating revenues on an annual basis by $134. Lastly, during the first nine months of 2023, the Company implemented infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by $5,022 in its water and wastewater utility operating divisions in Pennsylvania, New Jersey, and Illinois and by $21,272 in its natural gas operating divisions in Kentucky and Pennsylvania.

On December 30, 2022, our regulated water and wastewater utility operating divisions in Ohio filed an application with the Public Utilities Commission of Ohio designed to increase rates by $9,816 annually.

On September 21, 2022, our 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 $5,483 annually. New rates for water and sewer service went into effect on September 21, 2022.

On May 16, 2022, the Company's regulated water and wastewater operating subsidiary in Pennsylvania, Aqua Pennsylvania, received an order from the Pennsylvania Public Utility Commission that allowed base rate increases that would increase total annual operating revenues by $69,251. New rates went into effect on May 19, 2022. At the time the rate order was received, the rates in effect also included $35,470 in Distribution System Improvement Charges ("DSIC"), which was 7.2% above prior base rates. Consequently, the aggregate base rates increased by $104,721 since the last base rate increase and DSIC was reset to zero.

On January 3, 2022, the Company's natural gas operating division in Kentucky received an order from the Kentucky Public Service Commission resulting in an increase of $5,238 in annual revenues, and new rates went into effect on January 4, 2022. On June 7, 2022, an additional $260 was approved and made effective by the Commission, resulting from a rehearing requested by the operating division.

(In thousands of dollars, except per share amounts)

Note 12 – *Taxes Other than Income Taxes*

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Property	$ 7,402	$ 8,545	$ 23,937	$ 24,798
Gross receipts, excise and franchise	5,456	4,371	13,661	12,484
Payroll	4,901	4,695	16,468	16,133
Regulatory assessments	2,146	1,486	5,544	5,063
Pumping fees	3,320	2,824	4,967	6,147
Other	982	704	2,856	2,727
Total taxes other than income	$ 24,207	$ 22,625	$ 67,433	$ 67,352

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 September 30, 2023				Three Months Ended September 30, 2022			
	Regulated Water	Regulated Natural Gas	Other	Consolidated	Regulated Water	Regulated Natural Gas	Other	Consolidated
Operating revenues	$ 310,591	$ 94,798	$ 5,866	$ 411,255	$ 301,335	$ 118,985	$ 14,298	$ 434,618
Operations and maintenance expense	98,695	50,006	(1,683)	147,018	94,854	51,850	4,657	151,361
Purchased gas	-	14,408	2,182	16,590	-	41,124	10,917	52,041
Depreciation and amortization	54,695	31,141	199	86,035	51,522	30,295	913	82,730
Interest expense, net (a)	30,867	19,405	17,376	67,648	27,762	20,323	10,893	58,978
Allowance for funds used during construction	(4,643)	(812)	-	(5,455)	(5,161)	(651)	-	(5,812)
Provision for income taxes (benefit)	16,186	(16,905)	(2,992)	(3,711)	19,182	(12,734)	(1,651)	4,797
Net income (loss)	99,916	(9,776)	(10,064)	80,076	98,586	(17,133)	(12,815)	68,638

	Nine Months Ended September 30, 2023				Nine Months Ended September 30, 2022			
	Regulated Water	Regulated Natural Gas	Other	Consolidated	Regulated Water	Regulated Natural Gas	Other	Consolidated
Operating revenues	$ 871,563	$ 675,076	$ 27,766	$ 1,574,405	$ 809,888	$ 731,897	$ 40,864	$ 1,582,649
Operations and maintenance expense	274,724	148,270	(4,474)	418,520	273,757	156,209	(1,043)	428,923
Purchased gas	-	295,929	18,909	314,838	-	321,822	33,074	354,896
Depreciation and amortization	161,393	93,457	640	255,490	150,498	89,130	624	240,252
Interest expense, net (a)	91,103	67,894	48,712	207,709	82,920	60,146	23,336	166,402
Allowance for funds used during construction	(12,529)	(2,038)	-	(14,567)	(15,657)	(2,145)	-	(17,802)
Provision for income taxes (benefit)	45,559	(73,703)	(7,467)	(35,611)	40,528	(44,378)	(486)	(4,336)
Net income (loss)	267,345	127,400	(31,967)	362,778	235,471	133,831	(18,997)	350,305
Capital expenditures	493,851	377,562	3,078	874,491	$ 382,853	$ 335,738	$ 1,097	719,688

[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.

	September 30, 2023	December 31, 2022
Total assets:		
Regulated water	$ 9,331,307	$ 8,792,633
Regulated natural gas	6,691,622	6,528,654
Other	409,864	397,820
Consolidated	$ 16,432,793	$ 15,719,107

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 September 30, 2023, the aggregate amount of $19,063 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 September 30, 2023, estimates that approximately $1,410 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. During the third quarter of 2023, an amount was 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 is the subject of court approval. 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. During the third quarter of 2022, the Company established 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.

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 September 30, 2023 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 (4.9)% and (10.9)% for the three and nine months ended September 30, 2023, respectively. The Company's effective tax rate was 6.5% and (1.3)% for the three and nine months ended September 30, 2022, respectively. The decreases in the effective tax rate for the third quarter and nine months ended September 30, 2023 are primarily attributed to the increase in income tax benefits associated with the tax deduction for qualifying infrastructure. 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 nine months ended September 30, 2023 and 2022. For states with a corporate net income tax, the state corporate net income tax rates range from 2.5% to 9.99% for all periods presented. On July 8, 2022, Pennsylvania enacted House Bill 1342 into law, which among other things, reduces Pennsylvania's corporate income tax rate from 9.99% to 8.99% beginning January 1, 2023, and an additional 0.5% annually through 2031, when it reaches to 4.99%. The Company evaluated the impacts of the tax rate change and recorded, in the year ended December 31, 2022, a reduction to our deferred tax liabilities of $244,537 with a corresponding reduction primarily to our regulatory assets.

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 is evaluating 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***

Pronouncement adopted during the year:

In October 2021, the FASB issued accounting guidance on accounting for acquired revenue contracts with customers in a business combination. The guidance specifies for all acquired revenue contracts, regardless of their timing of payment, the circumstances in which the acquirer should recognize contract assets and contract liabilities that are acquired in a business combination, as well as how to measure those contract assets and contract liabilities. The updated accounting guidance is effective for fiscal years beginning after December 15, 2022 with early adoption permitted. The Company adopted this guidance effective January 1, 2023, and will apply it prospectively to business combinations occurring on or after that date.

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, changes in capital requirements and funding, our ability to close acquisitions, changes to the capital markets, the COVID-19 pandemic, 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, 2022, and the Form 10-Q for the quarter ended March 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, West 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. Additionally, commencing on March 16, 2020, with the completion of the Peoples Gas Acquisition, the Company began to provide natural gas distribution services to customers in western Pennsylvania, Kentucky, and West Virginia. Approximately 93% 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.

For many years, starting in the early 1990s, our business strategy was primarily directed toward the regulated water and wastewater utility industry, where we have more than quadrupled the number of regulated customers we serve, and have extended our regulated operations from southeastern Pennsylvania to include our current regulated utility operations throughout Pennsylvania and in seven additional states. On March 16, 2020, we completed the Peoples Gas Acquisition, a natural gas distribution utility, expanding the Company's regulated utility business to include natural gas. 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.

During the fourth quarter of 2022, the Company signed an agreement to sell its regulated natural gas utility assets in West Virginia, which represented approximately two percent of the Company's regulated natural gas customers. The sale closed on October 1, 2023 for an estimated purchase price of $39,965, subject to working capital and other adjustments. In October 2023, the Company entered into an agreement to sell its interest in three non-utility local microgrid and distributed energy projects. The sale is expected to be completed in late 2023 or early 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 intends to use 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

Macroeconomic factors and uncertainties continue to affect the overall business climate as well as our business. Inflation, higher interest rates, higher insurance costs due to market conditions, and supply chain pressures resulted in an increase in our operating and capital spending requirements in 2022 and 2023 to date, which we expect to continue through the remainder of 2023 and into 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

Provision of water and wastewater services is subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act, and related state laws, and under federal and state regulations issued under these laws. These laws and regulations establish criteria and standards for drinking water and for wastewater discharges.

On March 14, 2023, the U.S. Environmental Protection Agency ("EPA") announced the proposed National Primary Drinking Water Regulation ("NPDWR") for the treatment of six per- and polyfluoroalkyl substances or compounds ("PFAS"). The Company submitted comments on the NPDWR, which would establish legally enforceable levels for PFAS in drinking water. It is expected that the EPA will finalize the regulation by the end of 2023 or early 2024. The Company will be provided a three-year window to comply with the NPDWR, and the Safe Drinking Water Act allows for an additional potential for a two-year extension at the state level (the "Compliance Period").

We expect that the regulation, once finalized, will result in changes to or addition of certain treatment processes that will require increased capital expenditures and operating expenses. The Company performed its initial analysis of the NPDWR and estimates an investment of approximately $450,000 of capital expenditures to install additional treatment facilities over the Compliance Period in order to comply with the proposed NPDWR. Additionally, the Company estimates annual operating expenses of approximately five percent of the installed capital expenditures, in today's dollars, related to testing, treatment, and disposal. These are preliminary estimates and actual capital expenditures and expenses may differ based upon a variety of factors, including supply chain issues and a site-by-site analysis. The Company continues to advocate for actions to hold polluters accountable and is part of the Multi-District Litigation and other legal actions against multiple PFAS manufacturers and polluters to attempt to ensure that the ultimate responsibility for the cleanup of these contaminants is attributed to the polluters and is seeking damages and other costs to address the contamination of its public water supply systems by PFAS. Capital expenditures and operating costs required as a result of water quality standards have been traditionally recognized by state utility commissions as appropriate for inclusion in establishing rates; however, we are also actively applying for grants and low interest loans, whenever possible, to reduce the overall cost to customers. The Company is also monitoring ongoing litigation and settlement activity with manufacturers of PFAS in these proceedings, including deadlines set in the multi-district litigation on December 4, 2023 and December 11, 2023 for water utilities, including the Company, to opt out of proposed class action settlements with certain of such manufacturers. For more information, see Part II, Item 1—Legal Proceedings.

