



Essential<sup>™</sup>  
UTILITIES

# GUIDANCE EVENT

January 11, 2021

NYSE  
LISTED

WTRG

# Welcome

## **Brian Dingerdissen**

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



# Forward Looking Statement

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

## **Non-GAAP Reconciliation**

For reconciliation of non-GAAP financial measures, see the Investor Relations section of the company's Web site at [www.essential.co](http://www.essential.co)

# Agenda

Review of 2020 Objectives

2021 Priorities

ESG Commitments

Financial Guidance

Acquisition Program Update

Summary

Q&A



# Company Update

## **Chris Franklin**

Chairman, Chief Executive Officer,  
and President



# Our 2020 Objectives Executed

## Integration



- Implemented Peoples integration
- Completed DELCORA and Aqua PA Wastewater organization plan
- Developed companywide ESG program including ESG Report publication

## Growth



- Continued process to close DELCORA
- Closed \$63M in municipal deals and signed another \$90M in municipal deals
- Completed financing for acquisitions and capital investment of over \$1.3B debt and \$300M equity and refinancing

## Operational Excellence



- Expect to meet top end of stated earnings guidance range
- Executed approximately \$1B capital investment program
- Implemented companywide PFAS strategy
- Completed safety review (Gas)

# Customer Focus Drives Strong Performance

## Reducing Purchased Water Expense in Pennsylvania



Deployed \$1.7 million capital investment included in a new tie-in pipeline with a control valve, magmeter and feedback loop

**~\$450,000**  
O&M savings a year

## Leveraging Innovation to Improve Wastewater System at Lake Monticello in Virginia



Created a dynamic process model that improves treatment, decreases dependency on nutrient credit purchases and reduces operating expenses



**~\$190,000**  
expense savings of a year

# Essential is a Good Neighbor

## The Essential Foundation

Essential has a charitable foundation with a focus on enriching the lives of those who live and work in the communities we serve. Essential has formed important partnerships with community-based nonprofit organizations throughout our company footprint.



## Employee Volunteerism

As a mission-based organization, volunteerism allows us to expand corporate social responsibility activities by enabling employees to attend company-sponsored volunteer events at local community organizations.



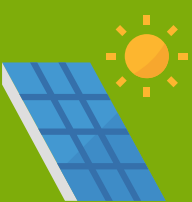
## TreeVitalize Watersheds: More than 170,000 trees and shrubs planted over 15 years

Focuses on reforesting stream corridors and other areas where the trees will help improve water quality.



## Leveraging Renewable Energy to Benefit Customers

Solar power usage at certain plants will generate a \$4 million savings, directly benefiting our customers' utilities rates.





# 2021 Priorities

## Integration



- Continue Peoples integration
- Implement DELCORA integration plan

## Growth



- Close DELCORA acquisition
- Announce at least 20,000 EDU's from Municipal Acquisitions
- Sign municipal deals of at least \$100M in rate base

## Operational Excellence



- Continue to keep employees safe and the company strong through the pandemic
- Execute a \$1B capital program
- Continue progress on ESG program
- File Aqua Rate Cases in multiple states

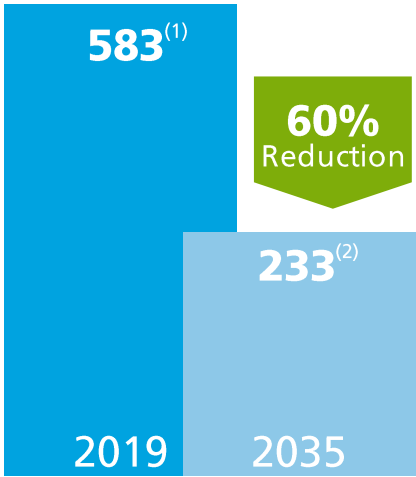
# Emissions Reduction Commitment

By 2035, Essential Utilities will reduce its annual Scope 1 and 2 emissions by 60% from its 2019 baseline

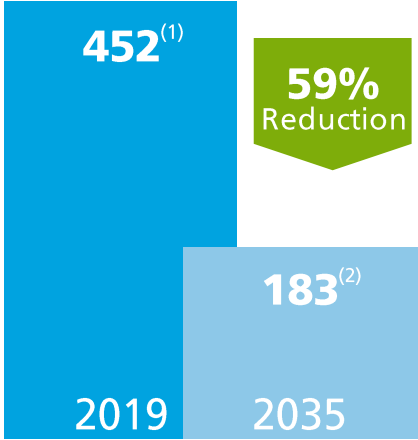
- Goal applies to all our operations, including gas, water and wastewater
- Represents planned and ongoing initiatives that utilize existing technology
- Our commitment is consistent with the rate of reduction necessary over the next 15 years to keep on track with the Paris Agreement’s goal to limit global warming to below 2 degrees Celsius

Charting a Course for Aggressive Emissions Reduction (MT CO2e in 000s)

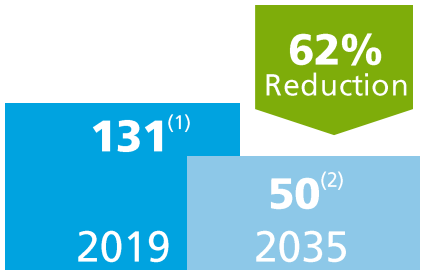
## Essential



## Gas Distribution



## Water & Wastewater



(1) Baseline Scope 1+2 Emissions (metric tons of CO2e)  
(2) Targeted Scope 1+2 Emissions (metric tons of CO2e)

# Elements of Our Emissions Reduction Plan

## GAS DISTRIBUTION



- Ongoing long term infrastructure improvement plan to replace 3,000 miles of leak-prone pipe over 20 years
- Gathering system repair and replacement program
- Accelerated leak detection and repair
- Fugitive gas reinjection during construction
- Transitioning to CNG fleet vehicles

## WATER AND WASTEWATER



- 2022 commitment to source 100% renewable electricity for IL, NJ, OH, and PA operations
- Increasing share of renewable energy in other states in our footprint
- Share of renewable energy will grow from 5% to 60% over next two years
- Reducing energy intensity at our plants

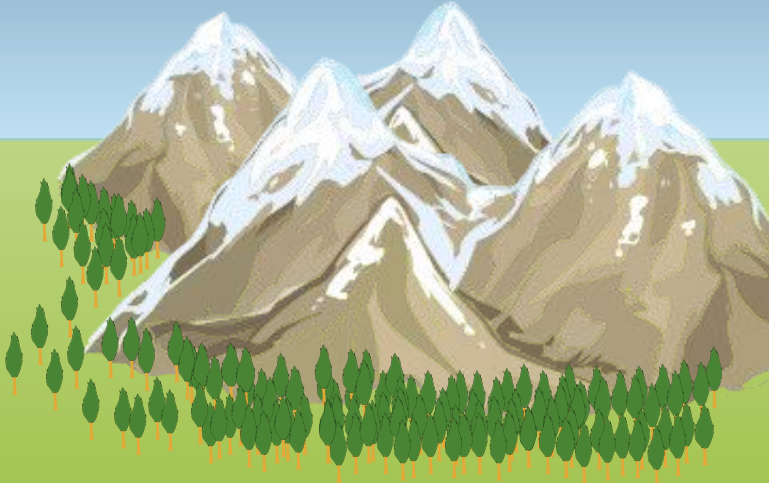
# To Put This In Perspective...

By 2035, Essential's targeted reduction is roughly equivalent to any one of the following activities taking place over one year:

Annual emissions from  
**76,000**  
cars on the road



Annual emissions from  
**59,000**  
homes' electricity usage



CO2 sequestered annually by over  
**457,000 acres**  
of forest, which is enough to  
cover more than the entire  
expanse of the Sequoia  
National Park

Source: [U.S. Environmental Protection Agency Equivalencies Calculator](#)

# A Premier Provider of Natural Gas

## Natural Gas Benefits to Our Customers

- Significant savings for consumers by using natural gas compared to electricity.
- Abundant supply to meet demands for more than 110 years.
- Safe and reliable service with continued investments each year.



## Essential is the Right Partner for Our Customers

- Replacing pipeline to protect and service our clients.
- 2,700 miles of bare steel and cast iron pipe yet to be replaced under LTIIP in PA alone.
- Under new 2020 accelerated pipe replacement plan, approximately 189 miles per year will be replaced.
- Ample opportunity to deploy capital to improve aging infrastructure and earn timely recovery.

