

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2025

Or

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)  
762 W Lancaster Avenue, Bryn Mawr, Pennsylvania  
(Address of principal executive offices)

23-1702594  
(I.R.S. Employer Identification No.)  
19010-3489  
(Zip Code)

(610) 527-8000

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.50 per share	<b>WTRG</b>	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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  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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "small reporting company," and "emerging growth company" in Rule 12(b)-2 of the Exchange Act.:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Small 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D.1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2025: \$10,396,206,999

The number of shares outstanding of the registrant's common stock as of February 19, 2026: 283,117,816

**DOCUMENTS INCORPORATED BY REFERENCE**

(1) Portions of the definitive Proxy Statement, relating to the 2026 annual meeting of shareholders of registrant, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, have been incorporated by reference into Part III of this Form 10-K

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K, or this Annual Report, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are made based upon, among other things, our current assumptions, expectations, plans, and beliefs concerning future events and their potential effect on us. These forward-looking statements involve risks, uncertainties and other factors, many of which are outside our control that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In some cases you can identify forward-looking statements 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. Please refer to the Summary in Item 1A – Risk Factors in this Annual Report for a description of the types of forward-looking statements in this Annual Report. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

Given these risks and uncertainties, you should not place undue reliance on any forward-looking statements. You should read this Annual Report completely and with the understanding that our actual future results, performance and achievements may be materially different from what we expect. These forward-looking statements represent assumptions, expectations, plans, and beliefs only as of the date of this Annual Report. Except for our ongoing obligations to disclose certain information under the federal securities laws, we are not obligated, and assume no obligation, to update these forward-looking statements, even though our situation may change in the future. For further information or other factors which could affect our financial results and such forward-looking statements, see Item 1A – Risk Factors. We qualify all of our forward-looking statements by these cautionary statements.

### PART I

#### **Item 1. Business**

##### ***The Company***

Essential Utilities, Inc., referred to as “Essential Utilities”, “Essential”, the “Company”, “we”, “us”, or “our”, a Pennsylvania corporation, is the holding company for regulated utilities providing water, wastewater, or natural gas services to an estimated 5.5 million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, Virginia, and Kentucky under the Aqua and Peoples brands. One of our largest operating subsidiaries, Aqua Pennsylvania, Inc., or Aqua Pennsylvania, accounted for approximately 57% of operating revenues and approximately 72% of income for our Regulated Water segment in 2025. As of December 31, 2025, Aqua Pennsylvania provided water or wastewater services to approximately one-half of the total number of water and wastewater customers we serve. Aqua Pennsylvania’s service territory is located in the suburban areas in counties north and west of the City of Philadelphia and in 28 other counties in Pennsylvania. Our other regulated water or wastewater utility subsidiaries provide similar services in seven additional states. Our Peoples subsidiaries provide natural gas service to approximately 747,000 customers in western Pennsylvania and Kentucky. Approximately 95% of the total number of natural gas utility customers we serve are in western Pennsylvania. The Company also operates market-based activities, conducted through its non-regulated subsidiaries, that provide utility service line protection solutions and repair services to households and gas marketing and production activities. Currently, the Company seeks to acquire businesses in the U.S. regulated sector, focusing on water and wastewater utilities and to opportunistically pursue growth ventures in select market-based activities, such as infrastructure opportunities that are supplementary and complementary to our regulated water utility businesses.

On October 26, 2025, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with American Water Works Company, Inc. (“American Water”) and Alpha Merger Sub, Inc., a direct wholly owned subsidiary of American Water (“Merger Sub”). The Merger Agreement provides that upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of American Water. Under the terms of the agreement, Essential shareholders will receive 0.305 shares of American Water common stock, par value \$0.01 per share, (“American Water Common Stock”) for each share of our common stock, par value \$0.50 per share, they own at the closing of the Merger. The Company currently estimates that the closing of the proposed Merger will occur by the end of the first quarter of 2027, subject to the remaining customary closing conditions, including, among others, clearance under the Hart-Scott-Rodino Act, and regulatory approvals, including approval from the applicable public utility commissions. On February 10, 2026, at the respective special shareholder meetings of the Company and American Water, each company’s shareholders approved the Merger-related proposals, satisfying certain of the conditions to closing. See Item 1A – *Risk Factors* for a discussion of risks related to the Merger and Item 8 – *Note 1 - Summary of Significant Accounting Policies* of this Annual Report for additional information.

### **Operating Revenues and Segments**

The following table reports our operating revenues, by principal state, for our Regulated Water segment, which includes both water and wastewater utility services, Regulated Natural Gas segment, and Other and eliminations for the year ended December 31, 2025:

	Operating Revenues (000's)	Operating Revenues (%)
Pennsylvania	\$ 750,575	30.3%
Ohio	142,970	5.8%
Texas	107,290	4.3%
Illinois	115,831	4.7%
North Carolina	89,796	3.6%
Other states (1)	120,167	4.9%
<b>Regulated Water segment total</b>	<b>1,326,629</b>	<b>53.6%</b>
Pennsylvania	1,049,834	42.4%
Kentucky	68,041	2.8%
<b>Regulated Natural Gas segment total</b>	<b>1,117,875</b>	<b>45.2%</b>
Other and eliminations	30,111	1.2%
<b>Consolidated</b>	<b>\$ 2,474,615</b>	<b>100.0%</b>

(1) Includes our water operating subsidiaries in the following states: New Jersey, Indiana, and Virginia.

The Company has identified eleven operating segments and has two reportable segments, the Regulated Water segment and the Regulated Natural Gas segment. The Regulated Water segment is comprised of eight operating segments for the Company’s water and wastewater regulated utility companies, aligned with the states where we provide these services. These operating segments are aggregated into one reportable segment since each of the Company’s 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, for which the Company provides natural gas distribution services. In addition to the Company’s two reportable segments, the Company includes two of its operating segments in “Other”. These businesses represent its non-regulated water, wastewater, and natural gas operations, which are not quantitatively significant to be reportable and therefore are included as a component of “Other”. In addition, “Other” and eliminations include corporate costs that have not been allocated to the Regulated Water and Regulated Natural Gas

segments, because they would not be recoverable as a cost of utility service, and intersegment eliminations. Information concerning revenues, net income, significant segment expenses and related financial information for the Regulated Water and Regulated Natural Gas segments and Other and eliminations for 2025, 2024, and 2023, is set forth in *Management's Discussion and Analysis of Financial Condition and Results of Operations* and in Note 19 – *Segment Information* in the *Notes to Consolidated Financial Statements* which is contained in Item 8 of this Annual Report.

The following table summarizes our operating revenues, by utility customer class, for the Regulated Water and Regulated Natural Gas segments and Other and eliminations for the year ended December 31, 2025:

	Operating Revenues (000's)	Operating Revenues (%)
Residential water	\$ 731,818	29.6%
Commercial water	208,617	8.4%
Fire protection	46,998	1.9%
Industrial water	41,619	1.7%
Other water	63,537	2.6%
Total water	1,092,589	44.2%
Wastewater	223,103	9.0%
Other utility	10,937	0.4%
Regulated Water segment total	1,326,629	53.6%
Residential gas	708,049	28.6%
Commercial gas	141,275	5.7%
Industrial gas	3,150	0.1%
Gas transportation	242,186	9.8%
Other utility	23,215	1.0%
Regulated Natural Gas segment total	1,117,875	45.2%
Other and eliminations	30,111	1.2%
Consolidated	\$ 2,474,615	100.0%

### ***Customers and Seasonality of Business***

Our water utility customer base is diversified among residential water, commercial water, fire protection, industrial water, other water, wastewater customers, and other utility customers (consisting of contracted services that are associated with the utility operations). Residential water and wastewater customers make up the largest component of our water utility customer base, with these customers representing approximately 68%, 67%, and 69%, of our water and wastewater revenues for 2025, 2024, and 2023, respectively. Substantially all of our water utility customers are metered, which allows us to measure and bill for our customers' water consumption. Water consumption per customer is affected by local weather conditions during the year, especially during late spring, summer, and early fall when discretionary and recreational use of water is at its highest. Consequently a higher proportion of annual Regulated Water segment operating revenues are realized in the second and third quarters. In general, during these seasons, an extended period of dry weather increases consumption, while above-average rainfall decreases consumption. Also, an increase in the average temperature generally causes an increase in water consumption. On occasion, abnormally dry weather in our service areas can result in governmental authorities declaring drought warnings and imposing water use restrictions in the affected areas, which could reduce water consumption. See "Business – Water Utility Supplies, and Facilities and Wastewater Utility Facilities" for a discussion of water use restrictions that may impact water consumption during abnormally dry weather. The geographic diversity of our water utility customer base reduces the effect of our exposure to extreme or unusual weather conditions in any one area of our service territories. During the year ended December 31, 2025, our operating revenues for our Regulated Water segment were derived principally from the following states: approximately 57% in Pennsylvania, 11% in Ohio, 9% in Illinois, 8% in Texas, and 7% in North Carolina. Water

usage is also affected by changing consumption patterns by our customers, resulting from such causes as increased water conservation and the installation of water saving devices and appliances that can result in decreased water usage. It is estimated that, in the event we experience a 0.5% decrease in residential water consumption, it would result in a decrease in annual residential water revenue of approximately \$3,700,000, which would likely be partially offset by a reduction in incremental water production expenses such as chemicals and power.

Our natural gas utility customer base is diversified among residential gas, commercial gas, industrial gas, gas transportation, and other utility. Substantially all of our natural gas utility customers are metered, which allows us to measure and bill for our customers' natural gas usage. Natural gas usage per customer is affected by local weather conditions during the year, especially during the fall, winter, and early spring. These patterns reflect the higher demand for natural gas for heating purposes during the colder months. The impact on our natural gas sales resulting from weather temperatures that are above or below normal is offset partially through our weather normalization adjustment mechanisms in place in Kentucky and in Pennsylvania (effective beginning October 2024). During the year ended December 31, 2025, we experienced 5,380 actual heating degree days (HDDs), which was colder by 25.5% than the average or normal HDDs for Pittsburgh, Pennsylvania, which we use as a proxy for our western Pennsylvania service territory. HDDs are used in the natural gas industry to measure the relative coldness of weather and to estimate the demand for natural gas. Our regulated natural gas revenues and expenses are also affected by the cost of gas. We are generally able to pass the cost of gas through to our customers using a purchased gas adjustment clause; therefore, fluctuations in the cost of purchased gas impact revenues on a dollar-for-dollar basis. Regulated natural gas revenues are affected by the cost of gas, higher gas costs, as well as general economic conditions, which may cause customers to conserve usage, or seek alternative energy sources. In addition, higher gas costs result in an increase to our purchased gas inventory, which requires additional borrowings under credit facilities, resulting in higher interest expense.

The Company's growth in revenues over the past five years is primarily a result of increases in water and wastewater rates, increase in the cost of natural gas, and customer growth. See *Economic Regulation* for a discussion of water, wastewater, and natural gas rates. The increase in our utility customer base has been due to customers added through acquisitions, partnerships with developers, and organic growth (excluding dispositions) as shown below:

Year	Utility Customer Growth Rate
2025	0.8%
2024	0.6%
2023	1.0%
2022	1.7%
2021	1.2%

In 2025, 2024, 2023, 2022, and 2021, our customer count increased by 14,707, 11,845, 5,875, 31,537, and 21,246 customers, respectively, primarily due to the water and wastewater utility systems that we acquired and organic growth. Overall, for the five year period of 2021 through 2025, our utility customer base, adjusted to exclude customers associated with utility system dispositions, increased at an annual compound rate of 1.1%. During the five year period ended December 31, 2025, our utility customer base including customers associated with utility system acquisitions and dispositions increased from 1,798,803 at January 1, 2021 to 1,884,013 at December 31, 2025.

## *Acquisitions and Other Growth Ventures*

Water and Wastewater Systems Acquisitions - We believe that acquisitions will continue to be an important source of customer growth for us. We intend to continue to pursue acquisitions of government-owned and regulated water and wastewater systems that provide services in areas near our existing service territories or in new service areas. We engage in continuing activities with respect to potential acquisitions, including calling on prospective sellers, performing analyses of and due diligence on acquisition candidates, making preliminary acquisition proposals, and negotiating the terms of potential acquisitions. Further, we are also seeking other potential business opportunities, including but not limited to, partnering with public and regulated utilities to invest in infrastructure projects, growing our market-based activities by acquiring businesses that provide water and wastewater or other utility-related services, and investing in infrastructure projects.

Based on the 2023 U.S. Census American Housing Survey, approximately 89% of the U.S. population obtain their water from public or private water utility systems, and 11% of the U.S. population obtain their water from individual wells. With approximately 50,000 community water systems in the U.S. (approximately 81% of which serve less than 3,300 customers), the water industry is the most fragmented of the major utility industries (telephone, natural gas, electric, water and wastewater). The majority of these community water systems are government-owned. The nation's water systems range in size from large government-owned systems, such as the New York City water system, which serves approximately 8.5 million people, to small systems, where a few customers share a common well. In the states where we operate regulated water utilities, we believe there are over 14,000 community water systems of widely-varying size, with the majority of the population being served by government-owned water systems.

Although not as fragmented as the water industry, the wastewater industry in the U.S. also presents opportunities for consolidation. Based on the 2023 U.S. Census American Housing Survey, approximately 81% of the U.S. population relies on public or private sewer systems, and 19% of the U.S. population relies on septic tank, cesspool, or other sewer options. A majority of wastewater facilities are government-owned rather than regulated utilities. In the states where we operate regulated water utilities, we believe there are approximately 5,000 wastewater facilities in operation, with the majority of the population being served by government-owned wastewater systems.

Because of the fragmented nature of the water and wastewater utility industries, we believe there are many potential water and wastewater system acquisition candidates throughout the U.S. We believe the factors driving consolidation of these systems are:

- the benefits of economies of scale;
- the increasing cost and complexity of environmental regulations;
- the need for substantial capital investment;
- the need for technical and managerial expertise;
- the desire to improve water quality and service;
- limited access to cost-effective financing;
- the monetizing of public assets to support, in some cases, the declining financial condition of municipalities; and
- the use of system sale proceeds by a municipality to accomplish other public purposes.

We are actively exploring opportunities to expand our water and wastewater utility operations through acquisitions or other growth ventures. During the three-year period ended December 31, 2025, we expanded our utility operations by completing 12 acquisitions of water or wastewater utilities or other similar assets.

Other Growth Ventures – In August 2025, the Company, through its wholly owned subsidiary, Aqua Infrastructure, entered into an agreement with IEP Hummingbird Energy LLC (“IEP”) whereby the Company agreed to invest in a project to develop a gas-fired plant to power a data center being constructed in Greene County, PA. The agreement also grants the Company the right of first refusal to certain water and gas business opportunities and additional equity kickers upon the occurrence of a financing event or change of control. As of December 31, 2025, the

Company purchased a total of \$25,125,000 convertible notes from IEP. Due to a change in project scope, to focus on grid provided power, on January 20, 2026, the Company received \$20,000,000, representing the reimbursement of the deposit paid to the gas turbine manufacturer. The Company continues to be an investor in the project via its remaining convertible notes holdings and continues to have the right of first refusal to certain water and gas business opportunities. As of December 31, 2025, \$20,000,000 of the Convertible Note Investment is presented within Prepayments and other current assets and the remaining \$5,125,000 is classified as a long-term asset in the accompanying consolidated balance sheets. Refer to Item 8 – Financial Statements – Note 7, *Convertible Note Investment* for further information. This investment underscores the Company’s commitment to innovation, sustainability, and regional economic development, while positioning its water, wastewater, and gas expertise as critical components of the expanding artificial intelligence-driven data infrastructure needs.

### ***Capital Investment***

One of the greatest challenges facing the United States is the rehabilitation of our nation’s aging infrastructure. The Company expects to invest approximately \$8.7 billion from 2026 through 2030 to meet compliance requirements, improve water and natural gas systems, and better serve customers through improved information technology. These investments include replacing and expanding its water and wastewater utility infrastructure, construction of additional treatment facilities to comply with the latest water quality standards, and replacing and upgrading its natural gas utility infrastructure, with the latter leading to significant reductions in methane emissions that occur in aged gas pipes. These figures could change as plans for construction execution are refined. The capital investments made to rehabilitate and expand the infrastructure of the communities we serve is critical to our mission of safely and reliably delivering Earth’s most essential resources.

### ***Supply and Facilities***

Water Utility Supplies and Facilities and Wastewater Utility Facilities - Our water utility operations obtain their water supplies from surface water sources, underground aquifers, and water purchased from other water suppliers. Our water supplies are primarily self-supplied and processed at twenty-four surface water treatment plants located in five states, and numerous well stations located in the states in which we conduct business. Approximately 6.8% of our water supplies are provided through water purchased from other water suppliers. It is our policy to obtain and maintain the permits necessary to obtain and treat the water we distribute.

We believe that the capacities of our sources of supply, and our water treatment, pumping and distribution facilities, are generally sufficient to meet the present requirements of our customers under normal conditions. We plan system improvements and additions to capacity in response to normal replacement and renewal needs, changing regulatory standards, changing patterns of consumption, and increased demand from customer growth. We also have long-term planning processes and maintain contingency plans to minimize the potential impact on service caused by climate variability. The various state utility commissions have generally recognized the operating and capital costs associated with these improvements in setting water rates.

On occasion, drought warnings and water use restrictions are issued by governmental authorities for portions of our service territories in response to extended periods of dry weather conditions. The timing and duration of the warnings and restrictions can have an impact on our water revenues and net income. In general, water consumption in the summer months is more affected by drought warnings and restrictions because discretionary and recreational use of water is at its highest during the summer months. At other times of the year, warnings and restrictions generally have less of an effect on water consumption. Drought warnings and watches result in the public being asked to voluntarily reduce water consumption.

We believe that our wastewater treatment facilities are generally adequate to meet the present requirements of our customers under normal conditions. Additionally, we own several wastewater collection systems that convey the wastewater to municipally-owned facilities for treatment. Changes in regulatory requirements can be reflected in revised permit limits and conditions when permits are renewed, typically on a five year cycle, or when treatment capacity is expanded. Capital improvements are planned and budgeted to meet normal replacement and renewal needs, anticipated changes in regulations, needs for increased capacity related to projected growth, and to reduce

inflow and infiltration to collection systems. The various state utility commissions have generally recognized the operating and capital costs associated with these improvements in setting wastewater rates for current and new customers. It is our policy to obtain and maintain the permits necessary for the treatment of the wastewater that we return to the environment.

Natural Gas Supply and Transportation Facilities - Our natural gas supply strategy is to ensure a dependable gas supply that is economically priced and which is available for delivery when needed. We purchase natural gas from intrastate, interstate, and local sources, and transport natural gas supplies through various intrastate and interstate pipelines under contracts with remaining terms, including extensions, varying from one month to 10 years. We anticipate that these gas supply and transportation contracts will be renewed or replaced prior to their expiration.

The regulations of the states in which we operate natural gas utilities allow us to pass through changes in the cost of natural gas to our customers under purchased gas adjustment provisions in our tariffs. Depending upon the jurisdiction, the purchased gas adjustment factors are updated periodically, ranging from quarterly to annually. The changes in the cost of gas billed to customers are subject to review by the applicable regulatory bodies.

We use various third-party storage services or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather.

We own and operate underground natural gas storage facilities with capacity of 10.5 billion cubic feet (Bcf). Total working capacity is 5.3 Bcf for use during the heating season with a maximum daily withdrawal rate of 123.5 million cubic feet (MMcf). Additionally, we have contracted for off-system storage from interstate pipelines. The total amount of off-system storage under contract is 34.9 Bcf with a maximum daily withdrawal rate of 588.9 MMcf. We perform studies of our underground natural gas storage facilities to identify capital improvements. It is possible that disruptions to the storage facilities could occur, including failure of the facilities.

On an ongoing basis, we enter into contracts to provide sufficient supplies and pipeline capacity to meet our customers' natural gas requirements. However, it is possible for limited service disruptions to occur from time to time due to weather conditions, transportation constraints, and other events. As a result of these factors, supplies of natural gas may become unavailable from time to time, or prices may increase rapidly in response to temporary supply constraints or other factors. We enter into firm agreements with suppliers, including major producers and marketers, intended to provide flexibility to meet the temperature-sensitive needs of its customers. In Pennsylvania, our distribution system is connected to six interstate pipelines, where we maintain capacity we believe is sufficient to meet our customers' gas requirements. In Kentucky, our distribution system is connected to four interstate pipelines, where we maintain capacity we believe is sufficient to meet our customers' gas requirements.

Natural Gas Gathering - Our Pennsylvania Regulated Natural Gas service territory is situated in the Marcellus Shale production region. Approximately 24% of the natural gas supply on the system is from locally produced gas, which we gather and transport into our distribution system. Our gathering system is regulated by the Pennsylvania Public Utility Commission which includes various safety, environmental and, in some circumstances, anti-discrimination requirements, and in some instances complaint-based rate regulation. Our gathering operations may be subject to ratable take and common purchaser statutes in the states in which we operate.

Our Regulated Natural Gas gathering operations could be adversely affected should they be subject in the future to the application of state or federal regulation of rates and services. Our gathering operations could also be subject to additional safety and operational regulations relating to the design, construction, testing, operation, replacement, and maintenance of gathering facilities. We cannot predict what effect, if any, such changes might have on our operations, but our Regulated Natural Gas segment could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes. Refer to further discussion below in the *Environmental, Health and Safety Regulation and Compliance* section.