Financial Condition

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 $804,569 for the first nine months of 2023, compared to $519,159 for the first nine months of 2022. The net change in working capital and other assets and liabilities resulted in an increase in cash from operations of $221,419 for the first nine months of 2023 compared to a decrease of $64,120 for the first nine months of 2022. The change in working capital in 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 nine months of 2023, we incurred $874,491 of capital expenditures, expended $45,303 for the acquisition of a wastewater utility system, issued $681,203 of long-term debt, repaid short-term debt, and made sinking fund contributions and other long-term debt repayments in aggregate of $667,302. 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, were used for capital expenditures, repayment of existing indebtedness, general corporate purposes, and acquisitions. Cash flows used in financing activities were higher during the first nine months of 2023 principally as a result of a greater amount for the paydown of loans payable associated with the financing of inventory.

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. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

In January 2023 and October 2022, Aqua Pennsylvania issued $75,000 and $125,000 of first mortgage bonds, due in 2043 and 2052, and with interest rates of 5.60% and 4.50%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

On 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). As of December 31, 2022, the Company had issued 1,321,994 shares of common stock for net proceeds of $63,040 under the ATM. During the three and nine months ended September 30, 2023, the Company sold 8,539,711 and 8,938,839 shares of common stock, in exchange for net proceeds of $303,689 and $322,983, respectively, under the ATM. As of September 30, 2023, 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.

On May 20, 2022, the Company issued $500,000 of long-term debt (the "Senior Notes"), less expenses of $5,815, due in 2052 with an interest rate of 5.30%. The Company used the net proceeds from the issuance of Senior Notes to (1) to repay $49,700 of borrowings under the Aqua Pennsylvania's 364-day revolving credit facility and $410,000 of borrowings under the Company's existing five-year unsecured revolving credit facility, and (2) for general corporate purposes.

At September 30, 2023, we had $8,505 of cash and cash equivalents compared to $11,398 at December 31, 2022. During the first nine months of 2023, we used the proceeds from long-term debt and the issuance of common stock, as well as internally generated funds to fund the cash requirements discussed above and to pay dividends.

At September 30, 2023 our $1,000,000 unsecured revolving credit facility, which expires in December 2027, had $635,664 available for borrowing. Additionally, at September 30, 2023, we had short-term lines of credit of $435,500, primarily used for working capital, of which $303,668 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.

As of September 30, 2023, our credit ratings remained at investment grade levels. On July 12, 2023, S&P affirmed an A issuer credit rating for the Company, Aqua Pennsylvania, and Peoples Natural Gas Companies, and revised its outlook from stable to negative for the companies, citing weakening financial measures as a result of inflationary pressures and our significant capital spending. 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.

(In thousands of dollars, except per share amounts)

Results of Operations

Consolidated Results of Operations

Consolidated financial and operational highlights for the periods ended September 30, 2023 and 2022 are presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating revenues	$ 411,255	$ 434,618	$ 1,574,405	$ 1,582,649
Operations and maintenance expense	$ 147,018	$ 151,361	$ 418,520	$ 428,923
Purchased gas	$ 16,590	$ 52,041	$ 314,838	$ 354,896
Net income	$ 80,076	$ 68,638	$ 362,778	$ 350,305
Operating Statistics				
Selected operating results as a percentage of operating revenues:				
Operations and maintenance	35.7%	34.8%	26.6%	27.1%
Purchased gas	4.0%	12.0%	20.0%	22.4%
Depreciation and amortization	20.9%	19.0%	16.2%	15.2%
Taxes other than income taxes	5.9%	5.2%	4.3%	4.3%
Interest expense, net of interest income	16.4%	13.6%	13.2%	10.5%
Net income	19.5%	15.8%	23.0%	22.1%
Effective tax rate	-4.9%	6.5%	-10.9%	-1.3%

Three months ended September 30, 2023 compared with three months ended September 30, 2022

Consolidated operating revenues decreased by $23,363 or 5.4% as compared to the same period in 2022. Revenues from our Regulated Water segment increased by $9,256. Revenues from our Regulated Natural Gas segment and Other business segment decreased by $24,187 and $8,432, 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 $4,343 or 2.9%, primarily due to:

- decrease in customer assistance surcharge costs of $2,044 in our Regulated Natural Gas segment, which has an equivalent offsetting amount in revenues;
- decrease in insurance expense of $2,824, which is the result of a lower reserve for claims expense, partially offset by the increase in insurance premiums in 2023;
- decrease in employee related costs of $6,267, primarily due to the one-time incentive compensation provided to employees during the third quarter of 2022 and increased capitalization in 2023 as a result of greater capital spend; offset by
- an increase in production costs for water and wastewater operations of $3,212, primarily due to higher chemical prices and increased purchased water costs;
- increase in legal expenses of $1,490;
- additional operating costs resulting from acquired water and wastewater utility systems and higher customer base of $1,704; and,
- expenses of $135, associated with remediating an advisory for some of our water utility customers served by our Illinois subsidiary. We expect the expenses associated with remediating the advisory to continue through 2023.

Purchased gas decreased by $35,451 or 68.1%. Purchased gas represents the cost of gas sold by Peoples, which for the regulated gas business has a corresponding offset in revenue. The expense decreased primarily due to lower average cost of gas withdrawn from storage or purchased on the spot market during the third quarter of 2023 as compared to the same period in the prior year.

Depreciation and amortization expense increased by $3,305 or 4.0% 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 $1,582 or 7.0% largely due to the increase in gross receipts taxes in our Regulated Natural Gas business.

***Other expense, net* -** Interest expense, net of interest income increased by $8,670 or 14.7% for the quarter primarily due to the increase in average borrowings and higher interest rates on our revolving lines of credit and our 2022 and 2023 long term borrowings.

***Income tax benefit* -** Our effective income tax rate was (4.9)% and 6.5% in the third quarter of 2023 and 2022, respectively. The decrease in the effective tax rate is primarily attributed to an increase in our income tax benefit associated with the tax deduction for qualifying infrastructure in our Regulated Natural Gas segment.

Nine months ended September 30, 2023 compared with nine months ended September 30, 2022

Consolidated operating revenues decreased by $8,244 or 0.5% for the nine months ended September 30, 2023, as compared to the same period in 2022. Revenues from our Regulated Water segment increased by $61,675. Revenues from our Regulated Natural Gas segment and Other business segment decreased by $56,821 and $13,098, 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 decreased by $10,403 or 2.4%, primarily due to:

- decrease in customer assistance surcharge costs of $7,344 in our Regulated Natural Gas segment, which has an equivalent offsetting amount in revenues;
- decrease in bad debt expense of $1,498 in our Regulated Natural Gas Segment;
- decrease in outside services, maintenance expenses, and other operating expenses of $7,836, primarily due to lower water main break activity and higher capitalization as a result of greater capital spend during the period;
- decrease in employee related costs of $4,832, primarily due to lower post-retirement benefit costs, higher capitalization in 2023 due to greater capital spend, and one-time incentive compensation in 2022;
- decrease in insurance expense of $4,231 due to lower claims reserve expense, partially offset by the increase in insurance premiums in 2023;
- an asset impairment charge recognized in the first quarter of 2022 of $1,801 to write down a portion of the right of use asset of our Regulated Natural Gas segment's office space to fair value; offset by
- increase in materials and supplies expense in our Regulated Natural Gas segment of $2,152;
- increase in legal expenses of $2,308;
- increase in production costs for water and wastewater operations of $10,534, primarily due to higher chemical prices and increased purchased water costs;
- additional operating costs associated with acquired water and wastewater utility systems of $4,298; and,
- expenses of $408, associated with remediating an advisory for some of our water utility customers served by our Illinois subsidiary. We expect the expenses associated with remediating the advisory to continue through 2023.

Purchased gas decreased by $40,058 or 11.3%. Purchased gas represents the cost of gas sold by Peoples for the regulated and non-regulated gas business and has a corresponding offset in revenue. The decrease is the result of lower gas usage during the first nine months of 2023 offset by the impact of the higher average cost of gas withdrawn from storage during the first quarter of 2023.

Depreciation and amortization expense increased by $15,238 or 6.3% principally due to continued capital expenditures to expand and improve our utility facilities and our acquisitions of new utility systems.

Interest expense, net of interest income, increased by $41,307 or 24.8% for the period primarily due to the increase in average borrowings and higher interest rates on our revolving lines of credit and our 2022 and 2023 long term borrowings.

Allowance for funds used during construction (“AFUDC”) decreased by $3,235 or by 18.2% due to the decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Other income, inclusive of loss/gain on sale of assets, decreased by $1,158 or by 34.6% compared to the same period in the prior year. During the first nine months of 2023, there were lower credits recognized from postretirement benefits as compared with the same period in the prior year.

Our effective income tax rate was (10.9)% in the first nine months of 2023 and (1.3)% in the first nine months of 2022. The decrease in the effective tax rate is primarily attributed to an increase in our income tax benefit associated with the tax deduction for qualifying infrastructure in our Regulated Natural Gas segment.

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.

(In thousands of dollars, except per share amounts)

The following tables present selected operating results and statistics for our Regulated Water segment for the periods ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating revenues	$ 310,591	$ 301,335	$ 871,563	$ 809,888
Operations and maintenance expense	$ 98,695	$ 94,854	$ 274,724	$ 273,757
Segment net income	$ 99,916	$ 98,586	$ 267,345	$ 235,471
Operating Statistics				
Selected operating results as a percentage of operating revenues:				
Operations and maintenance	31.8%	31.5%	31.5%	33.8%
Depreciation and amortization	17.6%	17.1%	18.5%	18.6%
Taxes other than income taxes	5.5%	5.6%	5.4%	6.0%
Interest expense, net of interest income	9.9%	9.2%	10.5%	10.2%
Segment net income	32.2%	32.7%	30.7%	29.1%
Effective tax rate	13.9%	16.3%	14.6%	14.7%

Three months ended September 30, 2023 compared with three months ended September 30, 2022

Revenues from our Regulated Water segment increased by $9,256 or 3.1% for the third quarter of 2023 as compared to the same period in 2022, mainly due to the following:

- an increase in water and wastewater rates, including infrastructure rehabilitation surcharges, of $9,723;
- additional water and wastewater revenues of $3,219 associated with a larger customer base due to utility acquisitions and organic growth; offset by
- decrease in volume consumption of $5,671 as a result of wetter weather conditions in the third quarter of 2023.