# Diversity and Inclusion - Central to Who We Are



## ENHANCED METRICS

### **Supplier Diversity**

Multiyear plan to increase diverse supplier spend to

**15%**

### **Employee Diversity**

Multiyear plan to achieve

**17%**

employees of color

# Financial Guidance

**Dan Schuller**

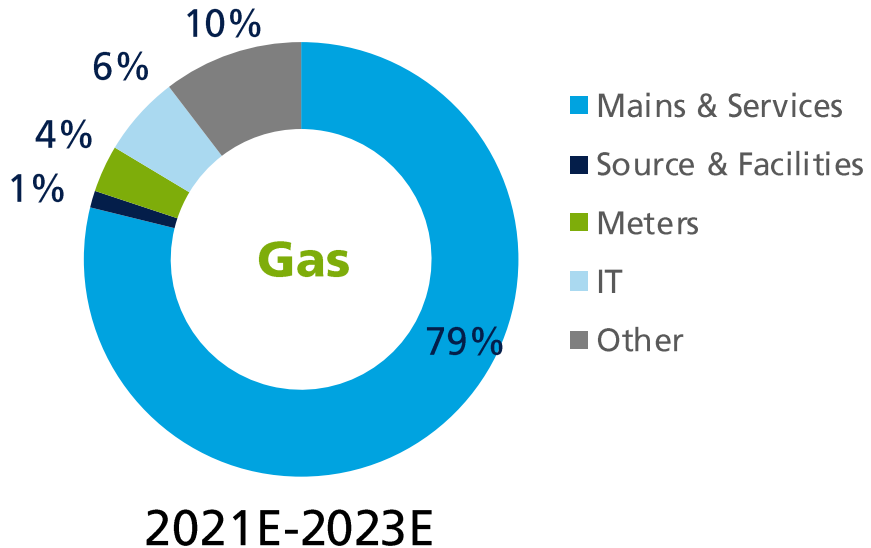
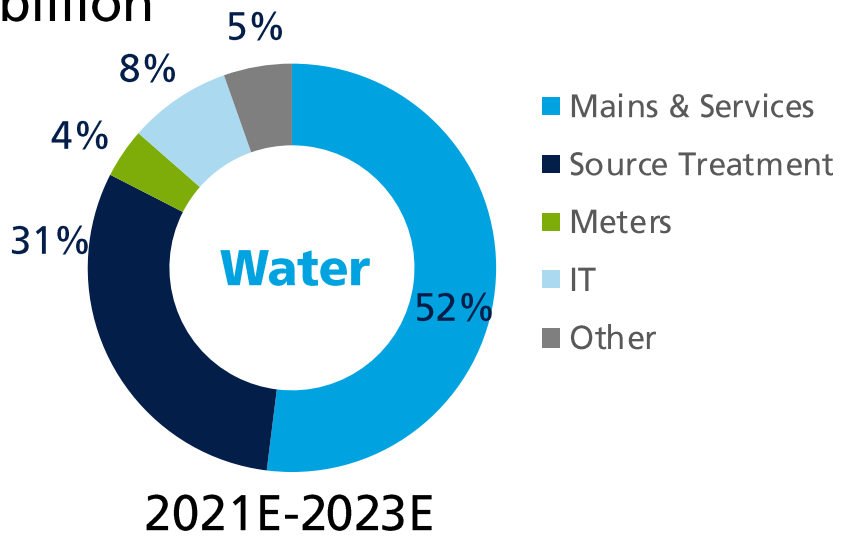
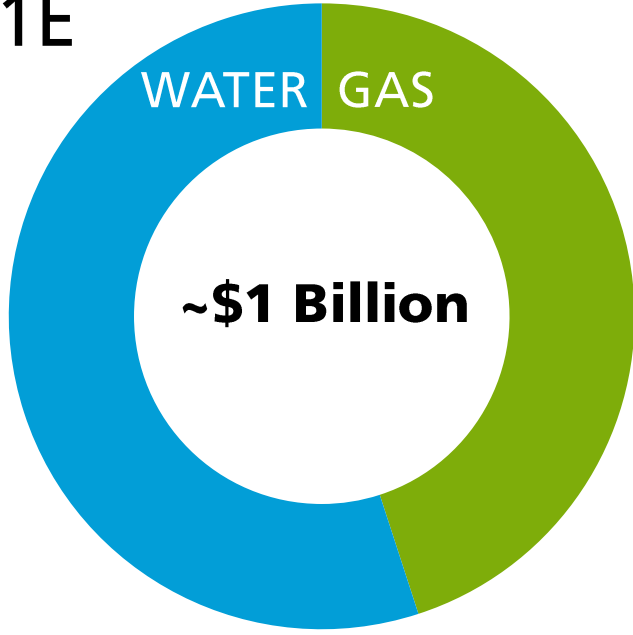
Executive Vice President,  
Chief Financial Officer



# Major Investments Continue to Drive Customer

We will invest approximately \$3 billion from 2021E through 2023E

2021E



Over **50%** is eligible to be recovered through various surcharges

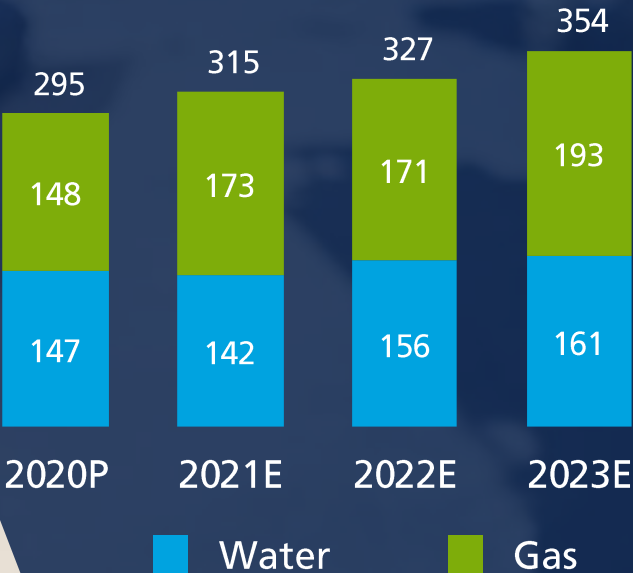


# Robust Infrastructure Spending Profile

Responsibility to quickly and significantly reduce emissions

Undeniable expertise and track record in significantly improving the environmental profile of systems we acquire

Miles Pipe Rehab/Replaced



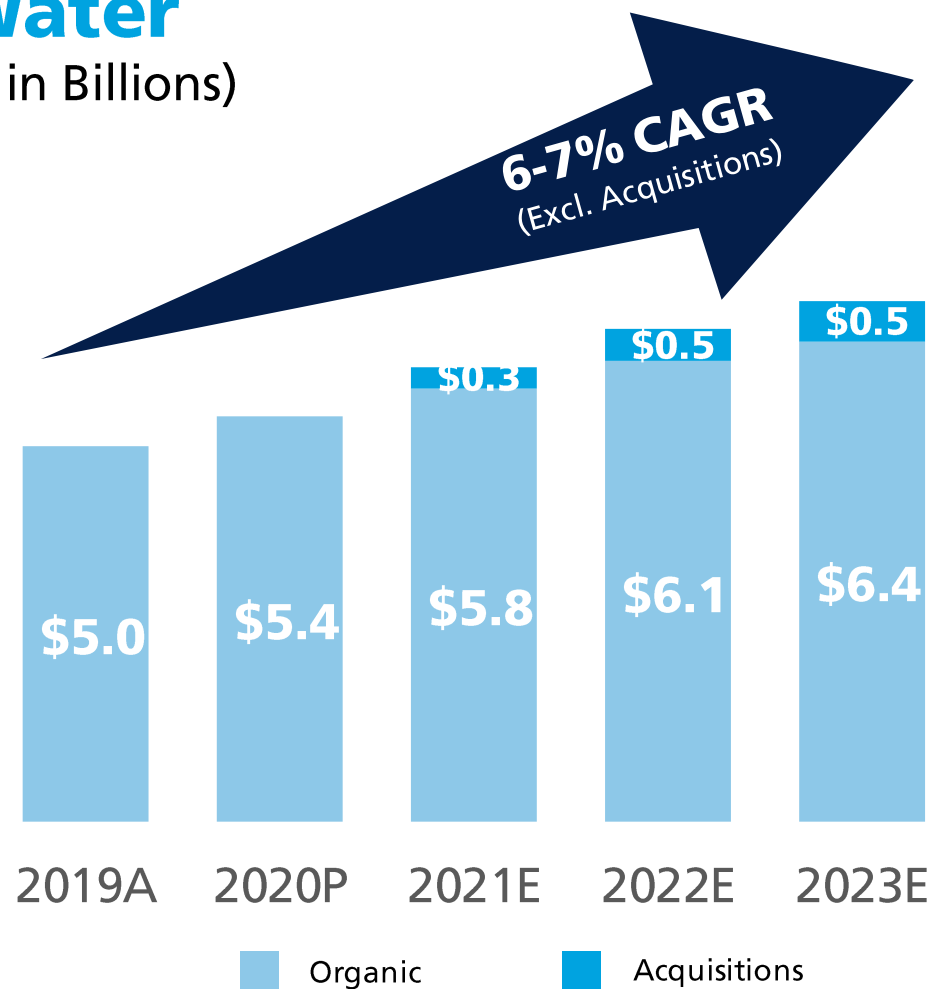
Replacing approximately **1,000** miles of pipeline over the next 3 years

"P" denotes Projection  
"E" denotes Estimate

# Maximizing Rate Base Growth Potential

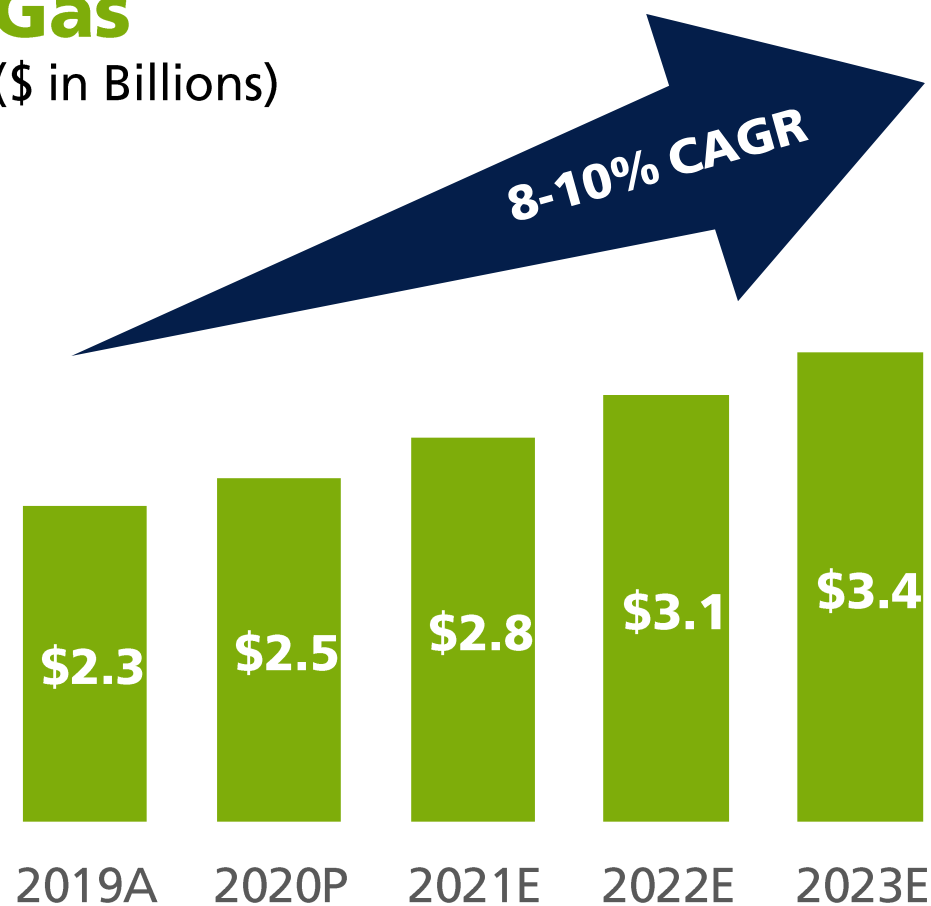
## Water

(\$ in Billions)



## Gas

(\$ in Billions)



"A" denotes Actual  
 "P" denotes Projection  
 "E" denotes Estimate

(1) 2019A is presented for informational purposes only, as Peoples was acquired March 2020.