## ***Economic Regulation***

Most of our utility operations are subject to regulation by their respective state utility commissions, which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions, and authorize the issuance of securities. The utility commissions also establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, and loans and other financings. The policies of the utility commissions often differ from state to state and may change over time. A small number of our water and wastewater utility operations are subject to rate regulation by county or city governments. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances we are granted by the respective utility commissions or authorities in the various states in which we operate.

**Rate Case Management Capability** – We maintain a rate case management capability, the objective of which is to provide that the tariffs of our utility operations reflect, to the extent practicable, the timely recovery of increases in costs of operations, capital expenditures, interest expense, taxes, energy, materials, and compliance with environmental regulations as well as a return on equity. We file rate increase requests to recover and earn a fair return on the infrastructure investments that we make in improving or replacing our facilities and to recover expense increases. In the states in which we operate, we are primarily subject to economic regulation by the following state utility commissions:

<u>State</u>	<u>Utility Commission</u>
Pennsylvania	Pennsylvania Public Utility Commission
Ohio	Public Utilities Commission of Ohio
North Carolina	North Carolina Utilities Commission
Texas	Public Utility Commission of Texas
Illinois	Illinois Commerce Commission
New Jersey	New Jersey Board of Public Utilities
Kentucky	Public Service Commission of Kentucky
Virginia	Virginia State Corporation Commission
Indiana	Indiana Utility Regulatory Commission

Our water and wastewater operations are comprised of 37 rate divisions, and our natural gas operations are comprised of two rate divisions. Each of our utility rate divisions requires a separate rate filing for the evaluation of the cost of service, including the recovery of investments, in connection with the establishment of rates for that rate division. When feasible and beneficial to our utility customers, we will seek approval from the applicable state regulatory commission to consolidate rate divisions to achieve a more even distribution of costs over a larger customer base. All of the states in which we operate permit us to file a revenue requirement for some form of consolidated rates for all, or some, of the rate divisions in that state.

In Ohio, Virginia, North Carolina, Texas, and Kentucky, we may bill our utility customers, in certain circumstances, in accordance with a base rate filing that is pending before the respective regulatory commission, which would allow for interim rates. As of December 31, 2025, we have no billings under interim rate arrangements for base rate case filings in progress. Furthermore, some utility commissions authorize the use of expense deferrals and amortization to provide for an impact on our operating income by an amount that approximates the requested amount in a rate request. In these states, the additional revenue billed and collected prior to the final regulatory commission ruling is subject to refund to customers based on the outcome of the ruling. The revenue recognized and the expenses deferred by us reflect an estimate as to the final outcome of the ruling. If the request is denied completely or in part, we could be required to refund to customers some or all of the revenue billed to date and write-off some or all of the deferred expenses.

**Revenue Surcharges** – Eight states in which we operate water and wastewater utilities, and two states in which we operate natural gas utilities, permit us to add an infrastructure rehabilitation surcharge to their respective bills to offset the additional depreciation and capital costs associated with capital expenditures related to replacing and rehabilitating infrastructure systems. Without this surcharge, a utility absorbs all of the depreciation and capital

costs of these projects between base rate increases. The gap between the time that a capital project is completed and the recovery of its costs in rates is known as regulatory lag. This surcharge is intended to substantially reduce regulatory lag, which could act as a disincentive for utilities to rehabilitate their infrastructure. In addition, our subsidiaries in some states use a surcharge or credit on their bills to reflect changes in costs, such as changes in state tax rates, other taxes and purchased water costs, until such time as the new cost levels are incorporated into base rates.

The infrastructure rehabilitation surcharge typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period, and is capped at a percentage of base rates, generally at 5% to 12.75%, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. These surcharges provided revenues of \$15,189,189 in 2025, \$45,749,987 in 2024, and \$20,260,881 in 2023.

In our natural gas service territories, the public utility commissions have authorized bare steel and cast-iron replacement programs. In Pennsylvania, we have a Long-Term Infrastructure Replacement program with the Pennsylvania Public Utility Commission (PAPUC) where we have committed to the replacement of bare steel and cast-iron pipe. In Kentucky, we have a pipe replacement program tariff, which allows adjustment of regulated rates annually to earn a return on capital expenditures incurred subsequent to our last rate case which were associated with the replacement of bare steel and vintage plastic pipe. On August 29, 2025, we filed a petition for the approval of our third Long-Term Infrastructure Improvement Plan (LTIIIP) with the PAPUC, covering the five-year period from January 1, 2026 through December 31, 2030. The third LTIIIP targets 930 miles of pipeline replacement for a total capital investment of approximately \$3,000,000,000. On December 18, 2025, the PAPUC approved our third LTIIIP without modification.

Gas costs incurred to serve our natural gas customers represent a significant operating expense. Our regulated natural gas rates, in all jurisdictions, contain a Purchased Gas Adjustment (PGA), which is reflected in our tariffs. The PGA allows us to timely charge for changes in the cost of purchased gas, inclusive of unaccounted for gas expense based on actual experience. PGA procedures involve periodic filings and hearings before the state regulatory commissions to establish price adjustments for a designated future period. The procedures also provide for inclusion in later periods of any variances between actual recoveries representing the estimated costs and actual costs incurred. The PGA is subject to periodic review and audit by the state regulatory commissions who also have the authority to disallow previously incurred costs.

In Pennsylvania, the gas cost component of uncollectible accounts expense, gas procurement costs, and certain costs to maintain a supplier choice program, where customers can elect their natural gas supplier, are recovered by mechanisms outside of typical base rate recovery. Additionally, in Pennsylvania, we recover the costs related to universal service programs, whereby customers who meet certain income guidelines receive assistance toward paying their monthly bill, weatherization services, and other programs. In Kentucky, the gas cost component of uncollectible accounts expense is recovered by a recovery mechanism outside of base rate recovery.

**Income Tax Accounting Method Change** – The Company uses the flow-through method to account for the repairs tax deduction for qualifying utility infrastructure at its regulated Pennsylvania and New Jersey subsidiaries. The flow-through method of recording income tax benefits results in a reduction to current income tax expense and is included in utility customers' rates, which generally is subject to a collar mechanism.

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. Based on this tax legislative guidance, in the second quarter of 2023, the Company reevaluated the uncertain tax positions related to the Regulated Water Segment and reclassified a portion of its historical income tax reserves as a regulatory liability until accounting treatment is determined in its next base rate case. In the first quarter of 2025, based on the rate order received by Aqua Pennsylvania, the Company released \$22,575,000 of income tax reserve regulatory liability, while the remaining tax benefit of \$4,874,000 from the reserve release will be refunded to customers through base rates over a two-year period. Please refer to Note 8 – *Income Taxes* for more detail.

**Fair Market Value Legislation** – In April 2016, Pennsylvania enacted legislation allowing the public utility commission to utilize fair market value to set ratemaking rate base instead of the depreciated original cost of water or wastewater assets for certain qualifying municipal acquisitions. The legislation includes a process for engaging two independent utility valuation experts to perform appraisals that are filed with the public utility commission and then averaged and compared to the purchase price. The ratemaking rate base is the lower of the average of the appraisals or the purchase price and is subject to regulatory approval. Illinois, Indiana, New Jersey, North Carolina, Ohio, Virginia, and Texas also have legislation that allows the use of fair market value under varying rules and circumstances. We believe that this legislation encourages consolidation in the water and wastewater industry, providing municipalities with an option for exiting the business if they are dealing with challenges associated with their aging, deteriorating water and wastewater assets, do not have the expertise or technical capabilities to continue to comply with ever-increasing environmental regulations, or simply want to focus on other community priorities.

In June 2024, the Pennsylvania public utility commission updated existing procedures and guidelines designed to increase public involvement and ensure greater consistency in the process for reviewing and evaluating the acquisition and valuation of municipal-owned or authority-owned water and wastewater systems in Pennsylvania. This includes requirements for public notice and meetings, requires a rate impact notice, and provides other measures to improve the fair market value process when investor-owned utilities acquire water and wastewater utilities in Pennsylvania.

**Revenue Stability Mechanisms** – Revenue stability mechanisms separate the volume of water sold from our ability to meet our cost of service and infrastructure costs. These mechanisms allow us to recognize revenue based on a target amount established in the last rate case, and then record either a regulatory asset or liability based on the cumulative difference over time, which results in either a refund due to customers or a payment from customers. In Illinois, our operating subsidiary utilizes a revenue stability mechanism. Additionally, a weather-normalization adjustment (WNA) mechanism is in place for our natural gas customers served in Kentucky, and effective October 2024, to our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company's results for its residential and small commercial natural gas customers. This regulatory mechanism adjusts revenues earned for the variance between actual and normal weather and can have either positive (warmer than normal) or negative (colder than normal) effects on revenues. Customer bills are adjusted during the December through April heating season for our natural gas customers in Kentucky, and the October to May heating season for our natural gas customers in Pennsylvania, with rates adjusted for the difference between actual revenues and revenues calculated under this mechanism billed to the customers.

### ***Competition***

In general, we believe that Essential Utilities and its water, wastewater, and natural gas subsidiaries have valid authority, free from unduly burdensome restrictions, to enable us to carry on our business as presently conducted in the franchised or contracted areas we now serve. The rights to provide water, wastewater, or natural gas service to customers in a particular franchised service territory are generally non-exclusive, although the applicable utility commissions usually allow only one regulated utility to provide service to customers in a given area. In some instances, another water utility provides service to a separate area within the same political subdivision served by one of our subsidiaries. Additionally, our larger natural gas customers may bypass gas distribution services by gaining distribution directly from interstate pipelines, other gas distributors, or other energy sources. As a regulated utility, we believe there is little competition for the daily water, wastewater, and natural gas service we provide to our customers.

Although our natural gas subsidiaries are not currently in significant direct competition with any other distributors of natural gas in its service areas, we do compete with suppliers of other forms of energy such as fuel oil, electricity, propane, coal, wind, and solar. Competition can be intense among the energy sources with price being the primary consideration. This is particularly true for industrial customers who have the ability to switch to alternative fuels. Natural gas generally benefits from a competitive price advantage over oil, electricity, and propane. Competition from renewable energy sources such as solar and wind is likely to increase as the political

environment currently favors these energy sources through incentives or by placing restrictions on emissions from the burning of fossil fuels.

Water and wastewater utilities may compete for the acquisition of other water and wastewater utilities or for acquiring new customers in new service territories. Competition for these acquisitions generally comes from nearby utilities, either other regulated utilities or municipal-owned utilities, and sometimes from strategic or financial purchasers seeking to enter or expand in the water and wastewater industry. We compete for new service territories and the acquisition of other utilities on the following bases:

- economic value;
- economies of scale;
- our ability to provide quality water, wastewater, and natural gas service;
- our existing infrastructure network;
- our ability to perform infrastructure improvements;
- our ability to comply with environmental, health, and safety regulations;
- our technical, regulatory, and operational expertise;
- our ability to access capital markets; and
- our cost of capital.

The addition of new service territories and the acquisition of other utilities by regulated utilities such as the Company are generally subject to review and approval by the applicable state utility commissions.

In a very small number of instances in one of our southern states, where there are municipally-owned water or wastewater systems near our operating divisions, the municipally-owned system may either have water distribution or wastewater collection mains that are located adjacent to our division's mains or may construct new mains that parallel our mains. In these rare circumstances, the municipally-owned system may attempt to voluntarily offer service to customers who are connected to our mains, resulting in our mains becoming surplus or underutilized without compensation.

In the states where our water subsidiaries operate, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;
- the right of purchase given to or reserved by a municipality or political subdivision when the original franchise was granted; and,
- the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price to be paid upon such an acquisition by the municipal government is usually determined in accordance with applicable law under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties, or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. We believe that our operating subsidiaries would be entitled to fair market value for any assets that are condemned, and we believe the fair market value would be in excess of the book value for such assets.

Despite maintaining a program to monitor condemnation interests and activities that may affect us over time, one of our primary strategies continues to be to acquire additional water and wastewater systems, to maintain our existing systems where there is a business or a strategic benefit, and to actively oppose unilateral efforts by municipal governments to acquire any of our operations, particularly for less than the fair market value of our operations or where the municipal government seeks to acquire more than it is entitled to under the applicable law or agreement. On occasion, we may voluntarily agree to sell systems or portions of systems in order to help focus our efforts in areas where we have more critical mass and economies of scale or for other strategic reasons.

## ***Environmental, Health and Safety Regulation and Compliance***

The Company's mission is "to sustain life and improve economic prosperity by safely and reliably delivering Earth's most essential resources to customers and communities". We are committed to protecting the environment and the health and safety of our employees, customers, and the public and continue to adhere to applicable regulatory standards. We integrate environmental, health, and safety requirements into planning, decision-making, construction, operations, and maintenance activities that we perform.

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. In addition, we are subject to federal and state laws and other regulations relating to solid waste disposal, dam safety, and other aspects of our operations.

From time to time, Essential Utilities has acquired, and may acquire, systems that have environmental compliance issues. Environmental compliance issues also arise in the course of normal operations or as a result of regulatory changes. Essential Utilities attempts to align capital budgeting and expenditures to address these issues in due course. We estimate the capital expenditures required to address outstanding environmental compliance issues in our water and wastewater systems and budgeted in our capital program to be approximately \$175,000,000, or 3.8% of our expected total water and wastewater capital expenditures over the next five years (2026-2030). These capital expenditures do not include the amounts related to compliance with the final National Primary Drinking Water Regulation (NPDWR) and Lead and Copper Rule Improvements (LCRI), discussed below, which are budgeted separately. We are also parties to agreements with regulatory agencies in Pennsylvania, Texas, and Illinois under which we have committed to make improvements for environmental compliance. These agreements are intended to provide the regulators with assurance that problems covered by these agreements will be addressed, and the agreements generally provide protection from fines, penalties, and other actions while corrective measures are being implemented. We are working with state environmental officials in Pennsylvania, Texas, and Illinois to implement or amend regulatory agreements as necessary.

Our Regulated Natural Gas utility operations are subject to stringent and complex laws and regulations pertaining to the environment. Legislative and regulatory actions to address climate change are in various phases of review or implementation in the United States. These measures could include emissions limits, reporting requirements, carbon taxes, and incentives or mandates to conserve energy or use renewable energy sources. As an owner or operator of natural gas pipelines, distribution systems and storage, and the facilities that support these systems, we must comply with these laws and regulations at the federal, state, and local levels. Failure to comply with these laws and regulations may trigger a variety of administrative, civil, and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial actions, and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to assess, clean up, and restore sites where hazardous substances have been stored, disposed or released.

As a large and diversified utility, a strong environmental management system is critical to our operations. Our Environmental, Health, and Safety management program identifies, prioritizes, communicates, mitigates, and manages risks to ensure safe and reliable service for our customers. Our water and gas businesses also have detailed emergency response plans and business continuity plans that outline required procedures, guidelines, organizational support, and communication plans for responding to natural gas emergencies on pipeline systems, customer service outages, or other natural disasters that present potential hazards to the public, property, or environment.

**Safe Drinking Water Act** - The Safe Drinking Water Act establishes criteria and procedures for the U.S. Environmental Protection Agency (EPA) to develop national quality standards for drinking water. Regulations issued pursuant to the Safe Drinking Water Act set standards regarding the amount of microbial and chemical contaminants and radionuclides in drinking water.

On April 10, 2024, the EPA announced the final NPDWR for the treatment of six per- and polyfluoroalkyl substances or compounds (PFAS), namely Perfluorooctanoic acid (PFOA), Perfluorooctanesulfonate (PFOS), Perfluorohexanesulfonic acid (PFHxS), Perfluorononanoic acid (PFNA), Hexafluoropropylene oxide-dimer acid (HFPO-DA or GenX) (commonly known as GenX), and Perfluorobutanesulfonic acid (PFBS). The NPDWR established the maximum contaminant levels (MCLs) in drinking water and allows for a five-year window to comply. The Company performed its analysis of the NPDWR and estimated an investment of at least \$450,000,000 of capital expenditures to install additional treatment facilities over the Compliance Period in order to comply (i.e., 2029 pending no delays due to lawsuits). This figure could increase as plans for construction execution are refined or if additional sites require treatment in the future. Additionally, the Company 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 site-by-site requirements. To date, the Company has identified over 300 sites requiring PFAS remediation. As of December 31, 2025, we have invested approximately \$60,000,000 to remediate PFAS at 100 sites.

On April 19, 2024, the EPA announced a final rule that designated two PFAS chemicals, perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS), as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as Superfund. This final action will address PFOA and PFOS contamination by enabling investigation and cleanup of these harmful chemicals and ensuring that leaks, spills, and other releases are reported. In addition to the final rule, the EPA issued a separate CERCLA enforcement discretion policy that makes it clear that the EPA will focus enforcement on parties who significantly contributed to the release of PFAS chemicals into the environment, including parties that have manufactured PFAS or used PFAS in the manufacturing process, federal facilities, and other industrial parties. The policy identifies examples for operators of public water systems and wastewater systems or entities performing a public service role in providing safe drinking water, handling municipal solid waste, treating or managing stormwater and wastewater, disposing of pollution control residuals, or ensuring beneficial application of wastewater products as a fertilizer substitute. The potential liabilities to the Company, if any, resulting from this rule are currently being evaluated. Multiple lawsuits were filed by various companies and industry groups against the EPA's PFAS rule and are awaiting court action.

On May 14, 2025, the EPA announced its intent to rescind the regulations and reconsider the regulatory determinations for PFHxS, PFNA, HFPO-DA (commonly known as GenX), and the Hazard Index mixture of these three plus PFBS but decided to keep the current NPDWR for PFOA and PFOS at 4 parts per trillion. The EPA also announced that it plans to develop a rulemaking to provide additional time for compliance, including a proposal to extend the compliance date to 2031. However, the EPA has not proposed a rulemaking on the timeline extension to date. As a follow up action by the EPA, on September 11, 2025, the EPA asked the D.C. Circuit Court of Appeals to vacate the agency's own drinking water standards (MCLs) for four PFAS chemicals: PFNA, PFHxS, HFPO-DA, and (through a "hazard index") PFBS. On January 20, 2026, the D.C. Circuit Court of Appeals denied the EPA request to remove the maximum contaminant limits on these four PFAS chemicals. The case proceeds through full briefing and a final decision on the merits is expected later in 2026.

The Company continues to advocate for actions to hold polluters accountable and is part of the Multi-District Litigation and other legal actions against multiple PFAS manufacturers and polluters to attempt to ensure that the ultimate responsibility for the cleanup of these contaminants is attributed to the polluters and is seeking damages and other costs to address the contamination of its public water supply systems by PFAS. The Company is also monitoring ongoing litigation and settlement activity with manufacturers of PFAS in these proceedings. For more information, see Item 8 - Note 10 to the Company's Notes to Consolidated Financial Statements.

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.

**Clean Water Act** - The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams, and groundwater. It is our policy to obtain and maintain all required permits

and approvals for the discharges from our water and wastewater facilities, and to comply with all conditions of those permits and other regulatory requirements. A program is in place to monitor facilities for compliance with permitting, monitoring and reporting for wastewater discharges. We are continuously modernizing wastewater treatment methods, ensuring our systems protect the surrounding environment and adhere to current standards. From time to time, discharge violations may occur which may result in fines. These fines and penalties, if any, are not expected to have a material impact on our business, financial condition, or results of operations. We are also parties to agreements with regulatory agencies in several states where we operate while improvements are being made to address wastewater discharge issues. The EPA has identified leveraging wastewater discharge permitting and application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap.

**Solid Waste Disposal** - The handling and disposal of waste generated from water and wastewater treatment facilities is governed by federal and state laws and regulations. A program is in place to monitor our facilities for compliance with regulatory requirements, and we are not aware of any significant environmental remediation costs necessary from our handling and disposal of waste material from our water and wastewater operations.

**Dam Safety** - Our subsidiaries own 32 dams, of which 18 are classified as high hazard dams that are subject to the requirements of the federal and state regulations related to dam safety, which undergo regular inspections and an annual engineering inspection. After a thorough review and inspection of our dams by professional outside engineering firms, we believe that all 18 dams are structurally sound and well-maintained, except as described below. These inspections provide recommendations for ongoing rehabilitation which we include in our capital improvement program. The Company has approximately \$54,000,000 in capital improvements budgeted between 2026 and 2030 for dam improvements.

We performed studies of our dams that identified five high hazard dams in Pennsylvania and one high hazard dam in Ohio requiring capital improvements. These capital improvements result from the adoption by state regulatory agencies of revised formulas for calculating the magnitude of a possible maximum flood event. The most significant capital improvement remaining to be performed in our dam improvement program is on one dam in Pennsylvania at a total estimated cost of \$15,000,000. Design for this dam commenced in 2013 and construction is expected to be completed in 2030. An additional four high hazard dams in Pennsylvania were recently added due to an acquisition in 2023. These dams are undergoing additional evaluations but have capital improvements budgeted for currently identified needs in the 2026 to 2030 period.