Operations and maintenance expense for the three months ended September 30, 2023 increased by $3,841 or 4.0% primarily due to the following:

- increase in production costs for water and wastewater operations of $3,212, primarily due to higher chemical prices and increased purchased water costs;
- additional operating costs resulting from acquired water and wastewater utility systems and higher customer base of $1,704;
- increase in insurance expense of $1,018 due to higher insurance premiums in 2023;
- increase in bad debt expense of $1,307; offset by
- decrease in employee related costs of $3,429, primarily due to lower post-retirement benefit costs, higher capitalization in 2023 due to greater capital spend, and one-time incentive compensation in 2022; and,

expenses of $135, associated with remediating an advisory for some of our water utility customers served by our Illinois subsidiary. We expect the expenses associated with remediating the advisory to continue through 2023.

Depreciation and amortization increased by $3,173 or 6.2% 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 $3,105 or 11.2% for the quarter primarily due to an increase in average borrowings and increased borrowing costs.

AFUDC decreased by $518 or by 10.0% due to the decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Other income, inclusive of loss/gain on sale of other assets, decreased by $84 or by 3.8% primarily due to lower net pension and post-retirement non-service benefit during the third quarter of 2023 compared to 2022.

Provision for income tax – Our effective income tax rate for our Regulated Water Segment was an expense of 13.9% in the third quarter of 2023, compared to an expense of 16.3% in the third quarter of 2022. The decrease in the effective tax rate is primarily the result of changes in the jurisdictional earnings mix.

Nine months ended September 30, 2023 compared with nine months ended September 30, 2022

Revenues increased by $61,675 or 7.6% for the first nine months of 2023 as compared to the same period in 2022, mainly due to the following:

- an increase in water and wastewater rates, including infrastructure rehabilitation surcharges, of $48,720;
- additional water and wastewater revenues of $11,069 associated with a larger customer base due to utility acquisitions and organic growth;
- increase in non-utility revenue of $6,000, primarily due to higher developer fees earned during the first quarter of 2023; offset by
- decrease in volume consumption of $4,135 as a result of wetter weather conditions in 2023.

Operations and maintenance expense for the nine months ended September 30, 2023 increased by $967 or 0.4% primarily due to the following:

- increase in production costs for water and wastewater operations of $10,580, primarily due to higher chemical prices and increased purchased water costs;
- additional operating costs resulting from acquired water and wastewater utility systems and higher customer base of $4,298;
- increase in legal fees of $1,326; offset by
- decrease in employee related costs of $8,865, primarily due to lower post-retirement benefit costs, higher capitalization in 2023 due to greater capital spend, and one-time incentive compensation in 2022;
- lower outside services, maintenance expenses and other operating expenses of $6,435 primarily due to lower water main break activity and higher capitalization as a result of greater capital spend during the period; and
- expenses of $408, associated with remediating an advisory for some of our water utility customers served by our Illinois subsidiary. We expect the expenses associated with remediating the advisory to continue through 2023.

Depreciation and amortization increased by $10,895 or 7.2% primarily due to continued capital investment, offset by a change in the amortization of a regulated liability in 2022.

Interest expense, net, increased by $8,183 or 9.9% for the quarter primarily due to an increase in average borrowings and increased borrowing costs.

AFUDC decreased by $3,128 or 20.0% due to the decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Our effective income tax rate for our Regulated Water Segment was an expense of 14.6% in the first nine months of 2023, compared to an expense of 14.7% in the first nine months of 2022.

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.

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)

The following tables present selected operating results and statistics for our Regulated Natural Gas segment, for the periods ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating revenues	$ 94,798	$ 118,985	$ 675,076	$ 731,897
Operations and maintenance expense	$ 50,006	$ 51,850	$ 148,270	$ 156,209
Purchased gas	$ 14,408	$ 41,124	$ 295,929	$ 321,822
Segment net income (loss)	$ (9,776)	$ (17,133)	$ 127,400	$ 133,831
Operating Statistics				
Selected operating results as a percentage of operating revenues:				
Operations and maintenance	52.8%	43.6%	22.0%	21.3%
Purchased gas	15.2%	34.6%	43.8%	44.0%
Depreciation and amortization	32.8%	25.5%	13.8%	12.2%
Taxes other than income taxes	6.9%	4.3%	2.6%	2.3%
Interest expense, net of interest income	20.5%	17.1%	10.1%	8.2%
Segment net income (loss)	-10.3%	-14.4%	18.9%	18.3%
Effective tax rate	63.4%	42.6%	-137.3%	-49.6%

Three months ended September 30, 2023 compared with three months ended September 30, 2022

Operating revenues from the Regulated Natural Gas segment decreased by $24,187 or by 20.3% due to:

- impact of lower gas cost of $26,716 during the quarter as compared to the prior period;
- decrease in customer assistance surcharge of $2,044, which has an equivalent offsetting amount in operations and maintenance expense; and offset by,
- an increase of $4,413 due to higher rates and other surcharges.

Operations and maintenance expense for the three months ended September 30, 2023 decreased by $1,844 or 3.6% primarily due to the following:

- decrease in customer assistance surcharge costs of $2,044, which has an equivalent offsetting amount in revenues;
- net decrease of $1,632 in labor and management fees, due to higher capitalization as a result of greater capital spend during 2023 and one-time incentive compensation in 2022; offset by,
- increase in legal expenses of $1,143; and
- increase in materials and supplies expenses of $575.

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 $26,716 or 65.0%. The expense decreased primarily due to the lower average cost of gas withdrawn from storage or purchased on the spot market during the third quarter of 2023 as compared to the same period in the prior year.

Depreciation and amortization increased by $846 or 2.8% primarily due to continued capital investment.

Taxes other than income taxes increased by $1,509 or 29.7% due to higher gross receipts tax and public utility commission assessments this period as compared with the prior period.

Other expense, net – Interest expense, net, decreased by $918 or 4.5% due to lower interest on gas cost collections and lower average borrowings compared to the third quarter of 2022, offset by increased interest rates.

Income tax benefit – Our effective income tax rate was a benefit of 63.4% in the third quarter of 2023, compared to a benefit of 42.6% in the third quarter of 2022. The change in the effective tax rate is primarily attributed to an increase in the income tax benefit associated with the tax deduction for qualifying infrastructure in our Regulated Natural Gas segment.

Nine months ended September 30, 2023 compared with nine months ended September 30, 2022

Operating revenues from the Regulated Natural Gas segment decreased by $56,821 or 7.8% due to:

- lower gas usage of $35,076, primarily due to warmer weather conditions in 2023 compared to the prior period;
- lower gas cost of $25,893;
- decrease in customer assistance surcharge of $7,344, which has an equivalent offsetting amount in operations and maintenance expense; and offset by,
- an increase of $7,912 due to higher rates and other surcharges, largely resulting from the weather normalization charge in Kentucky and favorable merchant function charge rider in Pennsylvania during the first quarter of the year.

The Regulated Natural Gas segment is subject to seasonal fluctuations with the peak usage period occurring in the heating season which generally runs from October to March. A heating degree day (HDD) is each degree that the average of the high and low temperatures for a day is below 65 degrees Fahrenheit in a specific geographic location. Particularly during the heating season, this measure is used to reflect the demand for natural gas needed for heating based on the extent to which the average temperature falls below a reference temperature above which no heating is required (65 degrees Fahrenheit). During the nine months ended September 30, 2023, we experienced actual HDDs of 2,963 days, which was warmer by 17.8% than the actual HDDs of 3,606 days in the first nine months of 2022 for Pittsburgh, Pennsylvania, which we use as a proxy for our western Pennsylvania service territory. As a result, the operating revenue impact of the lower demand for gas volume was $35,076 and is largely attributed to the warmer weather experienced in 2023.

Operations and maintenance expense for the nine months ended September 30, 2023 decreased by $7,939 or 5.1% primarily due to the following:

- decrease in customer assistance surcharge costs of $7,344, which has an equivalent offsetting amount in revenues;
- an asset impairment charge recognized in the first quarter of 2022 of $1,801 to write down a portion of the right of use asset of our Regulated Natural Gas segment's office space to fair value;
- decrease in insurance expense of $1,905 due to lower claims;
- decrease in bad debt expense of $1,560; offset by,
- increase in materials and supplies of $2,152; and,
- increase in legal expenses of $1,093.

Purchased gas decreased by $25,893 or 8.0%. The decrease is the result of lower gas usage during the first nine months of 2023, offset by the impact of the higher average cost of gas withdrawn from storage during the first quarter of 2023.

Depreciation and amortization increased by $4,327 or 4.9% primarily due to continued capital investment in pipe replacement.

Taxes other than income taxes increased by $814 or 4.8% due to higher gross receipts tax and public utility commission assessments during the current period as compared with the prior period.

Interest expense, net, increased by $7,748 or 12.9% due to increases in average borrowings and average interest rates.

Our effective income tax rate decreased significantly in 2023 as compared with 2022. The change in the effective tax rate is primarily attributed to the increase in the income tax benefit associated with the tax deduction for qualifying infrastructure in our Regulated Natural Gas segment.

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, 2022, filed March 1, 2023, 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 September 30, 2023 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

We are party to various legal proceedings in the ordinary course of business. Although the results of these legal proceedings cannot be predicted with certainty, besides the matter described below, there are no other pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our properties is the subject that we believe are material or are expected to have a material adverse effect on our financial position, results of operations or cash flows.