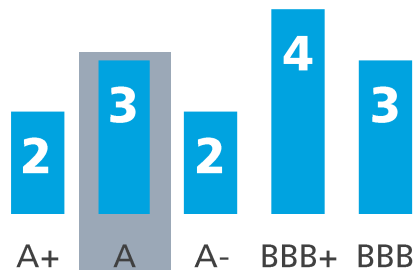
# Strong Balance Sheet: Central to our Strategy



## S&P Global Ratings

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

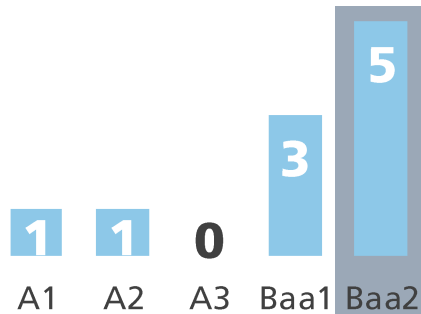
### Peer Issuer Ratings<sup>(1)</sup>



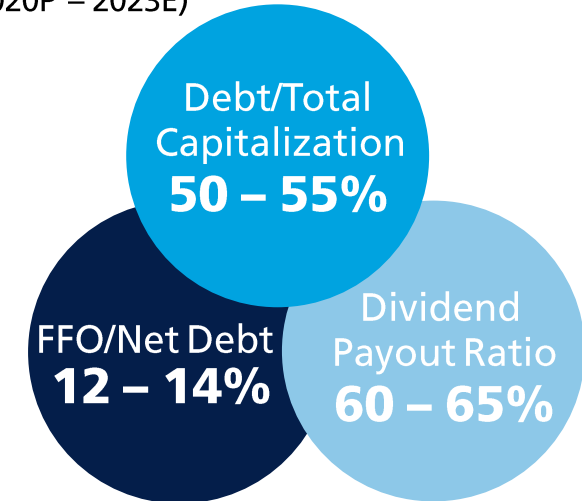
## MOODY'S

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

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



## Select Credit Metrics (2020P – 2023E)



In order to maintain our credit metrics and achieve our investment and acquisition goals, we will regularly be in the market for debt and equity.

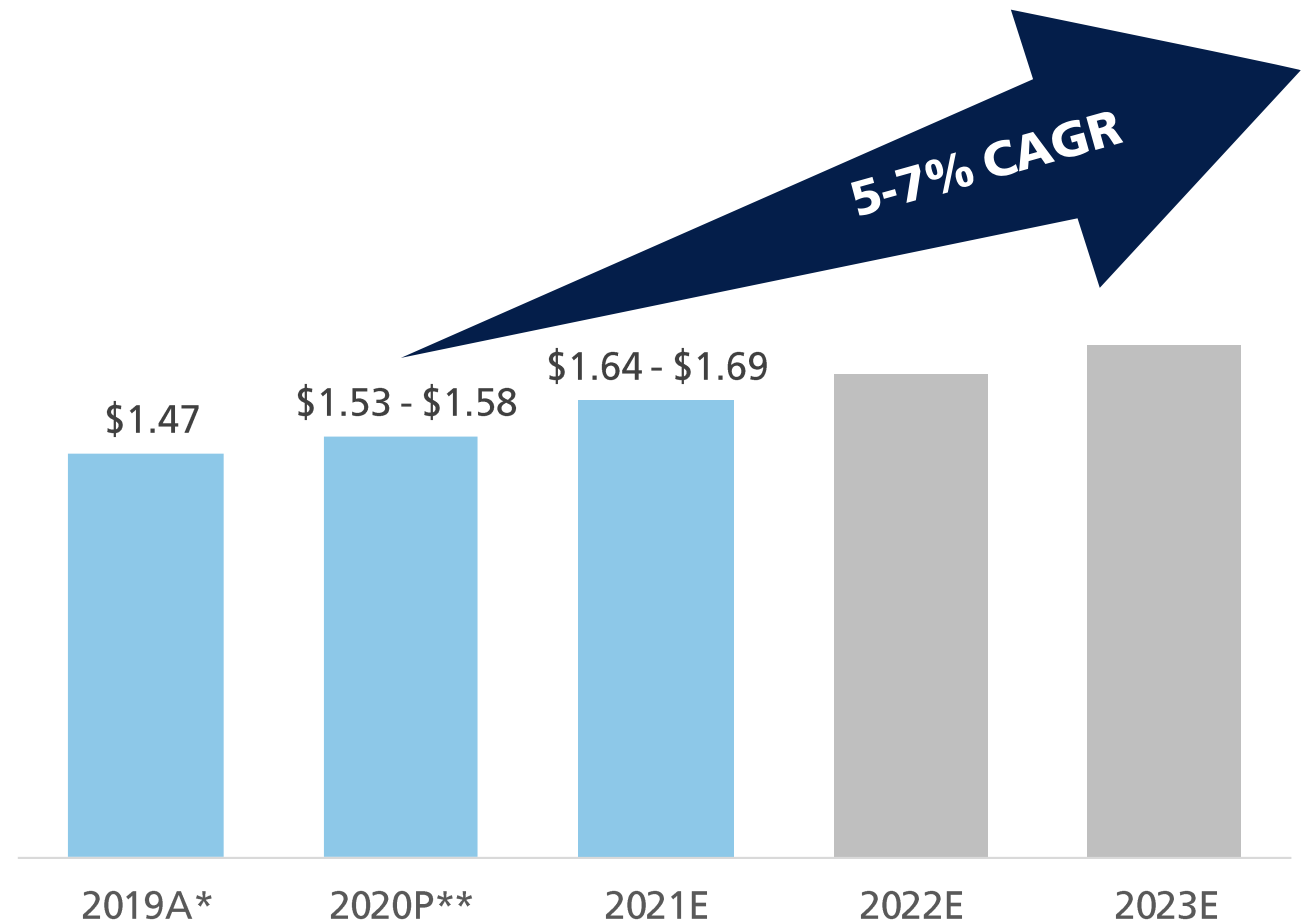
(1) Peer ratings include LNT, AWR, AWK, ATO, AVA, BKH, CWT, NJR, NI, NWE, OGE, OGS, SJI, SWX, and SR; not all peers have ratings from both agencies

# Earnings Guidance

Refined 2020 annual adjusted earnings per share guidance to the top end of the \$1.53 to \$1.58 range