**Lead and Copper Rule** – On October 30, 2024, the EPA issued the final LCRI which require water systems to identify and replace lead pipes by 2037, lowers the lead action level threshold, and requires more proactive communications about lead pipes and plans for replacements, among other items. The LCRI builds upon the Lead and Copper Rule Revisions (LCRR) issued in 2021 and the Lead and Copper Rule (LCR) issued in 1992. The Company has been replacing lead service lines as part of its ongoing water main replacement and service line renewal programs, and in accordance with applicable state regulations. Pursuant to the LCRR, the Company completed the submission of its initial lead service line inventories on October 14, 2024. As of December 31, 2025, the Company estimates that approximately 5.2% of its regulated water service systems contain some lead or galvanized service lines requiring replacement. The Company currently has budgeted approximately \$174,000,000 of capital expenditures over the next five years for lead and galvanized service line replacement.

**Partnership for Safe Water Program** – Essential Utilities is a proud participant in the American Water Works Association’s (AWWA) Partnership for Safe Water Program. This voluntary program is a commitment to excellence within the drinking water community above and beyond the EPA’s stringent treatment goals. All of our active surface water treatment plants within Pennsylvania, Ohio, Virginia, and Illinois maintain good standing in the program which includes many awards of achievement. The honors include the “Director’s Award” (achieved at eight systems) which recognizes plants that have: 1) completed a comprehensive self-assessment report, 2) created an action plan for continuous improvement, and 3) provided several evaluations of performance demonstrating operational excellence. Several of our systems have met these criteria annually and have received 5-, 10-, 15-, and 20-year subscriber awards. Furthermore, our Roaring Creek Pennsylvania treatment plant has received the Phase IV Excellence Award, the highest honor achieved in the Partnership Program.

**Safety Standards** - Our facilities and operations may be subject to inspections by representatives of the Occupational Safety and Health Administration from time to time. We maintain safety policies and procedures to comply with the Occupational Safety and Health Administration's rules and regulations, but violations may occur from time to time, which may result in fines and penalties, which are not expected to have a material impact on our business, financial condition, or results of operations. We endeavor to correct such violations promptly when they come to our attention.

**Pipeline and Hazardous Materials Safety Administration (PHMSA) Regulations** – Under the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2020, PHMSA, an agency of the U.S. Department of Transportation (DOT), has revised, and continues to revise, the pipeline safety regulations to require operators to update, as needed, their existing distribution integrity management plans, emergency response plans, and operations and maintenance plans.

In May 2023, PHMSA proposed numerous regulatory revisions to minimize methane emissions and improve public safety. Under these proposed revisions, we would be required to increase the frequency of leak detection surveys, accelerate the repair of leaks found, and expand our existing advanced leak detection program. In September 2023, PHMSA proposed additional regulatory revisions to enhance distribution system safety through equipment and procedural expectations. Operators will be required to incorporate additional protections for low pressure distribution systems that prevent over-pressurization, amend construction procedures designed to minimize the risk of incidents caused by system over-pressurization, and update distribution integrity management programs to cover and prepare for over-pressurization incidents. On November 30, 2023, the House Transportation & Infrastructure Committee introduced new pipeline safety reauthorization legislation known as the PIPES Act of 2023 to reauthorize and finalize PHMSA's safety programs for the next four years. On January 20, 2025, in order to align with the new administration's deregulatory focus, an executive order began a regulatory freeze on all rulemakings that were not yet effective pending further review. Management continues to evaluate and monitor PHMSA-related legislation and regulations. To the extent such rulemakings ultimately impose more stringent requirements on our facilities, we may be required to incur expenditures that may be material.

Peoples has in place integrity programs designed to maintain the safe storage and delivery of natural gas through transmission and distribution systems in order to ensure the safety of its employees, customers, and the community. These include a Transmission Integrity Management Program which outlines methods for handling threats and maintaining the integrity of the pipeline; a Distribution Integrity Management Program which is dedicated to the safe operation of the distribution system that delivers natural gas to customers; and, a Storage Integrity Management Plan that governs the safe operation, maintenance, and integrity testing of company-owned storage facilities. To the extent new laws or regulations adopted by PHMSA, like those summarized above, impose more stringent requirements on our facilities and operations, we may be required to incur capital and operating costs that may be material. In addition, we may be subject to the DOT's enforcement actions and penalties if the Company fails to comply with pipeline regulations.

### ***Physical Security***

We maintain security measures at our facilities, and collaborate with federal, state and local authorities and industry trade associations regarding information on possible threats and physical security measures for water, wastewater, and natural gas utility operations. The costs incurred are expected to be recoverable in customer rates and are not expected to have a material impact on our business, financial condition, or results of operations.

### ***Environmental Stewardship***

The way we do business at Essential reflects our commitment to a sustainable, safe, and healthy environment for all our stakeholders. Sustainability is deeply engrained in our business strategy. We ensure environmental stewardship remains a priority for management by factoring several benchmarks into executive compensation. In December 2025, for the fifth consecutive year, the Company has been named to Newsweek's list of America's Most Responsible Companies, which celebrates public companies that have demonstrated meaningful and impactful environmental, social and corporate governance business practices.

Early in 2021, we announced an enterprise-wide commitment that by 2035, we will reduce our Scope 1 and 2 greenhouse gas emissions by 60% from our 2019 baseline. Almost all of our Company's Scope 1 emissions come from our gas operations. As natural gas travels through our network of underground pipes on its way to customers, a very small portion of this volume leaks out and escapes into the atmosphere, often due to corrosion leaks, material defects, or excavation damages. We replaced 268 miles of gas pipeline in 2025 and over 1,200 since 2021. As of December 31, 2025, we have an inventory of 2,200 miles of gas pipeline targeted for replacement in the LTIP, which we estimate to complete by 2038. Scope 2 emissions are largely from our water and wastewater operations, as it takes considerable electrical energy to treat water and wastewater, as well as to pump water through our distribution pipe network. We have made strides in making our operations as energy efficient as possible. We continue to minimize water loss from leaks, thereby reducing the volume of water that must be treated and moved through our system and consequently reducing energy use. We also made significant headway in using renewable electricity to power our water and wastewater operations in Illinois, New Jersey, Ohio, Pennsylvania, and Texas. Through 2024, we have achieved 28% emissions reduction from our 2019 baseline.

The Company manages climate-change matters through significant board-level oversight. At the management level, there is an oversight committee, which is a group of about a dozen of the Company's senior leaders across the organization and the Chief Executive Officer, that meet at least once each quarter to discuss these topics. The Company's environmental sustainability initiatives and strategy are discussed further in our sustainability reporting, which can be found on our website at <https://esg.essential.co>. Such reports are not incorporated by reference and should not be considered part of this Annual Report.

### ***Human Capital Management***

The Company values its workforce as one of its most important assets. The Company is dedicated to creating a sustainable working atmosphere for its employees to attract and retain the best employees. Human capital measures and objectives that the Company focuses on in managing its business include the health and safety of its employees, succession planning, voluntary attrition rate, and diversity, equity and inclusion initiatives.

As of December 31, 2025, we employed a total of 3,303 full-time employees. Our subsidiaries are parties to 23 labor agreements with labor unions covering 1,709 employees. The labor agreements expire at various times up until 2029.

*Health and Safety* - Safety is the foundation of our business and guides all our employees' actions. The Company continues to invest in safety improvements, implement policies and procedures, develop technical training and guidelines for our employees, and leverage new tools and technology to improve our maps, records and infrastructure performance. The Company's Senior Leadership Safety Council leads our safety efforts and is supported by the Safety Steering Committee, state and facility committees and leaders that operate at the local site level. Hazards in the workplace are actively identified, and management tracks incidents so remedial actions can be taken to improve workplace safety. To encourage managers to promote a safe environment, related metrics are incorporated in management's incentive compensation plans.

The Company provides free access to an employee assistance program, which offers a variety of innovative, flexible, and convenient employee health and wellness programs. Through our partnership with our benefit services provider, personalized mental health assistance is available to all employees and their family members; support is available 24/7 via in-person, phone or virtual visits with a licensed counselor.

*Employee Development and Training* - The Company continues to invest in training and development programs for employees so that they may evolve and enhance their skills in their areas of expertise. The Company offers several learning opportunities through partnerships with one of the leading online learning providers, business school certificate programs, tuition reimbursement for post-secondary degree granting programs, and individual career coaching. At Essential, we believe in an integrated talent development approach. We utilize the "70/20/10 model" for development, which holds that 70% of learning happens on the job through stretch goals and critical assignments, 20% of learning occurs through mentoring and coaching and involvement in professional and industry

related activities, and 10% of learning occurs within a virtual or live learning environment. We align our development model to support our vision, mission, and competencies, with a balanced approach to developing our workforce that leads us to the development of a confident, committed, and high-performance culture.

*Succession Planning* – Essential has organizational workforce analysis and planning programs to ensure the Company has the talent it needs for the future. By conducting stay interviews with key performers, the Company learns where talent risks may arise. Under the Company's Corporate Governance Guidelines, the Board of Directors is responsible for the development and periodic review of a management succession plan for the Chief Executive Officer and other executives. Annually, the Board of Directors reviews the Company's succession planning process for the Chief Executive Officer and the named executive officers. During this review, the directors review succession candidates on an immediate basis and more developmental candidates to ensure that the Company is well-prepared for the future.

*Voluntary Attrition and Turnover* - The Company measures turnover rates of its employees in assessing the Company's overall human capital. The Company's voluntary attrition rate (not including retirements) for 2025 was 2.6% at the executive and senior management level, 4.8% at the mid-level manager level, 6.4% at the professional level, and 6.6% across all other employees. Our overall voluntary attrition rate of 6.3% in 2025 was lower than last year's voluntary attrition rate of 6.7%. We believe our low voluntary attrition rate is in part a result of the Company's continued commitment to employee development, competitive pay and benefits, and our culture.

*Inclusion Initiatives* - Diversity of backgrounds, ideas, thoughts, and experiences is essential to our culture and the way we do business. Creating an environment where our differences are valued and where every person feels a sense of belonging and engagement supports a thriving organization that cares about our customers and ensures our continued long-term success. In order to promote a culture of inclusion, we have conducted educational workshops to foster better understanding of different points of view and how pre-conceived notions impact relationships at work. We also support diverse segments of our workforce through employee resource groups, such as the Black Resource Group, LGBTQ+ Pride Resource Group, Women in Energy Group, and Women's Resource Group. These groups welcome participation from all employees in order to learn from a cultural perspective and support each other through allyship.

We also believe diversity in our Board of Directors is critical for effective governance. Candidates for nomination to the Board are considered by the Corporate Governance Committee based on their personal abilities, qualifications, independence, knowledge, judgment, character, leadership skills, education, background, and their expertise and experience in fields and disciplines relevant to the Company.

*Total Rewards* - We invest in our workforce by offering a total rewards package that is targeted to be competitive with the market in which we compete for talent, while allowing individual pay to vary equitably based on performance, skills and experience. Our total rewards package includes a combination of salaries, short and long-term incentives, health and wellness benefits, retirement benefits, and other benefits which we regularly assess against the current business environment and labor market to ensure they are competitive.

*Communication and Engagement* –We believe that our employees are critical to our business, and it is essential to have an environment of high engagement and inclusivity in which employees thrive. We use a variety of communication channels to help employees stay informed and to facilitate direct dialogue, including open forums with our executives, town halls, regular engagement surveys, employee resource groups, and regular performance feedback sessions between employees and their supervisors. We value feedback from our employees, as it helps us gain a deeper understanding of areas where we are doing well and where we need improvement. Periodically, employees are requested to participate in a culture assessment by completing an anonymous survey. We have worked with various functional areas to create and implement action plans to address areas of employee concern. Executive management also regularly conducts town hall-style meetings with employees, where they have the opportunity to ask questions, voice opinions, and share feedback.

*Citizenship* – As a mission-based organization, we are driven to improve the quality of life and livelihood of our customers and the communities we serve. Through our charitable giving program, employees are encouraged to

engage in philanthropy through the United Way campaign and matching gift program. Essential matches 100%, up to a maximum of \$500 per calendar year per employee, for personal contributions made by an employee or their spouse or domestic partner to qualifying nonprofit organizations. At various times throughout the year, the Company supports its employees in volunteering their time and talents to give back to their communities.

### ***Management and Board Oversight***

Our Board of Directors has various committees including an audit committee, an executive compensation committee, a corporate governance committee, and a risk mitigation and investment policy committee. Each of these committees has a formal charter. We also have Corporate Governance Guidelines and a Code of Ethical Business Conduct. Copies of these charters, guidelines, and codes can be obtained free of charge from our *Investor Relations* page on our web site, [www.essential.co](http://www.essential.co). In the event we amend or waive any portion of the Code of Ethical Business Conduct that applies to any of our directors, executive officers, or senior financial officers, we will post that information on our web site.

### ***Available Information***

We file annual, quarterly, current reports, proxy statements, and other information with the Securities and Exchange Commission (SEC). You may obtain our SEC filings from the SEC's web site at [www.sec.gov](http://www.sec.gov).

Our internet web site address is [www.essential.co](http://www.essential.co). We make available free of charge through our web site's *Investor Relations* page all of our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information. These reports and information are available as soon as reasonably practicable after such material is electronically filed with the SEC.

In addition, you may request a copy of the foregoing filings, at no cost by writing or telephoning us at the following address or telephone number:

Investor Relations Department  
Essential Utilities, Inc.  
762 W. Lancaster Avenue  
Bryn Mawr, PA 19010-3489  
Telephone: 610-527-8000

The references to our web site and the SEC's web site are intended to be inactive textual references only, and the contents of those web sites are not incorporated by reference herein and should not be considered part of this or any other report that we file with or furnish to the SEC.

Item 1A. *Risk Factors*

*In addition to the other information included in this Annual Report, the following factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially harm our business, financial condition, and results of operations. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our business, financial condition, and results of operations could be materially harmed.*

***Risk Factor Summary***

Our business is subject to many risks and uncertainties. The following are the types of forward-looking statements we make throughout this Annual Report, including in these Risk Factors, and a summary of the types of risks that could impact us and cause actual results to differ from those described in such forward-looking statements:

expected timing and likelihood of completion of our proposed Merger with American Water;  
opportunities for future acquisitions, both within and outside the water and wastewater industries, the success of pending acquisitions and the impact of future acquisitions;  
Merger or acquisition-related costs and synergies;  
the impact of decisions of governmental and regulatory bodies, including decisions to raise or lower rates and decisions regarding potential acquisitions and our proposed Merger with American Water;  
the sale of water, wastewater, and gas subsidiaries;  
the impact of conservation awareness of customers and more efficient fixtures and appliances on water and natural gas usage per customer;  
the impact of our business on the environment, and our ability to meet our environmental, social, and governance goals;  
our authority to carry on our business and successfully achieve our operational growth projections without unduly burdensome restrictions;  
our capability to pursue timely rate increase requests;  
the capacity of our water supplies, water facilities, wastewater facilities, and natural gas supplies and storage facilities;  
the impact of public health threats, or the measures implemented by the Company as a result of these threats;  
the impact of cybersecurity attacks or other cyber-related events;  
developments, trends and consolidation in the water, wastewater, and natural gas utility and infrastructure industries;  
the impact of changes in and compliance with governmental laws, regulations and policies, including those dealing with the environment, health and water quality, taxation, and public utility regulation;  
the development of new services and technologies by us or our competitors;  
the availability of qualified personnel;  
the condition of our assets, including the risk of explosion from our natural gas operations and the failure of our natural gas storage facilities;  
recovery of capital expenditures and expenses in rates;  
projected capital expenditures and related funding requirements;  
the availability and cost of capital financing, including impacts of increasing financing costs and interest rates;  
dividend payment projections;  
the impact of geographic diversity on our exposure to unusual weather;  
the continuation of investments in strategic ventures;  
our ability to obtain fair market value for condemned assets;  
the impact of fines and penalties;  
the impact of legal proceedings;  
general economic conditions, including inflation;

the impairment of goodwill or decline in the value of its other assets resulting in a non-cash charge to earnings; the impact of federal and/or state tax policies and the regulatory treatment of the effects of those policies; and the amount of income tax deductions for qualifying utility asset improvements and the Internal Revenue Service's ultimate acceptance of the deduction methodology.

Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including but not limited to:

our ability to operate our business successfully while closing of the Merger is pending, including operating within the restrictions imposed on our business by the Merger Agreement and retaining key business partners and management personnel;

the success in the closing of, and the profitability of the Merger and any future acquisitions;

changes in general economic, political, business, credit, and financial market conditions and interest rates;

our ability to control operating expenses, achieve operating efficiencies, support programs that promote affordability of our services, and manage the expansion of our business;

changes in environmental conditions, including the effects of climate change;

our ability to integrate and otherwise realize all of the anticipated benefits of businesses, technologies or services which we may acquire;

the decisions of governmental and regulatory bodies, including decisions on regulatory filings, such as rate increase requests and decisions regarding potential acquisitions;

our ability to file rate cases on a timely basis to minimize regulatory lag;

the impact of inflation on our business and on our customers and potential opposition to rate increases;

abnormal weather conditions and natural disasters, including those that result in water use restrictions or reduced or elevated natural gas consumption;

the seasonality of our business;

our ability to source, treat, and supply water, including in times of drought, or collect and treat wastewater;

our ability to source sufficient natural gas to meet customer demand in a timely manner;

the continuous and reliable operation of our information technology systems, including the impact of cybersecurity attacks or other cyber-related events, and risks associated with new systems implementation or integration;

impacts from public health threats, including on consumption, usage, supply chain, and collections;

changes in governmental laws, regulations and policies, including those dealing with taxation, the environment, health and water quality, data and consumer privacy, and public utility regulation;

the extent to which we are able to develop and market new and improved services;

the effect of the loss of major customers;

our ability to retain the services of key personnel and to hire qualified personnel as we expand;

labor disputes;

increasing difficulties in obtaining insurance and increased cost of insurance;

cost overruns relating to improvements to, or the expansion of, our operations;

inflation and potential impact of new or sustained changes to tariffs on the availability and costs of goods and services;

the effect of natural gas price volatility, including the potential impact of high commodity prices on usage or rate case outcomes;

civil disturbance or terroristic threats or acts;

changes to the rules or our assumptions underlying our determination of what qualifies for an income tax deduction for qualifying utility asset improvements;

changes in, or unanticipated, capital requirements;  
changes in our credit rating or outlook of credit rating agencies with respect to our Company and subsidiaries, or the market price of our Common Stock;  
changes in valuation of strategic ventures;  
changes in accounting pronouncements;  
litigation and claims;  
restrictions on our subsidiaries' ability to make dividend payments and other distributions; and  
in addition to the foregoing, various risks and other uncertainties associated with the Merger Agreement.

### **Risks Related to the Proposed Merger**

***The market price of shares of our common stock or American Water Common Stock will fluctuate and the Exchange Ratio will not be adjusted to reflect such fluctuations, and as a result, the Merger Consideration at the date of the closing of the Merger may vary significantly from the date the Merger Agreement was executed.***

Upon completion of the Merger, each outstanding share of our common stock will be converted into the right to receive 0.305 shares of American Water Common Stock. The number of shares of American Water Common Stock to be issued pursuant to the Merger Agreement for each share of our common stock will not change to reflect changes in the market price of American Water Common Stock or Essential's Common Stock. The market price of our common stock and American Water Common Stock at the time of completion of the Merger may vary significantly from the price on the date the Merger Agreement was executed and February 10, 2026, the date of the special shareholder meetings. Because we may not complete the Merger until a significant period of time has passed after these dates, the market value of American Water Common Stock issued in connection with the Merger and our common stock surrendered in connection with the Merger may be higher or lower than the values of those shares on earlier dates. Stock price changes may result from market assessment of the likelihood that the Merger will be completed, changes in our or American Water's business, operations, or prospects prior to or following the Merger, litigation or regulatory considerations, reactions from the financial markets or analysts, general business, market, industry, or economic conditions and other factors both within and beyond our and American Water's control, including the risks, uncertainties and other factors described in this Risk Factors section of our Annual Report on Form 10-K, and in our other SEC filings, and those described in American Water's SEC filings. Neither we nor American Water may terminate the Merger Agreement solely because of changes in the market price of either company's common stock.

***The Merger is subject to various remaining closing conditions, including the receipt of consents and approvals from various governmental and regulatory entities and third parties, and a failure to obtain all such remaining consents or approvals or to satisfy such other closing conditions could prevent or delay the completion of the Merger or impose conditions that could have a material adverse effect on us or the combined company.***

We anticipate that, subject to the receipt of all required regulatory and other consents and approvals and the satisfaction or waiver of all other closing conditions, the Merger will be completed in the first quarter of 2027. Among other closing conditions that remain, completion of the Merger is conditioned upon the receipt of such required consents, orders, and approvals from various governmental and regulatory entities and other third parties, including public utility commissions in certain states in which either or both companies operate, including without limitation the Pennsylvania Public Utility Commission. The Merger is also subject to review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and the expiration or earlier termination of the waiting period (and any extension of the waiting period) applicable to the Merger is a condition to closing the Merger.