PFAS Litigation
Several of the Company's subsidiaries are parties to several lawsuits against manufacturers of certain PFAS for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout 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. 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, including deadlines set in the MDL of December 4, 2023 and December 11, 2023 for water utilities, including the Company, to opt out of the proposed settlements.

Item 1A – Risk Factors

Please review the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, under "Part 1, Item 1A – Risk Factors" and in our Form 10-Q for the quarter ended March 31, 2023.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the Company's purchases of its common stock for the quarter ended September 30, 2023:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs
July 1-31, 2023	24	$	39.67	-	-
August 1-31, 2023	24	$	37.07	-	-
September 1-30, 2023	-	$	-	-	-
Total	48	$	38.37	-	-

(1) These amounts consist of 48 shares we acquired from employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of stock-based compensation. This feature of our equity compensation plan is available to all employees who receive stock-based compensation under the plan. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the award vesting.

Item 5 - Other Information

During the quarter ended September 30, 2023, 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
3.2	Amended and Restated Bylaws of Essential Utilities, Inc., effective October 25, 2023 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on October 25, 2023)
10.1*	Bond Purchase Agreement, dated August 24, 2023, by and among Aqua Pennsylvania, Inc. and the Purchasers
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 September 30, 2023, formatted in Inline XBRL (included in Exhibit 101)

*Filed herewith

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.

November 7, 2023

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

Aqua Pennsylvania, Inc.

$225,000,000

$175,000,000 First Mortgage Bonds, 5.48% Series due August 1, 2053
$50,000,000 First Mortgage Bonds, 5.56% Series due August 1, 2061

Bond Purchase Agreement

Dated as of August 24, 2023

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Exhibit A	—	Form of Sixty-second Supplemental Indenture
Exhibit 4.4(a)	—	Form of Opinion of Counsel for the Company
Exhibit 4.4(b)	—	Form of Opinion of Special Counsel for the Company
Exhibit 4.4(c)	—	Form of Opinion of Special Counsel for the Purchasers
Exhibit 12.4	—	Form of US Tax Compliance Certificate

Aqua Pennsylvania, Inc.

762 West Lancaster Avenue
Bryn Mawr, Pennsylvania 19010-3489

$225,000,000

$175,000,000 First Mortgage Bonds, 5.48% Series due August 1, 2053
$50,000,000 First Mortgage Bonds, 5.56% Series due August 1, 2061

As of August 24, 2023

To Each of the Purchasers Listed in
Schedule A Hereto:

Ladies and Gentlemen:

Aqua Pennsylvania, Inc., a corporation organized under the laws of the Commonwealth of Pennsylvania (the "Company"), agrees with each of the purchasers whose names appear at the end hereof (each, a "Purchaser" and, collectively, the "Purchasers") as follows:

SECTION 1. AUTHORIZATION OF BONDS.

The Company will authorize the issue and sale of (i) First Mortgage Bonds, 5.48% Series due August 1, 2053 (herein referred to as the *"5.48% Series due August 1, 2053 Bonds")* in an aggregate principal amount of $175,000,000, to bear interest at the rate of 5.48% per annum, and to mature on August 1, 2053 and (ii) First Mortgage Bonds, 5.56% Series due August 1, 2061 (herein referred to as the "*5.56% Series due August 1, 2061 Bonds*") in an aggregate principal amount of $50,000,000, to bear interest at the rate of 5.56% per annum, and to mature on August 1, 2061 (the 5.56% Series due August 1, 2061 Bonds and the 5.48% Series due August 1, 2053 Bonds are collectively referred to as the *"Bonds"* and such term includes any such bonds issued in substitution therefor). The Bonds will be issued under and secured by that certain Indenture of Mortgage dated as of January 1, 1941, from the Company (as successor by merger to the Philadelphia Suburban Water Company), as grantor, to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the *"Trustee")* (the *"Original Indenture"*), as previously amended and supplemented by sixty-one supplemental indentures and as further supplemented by the Sixty-second Supplemental Indenture dated as of July 27, 2023 and effective as of August 1, 2023 (such Sixty-second Supplemental Indenture being referred to herein as the *"Supplement")* which will be substantially in the form attached hereto as Exhibit A, with such changes therein, if any, as shall be approved by the Purchasers and the Company. The Original Indenture, as supplemented and amended by the aforementioned sixty supplemental indentures and the Supplement, and as further supplemented or amended according to its terms, is hereinafter referred to as the *"Indenture"*. Certain capitalized and other terms used in this Agreement are defined in *Schedule B*; and references to a *"Schedule"* or an *"Exhibit"* are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. Terms used herein but not defined herein shall have the meanings set forth in the Indenture.

SECTION 2. SALE AND PURCHASE OF BONDS.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in **Section 3**, Bonds in the principal amount opposite such Purchaser's name in *Schedule A* at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSING.

The execution and delivery of this Agreement and the sale and purchase of the Bonds to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 320 South Canal Street, Chicago, Illinois 60606, at 10:00 A.M., Chicago time, at a closing on August 24, 2023 or on such other Business Day thereafter on or prior to August 31, 2023, as may be agreed upon by the Company and the Purchasers (the "*Closing*"). At the Closing the Company will deliver to each Purchaser the Bonds to be purchased by such Purchaser in the form of one or more Bonds to be purchased by such Purchaser, as applicable, in such denominations as such Purchaser may request (with a minimum denomination of $100,000 for each Bond), dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for Account Number: 8559742757, Account Name: Aqua Pennsylvania, Inc., at PNC Bank, N.A., Philadelphia, Pennsylvania, ABA Number 031-000053. If at the Closing the Company shall fail to tender such Bonds to any Purchaser as provided above in this **Section 3**, or any of the conditions specified in **Section 4** shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure by the Company to tender such Bonds or any of the conditions specified in **Section 4** not having been fulfilled to such Purchaser's satisfaction.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to execute and deliver this Agreement and to purchase and pay for the Bonds to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction prior to or at the Closing of the following conditions:

Section 4.1. *Representations and Warranties.* The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2. *Performance; No Default.* The Company shall have performed and complied with all agreements and conditions contained in each Financing Agreement required to be performed or complied with by the Company prior to or at the Closing, and after giving effect to the issue and sale of the Bonds (and the application of the proceeds thereof as contemplated by **Section 5.14**), no Default or Event of Default shall have occurred and be continuing.

Section 4.3. *Compliance Certificates.* The Company shall have performed and complied with all agreements and conditions contained in the Indenture which are required to be performed or complied with by the Company for the issuance of the Bonds at the Closing. In addition, the Company shall have delivered the following certificates:

(a) *Officer's Certificate.* The Company shall have delivered to such Purchaser (i) an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in **Section 4** of this Agreement have been fulfilled, and (ii) copies of all certificates and opinions required to be delivered to the Trustee under the Indenture in connection with the issuance of the Bonds, in each case, dated the date of the Closing.

(b) *Secretary's Certificate.* The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of the Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of this Agreement, the Bonds, under the Indenture, and the Supplement.

(c) *Certification of Indenture.* Such Purchaser shall have received a composite copy of the Indenture (together with all amendments and supplements thereto), certified by the Company as of the date of the Closing, exclusive of property exhibits, recording information and the like.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Christopher P. Luning, counsel for the Company, covering the matters set forth in *Exhibit 4.4(a)* and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (b) from Dilworth Paxson LLP, special counsel to the Company, covering the matters set forth in *Exhibit 4.4(b)* and covering such other matters incident to the transactions contemplated hereby as such Purchaser or such Purchaser's counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers), and (c) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in *Exhibit 4.4(c)* and covering such other matters incident to such transactions as such Purchaser may reasonably request. The Company hereby directs its counsel to deliver the opinions required by this **Section 4.4** and understands and agrees that each Purchaser will and hereby is authorized to rely on such opinions.

Section 4.5. Purchase Permitted by Applicable Law, Etc. On the date of the Closing such Purchaser's purchase of Bonds shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U, or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date of the Closing. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Bonds. Contemporaneously with the Closing, the Company shall sell to each Purchaser and each Purchaser shall purchase the Bonds to be purchased by it as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of **Section 12.2**, the Company shall have paid on or before the Closing the reasonable fees, reasonable charges and reasonable disbursements of the Purchasers' special counsel referred to in **Section 4.4(c)** to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by the PPN CUSIP Unit of CUSIP Global Services (in cooperation with the SVO) shall have been obtained for each series of the Bonds issued at the Closing.

Section 4.9. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in *Schedule 5.5*.

Section 4.10. Funding Instructions At least five (5) Business Days prior to the date the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (a) the name and address of the transferee bank, (b) such transferee bank's ABA number/Swift Code/IBAN, and (c) the account name and number into which the purchase price for the Bonds is to be deposited, which account shall be fully opened and able to receive micro deposits in accordance with this Section at least five (5) Business Days prior to the date of the Closing. Each Purchaser has the right, but not the obligation, upon written notice (which may be by email) to the Company, to elect to deliver a micro deposit (less than $51.00) to the account identified in the written instructions no later than two (2) Business Days prior to the date of the Closing.

If a Purchaser delivers a micro deposit, a Responsible Officer must verbally verify the receipt and amount of the micro deposit to such Purchaser on a telephone call initiated by such Purchaser prior to the date of the Closing. The Company shall not be obligated to return the amount of the micro deposit, nor will the amount of the micro deposit be netted against the Purchaser's purchase price of the Bonds.

Section 4.11. *Proceedings and Documents.* All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 4.12. *Execution and Delivery and Filing and Recording of the Supplement.* Prior to or at the Closing, the Supplement shall have been duly executed and delivered by the Company, and the Company shall have filed, or delivered for recordation, the Supplement in all locations in Pennsylvania (and financing statements in respect thereof shall have been filed, if necessary) in such manner and in such places as is required by law (and no other instruments are required to be filed) to establish, preserve, perfect and protect the direct security interest and mortgage Lien of the Trust Estate created by the Indenture on all mortgaged and pledged property of the Company referred to in the Indenture as subject to the direct mortgage Lien thereof and the Company shall have delivered satisfactory evidence of such filings, recording or delivery for recording.