2021 annual earnings per share guidance of \$1.64 to \$1.69

## 2019 – 2023 Earnings Per Share



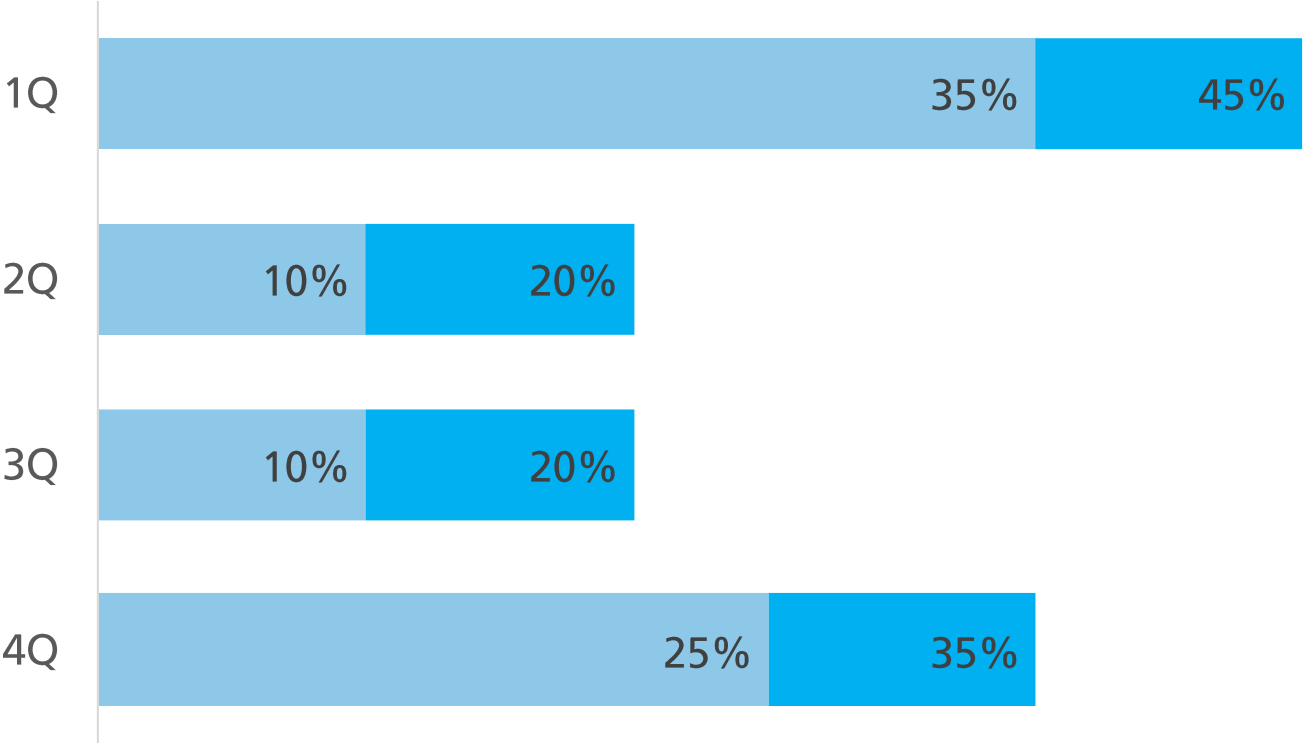
\*Adjusted income per share

\*\*Adjusted proforma income per share

"A" denotes Actual  
"P" denotes Projection  
"E" denotes Estimate

# Earnings Weighted to 1Q, 4Q

## Approximate Net Income By Quarter



Based on proforma projections, 65-75% of net income is earned in 1Q and 4Q

# Acquisition Program Update

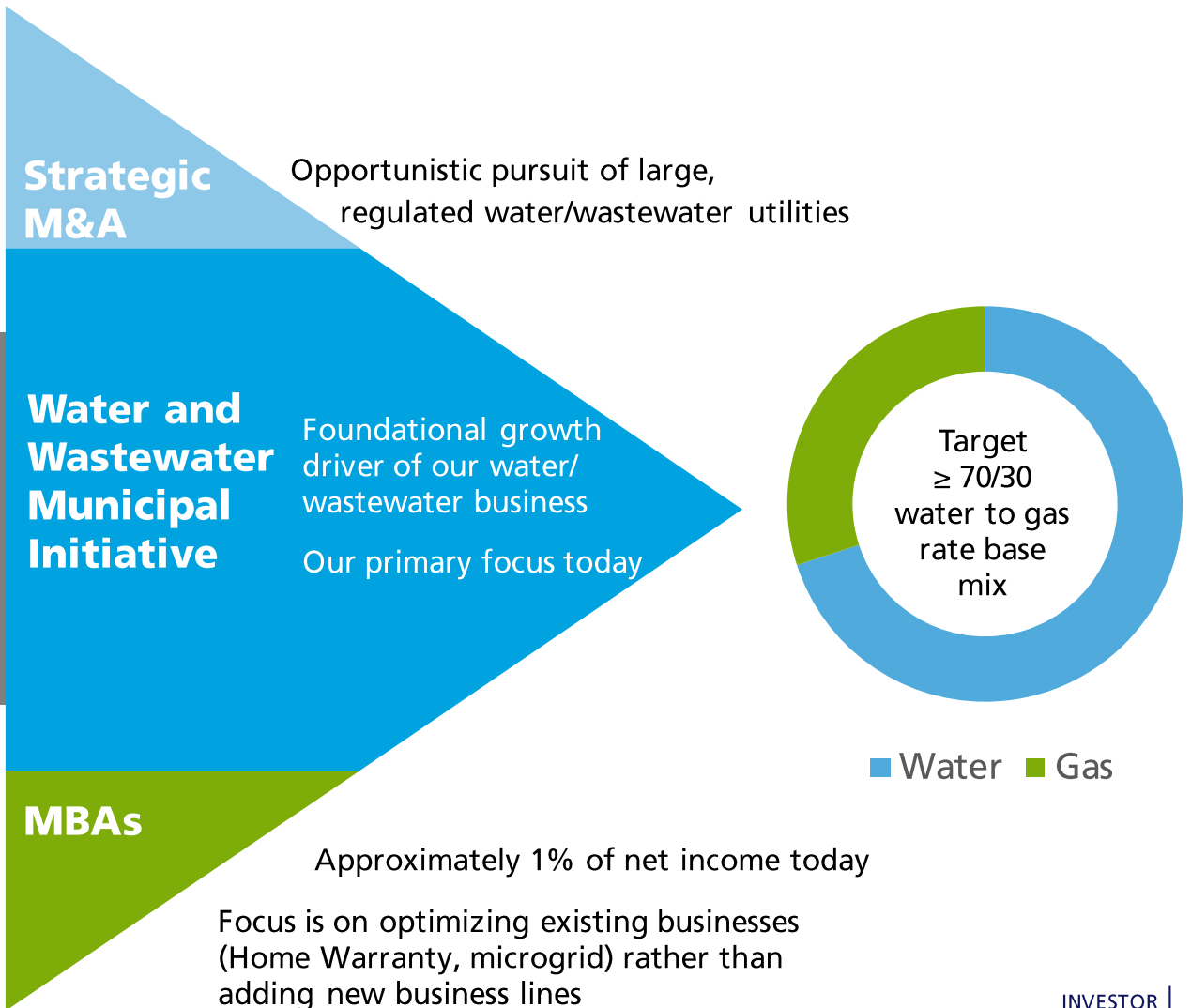
## **Chris Franklin**

Chairman, Chief Executive Officer,  
and President



# Strategy for Continued Growth

## CORE COMPETENCIES

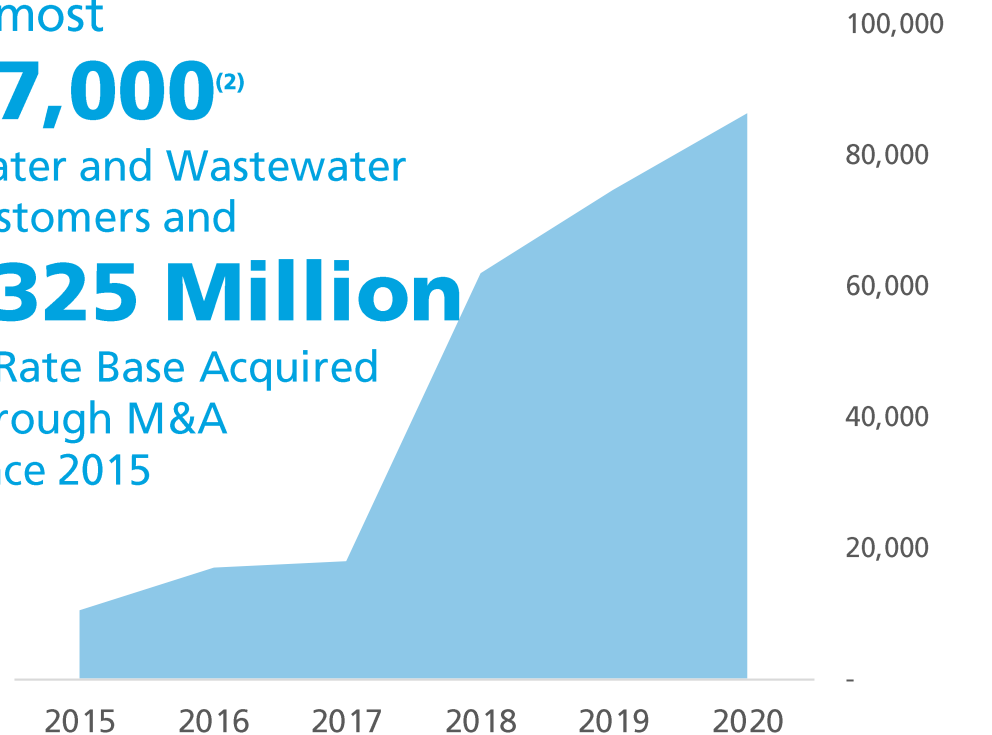


# Continued Successful Municipal Acquisition Program in 2020

## Cumulative Additions of Customers Through Acquisitions

Almost  
**87,000<sup>(2)</sup>**  
 Water and Wastewater  
 Customers and  
**\$325 Million**  
 in Rate Base Acquired  
 Through M&A  
 Since 2015

Customers



## 2020 Closed Municipal Acquisitions (\$000s)

### Campbell



- Water
- 3,100 customers
- \$7,535 rate base

### East Norriton



- Wastewater
- 4,966 customers
- \$20,750 rate base

### Rockwell Utilities<sup>(1)</sup>



- Water/Wastewater
- 721 / 721<sup>(2)</sup> customers
- \$5,150 rate base

### New Garden



- Wastewater
- 2,643<sup>(3)</sup> customers
- \$29,500 rate base

**12,151<sup>(2)</sup>**  
 Total Customers

**\$62.9M**  
 Total Rate Base

(1) Rockwell Utilities is a privately owned utility that added approximately 256 water connections and 256 wastewater connections.  
 (2) Essential's estimate of the number of equivalent dwelling units.  
 (3) New Garden added approximately 2,000 wastewater connections.



# Pending Transactions

~\$420.5M of rate base with signed APAs is expected to generate ~\$21M of incremental annual earnings potential<sup>(1)</sup>

TX

## Commons Water<sup>(2)</sup>

- Water
- 980 customers
- \$4M purchase price

PA

## DELCORA

- Wastewater
- 198,000 customers<sup>(3)</sup>
- \$276.5M purchase price

PA

## Lower Makefield

- Wastewater
- 11,000 customers
- \$53M purchase price

IL

## Bourbonnais

- Wastewater
- 6,450 customers
- \$32.1M purchase price

PA

## East Whiteland

- Wastewater
- 8,175 customers<sup>(3)</sup>
- \$54.9M purchase price

**224,605<sup>(3)</sup>**

Total Customers

**\$420.5M**

Total Purchase Price

There are two additional deals where we have been selected as the winning bidder and we are working to sign an APA

# DELCORA Key Milestones

## Status Update

- On December 28, 2020, the Delaware County Court of Common Pleas issued an order supporting the pending acquisition with DELCORA by rejecting the county's attempt to block the sale.
  - Ruled the asset purchase agreement is "fully binding and enforceable"
  - Also ruled that the funds to offset DELCORA customer bills is legal
- The ruling supports the anticipated closing timeline for the transaction as we await the ALJ's recommended decision and the PUC decision.