We and American Water cannot provide any assurance that all of the remaining required consents, orders, and approvals will be obtained or that these consents, orders, or approvals will not be conditioned on terms, conditions, or restrictions that would be detrimental to the combined company after the completion of the Merger, including requiring one or both companies to dispose of certain assets. The Merger Agreement allows, subject to certain conditions, limitations, and exclusions, each party to terminate the Merger Agreement (and generally without the

payment of a termination fee to the non-terminating party) if the final terms of any of the required regulatory consents, orders or approvals would result in or require an undertaking of efforts or the taking of action that would reasonably be expected to have, individually or in the aggregate, a “Burdensome Effect” (as defined in the Merger Agreement). Any substantial delay in obtaining satisfactory consents, orders, or approvals, or the imposition of any requirements, terms, or conditions in connection with a party’s obtaining such consents, orders, or approvals, could be on terms that we or American Water do not believe to be reasonable or could cause a material reduction in the expected benefits of the Merger and/or an impairment or deterioration in our or American Water’s relationships with their respective applicable public utility commissions. If any such delays or conditions are significant enough, one or both parties may decide to abandon the Merger and terminate the Merger Agreement, subject to its terms. If the Merger is not completed, our ongoing businesses may be adversely affected, including, as follows:

- having to pay certain significant costs relating to the Merger without receiving the benefits of the Merger, including, in certain circumstances, a payment by us to American Water of a termination fee of \$370 million;
- diversion of management’s attention from day-to-day operations;
- not pursuing other strategic transactions that we may have otherwise considered had we not entered into the Merger Agreement with American Water;
- we will have been subject to certain restrictions on the conduct of our ongoing businesses, which may prevent us from making certain acquisitions or dispositions or pursuing certain business opportunities while the Merger is pending; and
- the price of our common stock may decline to reflect assumptions by the market as to whether the Merger will be completed.

***The Merger may cause suppliers, strategic partners, certain customers, or others to delay or defer decisions regarding our business, and may adversely affect our ability to effectively manage our business.***

The Merger will happen only if the remaining stated conditions are satisfied, including the receipt of regulatory approvals, among other conditions. Many of the remaining conditions are outside the parties’ control, and both parties also have certain rights to terminate the Merger Agreement. Accordingly, there may be uncertainty regarding the completion of the Merger. This uncertainty, or any disagreement with the decision to enter into the Merger Agreement, may cause our suppliers, vendors, strategic partners, certain customers, or others that deal with us to delay or defer entering into contracts or make other decisions concerning us, or to seek to change or cancel existing business relationships. Any delay or deferral of those decisions or changes in existing agreements or relationships could have a material adverse effect on us and our financial condition and results of operations.

***The Merger Agreement contains provisions that limit our and American Water’s ability to pursue certain alternatives to the Merger, which could discourage a potential acquirer of either American Water or us from making an alternative transaction proposal and, in certain circumstances, could require us or American Water to pay to the other party a significant termination fee.***

Under the Merger Agreement, we and American Water are each restricted, subject to limited exceptions, from entering into certain alternative transactions in lieu of the Merger. In general, unless and until the Merger Agreement is terminated, we and American Water are restricted from, among other things, soliciting, initiating, knowingly encouraging, or knowingly facilitating the making of a proposal that is or would reasonably be expected to lead to a competing acquisition proposal from any person. Each of our and American Water’s board of directors is limited in its ability to change its recommendation with respect to the Merger and related proposals. We and/or American Water may terminate the Merger Agreement and enter into an agreement with respect to a superior proposal only if specified conditions have been satisfied, including compliance with the non-solicitation provisions of the Merger Agreement. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of us or American Water from considering or proposing such an acquisition, even if such third party were prepared to pay consideration with a higher per share cash or market value than the consideration proposed to be received or realized in the Merger, or the competing transaction might result in a potential acquirer proposing to pay a lower price than it would otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances. Under the Merger Agreement, in the event the

Merger Agreement is terminated to accept a superior proposal, or under certain other circumstances, American Water would be required to pay a termination fee of \$835 million to us in the case of a termination of the Merger Agreement by it, and we would be required to pay a termination fee of \$370 million to American Water in the case of a termination of the Merger Agreement by us.

***We may be the target of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the Merger from being completed.***

Securities class action lawsuits, lawsuits seeking to enjoin the Merger, and derivative lawsuits are often brought against companies that have entered into a merger agreement. Even if these lawsuits are without merit, defending against these claims can result in substantial costs to the parties to the merger agreement and divert management time and resources. Additionally, if any such litigation occurs, and if a plaintiff is successful in obtaining an injunction prohibiting the completion of the Merger, that injunction may delay or prevent the Merger from being completed.

***If completed, the Merger may not achieve its anticipated results, and American Water may not be able to integrate our operations and/or operate the combined company in the manner expected.***

We and American Water entered into the Merger Agreement with the expectation that the Merger will result in various benefits, including, among other things, increased efficiencies of scale and size, increased geographic diversity, greater long-term growth opportunities for employees of the combined company, and other operating efficiencies. Achieving the anticipated benefits of the Merger is subject to a number of uncertainties, including whether our and American Water's businesses can be integrated in an efficient, effective, and timely manner.

American Water could have difficulty integrating our assets, personnel, and operations with its own. We anticipate that the integration of the two companies may ultimately be complex, and expect that significant time and resources will be devoted to this integration process. Risks and uncertainties that could impact the integration and combined company negatively include:

- unforeseen or significant difficulties in integrating the two companies and their assets, operations, cultures, and employees;
- the potential disruption of the ongoing businesses and distraction of our and American Water's management;
- changes in our or American Water's business focus and/or management;
- risks related to American Water owning, operating, maintaining, and successfully managing our natural gas distribution business, including any increased risks and liabilities associated with the operation of that business;
- difficulties in establishing and/or maintaining uniform standards, systems, controls, procedures, and policies, including accounting and financial reporting, across both of the integrated companies, or merging or linking disparate ones;
- the potential impairment of relationships with employees and partners as a result of any integration of new management personnel;
- the potential inability to manage an increased number of locations and employees; and
- the effect of any government regulations which relate to our business, including with respect to jurisdictions in which American Water's regulated businesses currently do not operate.

It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, the disruption of each company's ongoing businesses, processes and systems, or inconsistencies in standards, controls, procedures, practices, policies, and compensation arrangements, any of which could adversely affect the combined company's ability to achieve the anticipated benefits of the Merger as and when expected. The combined company may have difficulty addressing possible differences in corporate cultures and management philosophies, and the various management and corporate governance constructs provided for in the Merger Agreement to govern the combined company, including with respect to the board of directors of the combined company, may not operate successfully as intended or desired. Failure to achieve these anticipated benefits could

result in increased costs or decreases in the amount of expected revenues and otherwise adversely affect the combined company's future business, financial condition, operating results, and prospects.

***The companies may incur substantial and/or unexpected transaction fees and Merger-related costs in connection with the Merger.***

We and American Water expect to incur substantial non-recurring expenses associated with completing the Merger, as well as expenses related to combining the operations of the two companies. The combined company may incur additional unanticipated costs in the integration of the companies' businesses. Although we expect that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses, will offset some or all of the incremental transaction and Merger-related costs over time, the combined company may not achieve this net benefit in the near term, or at all.

***The shares of American Water Common Stock to be received by our shareholders upon completion of the Merger will have different rights from shares of our common stock.***

Upon completion of the Merger, Essential's shareholders will no longer be shareholders of Essential but will instead become shareholders of American Water, and their rights as American Water shareholders will be governed by the terms of the American Water certificate of incorporation and bylaws. The terms of the American Water certificate of incorporation and bylaws are in some respects materially different than the terms of the Essential articles of incorporation and bylaws, which currently govern the rights of Essential shareholders. Additionally, American Water is a Delaware corporation governed by the Delaware General Corporation Law, and Essential is a Pennsylvania corporation governed by the Pennsylvania Business Corporation Law, the Pennsylvania Entity Transactions Law, and other applicable parts of the Pennsylvania Associations Code, and these state statutes provide for different rights in certain circumstances.

***Current shareholders of each company will have reduced ownership and voting interests in their respective companies after the Merger.***

Our and American Water's shareholders currently have the right to vote for their respective directors and on other matters affecting their company. If the Merger occurs, each shareholder of Essential who receives shares of American Water Common Stock will become a shareholder of American Water with a percentage ownership of the combined company that will be smaller than the shareholder's percentage ownership of Essential. Correspondingly, upon the completion of the Merger, each holder of American Water Common Stock will remain a shareholder of American Water but with a percentage ownership of the combined company that will be smaller than the shareholder's percentage of ownership immediately prior to the Merger. As a result of these reduced ownership percentages, our former shareholders will have less voting power in the combined company than they now have with respect to Essential, and American Water's shareholders will have less voting power in the combined company than they now have with respect to American Water.

***If the Merger does not qualify as a "reorganization" under Section 368(a) of the Internal Revenue Code of 1986 (the "Code"), the U.S. holders of Essential Common Stock may be required to pay additional U.S. federal income taxes.***

American Water and Essential intend for the Merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code for U.S. federal income tax purposes. Nevertheless, it is not a condition to American Water's obligation or Essential's obligation to complete the transactions that the Merger qualify as a "reorganization."

American Water and Essential have not sought and will not seek any ruling from the IRS regarding any matters relating to the Merger and the other transactions contemplated by the Merger Agreement, and, as a result, there can be no assurance that the IRS would not assert, or that a court would not sustain, a position contrary to any of the conclusions herein. If the IRS or a court determines that the Merger does not qualify as a "reorganization" within the meaning of Section 368(a) of the Code, a U.S. holder of Essential's Common Stock generally would recognize

taxable gain or loss upon the exchange of Essential's Common Stock for American Water Common Stock pursuant to the Merger.

U.S. holders of Essential's Common Stock should consult their tax advisors as to the U.S. federal income tax consequences of the Merger, including the income tax consequences arising from such U.S. holders' particular circumstances, and as to any estate, gift, state, local, or non-U.S. tax consequences arising out of the Merger.

***The Merger may not be accretive to the combined company's earnings and may adversely affect the combined company's earnings per share, which may negatively affect the market price of the combined company's common stock.***

American Water and Essential currently anticipate that the Merger will be accretive to the combined company's earnings per share in 2028, the first full year following the completion of the Merger. This expectation is based on preliminary estimates that are subject to change. The combined company could also encounter additional transaction and integration-related costs, may fail to realize all of the benefits anticipated in the Merger, or be subject to other factors that affect American Water's and Essential's preliminary estimates. Any of these factors could cause a decrease in the combined company's earnings per share or decrease or delay the expected accretive effect of the Merger and contribute to a decrease in the market price of the combined company's common stock.

***Uncertainties associated with the Merger may cause a loss of management personnel and other key employees, and American Water and Essential may have difficulty attracting and motivating management personnel and other key employees, which could adversely affect the future business and operations of the combined company.***

American Water and Essential are dependent on the experience and industry knowledge of their respective management personnel and other key employees to execute their business plans. The combined company's success after the completion of the Merger will depend in part upon the ability of American Water and Essential to attract, motivate, and retain key management personnel and other key employees. Prior to completion of the Merger, current and prospective employees of American Water and Essential may experience uncertainty about their roles within the combined company following the completion of the Merger, which may have an adverse effect on the ability of each of American Water and Essential to attract, motivate, or retain management personnel and other key employees. In addition, no assurance can be given that the combined company will be able to attract, motivate, or retain management personnel and other key employees of American Water and Essential to the same extent that American Water and Essential have previously been able to attract or retain their own employees.

***The future results and market value of the combined company may be adversely impacted if the combined company does not effectively manage its expanded operations following the completion of the Merger or the combined company fails to successfully execute its business strategy and objectives.***

Following the completion of the Merger, the size of the combined company's business will be significantly larger than the current size of either American Water's or Essential's respective businesses. The combined company's ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement operational, managerial, financial, and strategic initiatives that address not only the integration of two independent standalone companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity.

In addition, the success of the Merger will depend, in part, on the ability of each of American Water and Essential to successfully execute its business strategy. If the combined company is not able to achieve its business strategy on a timely basis, or otherwise fails to perform in accordance with the expectations of the parties, the anticipated benefits of the Merger may not be realized fully or at all, and the Merger may materially adversely affect the results of operations, financial condition, and prospects of the combined company, and, consequently, the market value of the combined company's common stock.

***The Merger will combine companies that are affected by developments in the water and wastewater utility industries and, additionally, with respect to Essential, the natural gas industry, including changes in regulation. Any failure to adapt to changing regulatory environments after the Merger could adversely affect the stability of the combined company's earnings.***

Because American Water, Essential, and their respective subsidiaries are significantly regulated in the United States, the two companies have been and will continue to be affected by legislative, political, and regulatory developments. After the Merger, the combined company and/or its subsidiaries will be subject to extensive regulation in the states in which the combined company will operate. The costs and burdens associated with complying with these regulations may have an adverse effect on the combined company. Moreover, potential legislative, political, or regulatory changes, or other similar changes, may create greater risks to the stability of the combined company's revenue, income, and earnings generally.

**Risks Related to the Operation and Regulation of our Business**

***General economic conditions may affect our financial condition and results of operations.***

A general economic downturn may lead to a number of impacts on our business and may affect our financial condition and results of operations. Such impacts may include:

- a reduction in discretionary and recreational water use by our residential water customers, particularly during the summer months when such discretionary usage is normally at its highest;
- a reduction in natural gas use by our residential customers, particularly during the winter months when such usage is normally at its highest;
- a decline in usage by industrial and commercial customers as a result of decreased business activity or a shift to alternative energy sources;
- an increased incidence of customers' inability to pay or delays in paying their utility bills, or an increase in customer bankruptcies, which may lead to higher bad debt expense, increased financing costs, and reduced cash flow;
- opposition by customers and statutory advocates to rate increases;
- a lower natural customer growth rate due to a decline in new housing starts; and
- a decline in the number of active customers due to housing vacancies.

General economic turmoil may also lead to an investment market downturn, which may result in our pension and other post-retirement plans' asset market values suffering a decline and significant volatility. A decline in our plans' asset market values could increase our required cash contributions to the plans and increased expense in subsequent years. Inflation levels in excess of historical levels could also lead to regulatory lag and thus impact our earned returns and financial results.

Moreover, in recent years, inflation and higher interest rates have become areas of increasing economic concern. Changes in the cost of providing our products and services, including price increases in operating and capital costs, as well as increases in labor costs or borrowing costs, have negatively impacted our financial condition and results of operations. We review the adequacy of our rates as approved by public utility commissions in relation to the increasing cost of providing services and the inherent regulatory lag in adjusting those rates. Rate increases are not retroactive and often lag increases in costs caused by inflation. On occasion, our regulated utility companies may enter into rate settlement agreements, which require us to wait for a period of time to file the next base rate increase request. These agreements may result in regulatory lag whereby inflationary increases in expenses or higher borrowing costs may not be reflected in rates, and may not yet be requested, or a gap may exist between when a capital project is completed and the start of its recovery in rates. Even during periods of moderate inflation, the effects of inflation can have a negative impact on our operating results. The ability to control operating expenses is an important factor that will influence future results.

***Inflation, and the potential impact of new or sustained changes to tariffs, could adversely impact our ability to control costs, including operating expenses and capital costs.***

The operation of our business and the execution of our capital projects require significant expenditures for labor, production costs, property and equipment, and services. Recent inflationary pressures have increased our expenses and capital costs, and those costs may continue to increase. To the extent inflation remains elevated and higher tariffs are imposed, we may experience further cost increases for our operations. We cannot predict any future trends in the rate of inflation and interest rates, and a significant increase in inflation, to the extent we are unable to recover higher costs through rate cases, could negatively impact our business, financial condition, and results of operation.

***The rates we charge our customers are subject to regulation. If we are unable to obtain government approval of our requests for rate increases, or if approved rate increases are untimely or inadequate to recover and earn a return on our capital investments, to recover expenses or taxes, or to take into account changes in water, wastewater, or natural gas usage, our profitability may suffer.***

The rates we charge our customers are subject to approval by utility commissions in the states in which we operate. We file rate increase requests, from time to time, to recover our investments in utility plant and expenses. Our ability to maintain and meet our financial objectives is dependent upon the recovery of, and return on, our capital investments and expenses through the rates we charge our customers. Once a rate increase petition is filed with a utility commission, the ensuing administrative and hearing process may be lengthy and costly, and our costs may not always be fully recoverable. The timing of our rate increase requests are therefore partially dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we expect to recover through the rate increase. In addition, the amount or frequency of rate increases may be decreased or lengthened as a result of many factors including changes in regulatory oversight in the states in which we operate utilities and income tax laws, including regulations regarding tax-basis depreciation as it applies to our capital expenditures or qualifying utility asset improvements. There is currently mounting focus on affordability at the state and federal level, with utility rates rising faster than inflation, and customer dissatisfaction reaching historic highs. Utility regulators are facing political pressure to manage affordability, which could lead commissions to grant lower rate increases, thus impacting our financial performance. We can provide no assurances that any future rate increase request will be approved by the appropriate utility commission; and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner.

In Virginia, North Carolina and Kentucky, we may bill our water utility customers, in certain circumstances, in accordance with a rate filing that is pending before the respective regulatory commission, which would allow for interim rates. Furthermore, some utility commissions authorize the use of expense deferrals and amortization in order to provide for an impact on our operating income by an amount that approximates the requested amount in a rate request. The additional revenue billed and collected prior to the final ruling is subject to refund to customers based on the outcome of the ruling. The revenue recognized and the expenses deferred by us reflect an estimate as to the final outcome of the ruling. If the request is denied completely or in part, we could be required to refund to customers some or all of the revenue billed to date, and write-off some or all of the deferred expenses.

***Changes in our earnings per share may differ from changes in our rate base.***

Our business is capital intensive and requires significant capital investments for additions to or replacement of property, plant and equipment. These capital investments create assets that are used and useful in providing regulated utility service, and as a result, increase our rate base, on which we generate earnings through the regulatory process. Changes in our reported earnings per share, however, may differ from changes in our rate base in a given period due to several factors, including rate case timing and the terms of such rate cases; over-or under-earnings in a given period due to changes in operating costs; the effects of tax rates or tax treatment of capital investments, including the effect of repair tax; capital expenditures that are not eligible for a DSIC between rate cases; acquisitions which have not yet been included in rate base; unrecovered short-term interest costs; and issuances of equity. We anticipate that we may experience periods in which growth in earnings is less than growth in rate base; such differences may be material and may persist over multiple reporting periods.

***Our ability to meet customers' natural gas requirements may be impaired if contracted natural gas supplies and interstate pipelines services are not available, are not delivered in a timely manner or if federal regulations decrease its available capacity, which may result in a loss of customers and an adverse effect on our financial conditions and results of operations.***

We are responsible for acquiring sufficient natural gas supplies, interstate pipeline capacity and storage capacity to meet current and future customers' peak, annual and seasonal natural gas requirements. We rely on third-party service providers, as we purchase a portion of our natural gas supply from interstate sources and rely on interstate pipelines to transport natural gas to our distribution system, in addition to local production that is delivered directly into our pipeline system. The Federal Energy Regulatory Commission (FERC) regulates the transportation of the natural gas received from interstate sources, and any change in regulatory policies could increase our transportation costs or decrease our available pipeline capacity. A decrease in interstate pipeline capacity available, an increase in competition for interstate pipeline transportation service or other interruptions to pipeline gas supplies could reduce our normal interstate supply of natural gas. Additionally, federal or state legislation could restrict or limit natural gas drilling, which could decrease the supply of available natural gas. If we are unable to maintain access to a reliable and adequate natural gas supply or sufficient pipeline capacity to deliver that supply, we may be unable to meet our customers' requirements, resulting in a loss of customers and an adverse effect on our financial conditions and results of operations.

Peoples has traditionally used local production as a source of supply to fulfill a portion of its supply requirements. In order to absorb local gas into its system, Peoples has in place a network of pipelines and related facilities that move the gas either to customers located where gas is produced or to the more populated areas of the service territory where the greatest level of consumption occurs, and, in summer months, to Peoples' on-system and off-system storage facilities. This network of facilities includes gathering lines, compressor stations, and transmission lines. Peoples has entered into gas purchase agreements with various producers to supply this local production. A decrease in this supply could occur, for example, if the local gas producers no longer drill wells to offset natural well production decline or if such producers decide to cease production or produce into another pipeline. State and federal legislation or regulations could also limit drilling activities and in turn limit gas supply. If supply is limited, we would be faced with purchasing gas supplies likely at a higher cost, may be unable to find alternative gas supply, and accordingly, may be unable to meet customer requirements, resulting in a loss of customers and an adverse effect on our financial condition and results of operations.

***Any failure of our water and wastewater treatment plants, network of water and wastewater pipes, or water reservoirs could result in damages that may harm our business, financial condition, and results of operations.***

Our operating subsidiaries treat water and wastewater, distribute water, and collect wastewater through an extensive network of pipes, and store water in reservoirs. A failure of a major treatment plant, pipe, or reservoir could result in claims for injuries or property damage. The failure of a major treatment plant, pipe, or reservoir may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quality and quantities to our customers or collect and treat wastewater in accordance with standards prescribed by governmental regulators, including state utility commissions, and may harm our business, financial condition, and results of operations. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance in the future at acceptable rates.

***Our facilities could be the target of a possible terrorist or other deliberate attack which could harm our business, financial condition and results of operations.***

In addition to the potential contamination of our water supply or deliberate gas explosions as described in separate risk factors herein, we maintain security measures at our facilities and have heightened employee and public safety official awareness of potential threats to our utility systems. We have and will continue to bear increases in costs for security precautions to protect our facilities, operations, and supplies, most of which have been recoverable under state regulatory policies. While the costs of increases in security, including capital expenditures, may be significant, we expect these costs to continue to be recoverable in utility rates. Despite our security measures, we may not be in a position to control the outcome of terrorist events, or other attacks on our utility systems, should they occur. Such an event could harm our business, financial condition, and results of operations.