Section 4.13. *Regulatory Approvals.* The issue and sale of the Bonds shall have been duly authorized by an order of the Pennsylvania Public Utility Commission and such order shall be in full force and effect on the date of the Closing and all appeal periods, if any, applicable to such order shall have expired. The Company shall deliver satisfactory evidence that orders have been obtained approving the issuance of such Bonds from the Pennsylvania Public Utility Commission or that the Pennsylvania Public Utility Commission shall have waived jurisdiction thereof and such approval or waiver shall not be contested or subject to review, or that the Pennsylvania Public Utility Commission does not have jurisdiction.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser as of the date of this Agreement and at the Closing that:

Section 5.1. *Organization; Power and Authority.* The Company is a corporation duly organized, validly existing and subsisting under the laws of the Commonwealth of Pennsylvania, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Bonds and the Supplement (and had the corporate power and authority to execute and deliver the Indenture at the time of execution and delivery thereof) and to perform the provisions of the Financing Agreements.

Section 5.2. *Authorization, Etc.* At the Closing, each Financing Agreement has been duly authorized by all necessary corporate action on the part of the Company, and each Financing Agreement (other than the Supplement and the Bonds) constitutes, and when the Supplement is executed and delivered by the Company and the Trustee and when the Bonds are executed, issued and delivered by the Company, authenticated by the Trustee and paid for by the Purchasers, the Supplement and each Bond will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its respective terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. *Disclosure.* This Agreement and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated hereby, including the management/investor presentation dated July 2023, and the financial statements listed in *Schedule 5.5* (collectively, the *"Disclosure Documents")*, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since July 25, 2023, there has been no change in the financial condition, operations, business or properties of the Company or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to management of the Company that, in the reasonable judgment of management of the Company, could be expected to have a Material Adverse Effect that has not been set forth herein or in the other documents, certificates and other writings delivered to the Purchaser by the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. *Organization and Ownership of Shares of Subsidiaries.* *(a) Schedule 5.4* contains a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in *Schedule 5.4* as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien.

(c) Each Subsidiary identified in *Schedule 5.4* is duly incorporated and is validly subsisting as a corporation under the laws of the Commonwealth of Pennsylvania, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

Section 5.5. *Financial Statements; Material Liabilities.* The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on *Schedule 5.5*. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company does not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6. *Compliance with Laws, Other Instruments, Etc.* The execution, delivery and performance by the Company of each Financing Agreement (including the prior execution and delivery of the Indenture), will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien, other than the Lien created under the Indenture, in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter, regulations or by-laws, or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary, except for any such default, breach, contravention or violation which would not reasonably be expected to have a Material Adverse Effect.

Section 5.7. *Governmental Authorizations,* Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement, the Bonds and the Supplement, other than approval of the Pennsylvania Public Utility Commission, which has been obtained and is in full force and effect and final and is non-appealable.

Section 5.8. *Litigation; Observance of Statutes and Orders.* (a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is (i) in default under any term of any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, any arbitrator of any kind or any Governmental Authority naming or referring to the Company or any Subsidiary or (iii) in violation of any applicable law, or, to the knowledge of the Company, any ordinance, rule or regulation of any Governmental Authority (including, without limitation, Environmental Laws, the USA Patriot Act or any of the other laws and regulations that are referred to in **Section 5.16**), which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. *Taxes.* The Company and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The charges, accruals, and reserves on the books of the Company and its Subsidiaries in respect of federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2019 and all amounts owing in respect of such audit have been paid.

Section 5.10. *Title to Property; Leases.* The Company and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in **Section 5.5** or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement or the Indenture, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. *Licenses, Permits, Etc.* The Company and its Subsidiaries own or possess all licenses, permits, franchises, certificates of convenience and necessity, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

Section 5.12. *Compliance with Employee Benefit Plans.* (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code or section 4068 of ERISA, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans subject to section 412 of the Code (other than Multiemployer Plans), determined as of January 1, 2022 based on such Plan's actuarial assumptions as of that date for funding purposes as documented in such Plan's actuarial valuation reports dated September 2022 did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $5,000,000 in the case of any single Plan and by more than $5,000,000 in the aggregate for all Plans. The term "*benefit liabilities*" has the meaning specified in section 4001 of ERISA and the terms "*current* value" and "*present value*" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Bonds hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this **Section 5.12(e)** is made in reliance upon and subject to the accuracy of such Purchaser's representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Bonds to be purchased by such Purchaser.

(f) The Company and its Subsidiaries do not have any Non-U.S. Plans.

Section 5.13. *Private Offering by the Company.* Neither the Company nor anyone acting on the Company's behalf has offered the Bonds or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than 18 other Institutional Investors, each of which has been offered the Bonds in connection with a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Bonds to the registration requirements of **Section 5** of the Securities Act.

Section 5.14. *Use of Proceeds; Margin Regulations.* The Company will apply the proceeds of the sale of the Bonds to repay existing indebtedness and for general corporate purposes and in compliance with all laws referenced in **Section 5.16**. No part of the proceeds from the sale of the Bonds hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 2% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 2% of the value of such assets. As used in this **Section**, the terms "*margin stock*" and "*purpose of buying or carrying*" shall have the meanings assigned to them in said Regulation U.

Section 5.15. *Existing Debt.* Except as described therein, *Schedule 5.15(a)* sets forth a complete and correct list of all outstanding Debt of the Company and its Subsidiaries as of June 30, 2023 since which date except as described therein there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or any Subsidiary and no event or condition exists with respect to any Debt of the Company or any Subsidiary, the outstanding principal amount of which exceeds $5,000,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Without limiting the representation in **Section 5.6**, the Company is not a party to, or otherwise subject to any provision contained in, any instrument evidencing Debt of the Company or any Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt evidenced by the Bonds, except as specifically indicated in *Schedule 5.15(b).*

Section 5.16. *Foreign Assets Control Regulations, Etc.* (a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations, the United Kingdom, or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Bonds hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws, or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or subject to rate regulation under the Federal Power Act, as amended.

Section 5.18. Environmental Matters. Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted of which it has received notice, raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them, or other assets, alleging damage to the environment or any violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to the Purchasers in writing:

(a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, for violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties or to other assets now or formerly owned, leased or operated by any of them or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in each case in a manner contrary to any Environmental Laws and in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.19. Lien of Indenture. The Indenture (and for avoidance of doubt including the Supplement) constitutes a direct and valid Lien upon the Trust Estate, subject only to the exceptions referred to in the Indenture and Permitted Liens, and will create a similar Lien upon all properties and assets acquired by the Company after the date hereof which are required to be subjected to the Lien of the Indenture, when acquired by the Company, subject only to the exceptions referred to in the Indenture and Permitted Liens, and subject, further, as to real property interests, to the recordation of a supplement to the Indenture describing such after-acquired property; the descriptions of all such properties and assets contained in the granting clauses of the Indenture are correct and adequate for the purposes of the Indenture; the Indenture has been duly recorded as a mortgage and deed of trust of real estate, and any required filings with respect to personal property and fixtures subject to the Lien of the Indenture have been duly made in each place in which such recording or filing is required to protect, preserve and perfect the Lien of the Indenture; and all taxes and recording and filing fees required to be paid with respect to the execution, recording or filing of the Indenture, the filing of financing statements related thereto and similar documents and the issuance of the Bonds have been paid.

Section 5.20. Filings. No action, including any filings, registration or notice, is necessary or advisable in Pennsylvania or any other jurisdictions to ensure the legality, validity and enforceability of the Financing Agreements, except such action as has been previously taken, which action remains in full force and effect. No action, including any filing, registration or notice, is necessary or advisable in Pennsylvania or any other jurisdiction to establish or protect for the benefit of the Trustee and the holders of Bonds, the security interest and Liens purported to be created under the Indenture and the priority and perfection thereof and the other Financing Agreements, except such action as has been previously taken, which action remains in full force and effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that it is purchasing the Bonds for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Bonds have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Bonds.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a *"Source"*) to be used by such Purchaser to pay the purchase price of the Bonds to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the *"NAIC Annual Statement"*)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the *"QPAM Exemption"*)) managed by a *"qualified professional asset manager"* or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be "*related*" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "*plan(s)*" (within the meaning of Part IV(h) of PTE 96-23 (the "*INHAM Exemption*")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV(a) of the *INHAM* Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "*control*" in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA; or

(i) with respect to Qualified Investors in the United Kingdom, the Source constitutes assets of a Qualified Investor.

As used in this Section 6.2, the terms "*employee benefit plan*," "*governmental plan*," and "*separate account*" shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY

Section 7.1. Financial and Business Information. The Company shall deliver to each Purchaser and each holder of Bonds that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that the delivery within the time period specified above of the Company's said financial statements, prepared in accordance with the requirements therefor and filed with the Municipal Securities Rulemaking Board on the Electronic Municipal Market Access ("*EMMA*") database shall be deemed to satisfy the requirements of this **Section 7.1(a)**;

(b) *Annual Statements* — within 120 days after the end of each fiscal year of the Company, duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, *provided* that the delivery within the time period specified above of the Company's said financial statements, prepared in accordance with the requirements therefor and containing the above-described audit opinion and filed with the Municipal Securities Rulemaking Board on the EMMA database shall be deemed to satisfy the requirements of this **Section 7.1(b)**;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice, or proxy statement sent by the Company or any Subsidiary to its public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC, provided that the delivery within the time period specified above of the Company's said financial statements, prepared in accordance with the requirements therefor and filed with the Municipal Securities Rulemaking Board on the EMMA database shall be deemed to satisfy the requirements of this **Section 7.1(c)**;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five days after a Responsible Officer becomes aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *Employee Benefits Matters* — promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan (other than any Multiemployer Plan) that is subject to Title IV of ERISA, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any such Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect;

(f) *Notices from Governmental Authority* — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(g) *Requested Information* — with reasonable promptness, following the receipt by the Company of a written request by such holder of Bonds, the names and contact information of holders of the outstanding bonds issued under the Indenture (i.e. the bonds in which the Company or a trustee is required to keep in a register and that are not publicly traded) of which the Company has knowledge and the principal amount of the outstanding bonds issued under the Indenture owed to each holder (unless disclosure of such names, contact information or holdings is prohibited by law), and such data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations under any Financing Agreement as from time to time may be reasonably requested by any such holder of Bonds; and

(h) *Deliveries to Trustee* — promptly, and in any event within five days after delivery to the Trustee, a copy of any deliveries made by the Company to the Trustee, including without limitation the annual report delivered to the Trustee pursuant to Article VIII, Section 12 of the Indenture.