Purchase Price  
**\$276.5M**

Aqua's Est. CapEx  
(through 2028)  
**~\$700M**

Revenues  
(2020P)  
**\$73M**

## Events

- 
- 9/17/2019 Announced Acquisition of DELCORA
  - 3/3/2020 Filed Application with PA PUC
  - 8/10/2020 Forward Equity Offering (Financial)
  - 1/20/2021 Anticipated PA ALJ's Recommended Decision
  - 3/11/2021 PA PUC Public Meeting
  - Q2 2021 Anticipated Closing on Acquisition of DELCORA

# Municipal M&A Strategy



# Active Municipal Opportunities

Size Range  
(Approx. # of Customers)

>25,000

10,000-25,000

<10,000

Total Customers  
(Approx. # of Customers)

125,000

125,000

90,000

**340,000**

Total Customers

We are actively pursuing acquisition opportunities in most of our states, totaling approximately 340,000 customers. While we do not expect to close all of these opportunities, this illustrates the number of municipals we are evaluating and the increasing opportunity size. Of these potential pipeline opportunities, a majority are wastewater

# Guidance

Earnings	Capex	Rate Base <sup>(1)</sup>	Customer Growth	ESG
<ul style="list-style-type: none"><li>• Income per diluted common share of \$1.64 to \$1.69 for 2021</li><li>• 3-year earnings per share growth CAGR of 5 to 7% for 2020 through 2023</li></ul>	<ul style="list-style-type: none"><li>• Regulated water segment infrastructure investments of approximately \$550 million in 2021</li><li>• Regulated natural gas segment infrastructure investments of approximately \$450 million in 2021</li><li>• Infrastructure investments of approximately \$3.0 billion through 2023 to rehabilitate and strengthen water, wastewater and natural gas systems</li></ul>	<ul style="list-style-type: none"><li>• Regulated rate base compound annual growth rate of 6 to 7% per year through 2023 in water</li><li>• Regulated rate base compound annual growth rate of 8 to 10% per year through 2023 in gas</li></ul>	<ul style="list-style-type: none"><li>• Average annual regulated water customer (or equivalent dwelling units) growth of 2 to 3% from acquisitions and organic customer growth</li><li>• Gas customer count stable for 2021</li></ul>	<ul style="list-style-type: none"><li>• Reduction of Scope 1 and 2 greenhouse gas emissions by 60% by 2035</li><li>• Multiyear plan to increase diverse supplier spend to 15%</li><li>• Multiyear plan to achieve 17% employees of color</li></ul>

(1) Represents rate base growth excluding acquisitions.

# Essential Value Proposition

**1** Long-term growth plan with predictable earnings and dividend growth

**3** Regulatory collaboration drives strong investment pipeline

Well positioned to leverage expertise and continue to grow opportunistically

**2** Proven acquirers with ample opportunity for future consolidations

**4** Strong ESG practices with targeted emissions reduction goals

**Questions?**

**Thank You for Attending  
Essential's Guidance Event**



Fourth Quarter and Full Year Earnings  
Conference Call and Webcast

Thursday, February 25, 2021

NYSE  
LISTED

**WTRG**



# For more information contact:



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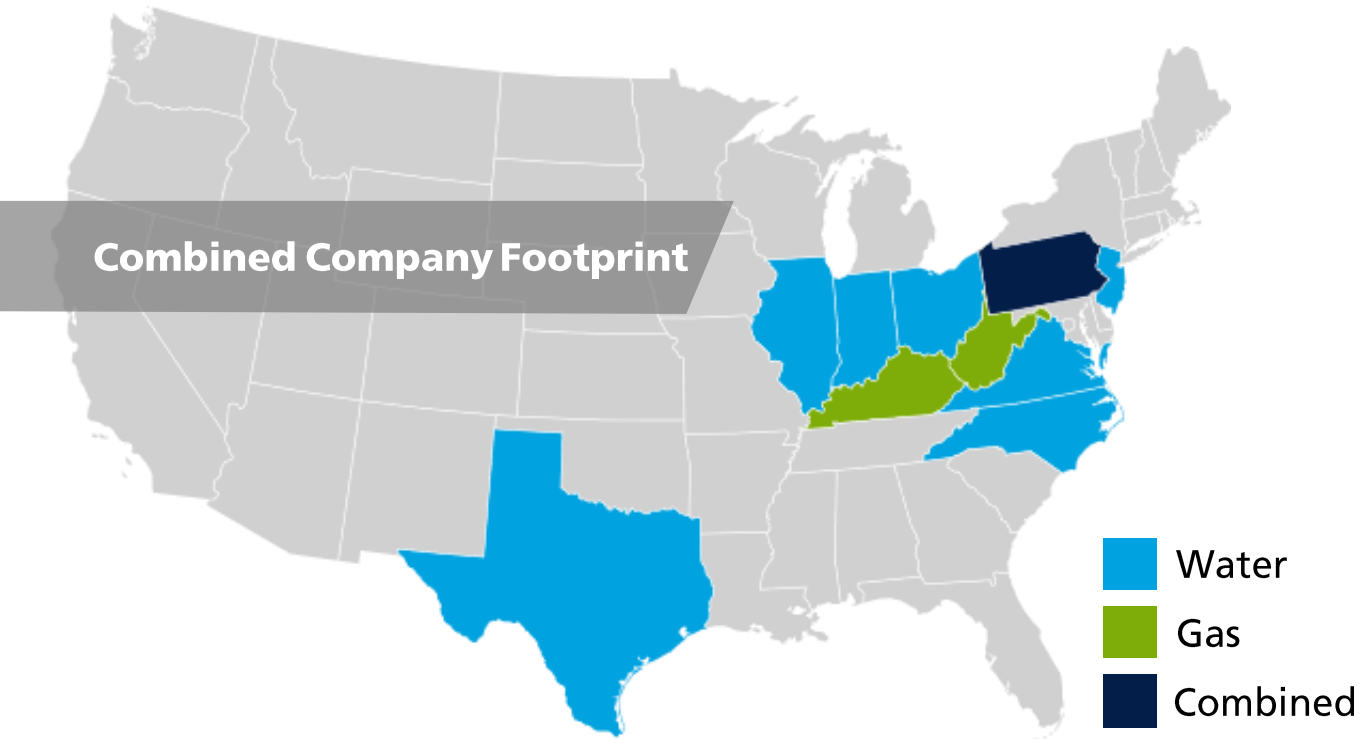
# Appendix



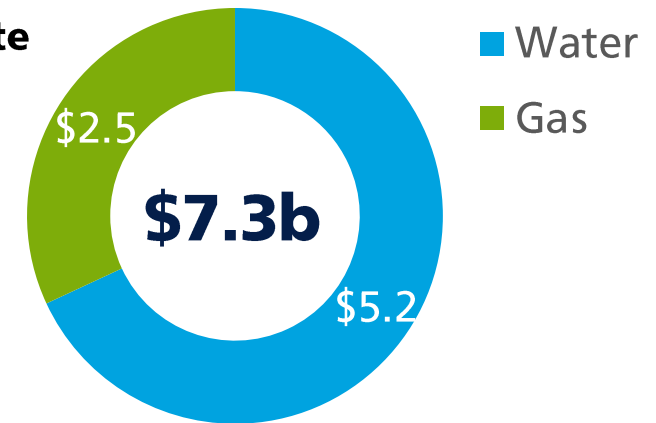
# Essential: Proven, thoughtful stewards of natural resources

## Our purpose:

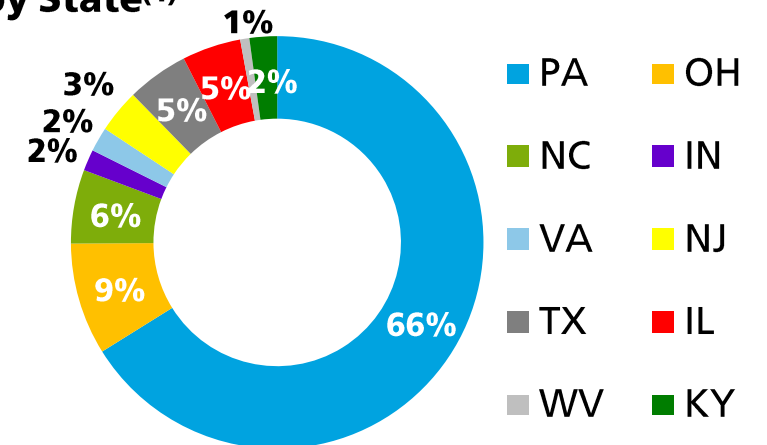
Essential Utilities is uniquely positioned to play an important role in solving today's water and natural gas challenges by renewing and improving infrastructure through thoughtful capital investment, operational excellence, environmental stewardship and rigorous safety standards.