***We are increasingly dependent on the continuous and reliable operation of our information technology systems, including those of our third-party vendors, and a disruption of these systems, resulting from cybersecurity attacks, risks associated with new systems implementation or integration, or other events, could harm our business.***

We rely on our information technology systems, including those of our third-party vendors, in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our treatment, storage and pumping facilities, and our natural gas pipelines. In addition, we rely on our systems to track our utility assets and to manage maintenance and construction projects, materials and supplies, and our human resource functions. A loss of these systems, or major problems with the operation of these systems, could harm our business, financial condition, and results of operations.

We continue to make substantial investments in our information technology systems to drive customer satisfaction and productivity. These investments may involve replacing existing systems, some of which are older, legacy systems, the potential adoption of generative artificial intelligence (“AI”) in certain processes, migration of applications to the cloud, and maintaining or enhancing legacy systems, among others. We could be adversely affected by system or network disruptions if new or upgraded information technology systems are defective, not installed properly, or not properly integrated into operations.

In addition, our information technology systems may be vulnerable to damage or interruption from the following types of cybersecurity attacks or other events:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data;
- computer viruses, cybersecurity attacks, intentional security breaches, hacking, denial of service actions, misappropriation of data and similar events;
- difficulties in the implementation of upgrades or modification to our information technology systems; and
- hurricanes, fires, floods, earthquakes and other natural disasters.

Although we do not believe that our systems are at a materially greater risk of cybersecurity attacks than other similar organizations, our information technology systems may be vulnerable to damage or interruption from the types of cybersecurity attacks or other events listed above or other similar actions, and such incidents may go undetected for a period of time. Such cybersecurity attacks or other events may result in:

- the loss or compromise of customer, financial, employee, or operational data;
- disruption of billing, collections, payments, or normal field service activities;
- disruption of electronic monitoring and control of operational systems;
- delays in financial reporting and other normal management functions; and
- disruption in normal system operations.

Possible impacts associated with a cybersecurity attack or other events may include: remediation costs related to lost, stolen, or compromised data; repairs to data processing or physical systems; increased cybersecurity protection costs; adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water; litigation; loss of revenue; and reputational damage. We maintain insurance to help defray costs associated with cybersecurity attacks or other events, but we cannot provide assurance that such insurance will provide coverage for any particular type of incident or event or that such insurance will be adequate, and losses incurred may make it difficult for us to secure insurance in the future at acceptable rates.

We have a cybersecurity controls framework in place. We monitor our control effectiveness in an increasing threat landscape and continuously take action to improve our security posture. We cannot assure you that, despite such measures, a form of system failure or data security breach will not have a material adverse effect on our financial condition and results of operations.

***Our business is impacted by weather conditions and is subject to seasonal fluctuations, which could harm demand for water and natural gas services and our business, financial condition, and results of operations.***

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with irrigation systems, swimming pools, cooling systems, and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature, rainfall levels, and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, if there is more rainfall than normal, or rainfall is more frequent than normal, the demand for our water may decrease and harm our business, financial condition, and results of operations. In Illinois, our operating subsidiary has adopted a revenue stability mechanism which allows us to recognize state public utility commission (PUC) authorized revenue for a period which is not based upon the volume of water sold during that period, and effectively reduces the impact of weather and consumption variability.

Peoples' revenues are seasonal and temperature sensitive and vary from year-to-year, depending on weather conditions, with a substantial portion of Peoples' revenue occurring in the first and fourth quarters of the year due to colder temperatures and increased heating needs. In 2025, this amounted to 74%, for the first and fourth quarters. This has the effect of reducing our quarterly revenues in the spring and summer months. In addition, warmer-than-normal-weather conditions can decrease the amount of natural gas Peoples sells in any year, which could adversely affect our business, financial condition, and results of operations. Finally, significantly colder-than-normal weather conditions can materially increase natural gas usage, resulting in challenges for our operations and our ability to serve our customers. Effective October 2024, the weather impact on cash flow is mitigated by a weather normalization adjustment ("WNA") in Peoples' Pennsylvania rate jurisdiction. This mechanism is designed to help stabilize collection of fixed costs by adjusting customer billings based on temperature variances from average weather.

***Decreased residential customer water and natural gas usage as a result of conservation efforts, and the impact of more efficient appliances and furnaces, may harm demand for our utility services and may reduce our revenues and earnings.***

There has been a general decline in water usage per residential customer as a result of an increase in conservation awareness, and the impact of an increased use of more efficient plumbing fixtures and appliances. These gradual, long-term changes are normally taken into account by the utility commissions in setting rates, whereas short-term changes in water usage, if significant, may not be fully reflected in the rates we charge. We are dependent upon the revenue generated from rates charged to our residential customers for the volume of water used. If we are unable to obtain future rate increases to offset decreased residential customer water consumption to cover our investments, expenses, and return for which we initially sought the rate increase, our business, financial condition, and results of operations may be harmed.

In addition, over time, average customer gas consumption has declined, as more energy efficient appliances and furnaces have been installed, and conservation programs have been implemented. If we are unable to compete

effectively or if customers further reduce their gas needs, we may lose existing customers, sell less gas to our customers and/or fail to acquire new customers, which could have a material adverse effect on our business, financial condition, and results of operations.

***Drought conditions and government-imposed water use restrictions may impact our ability to serve our current and future customers, and may impact our customers' use of our water, which may harm our business, financial condition, and results of operations.***

We depend on an adequate water supply to meet the present and future demands of our customers. Drought conditions could interfere with our sources of water supply and could harm our ability to supply water in sufficient quantities to our existing and future customers. An interruption in our water supply could harm our business, financial condition, and results of operations. Moreover, governmental restrictions on water usage during drought conditions may result in a decreased demand for our water, even if our water supplies are sufficient to serve our customers during these drought conditions, which may harm our business, financial condition, and results of operations.

***The failure of, or the requirement to repair, upgrade or dismantle any of our dams or reservoirs may harm our business, financial condition, and results of operations.***

Several of our water systems include impounding dams and reservoirs of various sizes. Although we believe our dam review program, which includes regular inspections and other engineering studies, will ensure our dams are structurally sound and well-maintained, the failure of a dam could result in significant downstream damage and could result in claims for property damage or for injuries or fatalities. We periodically inspect our dams and purchase liability insurance to cover such risks, but depending on the nature of the downstream damage and cause of the failure, the policy limits of insurance coverage may not be sufficient, and losses incurred may make it difficult for us to secure insurance in the future at acceptable rates. A dam failure could also result in damage to, or disruption of, our water treatment and pumping facilities that are often located downstream from our dams and reservoirs. Significant damage to these facilities, or a significant decline in the storage of the raw water impoundment, could affect our ability to provide water to our customers until the facilities and a sufficient raw water impoundment can be restored. The estimated costs to maintain our dams are included in our capital budget projections and, although such costs to date have been recoverable in rates, there can be no assurance that rate increases will be granted in a timely or sufficient manner to recover such costs in the future, if at all.

***Our operations are geographically concentrated in Pennsylvania, which make us susceptible to risks affecting Pennsylvania.***

Although we operate water, wastewater, and natural gas utility infrastructure in a number of states, our operations are concentrated in Pennsylvania. As a result, our financial results are largely subject to political, resource supply, labor, utility cost and regulatory risks, economic conditions, natural disasters, and other risks affecting Pennsylvania.

***Federal and state environmental laws and regulations impose substantial compliance requirements on our operations. Our operating costs could be significantly increased in order to comply with new or stricter regulatory standards imposed by federal and state environmental agencies.***

Our water, wastewater, and natural gas services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Safe Drinking Water Act, the Clean Water Act, Clean Air Act, Resource Conservation and Recovery Act and similar state laws, and federal and state regulations issued under these laws by the EPA and state environmental regulatory agencies. These laws and regulations establish, among other things, criteria and standards for drinking water and for discharges into the waters of the U.S. as well as dam safety, air emissions, and residuals management. Pursuant to these laws, we are required to obtain various environmental permits from environmental regulatory agencies for our operations. The Company routinely seeks to acquire wastewater systems, some of which may have combined wastewater and stormwater systems which may overflow and be subject to increased regulation by the U.S. EPA. We cannot assure you that

we will be at all times in total compliance with these laws, regulations and permits. If we fail to comply with these laws, regulations, or permits, we could be fined or otherwise sanctioned by regulators and such noncompliance could result in civil suits. Environmental laws and regulations are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While we have budgeted for future capital and operating expenditures to comply with these laws and our permits, it is possible that new or stricter standards could be imposed that will require additional capital expenditures or raise our operating costs. Although these expenditures and costs may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that regulate our business would approve rate increases to enable us to recover such expenditures and costs. In summary, we cannot assure you that our costs of complying with, current and future environmental and health and safety laws will not harm our business, financial condition, and results of operations.

Additionally, the discovery of presently unknown environmental conditions, including former manufactured gas plant sites, and claims under environmental laws and regulations may result in expenditures and liabilities, which could be material, and could materially harm our business, financial condition and results of operations.

***Our water or wastewater utility systems may be subject to condemnations or other methods of taking by governmental entities.***

In the states where our subsidiaries operate water or wastewater utility systems, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;
- the right of purchase given to or reserved by a municipality or political subdivision when the original franchise was granted; and
- the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price to be paid upon such an acquisition by the municipal government is usually determined in accordance with applicable law under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties, or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. We believe that our operating subsidiaries would be entitled to receive fair market value for any assets that are condemned. However, there is no assurance that the fair market value received for assets condemned would be in excess of book value.

In a very small number of instances, in one of our southern states where there are municipally-owned water or wastewater systems near our operating divisions, the municipally-owned system may either have water distribution or wastewater collection mains that are located adjacent to our division's mains or may construct new mains that parallel our mains. In these circumstances, on occasion, the municipally-owned system may attempt to offer service to customers who are connected to our mains, resulting in our mains becoming surplus or underutilized without compensation.

***The final determination of our income tax liability may be materially different from our income tax provision.***

Significant judgment is required in determining our provision for income taxes. Our calculation of the provision for income taxes is subject to our interpretation of applicable business tax laws in the jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service and other taxing authorities. Some of our subsidiaries use a tax method of accounting that permits the expensing of qualifying utility asset improvement costs that were previously being capitalized and depreciated for tax purposes. Our determination of what qualifies as a capital cost versus a tax deduction for utility asset improvements is subject to subsequent adjustment and may impact the income tax benefits that have been recognized.

Although we believe our income tax estimates, including any tax reserves for uncertain tax positions or valuation allowances on deferred tax assets are appropriate, there is no assurance that the final determination of our income

tax liability will not be materially different; either higher or lower, from what is reflected in our income tax provision. In the event we are assessed additional income taxes, our business, financial condition, and results of operations could be harmed.

***Wastewater operations entail significant risks and may impose significant costs.***

Wastewater collection and treatment involve various unique risks. If collection or treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. These risks are most acute during periods of substantial rainfall or flooding, which are the main causes of wastewater overflow and system failure. Liabilities resulting from such damages and injuries could harm our business, financial condition, and results of operations.

***Work stoppages and other labor relations matters could harm our operating results.***

Approximately 51% of our Regulated Water and Regulated Natural Gas segments' workforce is unionized under 23 labor contracts with labor unions, which expire at various times up until 2029. In light of rising costs for healthcare and retirement benefits, contract negotiations in the future may be difficult. We are subject to a risk of work stoppages and other labor actions as we negotiate with the unions to address these issues, which could harm our business, financial condition, and results of operations. We cannot assure you that issues with our labor forces will be resolved favorably to us in the future or that we will not experience work stoppages.

***Workforce-related risks, including risks due to uncertainties created by the proposed Merger, may affect our results of operations.***

We are subject to various workforce-related risks, including the risk that we will be unable to attract and retain qualified personnel for our water, wastewater, and natural gas operations, that we will be unable to effectively transfer the knowledge and expertise of an aging workforce to new personnel as those workers retire, and that we will be unable to reach collective bargaining arrangements with the unions that represent certain of our workers, which could result in work stoppages. Additionally, we rely on outside resources to supplement our workforce, including construction crews which are key to our infrastructure replacement program. We face the same risks associated with these outside resources as we do with our own workforce. As a result, we may be unable to hire or retain an adequate number of individuals who are knowledgeable about public utilities, water or the natural gas industry or face a lengthy time period associated with skill development and knowledge transfer. Failure to address these risks may result in increased operational and safety risks as well as increased costs. Even with reasonable plans in place to address succession planning and workforce training, we cannot control the future availability of qualified labor. If we are unable to successfully attract and retain an appropriately qualified workforce, it could adversely affect our financial condition and results of operations.

***Significant or prolonged disruptions in the supply of important goods or services from third parties could harm our business, financial condition, and results of operations.***

We are dependent on a continuing flow of important goods and services from suppliers for our businesses. A disruption or prolonged delays in obtaining important supplies or services, such as maintenance services, purchased water, chemicals, utility pipe, valves, hydrants, electricity, or other materials, could harm our utility services and our ability to operate in compliance with all regulatory requirements, which could harm our business, financial condition, and results of operations. In some circumstances, we rely on third parties to provide important services (such as customer bill print and mail activities, payment processing, or utility service operations in some of our divisions) and a disruption in these services could harm our business, financial condition, and results of operations. Some possible reasons for a delay or disruption in the supply of important goods and services include:

- our suppliers may not provide materials that meet our specifications in sufficient quantities;
- our suppliers may provide us with water that does not meet applicable quality standards or is contaminated;

our suppliers may provide us with natural gas not meeting quality standards or is of insufficient volume or pressure;  
our suppliers may face production or shipping delays due to public health threats, natural disasters, strikes, lock-outs, geopolitical or trade disputes, or other such actions;  
one or more suppliers could make strategic changes in the lines of products and services they offer; and  
some of our suppliers, such as small companies, may be more likely to experience financial and operational difficulties than larger, well-established companies, because of their limited financial and other resources;  
new or sustained changes to tariffs could result in supply chain disruptions.

As a result of any of these factors, we may be required to find alternative suppliers for the materials and services on which we rely. Accordingly, we may experience delays in obtaining appropriate materials and services on a timely basis and in sufficient quantities from such alternative suppliers at a reasonable price, which could interrupt services to our customers and harm our business, financial condition, and results of operations.

***We depend significantly on the services of the members of our management team, and the departure of any of those persons could cause our operating results to suffer.***

Our success depends significantly on the continued individual and collective contributions of our management team. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel could harm our business, financial condition, and results of operations.

***We may incur significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs.***

Certain of Peoples' pipeline operations are subject to pipeline safety laws and regulations. The Department of Transportation's Pipeline and Hazardous Materials Safety Administration has adopted regulations requiring pipeline operators to develop integrity management programs, including more frequent inspections and other measures, for transmission pipelines located in "high consequence areas," which are those areas where a leak or rupture could do the most harm. The regulations require pipeline operators, including Peoples, to, among other things:

- perform ongoing assessments of pipeline integrity;
- develop a baseline plan to prioritize the assessment of a covered pipeline segment;
- identify and characterize applicable threats that could impact a high consequence area;
- improve data collection, integration, and analysis;
- develop processes for performance management, record keeping, management of change and communication;
- repair and remediate pipelines as necessary; and
- implement preventative and mitigating action.

We are required to maintain pipeline integrity testing programs that are intended to assess pipeline integrity. Peoples is also required to establish and maintain a Distribution Integrity Management Program for all distribution assets. This program requires protocols for identifying risks and threats to the distribution systems. The program incorporates a relative risk model to measure risk reduction to these threats. Any repair, remediation, preventative or mitigating actions may require significant capital and operating expenditures. Should we fail to comply with applicable statutes and related rules, regulations and orders, we could be subject to significant penalties and fines.

***Our liquidity and, in certain circumstances, results of operations may be adversely affected by the cost of purchasing natural gas during periods in which natural gas prices are rising significantly.***

The Peoples' regulated companies purchase their natural gas supply primarily through a combination of requirements contracts, some of which contain minimum purchase obligations, monthly spot purchase contracts,

and forward purchase contracts. The price paid for natural gas acquired under forward purchase contracts is fixed prior to the delivery of the natural gas. Additionally, a portion of natural gas purchases is injected into natural gas storage facilities in the non-heating months and withdrawn from storage for delivery to customers during the heating months.

Our short-term borrowing requirements and liquidity are also significantly affected by the seasonal nature of the natural gas business. Extreme weather events, geopolitical forces, or regulatory policy changes, and the amount of natural gas needed to supply customers' needs due to, for example, colder than expected seasonal temperatures, could significantly affect the price and amount of natural gas we are required to purchase and the timing of such purchases, and, in turn, affect our borrowing requirements and liquidity position. If we fail to secure sufficient natural gas supplies at appropriate prices (due to, for example, more extreme winter conditions), we may be required to purchase additional natural gas supplies or purchase natural gas at elevated prices, which could adversely affect our borrowing levels, liquidity, and financial condition.

Peoples' tariff rate schedules contain Purchased Gas Adjustment (PGA) clauses that permit filings for rate adjustments to recover the cost of purchased gas. Subject to regulatory approval, as described below, changes in the cost of purchased gas are flowed through to customers and may affect uncollectible amounts and cash flows and can therefore impact our financial condition and results of operations.

The state regulatory commissions approve the PGA changes on an interim basis, subject to refund and the outcome of a subsequent audit and prudence review. Due to such review process, there is a risk of a disallowance of full recovery of these costs. We are also subject to regulations and standards regarding the amount of lost and unaccounted for gas that may be recovered from customers. Any material disallowance of purchased gas costs would adversely affect our financial condition and results of operations.

Increases in the prices that we charge for gas may also adversely affect our business because increased prices could lead customers to reduce usage and cause some customers to have difficulty paying the resulting higher bills. These higher prices may increase bad debt expenses and ultimately reduce earnings. Additionally, rapid increases in the price of purchased gas may result in an increase in short-term debt.

Our non-regulated natural gas operations purchase natural gas utilizing a combination of requirements contracts, some of which contain minimum purchase obligations, monthly spot purchase contracts, and forward purchase contracts. Although price risk for the non-regulated companies is mitigated to a degree by efforts aimed at balancing supply and demand, there are practical limitations on the ability to accurately predict demand, and any failure to do so could adversely affect our financial condition and results of operations.

***An impairment in the carrying value of our goodwill could negatively impact our consolidated results of operations and net worth.***

We have significant amounts of goodwill resulting from the acquisition of utility systems and businesses. As of December 31, 2025, the net carrying value of goodwill amounted to \$2,348,559,000 or 12.1% of our total assets. Of the balance, \$2,277,447,000 relates to our Regulated Natural Gas reporting unit. Goodwill is initially recorded at fair value, not amortized and reviewed for impairment at least annually or more frequently if impairment indicators arise. Indicators that are considered significant include changes in performance relative to expected operating results, significant negative industry or economic trends, including rising interest rates, or a significant decline in our stock price and/or market capitalization for a sustained period of time. If certain factors arise, we may be required to record a significant non-cash charge to earnings in our consolidated financial statements during the period in which an impairment of our goodwill is determined. Any such non-cash charge could have a material adverse impact on our results of operations and stockholders' equity.

***Risks Related to Health and Safety and Environmental Concerns***

***Worsening weather conditions, natural disasters, public health threats, or other catastrophic events, could negatively affect our business, outlook, financial condition, results of operations and liquidity.***

The issue of climate change is receiving ever increasing attention worldwide. Many climate change predictions, if true, present several potential challenges to utilities, such as: increased frequency and duration of droughts, increased precipitation and flooding, potential degradation of water quality, and changes in demand for services. We maintain an ongoing facility planning process, and this planning or the enactment of new standards may result in the need for additional capital expenditures or raise our operating costs, including the cost of insurance. Because of the uncertainty of weather volatility related to climate change, we cannot predict its potential impact on our business, financial condition, or results of operations.

Natural disasters, catastrophic events and public health threats could also, in the future, materially impact our business in numerous ways, including, but not limited to, those outlined below:

- reduced demand from our commercial customers and shifts in demand for our regulated utility services;
- delay the timeliness of our service to customers because of shutdowns and/or illness and travel restrictions among our employees or employees of other companies on whom we rely;
- negatively impact the financial condition of our customers and their ability to pay for our products and services, and our ability to disconnect service for non-payment may be limited, and state regulators may impose bill deferral programs;
- may limit or curtail significantly or entirely the ability of public utility commissions to approve or authorize applications and other requests we may make with respect to our regulated water and natural gas businesses; and
- delays in our supply chain and our ability to complete maintenance, repairs, and capital programs, which could result in disruptions and increased costs.

These and other impacts of global or regional health pandemics, epidemics or similar public health threats could also have the effect of heightening many of the other risks described in “Risk Factors” in this Annual Report and the other reports we file from time to time with the SEC. We might not be able to predict or respond to all impacts on a timely basis to prevent near- or long-term adverse impacts to our results of operations, financial condition and liquidity. Although any potential expenditures and operating costs may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs.