Section 7.2 *Officer's Certificate.* Each set of financial statements delivered to a holder of Bonds pursuant to **Section 7.1(a)** or **Section 7.1(b)** shall be accompanied by a certificate of a Senior Financial Officer (which, in the case of financial statements filed with the Municipal Securities Rulemaking Board on the EMMA database, shall be by separate concurrent delivery of such certificate to each holder of Bonds) setting forth a statement that such Senior Financial Officer has reviewed the relevant terms hereof and of the Indenture and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. *Visitation.* The Company shall permit the representatives of each Purchaser and each holder of Bonds that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and, with the consent of the Company (which consent will not be unreasonably withheld), to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times during normal business hours and as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such reasonable times and as often as may be requested.

SECTION 8. PURCHASE OF BONDS

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Bonds except (a) upon the payment or prepayment of the Bonds in accordance with the terms of this Agreement and the Bonds or (b) pursuant to a written offer to purchase any outstanding Bonds made by the Company or an Affiliate pro rata to the holders of the Bonds upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the holders of more than 10% of the principal amount of the Bonds then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Bonds of such offer shall be extended by the number of days necessary to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Bonds acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Bonds pursuant to any provision of this Agreement and no Bonds may be issued in substitution or exchange for any such Bonds.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that from the date of this Agreement and thereafter, so long as any of the Bonds are outstanding:

Section 9.1. *Compliance with Law.* Without limiting **Section 10.4**, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, Environmental Laws, the USA Patriot Act and the other laws and regulations that are referred to in **Section 5.16**, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. *Insurance.* The Company will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. *Maintenance of Properties.* The Company will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this **Section 9.3** shall not prevent any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company and such Subsidiary have concluded that such discontinuance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. *Payment of Taxes.* The Company will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent the same have become due and payable and before they have become delinquent, provided that any Subsidiary does not need to pay any such tax, assessment, charge or levy if (a) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of such Subsidiary or (b) the nonpayment of all such taxes, assessments, charges and levies in the aggregate would not reasonably be expected to have a Material Adverse Effect.

Section 9.5. *Corporate Existence, Etc*. The Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a wholly-owned Subsidiary) and all rights and franchises of its Subsidiaries unless, in the good faith judgment of the Company or such Subsidiary, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. *Books and Records.* The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that from the date of this Agreement and thereafter, so long as any of the Bonds are outstanding:

Section 10.1. *Transactions with Affiliates.* The Company will not and will not permit any Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except pursuant to the reasonable requirements of the Company's or such Subsidiary's business.

Section 10.2. *Merger, Consolidation, Etc* The Company will not consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation or limited liability company, such corporation or limited liability company shall have executed and delivered to each holder of any Bonds its assumption of the due and punctual performance and observance of each covenant and condition of the Financing Agreements (pursuant to such agreements and instruments as shall be reasonably satisfactory to the Required Holders), and the Company shall have caused to be delivered to each holder of Bonds an opinion of nationally recognized independent counsel, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(b) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation or limited liability company that shall theretofore have become such in the manner prescribed in this **Section 10.2** from its liability under the Financing Agreements.

Section 10.3. *Line of Business.* The Company will not engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Subsidiaries, taken as whole, is engaged on the date of this Agreement.

Section 10.4. *Economic Sanctions, Etc.* The Company will not, and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Bonds) with any Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws.

SECTION 11. PAYMENTS ON BONDS.

Section 11.1. *Payment by Wire Transfer*. So long as any Purchaser or its nominee shall be the holder of any Bond, and notwithstanding anything contained in the Indenture or in such Bond to the contrary, the Company will pay, or cause to be paid by a paying agent, a trustee or other similar party, all sums becoming due on such Bond for principal, Make-Whole Amount or premium, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in *Schedule A*, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Bond or the making of any notation thereon, except that upon written request of the Company or any paying agent made concurrently with or reasonably promptly after payment or prepayment in full of any Bond, such Purchaser shall surrender such Bond for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Article II of the Indenture. Prior to any sale or other disposition of any Bond held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Bond to the Company in exchange for a new Bond or Bonds pursuant to Article II of the Indenture. The Company will afford the benefits of this **Section 11.1** to any Institutional Investor that is the direct or indirect transferee of any Bond purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Bond as the Purchasers have made in this **Section 11.1**.

SECTION 12. REGISTRATION; EXCHANGE; EXPENSES, ETC.

Section 12.1. *Registration of Bonds.* The Company shall cause the Trustee to keep a register for the registration and registration of transfers of Bonds in accordance with Article XIII, Section 9 of the Indenture.

Section 12.2. *Transaction Expenses*. Whether or not the transactions contemplated hereby are consummated, the Company will pay all reasonable costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Bond in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of any Financing Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under any Financing Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with any Financing Agreement, or by reason of being a Purchaser or holder of any Bond, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated by any Financing Agreement and (c) the costs and expenses incurred in connection with the initial filing of any Financing Agreement and all related documents and financial information with the SVO, provided that such costs and expenses under this clause (c) shall not exceed $6,000 for the Bonds. The Company will pay, and will save each Purchaser and each other holder of a Bond harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Bonds).

Section 12.3. *Survival.* The obligations of the Company under this **Section 12** will survive the payment or transfer of any Bond, the enforcement, amendment or waiver of any provision of any Financing Agreement, and the termination of any Financing Agreement.

Section 12.4. *Tax Withholding.* Except as otherwise required by applicable law, the Company agrees that it will not withhold from any applicable payment to be made to a holder of a Bond that is not a United States Person any tax so long as such holder shall have delivered to the Company (in such number of copies as shall be requested) on or about the date on which such holder becomes a holder under this Agreement (and from time to time thereafter upon the reasonable request of the Company), executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, as well as the applicable "*U.S. Tax Compliance Certificate*" substantially in the form attached as *Exhibit 12.4*, in both cases correctly completed and executed.

SECTION 13. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement, the purchase or transfer by any Purchaser of any Bond or portion thereof or interest therein and the payment of any Bond, and may be relied upon by any subsequent holder of a Bond, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Bond. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, the Financing Agreements embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 14. AMENDMENT AND WAIVER

Section 14.1. *Requirements.* This Agreement and the Bonds may be amended, and the observance of any term hereof or of the Bonds may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (i) no amendment or waiver of any of the provisions of **Sections 1, 2, 3, 4, 5, 6**, or **19** hereof, or any defined term, will be effective as to any holder of Bonds unless consented to by such holder of Bonds in writing, and (ii) no such amendment or waiver may, without the written consent of all of the holders of Bonds at the time outstanding affected thereby, (A) subject to the provisions of the Indenture relating to acceleration, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest (if such change results in a decrease in the interest rate) or of the Make-Whole Amount on, the Bonds, (B) change the percentage of the principal amount of the Bonds the holders of which are required to consent to any such amendment or waiver, or (C) amend any of **Sections 8, 14,** or **18**.

Section 14.2. *Solicitation of Holders of Bonds.*

(a) *Solicitation.* The Company will provide each holder of Bonds (irrespective of the amount of Bonds then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Bonds. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 14** to each Purchaser and each holder of outstanding Bonds promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Bonds.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise (other than legal fees or other related expenses), or grant any security or provide other credit support, to any holder of Bonds as consideration for or as an inducement to the entering into by any holder of Bonds of any waiver or amendment of any of the terms and provisions hereof or of the Bonds unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Bonds then outstanding even if such holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer.* Any consent made pursuant to this **Section 14** by a holder of Bonds that has transferred or has agreed to transfer its Bonds to (i) the Company, (ii) any Subsidiary or any other Affiliate, or (iii) any other Person in connection with, or in anticipation of, such other Person acquiring, making a tender offer for or merging with the Company and/or any of its Affiliates, and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Bonds that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

Section 14.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this **Section 14** applies equally to all holders of Bonds and is binding upon them and upon each future holder of any Bond and upon the Company without regard to whether such Bond has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and any holder of any Bond nor any delay in exercising any rights hereunder or under any Bond shall operate as a waiver of any rights of any holder of such Bond.

Section 14.4. Bonds Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Bonds then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Bonds, or have directed the taking of any action provided herein or in the Bonds to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Bonds then outstanding, Bonds directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 15. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in *Schedule A*, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Bond, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010-3489, or at such other address as the Company shall have specified to the holder of each Bond in writing.

Notices under this **Section 15** will be deemed given only when actually received.

SECTION 16. INDEMNIFICATION.

The Company hereby agrees to indemnify and hold the Purchasers harmless from, against and in respect of any and all loss, liability and expense (including reasonable attorneys' fees) arising from any misrepresentation or nonfulfillment of any undertaking on the part of the Company under this Agreement. The indemnification obligations of the Company under this **Section 16** shall survive the execution and delivery of this Agreement, the delivery of the Bonds to the Purchasers and the consummation of the transactions contemplated herein.

SECTION 17. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Bonds themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This **Section 17** shall not prohibit the Company or any other holder of Bonds from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 18. CONFIDENTIAL INFORMATION

For the purposes of this **Section 18,** "*Confidential Information*" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under **Section 7.1** of this Agreement or under the Indenture that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by Bonds), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this **Section 18**, (iii) the Trustee or any other holder of any Bond, (iv) any Institutional Investor to which it sells or offers to sell such Bond or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 18**), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 18**), (vi) any federal or state or provincial regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party, or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under any Financing Agreement. Each holder of a Bond, by its acceptance of a Bond, will be deemed to have agreed to be bound by and to be entitled to the benefits of this **Section 18** as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Bond of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this **Section 18**.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Bond is required to agree to a confidentiality undertaking (whether through EMMA, another secure website, a secure virtual workspace or otherwise) which is different from this **Section 18**, this **Section 18** shall not be amended thereby and, as between such Purchaser or such holder and the Company, this **Section 18** shall supersede any such other confidentiality undertaking.