## Q3 2020 Combined Rate Base



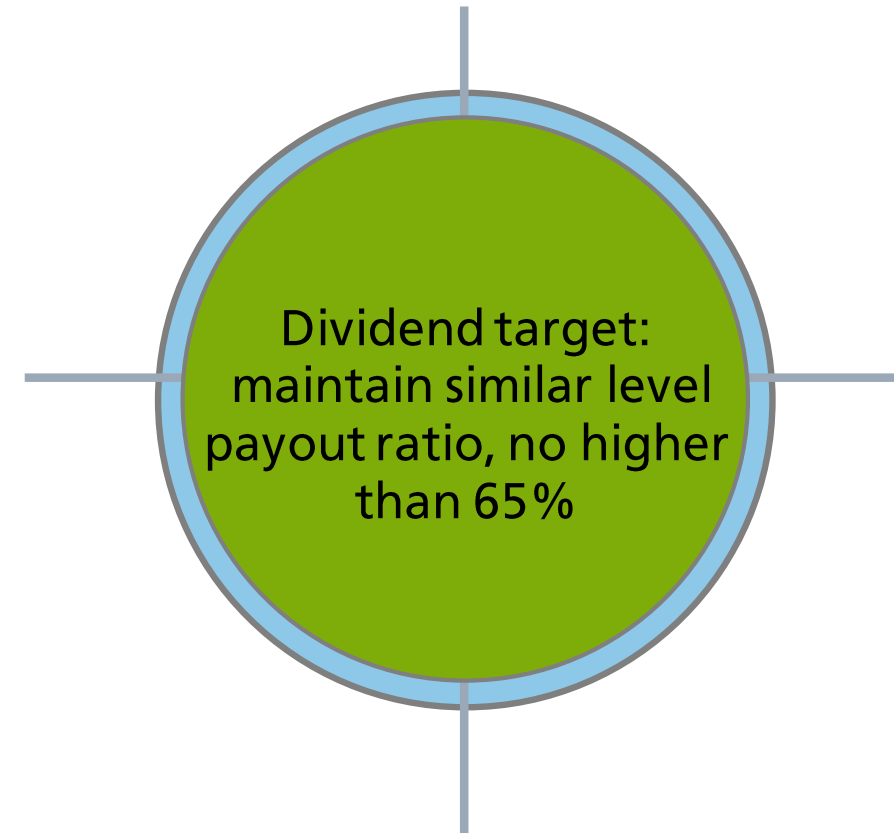
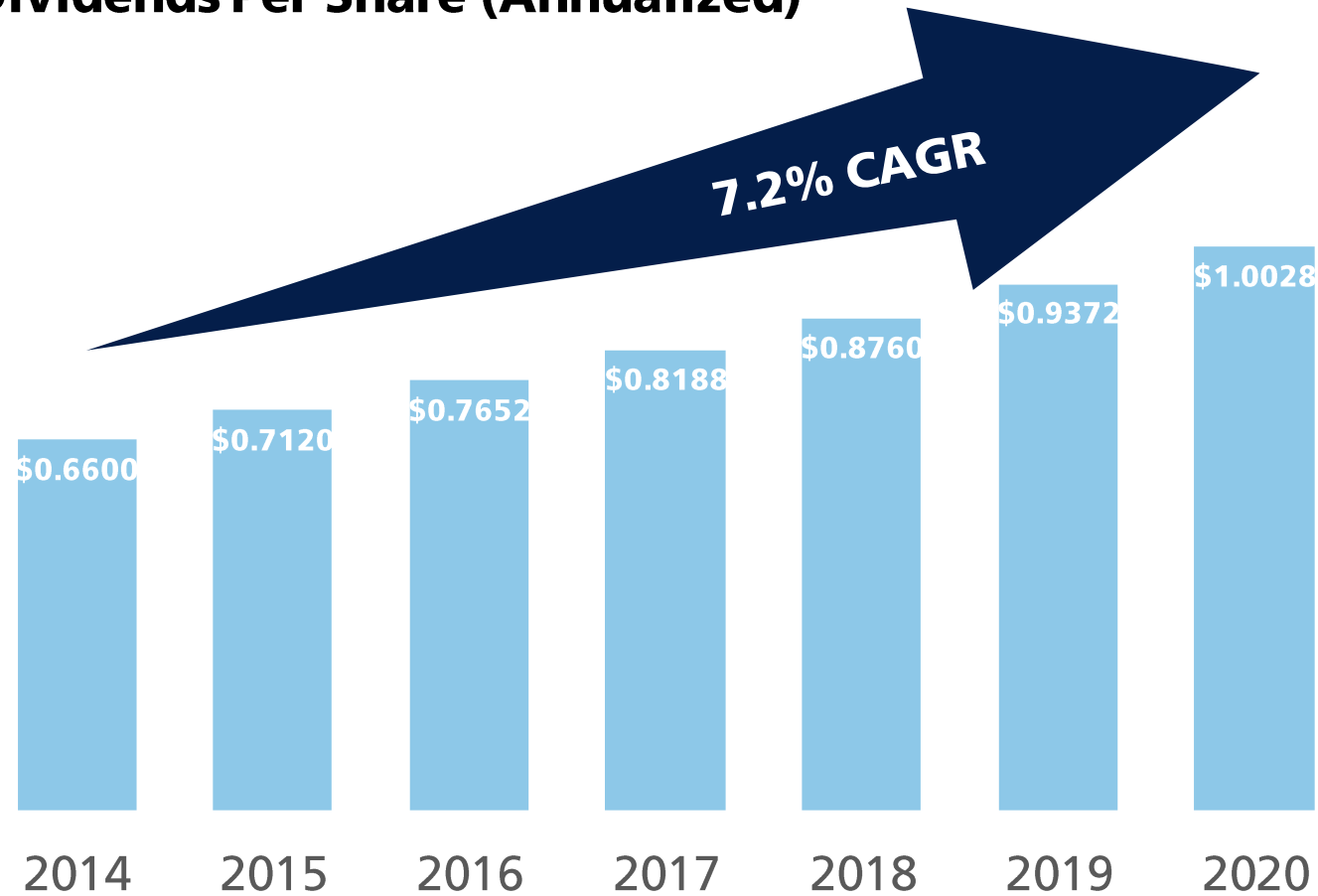
## Q3 2020 Combined Customers by State<sup>(1)</sup>



(1) Combined customers by state FN

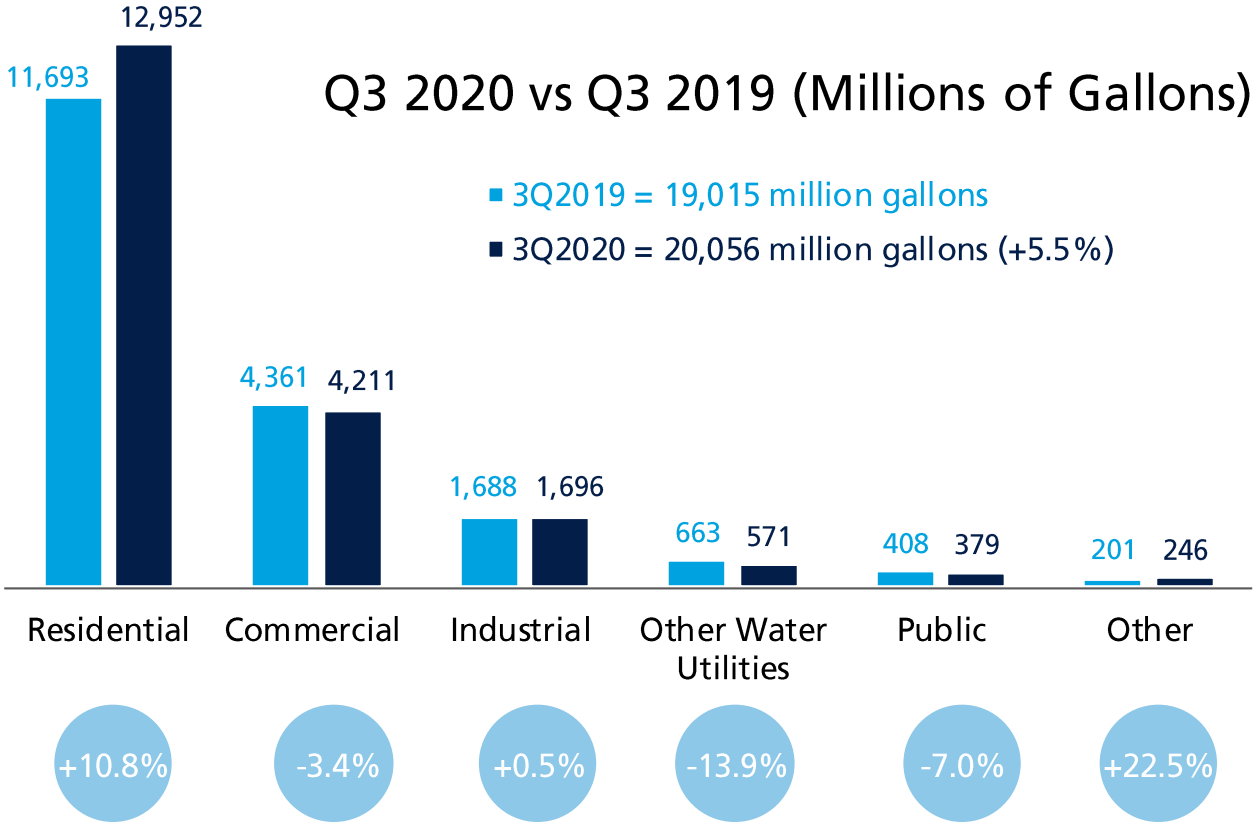
# Dividend Growth Targeted In Line with EPS

## Dividends Per Share (Annualized)



# 2020 Usage Trends Table

Due to COVID-19 and favorable weather, we have seen residential usage increase by almost 11% in the third quarter when compared to the same time last year, while commercial usage has decreased by just 3%