***Climate change laws and regulations have been passed and are being proposed that require compliance with greenhouse gas emissions standards, as well as other climate change initiatives and reporting, which could impact our business, financial condition or results of operations.***

Climate change is receiving ever increasing attention worldwide. Many scientists, legislators, and others attribute global warming to increased levels of greenhouse gases (GHG), including carbon dioxide. Climate change laws and regulations enacted and proposed could limit and impose costs tied to GHG emissions from covered entities and require additional monitoring/reporting. A number of states have also adopted energy strategies or plans with goals that include the reduction of GHG. For example, Pennsylvania has a methane reduction framework for the natural gas industry, which has resulted in permitting changes with the stated goal of reducing methane emissions from well sites, compressor stations, and pipelines. At this time, the existing GHG laws and regulations are not expected to materially harm the Company’s operations or capital expenditures; however, the uncertainty of future climate change regulatory requirements still remains. We cannot predict the potential impact of future laws and regulations on our business, financial condition, or results of operations. Although these future expenditures and costs for regulatory compliance may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs. Competition from renewable energy sources may reduce the demand for natural gas, which could impact our future earnings and cash flows. Another potential risk related to climate change could be more frequent and more

severe weather events, which could increase our costs to repair damaged facilities and restore service to our customers. If we are unable to provide utility services to our customers, our financial results would be impacted by lost revenues, and we would have to seek regulatory approval to recover restoration costs.

***Climate change and other sustainability matters are increasingly important to many investors, and we may fail to provide information desired by all investors or achieve our sustainability goals.***

Climate change and other sustainability matters are increasingly important to many investors, including our current investors. We have focused attention on these matters and the communication of our goals, targets, and activities to investors. These goals and targets reflect our current plans and aspirations. Our ability to achieve such goals and aspirations is subject to numerous risks and uncertainties, many of which rely on the collective efforts of others or may be outside of our control. As such, we cannot offer assurances that the results reflected or implied by any such statements will be realized or achieved. Moreover, standards and expectations for sustainability matters continue to evolve and may be subject to varying interpretations, which may result in significant revisions to our goals or progress. We may also be unable to satisfactorily meet evolving standards, regulations, and disclosure requirements related to sustainability. Any failure, or perceived failure, to meet evolving stakeholder expectations, additional regulations and industry standards and disclosures, or achieve our sustainability goals and targets could have an adverse effect on our business, results of operations, financial condition, or stock price.

***Our water supply, including water provided to our customers, is subject to various potential contaminants which may result in disruption in our services, additional costs, loss of revenue, fines, laws and/or regulations, and litigation which could harm our business, reputation, financial condition, and results of operations.***

Our water supplies, including water provided to our customers, are subject to possible contaminants, including those from:

- naturally occurring compounds or man-made substances;
- chemicals and other hazardous materials;
- lead and other materials;
- manufactured sources, such as pharmaceuticals and personal care products;
- unprotected cross-connections with our customers' processes, irrigation systems, or swimming pools; and
- possible deliberate or terrorist attacks.

Depending on the nature of the water contamination, we may have to interrupt the use of that water supply until we are able to substitute, where feasible, the flow of water from an uncontaminated water source, including if practicable, the purchase of water from other suppliers, or continue the water supply under restrictions on use for drinking or broader restrictions against all use except for basic sanitation and essential fire protection. We may experience a loss of revenue and incur significant costs, including, but not limited to, costs for water quality testing and monitoring, "do not consume" expenses, treatment of the contaminated source through modification of our current treatment facilities or development of new treatment methods, the purchase of alternative water supplies, or litigation related matters, including governmental enforcement actions. In addition, the costs we could incur to decontaminate a water source or our water distribution system and dispose of waste could also be significant. The costs resulting from the contamination may not be recoverable in rates we charge our customer, or may not be recoverable in a timely manner. Further, we may incur a loss of revenue in the event we elect to waive customers' water and wastewater charges. If we are unable to adequately treat the contaminated water supply or substitute a water supply from an uncontaminated water source in a timely or cost-effective manner, there may be an adverse effect on our business, reputation, financial condition, and results of operations. We could also be subject to:

- claims for consequences arising out of human exposure to contamination and/or hazardous substances in our water supplies, including toxic torts;
- claims for other environmental damage;
- claims for customers' business interruption as a result of an interruption in water service;
- claims for breach of contract;

criminal enforcement actions;  
regulatory fines; or  
other claims.

We incur substantial costs on an ongoing basis to comply with all laws and regulations. New or stricter laws and/or regulations could increase our costs. Although we may seek to recover these costs through an increase in customer rates, there is no guarantee that the various state regulators would approve such an increase.

We have been working to prevent lead leaching from home plumbing sources by reducing water corrosivity and adding chemicals that can prevent leaching of lead in pipes and homes. We have a program to evaluate all changes in water sources prior to initiating a change in water supply. We also focus on identifying and removing lead service lines and encouraging customers to replace the customer-owned portion of the service line if it is lead as they are identified during our main replacement program or during other maintenance activities.

We are devoting our attention to various emerging contaminants, including the Per- and Polyfluoroalkyl Substances (PFAS) family of chemicals and other chemicals and substances that do not have any federal regulatory standard in drinking water. We comply with governmental agency guidance that recommends the standard of protection from these contaminants, and we monitor proposed standards and other governmental agency guidance regarding these contaminants. On April 10, 2024, the EPA announced the final National Primary Drinking Water Regulation (NPDWR) for the treatment of six per- and polyfluoroalkyl substances or compounds (PFAS). The NPDWR established the maximum contaminant levels (MCLs) in drinking water and allows for a five-year window to comply. The Company estimated an investment of at least \$450,000,000 of capital expenditures to install additional treatment facilities over the Compliance Period in order to comply (i.e., 2029 pending no delays due to lawsuits). This figure could increase as plans for construction execution are refined or if additional sites require treatment in the future. Additionally, the Company 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 site-by-site requirements.

We may incur costs to defend our position and/or incur reputational damage even if we are not liable for consequences arising out of human exposure to contamination and/or hazardous substances in our water supplies, other environmental damage, or our customer's business interruption. Our insurance policies may not be sufficient to cover the costs of our defense or, in the event we are liable, these claims, and losses incurred, may make it difficult for us to secure insurance in the future at acceptable rates. Such claims or actions could harm our business, reputation, financial condition, and results of operations.

***Transporting, distributing and storing natural gas involves numerous risks that may result in accidents and other operating risks and costs.***

Natural gas transportation, distribution and storage activities inherently involve a variety of hazards and operational risks, such as leaks, accidental explosions, well failure, damage caused by third parties and mechanical problems, which could cause substantial financial losses. These risks could result in serious personal injury, loss of human life, significant damage to property, environmental pollution, impairment of operations, and substantial losses. The location of pipelines and storage facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. These activities may also subject the Company to litigation or administrative proceedings. Such litigation or proceedings could result in substantial monetary judgments, fines or penalties against the Company or otherwise be resolved on unfavorable terms.

We are subject to federal and state laws and regulations requiring the Company to maintain certain safety and system integrity measures by identifying and managing storage and pipeline risks. In addition, companies that supply and transport gas to Peoples are also subject to similar regulations and other restrictions related to their activities. Compliance with these laws and regulations, or future changes in these laws and regulations, may, directly or indirectly, result in increased capital, operating, and other costs which may not be recoverable in a timely manner or at all from customers in rates. In accordance with customary industry practices, we maintain insurance against a significant portion, but not all, of these risks and losses. To the extent any of these events occur or regulations change, it could adversely affect our business, reputation, financial condition, and results of operations.

**Risks Related to the Company's Capital Needs and Common Stock**

***We have substantial indebtedness, as a result, it may be more difficult for the Company to pay or refinance its debts or take other actions, and the Company may need to divert cash to fund debt service payments. In addition, the proposed Merger may make it more difficult to raise significant debt and equity capital.***

As of December 31, 2025, our aggregate long-term and short-term debt balance was \$8,331,987,000. The substantial indebtedness could:

- make it more difficult and/or costly for the Company to pay or refinance its debts as they become due, particularly during adverse economic and industry conditions, because a decrease in revenues or increase in costs could cause cash flow from operations to be insufficient to make scheduled debt service payments;
- limit the Company's flexibility to pursue other strategic opportunities or react to changes in its business and the industry sectors in which it operates and, consequently, put the Company at a competitive disadvantage to its competitors that have less debt;
- require a substantial portion of the Company's available cash to be used for debt service payments, thereby reducing the availability of its cash to fund working capital, capital expenditures, development projects, acquisitions, dividend payments, and other general corporate purposes, which could harm the Company's prospects for growth;
- result in a downgrade in the credit ratings on the Company's indebtedness, which could limit the Company's ability to borrow additional funds on favorable terms or at all and increase the interest rates under its credit facilities and under any new indebtedness it may incur;
- make it more difficult for the Company to raise capital to fund working capital, make capital expenditures, pay dividends, pursue strategic initiatives or for other purposes;
- result in higher interest expense, which could be further increased in the event of increases in interest rates on the Company's current or future borrowings; and
- require that additional materially adverse terms, conditions or covenants be placed on the Company under its debt instruments, which covenants might include, for example, limitations on additional borrowings and specific restrictions on uses of its assets, as well as prohibitions or limitations on its ability to create liens, pay dividends, receive distributions from its subsidiaries, redeem or repurchase its stock or make investments, any of which could hinder its access to capital markets and limit or delay its ability to carry out its capital expenditure program or otherwise limit its flexibility in the conduct of its business and make it more vulnerable to economic downturns and adverse competitive and industry conditions.

Based on the current and expected results of operations and financial condition of the Company, the Company believes that its cash flows from operations, together with the proceeds from borrowings, and issuances of equity and debt securities in the capital markets will generate sufficient cash on a consolidated basis to make all of the principal and interest payments when such payments are due under the Company's and its current subsidiaries' existing credit facilities, indentures and other instruments governing their outstanding indebtedness. However, the Company's expectation is based upon numerous estimates and assumptions and is subject to numerous uncertainties.

***Our business requires significant capital expenditures that are partially dependent on our ability to secure appropriate funding. Disruptions in the capital markets may limit our access to capital. If we are unable to obtain sufficient capital, or if the cost of borrowing increases, it may harm our business, financial condition, results of operations, and our ability to pay dividends.***

Our business is capital intensive. In addition to the capital required to fund customer growth through our acquisition strategy, on an annual basis, we invest significant sums for additions to or replacement of property, plant and equipment. We obtain funds for our capital expenditures from operations, contributions and advances by developers and others, debt issuances, and equity issuances. We have paid dividends consecutively for 80 years, and our Board of Directors recognizes the value that our common shareholders place on both our historical payment record and on our future anticipated dividend payments. Our ability to continue our growth through acquisitions and to maintain and meet our financial objectives is dependent upon the availability of adequate capital, and we may not be able to access the capital markets on favorable terms or at all. Additionally, if in the future, our credit facilities are not renewed or our short-term borrowings are called for repayment, we would need to seek alternative financing sources; however, there can be no assurance that these alternative financing sources would be available on terms acceptable to us. In the event we are unable to obtain sufficient capital, we may need to take steps to conserve cash by reducing our capital expenditures or dividend payments and our ability to pursue acquisitions may be limited. The reduction in capital expenditures may result in reduced potential earnings growth, affect our ability to meet environmental laws and regulations, and limit our ability to improve or expand our utility systems to the level we believe appropriate. There is no guarantee that we will be able to obtain sufficient capital in the future on reasonable terms and conditions for expansion, construction, and maintenance. In addition, delays in completing major capital projects could delay the recovery of the capital expenditures associated with such projects through rates.

If the cost of borrowing continues to increase, we might not be able to recover increases in our cost of capital through rates. The inability to recover higher borrowing costs through rates, or the regulatory lag associated with the time that it takes to begin recovery, may harm our business, financial condition, results of operations and cash flows.

***Our inability to comply with debt covenants under our loan and debt agreements could result in prepayment obligations.***

We are obligated to comply with debt covenants under some of our loan and debt agreements. Failure to comply with covenants under our loan and debt agreements could result in an event of default, which if not cured or waived, could result in us being required to repay or finance these borrowings before their due date, limit future borrowings, cause us to default on other obligations, and increase borrowing costs. If we are forced to repay or refinance (on less favorable terms) these borrowings, our business, financial condition, and results of operations could be harmed by reduced access to capital and increased costs and rates.

***The price of our common stock may be volatile. This volatility may affect the price at which one could sell our common stock, and the sale or resale of substantial amounts of our common stock could adversely affect the market price of our common stock.***

The sale or issuance of substantial amounts of our common stock, or the perception that additional sales or issuances could occur, could adversely affect the market price of our common stock, even if the business is doing well. In addition, the availability for sale of substantial amounts of our common stock could adversely impact its market price. Any of the foregoing may also impair our ability to raise additional capital through the sale of our equity securities or could result in incremental dilution due to issuing equity at a lower share price.

***Risks Related to Acquisitions***

***One of the important elements of our growth strategy is the acquisition of regulated utility systems. Any acquisition we decide to undertake may involve risks. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and strategic and financial buyers may hinder our ability to grow our business. Lastly, competition and industry trends could impact our ability to retain existing customers or acquire new customers, which could have an adverse impact on our business, results of operations and financial condition.***

One important element of our growth strategy is the acquisition and integration of regulated utility systems in order to broaden our service areas. We will not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. The proposed Merger may make it more difficult for us to attract acquisition targets. It is our intent, when practical, to integrate any businesses we acquire with our existing operations. Investing in and integrating acquisitions could require us to incur significant costs and cause diversion of our management's time and resources, and we may be unable to successfully integrate our business with acquired businesses or to realize anticipated benefits of acquisitions. Acquisitions by us could also result in:

- dilutive issuances of our equity securities;
- incurrence of debt, contingent liabilities, and environmental liabilities;
- unanticipated capital expenditures;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets for which we may never realize their full value and may result in an asset impairment that may negatively affect our results of operations;
- fluctuations in quarterly and/or annual results;
- other acquisition related expenses; and
- exposure to unknown or unexpected risks and liabilities.

Some or all of these items could harm our business, financial condition, results of operations, and cash flows, and our ability to finance our business and to comply with regulatory requirements. The businesses we acquire may not achieve sales and profitability that would justify our investment, and any difficulties we encounter in the integration process, including in the integration of processes necessary for internal control and financial reporting, could interfere with our operations, reduce our operating margins and harm our internal controls.

Some states in which we operate allow the respective public utility commissions to use fair market value to set ratemaking rate base instead of the traditional depreciated original cost of water or wastewater assets for certain qualifying municipal acquisitions. Depending on the state, there are varying rules and circumstances in which fair value is determined. A number of states' regulations allow ratemaking rate base to equal the lower of the average of the appraisals or the purchase price, subject to regulatory approval. There may be situations where we may pay more than the ultimate fair value of the utility assets as set by the regulatory commission, despite the fair value legislation suggesting its full recovery. In these situations, goodwill may be recognized to the extent there is an excess purchase price over the fair value of net tangible and identifiable intangible assets acquired through a business acquisition. Our financial condition and results of operations could be harmed by an inability to earn a return on, and recover our purchase price as a component of rate base. Regulatory actions or changes in significant assumptions, including discount and growth rates, utility sector market performance and comparable transaction multiples, projected operating and capital cash flows, and fair value of debt, could also potentially result in future impairments which could be material.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers, for acquisition opportunities. As consolidation becomes more prevalent in the utility industry and competition for acquisitions increases, the prices for suitable acquisition candidates may increase to unacceptable levels and limit our ability to grow through acquisitions. In addition, our competitors may impede our growth by purchasing utilities near our existing operations, thereby preventing us from acquiring them. Governmental entities or environmental / social activist groups have challenged, and may in the future challenge our efforts to acquire new service territories, particularly from municipalities or municipal authorities. Additionally, on occasion we have entered into agreements to acquire water or wastewater utility systems that have been challenged by municipalities or other parties, or where referenda are required, which may impact our ability to complete the acquisition. Higher purchase prices and resulting rates may limit our ability to invest additional capital for system maintenance and upgrades in an optimal manner. Our growth could be hindered if we are not able to compete effectively for new companies and/or service territories with other companies or strategic and financial buyers that have lower costs of operations or capital, or that submit more attractive bids. Any of these risks may harm our business, financial condition, and results of operations.

We face the risk that large natural gas customers may bypass gas distribution services by gaining distribution directly from interstate pipelines, other gas distributors, or other energy sources. Increased competition or other changes in legislation, regulation, or policies could have a material adverse effect on our business, financial condition, or results of operations. Moreover, changes in wholesale natural gas prices compared with prices for electricity, fuel oil, coal, propane, or other energy sources may affect the retention of natural gas customers and may adversely impact our future financial condition and results of operations.

***The integration of acquisitions can be a multi-year activity depending upon the complexity and significance of the acquisition.***

One element of our strategic plans is our growth through acquisition strategy. Acquisitions in the utility industry are time consuming and complex, with the number of regulatory approvals needed. A significant acquisition can require significant time and resources, including devotion of management time, to integrate the acquired business.

Item 1B *Unresolved Staff Comments*

None

Item 1C *Cybersecurity*

***Risk Management and Strategy***

In connection with our enterprise risk management process, we identify, prioritize and monitor key risks that may affect the Company, including risks from cyber threats. Our cybersecurity program is aligned to the National Institute of Standards and Technology (NIST) Cybersecurity Framework. We have enterprise-wide security policies, standards and controls that incorporate best practices in security engineering, technology architecture and data protection, which support regulatory compliance. Our program includes encryption, data masking technology, data loss prevention technology, authentication technology, entitlement management, access control, anti-malware software and transmission of data over private networks, among other procedures designed to protect against unauthorized access to information. We also implemented specialized programs, such as enterprise-wide communications, presentations, phishing simulations and focused training for specific roles, as well as a general cybersecurity training program required for all employees annually. We also engage third parties to perform regular reviews of our security framework controls to promote objectivity. Our processes to identify, assess and manage material risks of cyber threats include risks associated with third party service providers, including cloud-based platforms. We believe that these processes provide us with a comprehensive assessment of potential cyber threats.

We maintain cybersecurity protection measures with respect to our information technology, including our customer data, and, in some cases, the monitoring and operation of our treatment, storage, pumping, and pipeline infrastructure. We rely on our information technology systems in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our treatment, storage, pumping, and pipeline infrastructure. In addition, we rely on our systems to track our utility assets and to manage maintenance and construction projects, materials and supplies, and our human resource functions.

We have a cyber incident response (IR) plan which outlines the general guidelines for responding to computer security incidents throughout the Company's information technology and operational technology environments. In addition to providing a standardized, enterprise-wide IR process flow, it establishes the roles and responsibilities for the Company and its IR stakeholders, and identifies incident triggering sources, incident types and incident severity levels. This IR plan applies to all Company employees and contractors responding to computer security incidents involving Company information technology systems and information assets. We also maintain cybersecurity insurance to promote resiliency and reduce risk.

## ***Governance***

*Role of Management* - Our cybersecurity program is overseen by a cross-functional committee of senior business leaders and led by our Chief Information Officer. This management committee meets quarterly and is charged with overseeing our cybersecurity strategy, ensuring that cyber risk is managed, and that the program is aligned to business goals and objectives. Our Chief Information Officer has formal education in information technology; has multi-year experience working in the Company's information and technology function; and receives periodic training and education on cybersecurity-related topics.

*Role of the Board of Directors* - The Board of Directors has a Risk and Investment Policy Committee ("RP Committee") whose primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities. The RP Committee oversees a number of the Company's risk management practices, including cybersecurity risks. Our Chief Information Officer provides updates on cybersecurity risks, threats, key developments in policies and practices, and related risk exposures to the RP Committee at least quarterly, and more often as needed. When covered during an RP Committee meeting, the Chairperson of the RP Committee reports on its discussions to the full Board of Directors. Additionally, management provides an update to the full Board of Directors at least once a year, and more often as needed. The Board of Directors annually reviews and approves the capital and operating budgets, ultimately reviewing and approving the amount spent on cybersecurity measures.

To date, risks from cybersecurity threats and incidents have not materially affected the Company, including its business strategy, financial condition, or results of operations. Despite the cybersecurity measures that the Company is taking to mitigate such risks, there can be no guarantee that such measures will be sufficient to protect the Company's systems, information, and other assets from significant harm. Refer to Item 1A – *Risk Factors* for additional information.

Item 2. *Properties*

Our Regulated Water properties consist of water transmission and distribution mains and wastewater collection pipelines, water and wastewater treatment plants, pumping facilities, wells, tanks, meters, pipes, dams, reservoirs, buildings, vehicles, land, easements, rights-of-way, and other facilities and equipment used for the operation of our systems, including the collection, treatment, storage, and distribution of water and the collection and treatment of wastewater. Substantially all of our treatment, storage, and distribution properties are owned by our subsidiaries, and a substantial portion of our property is subject to liens of mortgage or indentures. These liens secure bonds, notes and other evidences of long-term indebtedness of our subsidiaries. For some properties that we acquired through the exercise of the power of eminent domain and other properties we purchased, we hold title for water supply purposes only. We own, operate and maintain approximately 14,600 miles of transmission and distribution mains, 24 surface water treatment plants, many well treatment stations, and 206 wastewater treatment plants. A small portion of the properties are leased under long-term leases.

Our Regulated Natural Gas properties consist of approximately 15,100 miles of natural gas distribution mains, varying in size from one-half inch to 30 inches in diameter, 1,700 miles of gathering pipeline, 310 miles of intrastate transmission/storage pipeline, and both active and inactive gas storage wells. Further, in each of the cities, towns, and rural areas where we serve natural gas customers, we own the underground gas mains and service lines, metering, and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the measuring stations at which we receive gas from third parties are owned, operated, and maintained by others, and our distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on land owned by suppliers.