SECTION 19. MISCELLANEOUS

Section 19.1. *Successors and Assigns.* All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Bond) whether so expressed or not, except that, subject to **Section 10.2**, the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Bonds without the prior written consent of each holder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

Section 19.2. *Accounting Terms.* All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (a) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (b) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with the financial covenants contained in the Financing Agreements, if any, any election by the Company to measure Debt using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option*, International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made and such Debt shall be valued at not less than 100% of the principal amount thereof.

Section 19.3. *Severability.* Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 19.4. *Construction, Etc.* Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 19.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 19.6. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the Commonwealth of Pennsylvania excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 19.7. *Jurisdiction and Process;* Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any Pennsylvania State or federal court sitting in Philadelphia, Pennsylvania, over any suit, action or proceeding arising out of or relating to this Agreement or the Bonds. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Bonds in any suit, action or proceeding of the nature referred to in **Section 19.7(a)** by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in **Section 15** or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this **Section 19.7** shall affect the right of any holder of a Bond to serve process in any manner permitted by law, or limit any right that the holders of any of the Bonds may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) The parties hereto hereby waive trial by jury in any action brought on or with respect to this Agreement, the Bonds or any other document executed in connection herewith or therewith.

Section 19.8. *Payments Due on Non-Business Days.* Anything in this Agreement or the Bonds to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Bond that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Bond is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Bond Purchase Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

AQUA PENNSYLVANIA, INC.

By /s/ Daniel J. Schuller
Name: Daniel J. Schuller
Its: Executive Vice President and CFO

Accepted as of the date first written above

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED
BY LEGAL & GENERAL INVESTMENT MANAGEMENT AMERICA, INC., ITS INVESTMENT MANAGER

By /s/ Edward Wood
Name: Edward Wood
Title: Head of Private Credit Investment,
North America

Accepted as of the date first written above

ABRDN INVESTMENT MANAGEMENT LIMITED
ACTING AS AGENT FOR AND ON BEHALF OF
PHOENIX LIFE LIMITED

By /s/ Heather Morrison
Name: Heather Morrison
Title: Authorised Attorney

Accepted as of the date first written above

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

By /s/ Claude Sirois
Name: Claude Sirois
Title: Vice President, Real Assets and Private Equity

By s/ Maxime Durivage
Name: Maxime Durivage
Title: Senior Vice President, Head of Private Equity and Infrastructure

Accepted as of the date first written above

THE MANUFACTURERS LIFE INSURANCE COMPANY (BARBADOS BRANCH)

By /s/ Heliang Qu

Name: Heliang Qu

Title: AVP, Reinsurance

By /s/ Renee Springer-Haynes

Name: Renee Springer-Haynes

Title: AVP & Controller

Accepted as of the date first written above

MANULIFE (SINGAPORE) PTE. LTD

By /s/ Helen Lo
Name: Helen Lo

Title: Director, Manulife General Account Investments (Singapore) Pte. Ltd. as investment manager of Manulife (Singapore) Pte. Ltd.

Accepted as of the date first written above

MANULIFE INSURANCE
LABUAN LIMITED

By /s/ Helen Lo
Name: Helen Lo
Title: Director, Manulife General Account Investments (Singapore) Pte. Ltd. as investment manager of Manulife Insurance Labuan Limited

Accepted as of the date first written above

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)

By /s/ Mariana Primera

Name: Mariana Primera
Title: Assistant Vice President

Accepted as of the date first written above

PRINCIPAL LIFE INSURANCE COMPANY
BY: PRINCIPAL GLOBAL INVESTORS, LLC, A DELAWARE LIMITED LIABILITY COMPANY, ITS AUTHORIZED SIGNATORY

By /s/ Karl Goodman
Name: Karl Goodman
Title: Counsel

By /s/ Charles Schneider
Name: Charles Schneider
Title: Counsel

Accepted as of the date first written above

NEW YORK LIFE
INSURANCE COMPANY
BY: NYL INVESTORS LLC,
ITS INVESTMENT
MANAGER

By /s/ Kimberly T. Stepancic
Name: Kimberly T. Stepancic
Title: Senior Director

NEW YORK LIFE
INSURANCE AND ANNUITY
CORPORATION
BY: NYL INVESTORS LLC,
ITS INVESTMENT
MANAGER

By /s/ Kimberly T. Stepancic
Name: Kimberly T. Stepancic
Title: Senior Director

Accepted as of the date first written above

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
FIDELITY LIFE ASSOCIATION, A LEGAL RESERVE
LIFE INSURANCE COMPANY
LINCOLN HERITAGE LIFE INSURANCE COMPANY
MINNESOTA LIFE INSURANCE COMPANY
SECURIAN LIFE INSURANCE COMPANY
TRUSTMARK INSURANCE COMPANY
BY: SECURIAN ASSET MANAGEMENT, INC.

By /s/ Johnathan Heshelman
Name: Johnathan Heshelman
Title: Vice President

Accepted as of the date first written above

AMERICAN GENERAL LIFE INSURANCE COMPANY
BY: AIG ASSET MANAGEMENT (U.S.), LLC, AS INVESTMENT ADVISER

By /s/ David Etlinger
Name: David Etlinger
Title: Vice President

Accepted as of the date first written above

EMPLOYERS REASSURANCE CORPORATION
BY: GOLDMAN SACHS ASSET MANAGEMENT, L.P., AS INVESTMENT MANAGER

By /s/ Jessica Maizel
Name: Jessica Maizel
Title: Managing Director

BENEFICIAL LIFE INSURANCE COMPANY
BY: GOLDMAN SACHS ASSET MANAGEMENT, L.P., AS INVESTMENT MANAGER

By /s/ Jessica Maizel
Name: Jessica Maizel
Title: Managing Director

Accepted as of the date first written above

GENWORTH LIFE
INSURANCE COMPANY

By /s/ Elizabeth Coley
Name: Elizabeth Coley
Title: Investment Officer

GENWORTH LIFE AND ANNUITY
INSURANCE COMPANY
By /s/ Elizabeth Coley
Name: Elizabeth Coley
Title: Investment Officer

Accepted as of the date first written above

UNITED OF OMAHA LIFE INSURANCE COMPANY

By /s/ Justin P. Kavan
Name: Justin P. Kavan
Title: Head of Private Placements

MUTUAL OF OMAHA INSURANCE COMPANY

By /s/ Justin P. Kavan
Name: Justin P. Kavan
Title: Head of Private Placements

Accepted as of the date first written above

UNUM LIFE INSURANCE
COMPANY OF AMERICA

BY: PROVIDENT
INVESTMENT
MANAGEMENT, LLC, ITS
AGENT

By /s/ Ben Vance
Name: Ben Vance
Title: Vice President, Senior Managing Director

Name and Address of Purchaser	Principal Amount of Bonds to be Purchased
[Name of Purchaser]	$

1) All payments by wire transfer of immediately available funds to:

with sufficient information to identify the source and application of such funds.

2) All notices of payments and written confirmations of such wire transfers:

3) All other communications:

SCHEDULE A

(to Bond Purchase Agreement)

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"*5.48% Series due August 1, 2053 Bonds*" is defined in **Section 1**.

"5.56% Series due August 1, 2061 Bonds" is defined in **Section 1.**

"*Affiliate*" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "*Affiliate*" is a reference to an Affiliate of the Company.

"*Agreement*" means this Bond Purchase Agreement, including all Schedules and Exhibits attached to this Agreement.

"*Anti-Corruption Laws*" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"*Anti-Money Laundering Laws*" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA Patriot Act.

"*Blocked Person*" means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws, or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in **clause (a)** or **(b).**

"*Bonds*" is defined in **Section 1**.

"*Business Day*" means for the purposes of any provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Philadelphia, Pennsylvania are required or authorized to be closed.

"*Capital Lease*" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"*Capital Lease Obligation*" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"*Closing*" is defined in **Section 3**.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"*Company*" means Aqua Pennsylvania, Inc., a corporation existing under the laws of the Commonwealth of Pennsylvania.

"*Controlled Entity*" means any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates. As used in this definition, "*Control*" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"*Debt*" means, with respect to any Person, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and other accrued liabilities arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) its Capital Lease Obligations;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all non-contingent liabilities in respect of reimbursement agreements or similar agreements in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions;

(f) Swaps of such Person; and

(g) Guaranties of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Debt of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"*Default*" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"*Disclosure Documents*" is defined in **Section 5.3**.

"*EMMA*" is defined in **Section 7.1(a).**

"*Environmental Laws*" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*ERISA Affiliate*" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"*Event of Default*" is an "event of default" as defined in the Indenture.

"*Financing Agreements*" means this Agreement, the Indenture (including without limitation the Supplement), and the Bonds.

"*GAAP*" means generally accepted accounting principles as in effect from time to time in the United States of America.

"*Governmental Authority*" means:

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"*Governmental Official*" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"*Guaranty*" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Debt, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Debt or obligation or any property constituting security therefor primarily for the purpose of assuring the owner of such Debt or obligation of the ability of any other Person to make payment of the Debt or obligation;

(b) to advance or supply funds (i) for the purchase or payment of such Debt or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Debt or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Debt or obligation of the ability of any other Person to make payment of the Debt or obligation; or

(d) otherwise to assure the owner of such Debt or obligation against loss in respect thereof.

In any computation of the Debt or other liabilities of the obligor under any Guaranty, the Debt or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor, provided that the amount of such Debt outstanding for purposes of this Agreement shall not exceed the maximum amount of Debt that is the subject of such Guaranty.

"*Hazardous Material*" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"*holder*" is defined in the Indenture.

"*Indenture*" is defined in **Section 1**.

"*Institutional Investor*" means (a) any Purchaser of a Bond, (b) any holder of a Bond holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Bonds then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Bond.