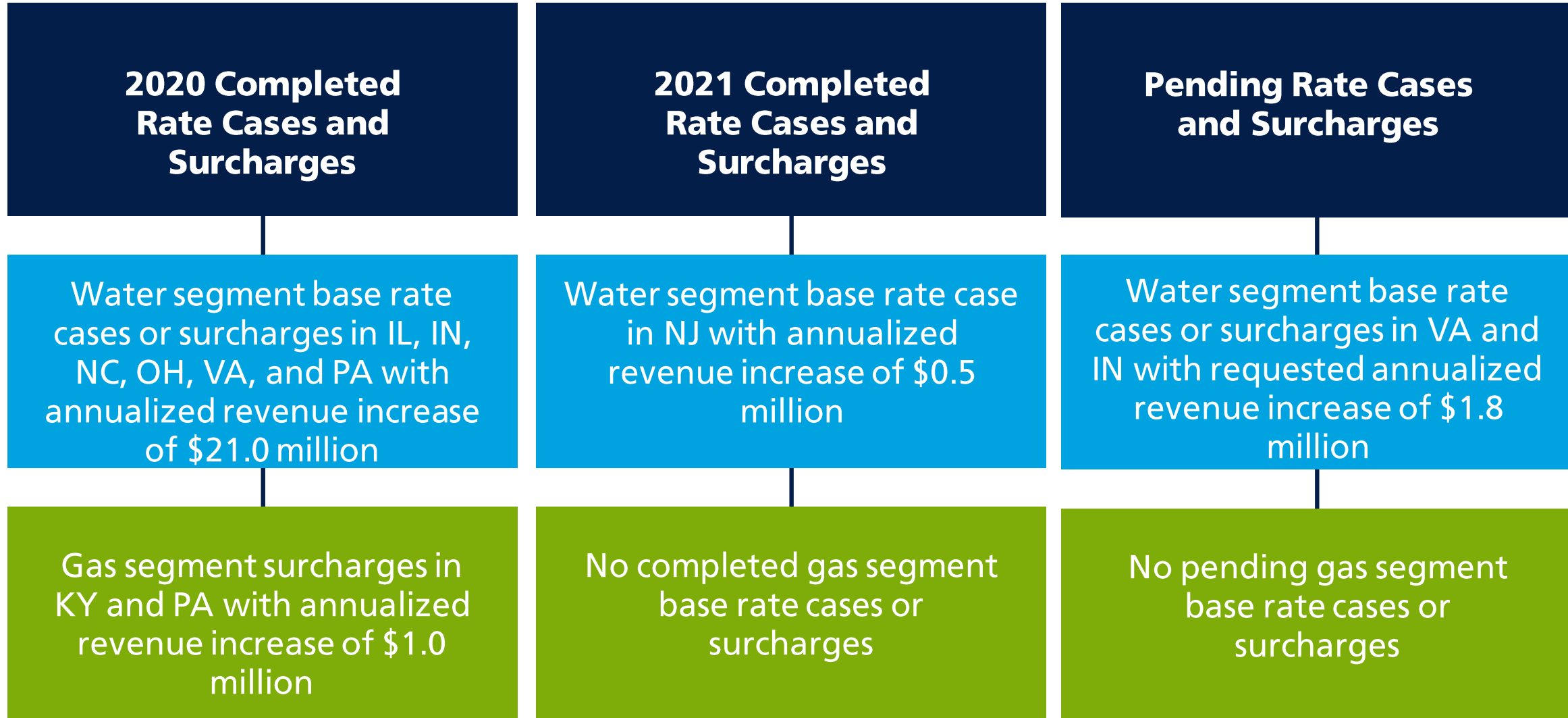


State	Moratorium Lift
Pennsylvania	11/9/2020
New Jersey	3/15/2021
Ohio	9/1/2020
Illinois	8/26/2020
Indiana	8/17/2020
Texas	6/13/2020
Virginia	10/5/2020 <sup>(1)</sup>
North Carolina	9/1/2020 <sup>(2)</sup>
Kentucky	10/20/2020
West Virginia	7/1/2020

<sup>(1)</sup> Potential to be extended based on Governor’s request  
<sup>(2)</sup> Shut-offs commenced on 10/12/2020

# Rate Activity

As of 01/10/2021



# 2020 Rates and Surcharges Completed As of 01/10/2021

State	Docket Number	Segment	Type	Awarded Annualized Revenue Increase (\$thousands)
<b>Illinois</b>	N/A	Water	Surcharge	\$2,902
	N/A	Wastewater	Surcharge	\$369
	20-0309	Water	Surcharge	\$840
	20-0309	Wastewater	Surcharge	\$125
<b>Virginia</b>	PUR-2019-00209	Water	Surcharge	\$132
	PUR-2019-00209	Wastewater	Surcharge	\$141
<b>North Carolina</b>	W-218, Sub 497A	Water	Surcharge	\$571
	W-218, Sub 497A	Wastewater	Surcharge	\$134
	W-218, Sub 526	Water	Rate Case	\$2,645
	W-218, Sub 526	Wastewater	Rate Case	\$781
<b>Ohio</b>	89-7028-WW-TRF	Water	Rate Case	\$995
	20-0532-WW-SIC	Water	Surcharge	\$2,168
<b>Indiana</b>	45314 U	Water	Rate Case	\$48
	45308 U	Wastewater	Rate Case	\$11
<b>Pennsylvania</b>	M-2020-3020466	Water	Surcharge	\$5,598
	M-2020-3020493	Wastewater	Surcharge	\$265
	M-2020-3022036	Water	Surcharge	\$3,212
	M-2020-3022080	Wastewater	Surcharge	\$27
<b>Kentucky</b>	2020-00059	Gas	Surcharge	\$632
<b>Pennsylvania</b>	N/A	Gas	Surcharge	\$345
<b>New Jersey</b>	N/WR20010056	Wastewater	Rate Case	\$500*
			<b>Total</b>	<b>\$22,441</b>

\*The effective date of the New Jersey wastewater base rate case was 1/1/2021

# Rates and Surcharges Pending

As of 01/10/2021

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)
Virginia	PUR-2020-00106	Water	Rate Case	\$1,476
	PUR-2020-00106	Wastewater	Rate Case	\$257
Indiana	45416-U	Water	Rate Case	\$33
<b>Total</b>				<b>\$1,766</b>



# Constructive Regulation Enables Investment for Customers

## WATER

	PA	IN	OH	NJ	IL	NC
Mechanism	DSIC	DSIC	SIC	DSIC	QIPS	WSSIC
Allowed Surcharge	7.5% W 5% WW	10%	12.75% W 9% WW	5%	2.5% avg. annual increase	5%

## GAS

	PA	KY
Mechanism	DSIC	PRP
Allowed Surcharges	5%	No Cap

DSIC refers to "Distribution System Improvement Charge"

SIC refers to "System Improvement Charge"

QIPS refers to "Qualifying Infrastructure Plant Surcharge"

WSSIC refers to "Water and Sewer System Improvement Charge"

PRP refers to natural gas "Pipeline replacement Program"

# Tax Repair Considerations

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

## Legislative History

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

## Gas Network Assets

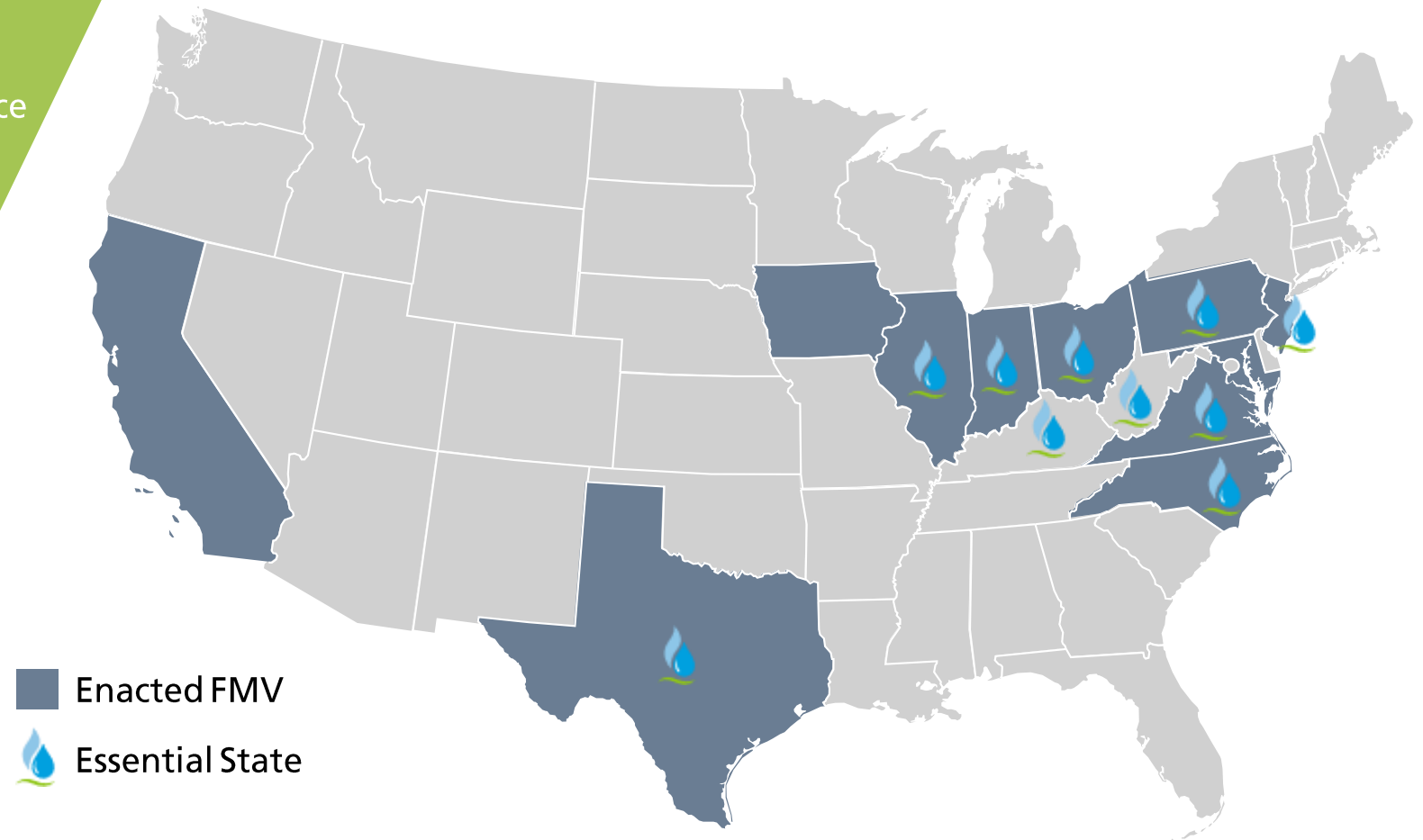
- IRS issued tangible property regulations which became effective for tax years beginning January 1, 2014. Taxpayers were allowed to early adopt under proposed regulations
- Adoption of the tangible property regulations allowed companies greater deductions and increased cash flows
- Election of tax repair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