The following table indicates our net property, plant and equipment, in thousands of dollars, as of December 31, 2025 in the principal states where we operate:

	Net Property, Plant and Equipment		
Pennsylvania	\$	10,064,571	70.6%
Texas		899,352	6.3%
Ohio		816,774	5.7%
Illinois		735,376	5.2%
North Carolina		666,981	4.7%
Other (1)		1,080,628	7.5%
Consolidated	\$	14,263,682	100.0%

(1) Consists primarily of our operating subsidiaries in the following states: New Jersey, Indiana, Virginia, and Kentucky.

We believe that our properties are generally maintained in good condition and in accordance with current standards of good water, wastewater, and natural gas industry practice. We believe that our facilities are adequate and suitable for the conduct of our business and to meet customer requirements under normal circumstances.

Our corporate offices are leased from our subsidiary, Aqua Pennsylvania, and are located in Bryn Mawr, Pennsylvania.

Item 3. *Legal Proceedings*

There are various legal proceedings in which we are involved. Although the results of legal proceedings cannot be predicted with certainty, there are no 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 materially harm our business, operating results, reputation, or financial condition.

Item 4. *Mine Safety Disclosures*

Not applicable.

## PART II

Item 5. *Market for the Registrant's Common Stock, Related Stockholder Matters and Purchases of Equity Securities*

Our common stock is traded on the New York Stock Exchange under the ticker symbol WTRG. As of February 19, 2026, there were approximately 15,958 holders of record of our common stock.

The following table shows the cash dividends per share for the periods indicated:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<b>2025</b>					
Dividend paid per common share	\$ 0.3255	\$ 0.3255	\$ 0.3426	\$ 0.3426	\$ 1.3362
Dividend declared per common share	\$ 0.3255	\$ 0.3255	\$ 0.3426	\$ 0.3426	\$ 1.3362
<b>2024</b>					
Dividend paid per common share	\$ 0.3071	\$ 0.3071	\$ 0.3255	\$ 0.3255	\$ 1.2652
Dividend declared per common share	\$ 0.3071	\$ -	\$ 0.3255	\$ 0.6510*	\$ 1.2836

\*includes dividends declared in December that are payable to shareholders on March 1 of the subsequent year

We have paid dividends consecutively for 81 years. On July 30, 2025, our Board of Directors authorized an increase of 5.25% in the September 2, 2025 quarterly dividend over the dividend Essential Utilities paid in the previous quarter. As a result of this authorization, beginning with the dividend payment in September 2025, the annualized dividend rate increased to \$1.3704 per share. This is the 35th dividend increase in the past 34 years and the 27th consecutive year that we have increased our dividend in excess of five percent. We presently intend to pay quarterly cash dividends in the future, on March 1, June 1, September 1, and December 1, subject to our earnings and financial condition, restrictions set forth in our debt instruments, regulatory requirements, and such other factors as our Board of Directors may deem relevant. In 2025, our dividends paid represented 60.6% of net income.

Information with respect to restrictions set forth in our debt instruments is disclosed in Note 12 – *Long-term Debt and Loans Payable* in the *Notes to Consolidated Financial Statements* which is contained in Item 8 of this Annual Report.

During the fourth quarter of 2025, the Company did not repurchase any of its equity securities under any repurchase plan or program.

Item 6. *[RESERVED]*

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***OVERVIEW**

The following discussion and analysis of our financial condition and results of operations should be read together with our Consolidated Financial Statements and accompanying Notes included in this Annual Report. This discussion contains forward-looking statements that are based on management's current expectations, estimates, and projections about our business, operations, and financial performance. All dollar amounts are in thousands of dollars, except per share amounts.

**The Company**

Essential Utilities, Inc., (Essential Utilities, the Company, we, us, or our), a Pennsylvania corporation, is the holding company for regulated utilities providing water, wastewater, or natural gas services to an estimated 5.5 million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, Virginia, and Kentucky under the Aqua and Peoples brands. One of our largest operating subsidiaries, Aqua Pennsylvania, Inc. (Aqua Pennsylvania), provides water or wastewater services to approximately one-half of the total number of water or wastewater customers we serve. These customers are located in the suburban areas in counties north and west of the City of Philadelphia and in 28 other counties in Pennsylvania. Our other regulated water or wastewater utility subsidiaries provide similar services in seven additional states. Our Peoples subsidiaries provide natural gas service to approximately 747,000 customers in western Pennsylvania and Kentucky. Approximately 95% of the total number of natural gas utility customers we serve are in western Pennsylvania. Lastly, the Company's market-based activities are conducted through Aqua Resources, Inc. and certain other non-regulated subsidiaries of Peoples. Aqua Resources offers, through a third-party, water and sewer service line protection solutions and repair services to households. Other non-regulated subsidiaries of Peoples provide utility service line protection services to households and operate gas marketing and production businesses.

**Recent Developments****Execution of Agreement and Plan of Merger with American Water**

On October 26, 2025, American Water Works Company, Inc. ("American Water"), Alpha Merger Sub, Inc., a direct wholly owned subsidiary of American Water ("Merger Sub"), and the Company, entered into an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provides that upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of American Water. Subject to the terms and conditions of the Merger Agreement, at the time at which the Merger becomes effective (the "Effective Time"), each share of the Company's common stock, par value \$0.50 per share ("Essential Common Stock"), issued and outstanding immediately prior to the Effective Time, other than any shares of Essential Common Stock owned by American Water or Merger Sub or by the Company as treasury stock (in each case, other than restricted shares), will be converted into the right to receive 0.305 shares of validly issued, fully paid and nonassessable shares of common stock, par value \$0.01 per share, of American Water ("American Water Common Stock") (the aggregate number of such shares of American Water Common Stock to be issued in the Merger). On February 10, 2026, at the respective special shareholder meetings of the Company and American Water, each company's shareholders approved the merger-related proposals, satisfying certain of the conditions to closing.

Consummation of the Merger is subject to certain remaining customary conditions, including the receipt of certain governmental approvals, including (a) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and (b) the approval of certain public utility commissions, in each case on such terms and conditions that would not, individually or in the aggregate, result in a "Burdenome Effect" (as defined in the Merger Agreement). There can be no guarantee that all of the remaining closing conditions and approvals will be satisfied, and the failure to complete the proposed Merger on a timely basis or at

all may adversely affect the Company's financial condition and results of operations. The Company currently estimates that the closing of the proposed Merger will occur by the end of the first quarter of 2027.

The Merger Agreement provides that American Water will retain its current name, maintain its headquarters and principal corporate office in Camden, New Jersey, and maintain substantial operations in Pennsylvania.

#### Macroeconomic Factors

Our business is subject to various economic factors that affect our customers and our industry. The recent changes in government fiscal policies and regulations introduced by the new administration have resulted in heightened uncertainty for businesses and consumers, as well as volatility in financial markets. We will continue to evaluate the evolving macroeconomic environment, including those impacts resulting from the recent imposition, or proposed imposition, of tariffs and potential changes to environmental regulations, and to take action to mitigate the impact on our business, consolidated results of operations, and financial condition. Timely and adequate rate relief is important to our continued profitability and in providing a fair return to our shareholders. 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.

#### Convertible Note Purchase Agreement

On August 27, 2025, the Company, through its wholly owned subsidiary, Aqua Infrastructure, entered into a convertible promissory note purchase agreement with IEP Hummingbird Energy LLC ("IEP") whereby the Company agreed to purchase convertible notes ("Convertible Note Investment") in the aggregate principal amount of \$26,000 through January 2026. IEP, a subsidiary of International Electric Power III, LLC, shall use the proceeds for the development of a gas-fired plant to power a data center being developed Greene County, PA (the "Project"). The Convertible Note Investment bears zero interest, includes a fixed \$16,500 loan fee concurrently payable to the Company at maturity with the principal amount of the notes on September 30, 2026, and contains conversion rights into equity at any time on or after maturity or upon certain triggering events, such as a project financial closing or equity financing, as defined in the agreement. The agreement also grants the Company the right of first refusal to certain water and gas business opportunities and additional equity kickers upon the occurrence of a financing event or change of control. As of December 31, 2025, the fair value of the Convertible Note receivable amounts to \$25,125.

Due to a change in Project scope to focus on grid provided power, on January 20, 2026, the Company received \$20,000, representing the reimbursement of the deposit paid to the gas turbine manufacturer. The Company continues to be an investor in the Project via its remaining convertible notes holdings and continues to have a right of first refusal to certain water and gas business opportunities. The Company's involvement in this Project underscores its commitment to innovation, sustainability, and regional economic development. As of December 31, 2025, \$20,000 of the Convertible Note Investment is presented within Prepayments and other current assets, and the remaining \$5,125 is classified as a long-term asset in the accompanying consolidated balance sheets.

### Multi-District Litigation Class Action Settlement

A number of the Company's water and wastewater subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit in the United States District Court for the District of South Carolina against manufacturers of certain per- and polyfluoroalkyl substances or compounds ("PFAS") for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems. 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. Several defendants in such lawsuit have agreed to settle. During the second half of 2025, the Company received a portion of the settlement payments from 3M and DuPont totaling \$46,166, net of legal fees and administrative costs. The Company recorded \$84 as a credit to claims expense and \$9,739 of the proceeds allocated to its North Carolina and Virginia water and wastewater subsidiaries as a regulatory liability, pursuant to regulatory orders issued by the public utility commissions from such states regarding the treatment of PFAS settlement costs. The remaining proceeds that were allocated to the Company's other water and wastewater subsidiaries totaling \$36,343 were recorded within Deferred Credits and Other Non-current liabilities in the accompanying consolidated balance sheets, pending recommendation or order from the respective public utility commissions on treatment of the amounts. The Company anticipates receiving additional settlement payments from the MDL lawsuit defendants over the next ten years.

### Captive Insurance Subsidiary

The Company expects insurance and claims expenses to continue to be volatile over the long term. In order to mitigate a portion of increased insurance costs, on October 1, 2025, the Company established a wholly-owned captive insurance company, Utility Insurance LLC, incorporated in the State of Utah, whose principal activity at this time is to provide insurance and reinsurance coverage for a portion of the Company's general liability, property, workers compensation, auto liability, cyber, and management liability risks.

### Economic Regulation

Most of our utility operations are subject to regulation by their respective state utility commissions, which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions, and authorize the issuance of securities. The utility commissions also generally establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, and loans and other financings. The policies of the utility commissions often differ from state to state and may change over time. A small number of our operations are subject to rate regulation by county or city government. Over time, the regulatory party in a particular state may change. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances in the various states in which we operate. One consideration we may undertake in evaluating on which states to focus our growth and investment strategy is whether a state provides for consolidated rates, fully-projected test years, a surcharge for replacing and rehabilitating infrastructure, fair value treatment of acquired utility systems, and other regulatory policies that promote infrastructure investment and efficiency in processing rate cases.

The mission of the regulated utility industry is to provide quality and reliable utility service at reasonable rates to customers, while earning a fair return for shareholders. We strive to achieve the industry's mission by effective planning, efficient investments, and productive use of our resources. We maintain a rate case management capability to pursue timely and adequate returns on the capital investments that we make in improving our distribution system, treatment plants, information technology systems, and other infrastructure. This capital investment creates assets that are used and useful in providing utility service and is commonly referred to as rate base. In pursuing our rate case strategy, we consider the amount of net utility plant additions and replacements made since the previous rate decision, the changes in the cost of capital, changes in our capital structure, and changes in operating and other costs. Based on these assessments, our utility operations periodically file rate increase requests with their respective state utility commissions or local regulatory authorities. In general, as a regulated enterprise, our utility rates are established to provide full recovery of utility operating costs, taxes, interest

on debt used to finance capital investments, and a return on equity used to finance capital investments. There may be a regulatory lag between the time when operating costs increases, customer usage changes, and capital investments occur and when those items are incorporated into rates. On occasion, our regulated utility companies may enter into rate settlement agreements, which require us to wait for a period of time to file the next base rate increase request.

Presented below are some of the approved constructive regulatory practices that are available in the states in which we operate:

<b>Regulatory Mechanism</b>	<b>States Allowed</b>
Consolidated Tariff <sup>(a)</sup>	IL, IN, KY, NC, NJ, OH, PA, TX, VA
Future or Fully Projected Test Year <sup>(b)</sup>	IL, IN, KY, NC, OH, PA, TX, VA
Infrastructure Surcharge Mechanism <sup>(c)</sup>	IL, IN, KY, NC, NJ, OH, PA, TX, VA
Purchased Gas Riders <sup>(d)</sup>	KY, PA
Revenue Stability Mechanism <sup>(e)</sup>	KY, PA, IL
Deferred Accounting <sup>(f)</sup>	IL, IN, KY, NC, NJ, OH, PA, TX, VA

(a) Our water and wastewater operations are comprised of 37 rate divisions, and our natural gas operations are comprised of two rate divisions. Each of our utility rate divisions requires a separate rate filing for the evaluation of the cost of service and recovery of investments in connection with the establishment of tariff rates for that rate division. When feasible and beneficial to our utility customers, we have sought approval from the applicable state utility commission to consolidate rate divisions to achieve a more even distribution of costs over a larger customer base. All of the states in which we operate permit us to file a revenue requirement for some form of consolidated rates for all, or some, of the rate divisions in that state.

(b) Most of the states in which we operate allow us to use a future or fully projected test year in our rate filings, which allows current or projected revenues, expenses and capital investments to be collected on a more timely basis. In some cases, interim rate relief is allowed in the event of regulatory lag. Some states also permit our subsidiaries to use a surcharge or credit on their bills to reflect allowable changes in costs, such as changes in state tax rates, other taxes, and purchased water costs, until such time as the new costs are fully incorporated in base rates.

(c) Each of the states in which we operate water, wastewater, and natural gas utilities, permit us to add an infrastructure rehabilitation surcharge to their respective bills, between rate cases, to offset the additional depreciation and capital costs associated with capital expenditures related to replacing and rehabilitating infrastructure systems.

(d) Our natural gas utility business is affected by the cost of natural gas, and we are able to generally pass the cost of gas to our customers without markup under purchased gas cost adjustment mechanisms; consequently, increases in the cost of gas are offset by a corresponding increase in revenues.

(e) The natural gas utility business is subject to seasonal fluctuations with the peak usage period occurring in the heating season, which generally runs from October to March. We have in place a weather-normalization adjustment (WNA) mechanism for our natural gas customers served in Kentucky, and, beginning in October 2024, for our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company's results for its residential and small commercial natural gas customers. This regulatory mechanism reduces the delivery charge component of customers' bills for the additional volumes used when actual heating degree days (HDDs) exceed normalized HDDs and increases the delivery charge component of customers' bills for the reduced volumes when actual HDDs are less than normal HDDs. For a given day, the number of HDDs is calculated by subtracting the average of the high and low temperatures for the day from 65 degrees Fahrenheit. Normal HDDs are established through rate proceedings in each of our jurisdictions.

In Illinois, our operating subsidiary has a revenue stability mechanism which allows us to recognize state PUC-authorized revenue for a period which is not based upon the volume of water sold during that period, thereby reducing the impact of weather and consumption variability.

(f) We are permitted to apply for deferred cost accounting treatment and set up a regulatory asset for future recovery of certain costs until the next base rate case.

Timely and adequate rate relief is important to our continued profitability and in providing a fair return to our shareholders. 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.

Presented in the table below are annualized incremental revenues by state, assuming a constant sales volume and customer count, resulting from base rate case authorizations that became effective in 2025:

State	Segment	Effective Date	Annualized Revenue Increase
Ohio	Wastewater	7/1/2025	\$ 550
Kentucky	Natural Gas	7/1/2025	7,700
Pennsylvania	Water	2/22/2025	58,400
	Wastewater	2/22/2025	14,600
North Carolina*	Water	1/1/2025	2,821
	Wastewater	1/1/2025	1,310
Ohio**	Water	1/1/2025	1,690
<b>Total Base Rate Case Authorizations in 2025</b>			<b>\$ 87,071</b>

\* Base rate case - step increase for Year 3

\*\* Consists of 2 locally negotiated rate filings

Our operating subsidiaries received rate increases representing estimated annualized revenues of \$87,071 in 2025 resulting from eight base rate decisions, \$118,242 in 2024 resulting from twelve base rate decisions, and \$28,426 in 2023 resulting from seven base rate decisions. Annualized revenues in aggregate from all of the rate increases realized in the year of grant were \$72,790 in 2025, \$34,832 in 2024, and \$10,109 in 2023. Refer to Note 18 – *Rate Activity* in this Annual Report for further information.

### Growth Through Acquisitions and Capital Investment

The Company continues to focus on rate base growth opportunities to create a resilient and sustainable future. This is achieved through (i) acquisitions to expand the Company's service areas and increase customers, and (ii) delivering on its environmental reliability commitments through continued investment in replacing aging infrastructure, contaminant mitigation, and emissions reductions, among others.

#### Acquisitions

Part of our strategy to meet the industry challenges is to actively explore opportunities to expand our utility operations through acquisitions of water, wastewater, and other utilities either in areas adjacent to our existing service areas or in new service areas, and to explore acquiring market-based businesses that are complementary to our regulated utility operations. To complement our growth strategy, we routinely evaluate the operating performance of our individual utility systems, and in instances where limited economic growth opportunities exist or where we are unable to achieve favorable operating results or a return on equity that we consider acceptable, we will seek to sell the utility system and reinvest the proceeds in other utility systems. Consistent with this strategy, we are focusing our acquisitions and resources in states where we have critical mass of operations in an effort to achieve economies of scale and increased efficiency. Our growth-through-acquisition strategy allows us to operate

more efficiently by sharing operating expenses over more utility customers and provides new locations for future earnings growth through capital investment. Another element of our growth strategy is the consideration of opportunities to expand by acquiring other utilities, including those that may be in a new state if they provide promising economic growth opportunities and a return on equity that we consider acceptable. Our ability to successfully execute this strategy historically and to meet the industry challenges has largely been due to our core competencies, financial position, and our qualified and trained workforce, which we strive to retain by treating employees fairly and providing our employees with development and growth opportunities.

During 2025, we completed three acquisitions of water and wastewater systems, which along with the organic growth in our existing systems, represent 12,736 new customers. During 2024, we completed two acquisitions of water and wastewater systems, which along with the organic growth in our existing systems, represent 9,391 new customers. During 2023, we completed seven acquisitions of water and wastewater systems, which along with the organic growth in our existing systems, represents 19,659 new customers.

As of December 31, 2025, the Company has four signed purchase agreements for additional water and wastewater systems that are expected to serve approximately 203,000 equivalent retail customers or equivalent dwelling units and total approximately \$300,000 in purchase price in two of our existing states. This includes the Company's agreement to acquire the Delaware County Regional Water Quality Control Authority (DELCORA) for \$276,000. DELCORA, a Pennsylvania sewer authority, serves approximately 198,000 equivalent dwelling units in the Philadelphia suburbs. Refer to Note 2 – *Water and Wastewater Utility Acquisitions* in this Annual Report for further discussion.

As of December 31, 2025, the pipeline of potential water and wastewater municipal acquisitions the company is actively pursuing represents approximately 400,000 total customers or equivalent dwelling units. The Company remains on track to, over the long term, annually increase customers between 2% and 3% through acquisitions and organic customer growth.

#### Capital Investment

In 2025, the Company invested \$1,429,980 to improve its regulated water and natural gas infrastructure systems and to enhance customer service across its operations. From 2026 through 2030, the company plans to invest approximately \$8,700,000 to improve water and natural gas systems and better serve customers through improved information technology. The Company's investments include addressing PFAS with at least \$450,000 in capital projects, replacing and expanding its water and wastewater utility infrastructure, and replacing and upgrading its natural gas utility infrastructure, with the latter leading to significant reductions in methane emissions that occur in aged gas pipes. The capital investments made to rehabilitate and expand the infrastructure of the communities the Company serves are critical to its mission of safely and reliably delivering Earth's most essential resources.

#### Rate Base Growth

Since 2021, the Company's combined rate base grew by 40%. The Company expects its regulated water and natural gas rate bases to grow at compound annual rates of around 6% and 11%, respectively, through 2029. The combined rate base is expected to grow at a compound annual rate of 8% through 2029.

As of December 31, 2025, the Company's rate base is estimated to be \$12,400,000, which is comprised of:

\$7,800,000 in the Regulated Water segment; and  
\$4,600,000 in the Regulated Natural Gas segment.

As of December 31, 2025, the regulatory status of the Company's rate base is estimated to be as follows:

\$11,200,000 filed with respective state utility commissions or local regulatory authorities; and  
\$1,200,000 not yet filed with respective state utility commissions or local regulatory authorities.

## RESULTS OF OPERATIONS

Consolidated financial and operational highlights for the years ended December 31, 2025, 2024, and 2023 are presented below. For discussion of our results of operations and cash flows for 2024 compared with 2023, refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on [Form 10-K for our fiscal year ended December 31, 2024](#), filed with the SEC on February 27, 2025.