"*Lien*" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"*Make-Whole Amount*" is defined in the Supplement.

"*Material*" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

"*Material Adverse Effect*" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement, the Bonds or the Indenture, or (c) the validity or enforceability of any Financing Agreement.

"*Multiemployer Plan*" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"*NAIC*" means the National Association of Insurance Commissioners or any successor thereto.

"*Non-U.S. Plan*" means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

"*OFAC*" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"*OFAC Sanctions Program*" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

"*Officer's Certificate*" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"*Original Indenture*" is defined in **Section 1.**

"*PBGC*" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"*Permitted Liens*" shall have the meaning assigned to such term in the Indenture.

"*Person*" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"*Plan*" means an "*employee benefit plan*" (as defined in section 3(2) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"*property*" or "*properties*" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"*PTE*" is defined in **Section 6.2(a).**

"*Purchaser*" is defined in the first paragraph of this Agreement.

"*Qualified Investor*" means Persons or entities that are listed in clauses (1) to (4) of Section I of Annex II to Directive 2014/65/EU (known as MiFID II), which includes (among others): entities which are required to be authorized or regulated to operate in the financial markets, including: (a) credit institutions; (b) investment firms; (c) other authorized or regulated financial institutions; (d) insurance companies; (e) collective investment schemes and management companies of such schemes; (f) pension funds and management companies of such funds; (g) commodity and commodity derivatives dealers; (h) local public authorities; and (i) other institutional investors.

"*Related Fund*" means, with respect to any holder of any Bond, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"*Required Holders*" means at any time on or after the Closing, the holders of at least 51% in principal amount of the Bonds at the time outstanding (exclusive of Bonds then owned by the Company or any of its Affiliates).

"*Responsible Officer*" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"*SEC*" means the Securities and Exchange Commission of the United States, or any successor thereto.

"*Securities*" or "*Security*" shall have the meaning specified in section 2(a)(1) of the Securities Act.

"*Securities Act*" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*Senior Financial Officer*" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"*Source*" is defined in **Section 6.2.**

"*State Sanctions List*" means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"*Subsidiary*" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "*Subsidiary*" is a reference to a Subsidiary of the Company.

"*Supplement*" is defined in **Section 1**.

"*SVO*" means the Securities Valuation Office of the NAIC or any successor to such Office.

"*Swaps*" means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"*Trust Estate*" is defined in the Indenture.

"*Trustee*" is defined in **Section 1.**

"*UCC*" means, the Uniform Commercial Code as enacted and in effect from time to time in the state whose laws are treated as applying to the Trust Estate.

"*USA Patriot Act"* means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*U.S. Economic Sanctions Laws*" means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act, each as amended from time to time, and any other OFAC Sanctions Program.

Aqua Pennsylvania, Inc.
Subsidiaries of the Company,
Ownership of Subsidiary Stock

Company Name	State of Incorporation	% of Ownership (Direct & Indirect)
Aqua Pennsylvania, Inc.	Pennsylvania	100%
1. Aqua Pennsylvania Wastewater, Inc.	Pennsylvania	100%
2. Honesdale Consolidated Water Company	Pennsylvania	100%

FINANCIAL STATEMENTS

1. Aqua Pennsylvania, Inc. Consolidated Financial Statements as of and for the years ended December 31, 2022, 2021, and 2020 (audited)

2. Aqua Pennsylvania, Inc. Report for Quarter Ended June 30, 2023

Aqua Pennsylvania and Subsidiaries
Schedule 5.15(a) – Existing Debt
as of 6/30/2023

		Outstanding Balance
Unsecured Note	5.95%	10,000,000
Unsecured Note	5.95%	10,000,000
Unsecured Note	5.95%	10,000,000
Total Unsecured Notes		**30,000,000**
Tax Exempt-Bond Premium		1,104,759
Tax Exempt-Bond Premium		188,218
Tax Exempt-Bond Discount		(1,090,571)
Tax Exempt-Bond Premium		341,893
Tax Exempt-Bond Discount		(167,319)
Tax Exempt-Bond Discount		(63,385)
Tax Exempt-Bond Discount		(372,000)
Tax Exempt-Bond Premium		1,597,294
Total Tax Exempt Bonds		**1,538,889**
PennVest	2.71%	165,596
PennVest	2.55%	475,475
PennVest	2.55%	154,260
PennVest	2.69%	505,891
PennVest	2.55%	1,020,994
PennVest	2.55%	346,877
PennVest	1.05%	1,294,736
PennVest	1.00%	602,075
PennVest	3.46%	912,298
PennVest	3.47%	122,791
PennVest	2.77%	636,454
PennVest	3.79%	23,481
PennVest	2.77%	85,148
PennVest	3.47%	518,087
PennVest	3.47%	34,887
PennVest	3.20%	595,558
PennVest	2.56%	282,524
PennVest	2.55%	398,340
PennVest	2.55%	221,649
PennVest	3.05%	528,486
PennVest	2.55%	621,720
PennVest	2.55%	458,331

PennVest	2.55%	545,985
PennVest	3.14%	909,937
PennVest	2.55%	462,611
PennVest	1.51%	4,495,658
PennVest	2.73%	255,250
PennVest	2.67%	298,750
PennVest	2.55%	517,824
PennVest	1.00%	226,804
PennVest	2.77%	54,663
PennVest	2.77%	20,758
PennVest	3.05%	217,501
PennVest	2.77%	116,317
PennVest	1.16%	17,237
PennVest	2.77%	471,568
PennVest	3.37%	513,112
PennVest	2.55%	760,155
PennVest	1.00%	921,207
Total PennVest		**20,810,997**
FMB	5.98%	3,000,000
FMB	6.06%	15,000,000
FMB	6.06%	5,000,000
FMB	7.72%	15,000,000
FMB	9.29%	11,800,000
FMB	3.79%	40,000,000
FMB	3.80%	20,000,000
FMB	3.85%	20,000,000
FMB	3.94%	25,000,000
FMB	4.61%	25,000,000
FMB	4.62%	25,000,000
FMB	3.64%	25,000,000
FMB	4.01%	15,000,000
FMB	4.06%	13,000,000
FMB	4.11%	12,000,000
FMB	3.77%	65,000,000
FMB	3.82%	20,000,000
FMB	3.85%	25,000,000
FMB	4.16%	60,000,000
FMB	4.18%	20,000,000
FMB	4.20%	20,000,000
FMB	3.85%	25,000,000
FMB	3.95%	60,000,000
FMB	3.65%	10,000,000

FMB	3.69%	40,000,000
FMB	4.04%	40,000,000
FMB	4.06%	40,000,000
FMB	4.06%	35,000,000
FMB	4.07%	20,000,000
FMB	4.09%	20,000,000
FMB	3.99%	25,000,000
FMB	4.04%	10,000,000
FMB	4.09%	65,000,000
FMB	4.44%	65,000,000
FMB	4.49%	30,000,000
FMB	4.51%	30,000,000
FMB	4.02%	75,000,000
FMB	4.07%	25,000,000
FMB	4.12%	25,000,000
FMB	4.09%	50,000,000
FMB	4.13%	75,000,000
FMB	4.14%	50,000,000
FMB	3.39%	75,000,000
FMB	3.41%	50,000,000
FMB	3.49%	75,000,000
FMB	3.54%	50,000,000
FMB	3.55%	50,000,000
FMB	2.85%	50,000,000
FMB	2.89%	50,000,000
FMB	2.90%	50,000,000
FMB	4.50%	125,000,000
FMB	5.60%	75,000,000
Total First Mortgage Bonds		**1,944,800,000**
PennVest - Aqua PA WW	1.00%	367,514
PennVest - Aqua PA WW	2.77%	54,060
Total PennVest LWW		**421,574**
Total Long Term Debt		**1,997,571,460**
PNC Revolver		**27,542,619**
Total Debt Aqua Pennsylvania		**2,025,060,079**

SCHEDULE 5.15(B)

Aqua Pennsylvania, Inc. and Subsidiaries

Debt Issuance Limitations

Indenture of Mortgage dated as of January 1, 1941 of Aqua Pennsylvania, Inc. as Supplemented and Amended

$100 million Amended and Restated Credit Agreement among Aqua Pennsylvania, Inc. and PNC Bank, National Association as Agent dated as of November 17, 2016, as amended

Aqua Pennsylvania, Inc. $40,000,000 5.95% Senior Notes dated March 31, 2006

FORM OF SUPPLEMENT

[See Attached Sixty-second Supplemental Indenture]

FORM OF OPINION OF GENERAL COUNSEL
TO THE COMPANY

[SEE ATTACHED]

FORM OF OPINION OF SPECIAL COUNSEL
TO THE COMPANY

[SEE ATTACHED]

FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS

[DELIVERED TO PURCHASERS ONLY]

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE

Reference is hereby made to the Bond Purchase Agreement dated as of August 24, 2023 (as amended, supplemented or otherwise modified from time to time, the “Bond Purchase Agreement”), among Aqua Pennsylvania, Inc., a corporation organized under the laws of the Commonwealth of Pennsylvania (the “Company”) and the Purchasers that are signatories thereto.

Unless otherwise defined herein, capitalized terms defined in the Bond Purchase Agreement and used herein have the meanings given to them in the Bond Purchase Agreement.

Pursuant to the provisions of Section 12.4 (Tax Withholding) of the Bond Purchase Agreement, the undersigned hereby certifies that:

(i) it is the sole record and beneficial owner of the Bonds in respect of which it is providing this certificate;

(ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code;

(iii) it is not a ten percent shareholder of the Company within the meaning of Section 871(h)(3)(B) of the Code; and

(iv) it is not a controlled foreign corporation related to the Company as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Company with a certificate of its non-U.S. Person status on IRS W-8BEN-E.

[Purchaser Name]

By:__________________________________

Name:

Title:

Date: ________ __, 20[__]

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
November 7, 2023

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
November 7, 2023

Exhibit 32.1

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 September 30, 2023 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
November 7, 2023

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 September 30, 2023 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
November 7, 2023