# Well-Positioned in Fair Market Value States

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

## Year FMV Enacted

2013	Illinois
2015	New Jersey, Indiana
2016	Pennsylvania
2018	North Carolina, Ohio
2019	Texas
2020	Virginia



# The Truth About Natural Gas

## Affordability

- 179 million Americans use natural gas in their homes
- Households that use natural gas for heating, cooking and clothes drying save an average of \$879 per year compared to homes using electricity for those applications
- The affordability of natural gas has led to \$121 billion in savings for American businesses since 2009
- Average real price commercial customers paid for natural gas in 2016 dropped to the lowest level since the 1970s
- Compared to propane, fuel oil and electricity, natural gas is affordable and has stable prices projected for decades

## Local Abundant Supply

- One new customer every minute, natural gas utilities nationwide have added nearly 613,000 customers each year while keeping consumption stable due to energy efficiency improvements
- The U.S. produces more natural gas than any nation in the world, with enough supply to meet our energy needs for more than 110 years
- More homes and business in the United States use natural gas today than ever before and the numbers continue to increase
- 3,374 Tcf of gas resources in the U.S., with almost 40% in the Atlantic area
- In less than 2 decades, the amount of natural gas being exported has increased by more than 22 times and surpassed the amount being imported

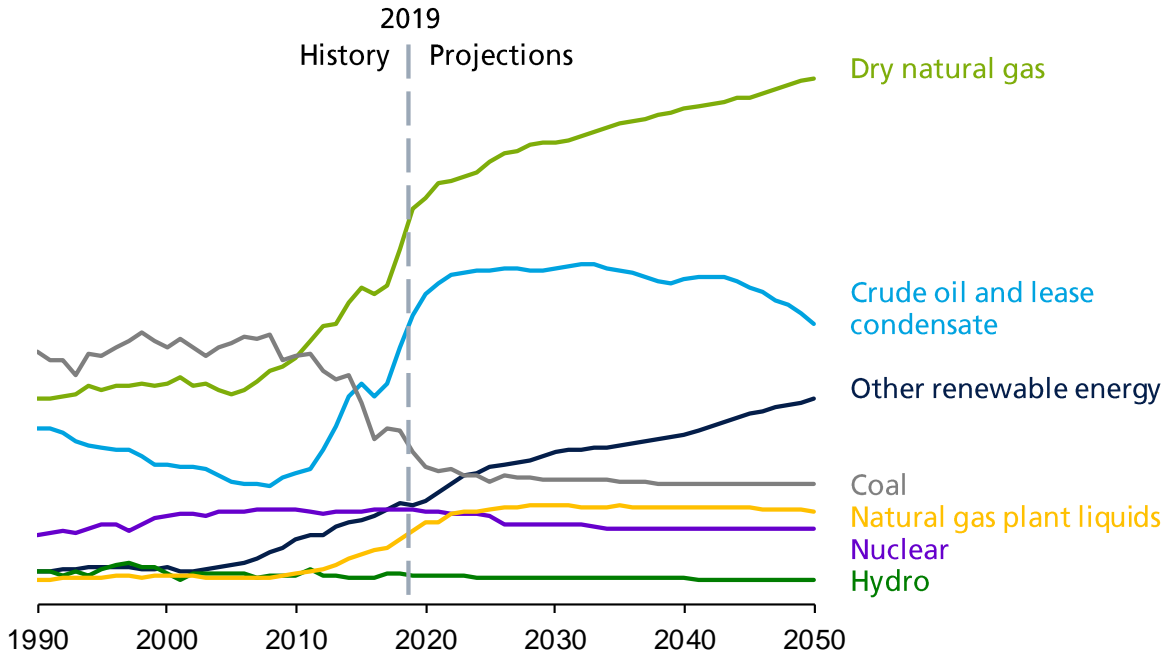
## Safe & Reliable Services

- 2.6 million miles of underground natural gas pipelines across America including 2.2 million miles of local utility distribution pipeline and 300,000 miles of transmission pipelines
- Since 1990 - 56% decrease in unprotected steel pipelines, 61% decrease in cast iron pipeline and 215% increase in modern plastic pipelines
- 42 states have rate mechanisms that foster accelerated replacement of pipelines
- America's natural gas utilities invest \$86.6 million every day on enhancing the safety of distribution and transmission systems and add an average of 53 miles of distribution pipeline every day to connect new customers and upgrade existing infrastructure

# Natural Gas – A Solution to Emissions Reduction

## Projected Natural Gas Production

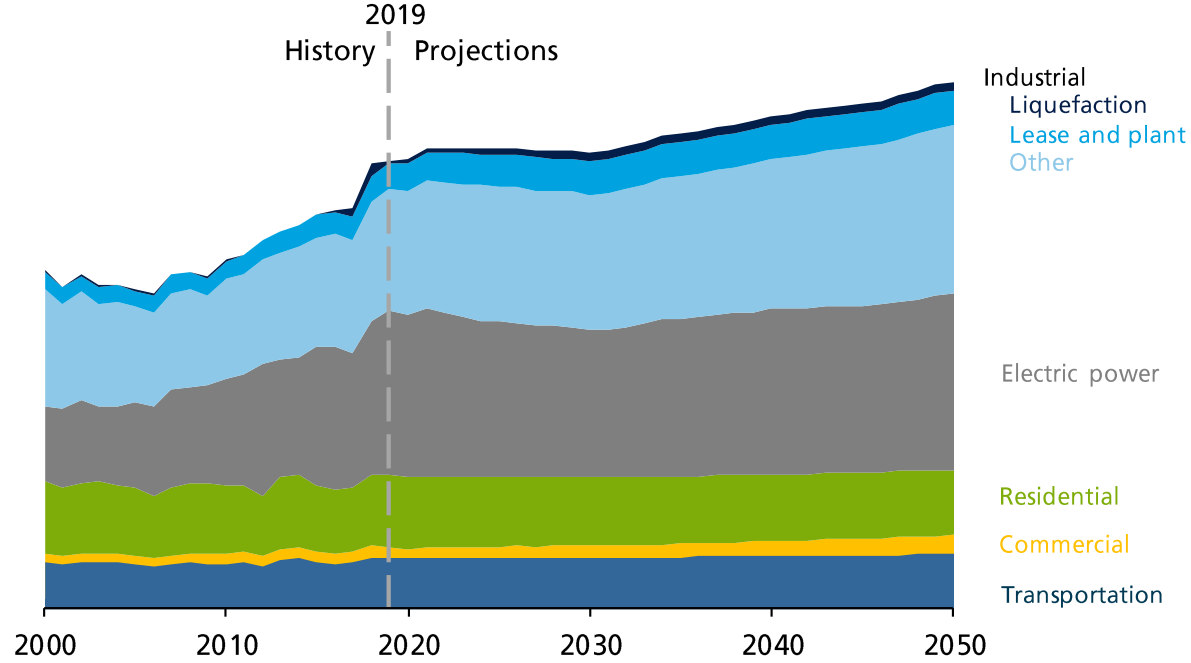
Energy production (AEO2020 Reference case)  
quadrillion BTUs



- Natural gas systems have added 12.4 million residential customers over 20 years, but consumption has remained stable due to energy efficiencies
- Today, natural gas meets more than 30% of the United States energy needs

## Projected Natural Gas Consumption

Natural gas consumption by sector (AEO2020 Reference case)  
Trillion Cubic Feet / Billion Cubic Feet Per Day



- Residential natural gas accounts for only 4% of the total U.S. greenhouse gas emissions
- Emissions from natural gas distribution systems have declined 73%
- Increased use of natural gas in the single largest factor in power sector emissions reduction reaching 25-years lows

# Strong ESG Program Continues to Deliver

## 7X WATER QUALITY



- In 2019, we outperformed the national average on drinking water quality by a factor of seven times<sup>(1)</sup>
- We continue to reach new highs in wastewater system compliance

## PFAS IN WATER



- Essential made an ambitious pledge to address the important issue of PFAS in drinking water
- A company wide standard of 13 ppt, well below the EPA's non-enforceable health advisory level of 70 ppt, will allow Essential to address identified contaminant uniformly across its footprint

## SAFETY & DIVERSITY AWARDS



- In 2019, our gas business was awarded the Industry Leader Accident Prevention Award from the American Gas Association
- 2019 also featured one of Aqua's strongest years of safety performance
- Recognized by 2020 Women on Boards and received the Forum of Executive Women's Advancing Women Company Award

<sup>(1)</sup> Measured as the percentage of community water systems with health-based (Tier 1 and Tier 2) violations

# Enhanced Reporting Underscores ESG Commitment

**Investor and Stakeholder Reporting Utilize Multiple ESG Reporting Frameworks**



**Interactive ESG Website & Tear Sheet**

**Safely and reliably delivering earth's resources.**

Use the filtering feature below to sort ESG topics across several key areas. Select in to learn more about Essential's efforts and initiatives.

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THE COMPANY About Essential

THE COMPANY Peoples Acquisition

THE COMPANY Covid-19 Response

2019 **Environmental, Social and Governance Tear Sheet**

Ticker Symbol: WTRG