Years ended December 31,	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
<b>Operating revenues:</b>					
Regulated water segment	\$ 1,326,629	\$ 1,221,880	\$ 1,153,376	\$ 104,749	\$ 68,504
Regulated natural gas segment	1,117,875	842,991	863,759	274,884	(20,768)
Other and eliminations	30,111	21,242	36,689	8,869	(15,447)
Consolidated operating revenues	\$ 2,474,615	\$ 2,086,113	\$ 2,053,824	\$ 388,502	\$ 32,289
Operations and maintenance expense	\$ 639,604	\$ 587,250	\$ 575,518	\$ 52,354	\$ 11,732
Net income	\$ 616,369	\$ 595,314	\$ 498,226	\$ 21,055	\$ 97,088
Capital expenditures	\$ 1,429,980	\$ 1,329,747	\$ 1,199,103	\$ 100,233	\$ 130,644
<b>Operating Statistics</b>					
Selected operating results as a percentage of operating revenues:					
Operations and maintenance	25.8%	28.2%	28.0%	-2.4%	0.2%
Depreciation and amortization	16.9%	17.7%	16.7%	-0.8%	1.0%
Taxes other than income taxes	3.7%	4.5%	4.4%	-0.8%	0.1%
Interest expense, net of interest income	13.2%	14.3%	13.6%	-1.1%	0.7%
Net income	24.9%	28.5%	24.3%	-3.6%	4.2%
Return on Essential Utilities stockholders' equity	9.0%	9.6%	8.4%	-0.6%	1.2%
Ratio of capital expenditures to depreciation expense	3.5	3.7	3.5	-0.2	0.2
Effective tax rate	0.6%	(3.8%)	(15.4%)	4.4%	11.6%

### **Consolidated Results of Operations Comparison for 2025 and 2024**

**Operating revenues** - Operating revenues increased by \$388,502 or 18.6% for the year ended December 31, 2025 compared to the year ended December 31, 2024. Revenues from our Regulated Water segment increased by \$104,749, Regulated Natural Gas segment revenues increased by \$274,884 and Other business segment revenues increased by \$8,869. A detailed discussion of the factors contributing to the changes in segment operating revenues is included below under the section, Segment Results of Operations.

Our Other business segment revenues consist of market-based revenues at Aqua Resources and our non-regulated natural gas operations amounting to \$30,111 in 2025, \$21,242 in 2024, and \$36,689 in 2023. The increase in Other business segment revenues in 2025 compared to 2024 is primarily due to higher revenues from our non-regulated natural gas operations as a result of higher average gas prices and higher gas usage in the current period as compared to the prior period.

**Operating expenses** - Operations and maintenance expenses increased in 2025, as compared to 2024, by \$52,354 or 8.9%, primarily due to:

an increase in employee related costs of \$26,886, primarily due to merit increases, higher incentive compensation, and higher healthcare costs, offset by lower pension cost;  
an increase in customer assistance surcharges of \$17,457 in our Regulated Natural Gas segment, which generally has offsetting amounts in revenues; refer to customer assistance surcharge discussion below for further information;  
pre-Merger expenses of \$17,042;  
an increase in production costs for water and wastewater operations of \$8,489, primarily due to higher power, chemicals, and purchased water costs;  
an increase in legal expenses of \$2,984;  
additional operating costs of a higher customer base associated with acquired and pending acquisitions of water and wastewater utility systems of \$1,734; and  
an increase in bad debt expense of \$361, which is net of a favorable regulatory asset adjustment of \$5,889 in our Regulated Water segment in the first quarter of 2025; offset by  
an increase in capitalization in our Regulated Natural Gas segment of \$9,812 in the current period as compared to the prior period due to higher capital spend and increasing pool of eligible capitalizable costs;  
a decrease in insurance expense of \$8,392 primarily due to an insurance recovery of \$5,602 during the first quarter of 2025 for a portion of expenses incurred by the Company associated with remediating an advisory for some of our Illinois water utility customers; and  
a decrease in materials and supplies of \$1,377.

Purchased gas increased by \$126,808 or 45.8% in 2025 compared to 2024. 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. This expense increased for the regulated natural gas business and non-regulated business by \$117,585 and \$9,223, respectively. The increase in 2025 is the result of the impact of higher average cost of gas of \$76,944 and higher gas usage of \$50,250 due to colder weather conditions, offset by decrease of \$386 from the sale of our three non-utility local microgrid and distributed energy projects in January 2024.

Depreciation and amortization expense increased by \$47,919 or 13.0%, in 2025 over 2024, principally due to continued capital expenditures to expand and improve our utility facilities, our acquisitions of new utility systems, the implementation of new depreciation rates, and higher regulatory asset amortizations.

Taxes other than income taxes decreased by \$1,862 or 2.0% in 2025 as compared to 2024 largely due to a favorable adjustment on sales and use tax accruals of our Regulated Natural Gas segment as a result of the closure of a sales and use tax audit during the second quarter of 2025.

**Other expense, net** - Interest expense, net of interest income, increased by \$10,677 in our Regulated Water segment and by \$14,085 for our Regulated Natural Gas segment. Refer to Segment Results of Operations below for further details. Interest expense, net of interest income, in Other relates to our corporate operations, and this increased by \$3,467. The weighted average cost of fixed rate long-term debt was 4.10% at December 31, 2025 and 4.03% at December 31, 2024. The weighted average cost of fixed and variable rate long-term debt was 4.09% at December 31, 2025 and 4.14% at December 31, 2024.

Allowance for funds used during construction (AFUDC) was \$26,253 in 2025 and \$21,310 in 2024, and varies as a result of changes in the average balance of utility plant construction work in progress, to which AFUDC is applied, changes in the AFUDC rate which is based predominantly on short-term interest rates, changes in the balance of short term-debt, and changes in the amount of AFUDC related to equity. The increase in 2025 is primarily due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied. The amount of AFUDC related to equity was \$18,278 in 2025 and \$13,938 in 2024.

Gain on sale of other assets totaled \$1,325 in 2025 and \$92,224 in 2024. During the first quarter of 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects and recognized a gain of \$91,236.

Other, net was expense of \$1,337 in 2025 and income of \$1,425 in 2024, and largely consists of the non-service cost component of our net benefit cost for our pension and post-retirement benefits and unrealized gains and losses on investments associated with our non-qualified pension plan. The change is primarily due to the increase in the pension and post-retirement benefit non-service cost component of net periodic benefit expense in 2025 in our Regulated Water segment.

**Provision for income tax** - Our effective income tax rate was an expense of 0.6% in 2025, compared to a benefit of 3.8% in 2024. The increase in the income tax expense in 2025 is attributed to the decreases in both the state tax benefit and amortization of tax repairs surcredit in the Regulated Natural Gas segment based on a rate order received in September 2024, offset in part by the release of \$22,575 of income tax reserve regulatory liability in the Regulated Water segment based on the rate order received by Aqua Pennsylvania in February 2025.

**Net income -**

	Years ended December 31,		
	2025	2024	2023
Operating income	\$ 920,951	\$ 757,668	\$ 692,097
Net income	\$ 616,369	\$ 595,314	\$ 498,226
Diluted net income per share	\$ 2.20	\$ 2.17	\$ 1.86

The changes in diluted net income per share in 2025 over the previous year were due to the aforementioned changes.

Although we have experienced increased income in the recent past, continued adequate rate increases reflecting increased operating costs and new capital improvements are important to the future realization of improved profitability.

**Segment Results of Operations Comparison for 2025 and 2024**

We have identified eleven operating segments, and we have two reportable segments based on the following:

Eight segments are composed of our water and wastewater regulated utility operations in the eight states where we provide these services. These operating segments are aggregated into one reportable segment, Regulated Water, since each of these operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution and/or wastewater collection methods, and the nature of the regulatory environment.

Our Regulated Natural Gas segment is composed of natural gas utility companies that provide natural gas distribution services in two states – Pennsylvania and Kentucky. In October 2023, the Company sold its regulated natural gas utility assets in West Virginia, which represented approximately two percent of the Company’s regulated natural gas customers. The sale concluded the Company’s regulated utility operations in West Virginia.

Two segments are not quantitatively significant to be reportable and are composed of our non-regulated natural gas operations and Aqua Resources. These segments are included as a component of “Other,” in addition to corporate costs that have not been allocated to the Regulated Water and Regulated Natural Gas

segments, because they would not be recoverable as a cost of utility service, and intersegment eliminations. Corporate costs include general and administrative expenses, and interest expense.

### **Regulated Water Segment**

The following tables present the selected operating results and customers served for our Regulated Water segment, for the year ended December 31:

	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
<b>Sendout (a) (in millions of gallons)</b>					
Pennsylvania	42,778	43,794	42,525	(1,016)	1,269
Ohio	14,342	13,979	13,560	363	419
Illinois	8,996	8,774	8,421	222	353
Texas	8,237	8,038	8,703	199	(665)
North Carolina	5,727	5,809	5,824	(82)	(15)
Other states	6,124	6,705	6,526	(581)	179
Subtotal	86,204	87,099	85,559	(895)	1,540
Elimination	(100)	(94)	(122)	(6)	28
Total sendout by state	86,104	87,005	85,437	(901)	1,568
<b>Utility customers:</b>					
Residential water	869,630	865,028	859,331	4,602	5,697
Commercial water	44,050	43,969	43,853	81	116
Industrial water	1,272	1,275	1,283	(3)	(8)
Other water	20,382	19,774	19,123	608	651
Wastewater	201,269	193,821	190,119	7,448	3,702
Total water and wastewater utility customers	1,136,603	1,123,867	1,113,709	12,736	10,158
<b>Operating revenues:</b>					
Residential water	\$ 731,818	\$ 662,909	\$ 641,351	\$ 68,909	\$ 21,558
Commercial water	208,617	186,534	180,731	22,083	5,803
Industrial water	41,619	34,831	33,949	6,788	882
Other water	110,535	123,373	92,784	(12,838)	30,589
Wastewater	223,103	199,157	187,462	23,946	11,695
Other utility	10,937	15,076	17,099	(4,139)	(2,023)
Total operating revenues	\$ 1,326,629	\$ 1,221,880	\$ 1,153,376	\$ 104,749	\$ 68,504
<b>Operating expenses:</b>					
Operations and maintenance expense	\$ 405,017	\$ 381,088	\$ 368,843	\$ 23,929	\$ 12,245
Depreciation and amortization	257,305	232,338	217,593	24,967	14,745
Taxes other than income taxes	69,058	68,006	62,759	1,052	5,247
Other expense, net	129,671	121,292	105,674	8,379	15,618
Provision for income taxes	54,658	68,851	57,546	(14,193)	11,305
Segment net income	\$ 410,920	\$ 350,305	\$ 340,961	\$ 60,615	\$ 9,344

(a) Sendout represents the quantity of treated water delivered to our distribution systems. We use sendout as an indicator of customer demand.

**Operating revenues** - The growth in our Regulated Water segment's revenues over the past three years is primarily a result of increases in our water and wastewater rates and our customer base. Water and wastewater rate increases, including infrastructure rehabilitation surcharges, implemented during the past three years have provided additional operating revenues of \$108,193 in 2025, \$50,639 in 2024, and \$57,924 in 2023. The number of customers increased at an annual compound rate of 1.2% over the past three years due to acquisitions and organic growth, adjusted to exclude customers associated with utility system dispositions. Acquisitions in our Regulated Water segment have provided additional water and wastewater revenues of \$2,757 in 2025, \$4,182 in 2024, and \$9,646 in 2023. In 2025, we experienced a decrease in water and wastewater revenues of \$8,642 primarily due to a decline in volume consumption due to wetter weather conditions as compared to the prior year.

Our Regulated Water segment also includes operating revenues of \$10,937 in 2025, \$11,226 in 2024, and \$14,863 in 2023, associated with revenues earned primarily from fees received from telecommunication operators that have put cellular antennas on our water towers, fees earned from municipalities for our operation of their water or wastewater treatment services or to perform billing services, and fees earned from developers for accessing our water mains.

**Operating expenses** - Operations and maintenance expense increased by \$23,929 or 6.3% primarily due to the following:

- an increase in production costs for water and wastewater operations of \$8,489;
- an increase in employee related costs of \$6,286 resulting from merit increases, higher incentive compensation, and higher healthcare costs, offset by lower pension cost;
- an increase in management fees of \$5,504;
- an increase in outside services of \$5,180; and
- additional operating costs of a higher customer base resulting from acquired water and wastewater utility systems of \$1,734; offset by a decrease in bad debt expense of \$3,014, of which \$5,889 relates to a favorable regulatory asset adjustment in the first quarter of 2025.

Depreciation and amortization increased by \$24,967 or 10.7% primarily due to continued capital investment to expand and improve our utility facilities, a change in depreciation rates, higher regulatory asset amortizations, and our acquisitions of new utility systems.

**Other expense, net** – Interest expense, net of interest income, increased by \$10,677 or 7.6% primarily due to the increase in average borrowings and increased borrowing costs.

AFUDC increased by \$4,092 or 24.5% due to the increase in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Other, net, was expense of \$1,038 in 2025 and income of \$1,445 in 2024, and largely consists of the non-service cost component of our net benefit cost for pension and post-retirement benefits, and unrealized gains and losses on investments associated with our non-qualified pension plan. The change is primarily due to the increase in the pension and post-retirement benefit non-service cost component of net periodic benefit expense in 2025. The credit arising from the expected return of plan assets assumption was lower in 2025 as compared to 2024.

**Provision for income tax** – The effective income tax rate for our Regulated Water segment was an expense of 11.7% in 2025, compared to an expense of 16.4% in 2024. The decrease in the effective tax rate is largely attributed to the release of \$22,575 of income tax reserve regulatory liability based on the rate order received by Aqua Pennsylvania in February 2025.

## Regulated Natural Gas Segment

The following tables present the selected operating results and customers served for our Regulated Natural Gas segment for and as of the year ended December 31:

	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
Gas utility customers:					
Residential gas	687,585	685,591	683,811	1,994	1,780
Commercial gas	59,269	59,296	59,384	(27)	(88)
Industrial gas	556	552	551	4	1
Total gas utility customers	747,410	745,439	743,746	1,971	1,693
Delivered volumes - retail and transportation (thousand cubic feet)					
Residential gas	59,727,496	50,669,829	51,698,440	9,057,667	(1,028,611)
Commercial gas	37,394,077	33,641,589	33,151,308	3,752,488	490,281
Industrial gas	50,596,548	47,959,164	48,323,846	2,637,384	(364,682)
Total delivered volumes	147,718,121	132,270,582	133,173,594	15,447,539	(903,012)
Heating Degree Days (a)	5,380	4,288	4,558	1,092	(270)
Average Heating Degree Days (b)	5,341	5,240	5,427	101	(187)
Operating revenues:					
Residential gas	\$ 708,049	\$ 504,426	\$ 519,406	\$ 203,623	\$ (14,980)
Commercial gas	141,275	100,662	111,272	40,613	(10,610)
Industrial gas	3,150	2,279	3,232	871	(953)
Gas transportation	242,186	194,413	184,598	47,773	9,815
Other utility	23,215	41,211	45,251	(17,996)	(4,040)
Total operating revenues	\$ 1,117,875	\$ 842,991	\$ 863,759	\$ 274,884	\$ (20,768)
Operating expenses:					
Operations and maintenance expense	\$ 227,656	\$ 207,176	\$ 209,073	\$ 20,480	\$ (1,897)
Purchased gas	\$ 384,811	\$ 267,226	\$ 327,548	\$ 117,585	\$ (60,322)
Depreciation and amortization	\$ 158,348	\$ 135,814	\$ 125,263	\$ 22,534	\$ 10,551
Taxes other than income taxes	\$ 19,978	\$ 22,985	\$ 23,846	\$ (3,007)	\$ (861)
Other expense, net	\$ 101,007	\$ (3,834)	\$ 90,819	\$ 104,841	\$ (94,653)
Income tax benefit	\$ (41,300)	\$ (79,993)	\$ (113,353)	\$ 38,693	\$ 33,360
Segment net income	\$ 267,375	\$ 293,617	\$ 200,563	\$ (26,242)	\$ 93,054

(a) Unit of measure reflecting temperature-sensitive natural gas consumption, calculated by subtracting the average of a day's high and low temperatures from 65 degrees Fahrenheit; measured at Pittsburgh, PA.

(b) Based on historical twenty-year average heating degree days, as calculated from data provided by the National Weather Service for the same geographic location.

**Operating revenues** – Operating revenues from the Regulated Natural Gas segment increased by \$274,884 or 32.6% primarily due to:

an increase in purchased gas costs of \$117,585; refer to purchased gas costs discussion below for further information;  
an increase of \$69,363 due to higher rates and other surcharges;  
impact of higher volumes delivered of \$57,723 during 2025 as compared to 2024;  
an increase of \$25,958 due to lower tax repair surcredit; and  
an increase in customer assistance surcharges of \$17,369, which generally has offsetting amounts in operations and maintenance expense; offset by  
a weather normalization adjustment of \$16,439, which had the effect of decreasing revenues.

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 year ended December 31, 2025, we experienced actual HDDs of 5,380 days, which was colder by 25.5% than the actual HDDs of 4,288 days in 2024 for Pittsburgh, Pennsylvania, which we use as a proxy for our western Pennsylvania service territory. A weather normalization adjustment (“WNA”) mechanism is in place for our natural gas customers served in Kentucky, and, beginning in October 2024, for our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company’s ability to collect revenues to cover operating expenses for its residential and small commercial natural gas customers.

The Regulated Natural Gas segment provides universal service programs that help low-income, payment-troubled customers with energy efficiency and bill assistances. The Company recovers program-related costs as pass-through universal service rider charge (also referred to as customer assistance surcharge) on the customer bill based on actual costs of the programs. For the years ended December 31, 2025 and 2024, the Company billed \$26,055 and \$8,685 of universal service rider charges, respectively. The increase in 2025 is mainly due to an increase in rates, usage, and cost of gas, as well as program enrollments.

**Operating expenses** – Operations and maintenance expense for the year ended December 31, 2025 increased by \$20,480 or 9.9% primarily due to the following:

- an increase in customer assistance surcharges of \$17,457, which generally has offsetting amounts in revenues;
- an increase in labor and employee benefits of \$11,859 resulting from merit increases, higher incentive compensation, and higher healthcare costs;
- an increase in bad debt expense of \$2,974; and
- an increase in legal fees of \$1,399; offset by
- an increase in capitalization in our Regulated Natural Gas segment of \$9,812 in the current period as compared to the prior period due to higher capital spend and increasing pool of eligible capitalizable costs; and
- a decrease in materials and supplies of \$1,979.

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. Therefore, fluctuations in the cost of purchased gas impact operating revenues on dollar-for-dollar basis. Purchased gas increased by \$117,585 or 44.0% in 2025 compared to 2024. The increase is the result of higher average cost of gas of \$75,449, and higher gas usage of \$42,522 due to colder weather conditions offset by a decrease of \$386 due to the sale of our three non-utility local microgrid and distributed energy projects in January 2024.

Depreciation and amortization increased by \$22,534 or 16.6% primarily due to continued capital investment and the implementation of new depreciation rates following a recently completed rate case.

Taxes other than income taxes decreased by \$3,007 or 13.1% mainly due to a favorable adjustment on sales and use tax accruals as a result of the closure of a sales and use tax audit during the second quarter of 2025.

**Other expense, net** – Interest expense, net of interest income, increased by \$14,085 or 15.1% due to higher push down debt borrowings of the Regulated Natural Gas segment from Essential Utilities, Inc, which is primarily used to fund capital projects.

AFUDC increased by \$851 or 18.5% due to the increase in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Gain on sale of assets was \$0 for the year ended December 31, 2025 and \$91,581 for the year ended December 31, 2024. During the first quarter of 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects and recognized a gain of \$91,236.

**Income tax benefit** – The effective income tax rate for our Regulated Natural Gas segment was a benefit of 18.3% in 2025, compared to a benefit of 37.4% in 2024. The decrease in the income tax benefit is primarily attributed to decreases in both the state tax benefit and the amortization of the tax repairs surcredit based on a rate order received in September 2024.

## LIQUIDITY AND CAPITAL RESOURCES

### Consolidated Cash Flow and Capital Expenditures

Net operating cash flows, dividends paid on common stock, capital expenditures, including allowances for funds used during construction, and expenditures for acquiring utility systems were as follows for the years ended December 31:

	Net Operating Cash Flows	Dividends	Capital Expenditures	Acquisitions
2023	\$ 933,587	\$ 316,806	\$ 1,199,103	\$ 45,303
2024	770,343	346,392	1,329,747	665
2025	1,010,459	373,821	1,429,980	57,004
	<u>\$ 2,714,389</u>	<u>\$ 1,037,019</u>	<u>\$ 3,958,830</u>	<u>\$ 102,972</u>

Net cash provided by operating activities increased by \$240,116 during the year ended December 31, 2025. The increase in operating cash flow was primarily driven by higher operating income resulting from new rates and surcharges implemented in the last quarter of 2024 and in 2025, and the receipt of \$46,166 in PFAS class action settlement proceeds in 2025.

Included in capital expenditures for the three year period are: expenditures for the rehabilitation of existing utility systems, the expansion of our utility systems, modernization and replacement of existing treatment facilities, meters, office facilities, information technology, vehicles, and equipment. During this three year period, we received \$71,800 of customer advances and contributions in aid of construction to finance new utility mains and related facilities that are not included in the capital expenditures presented in the above table. In 2025, capital expenditures increased by \$52,845 for our Regulated Water Segment and by \$47,388 for our Regulated Natural Gas segment. In addition, during this period, we have made repayments of debt, which includes the net effect of borrowings and repayments under our long-term revolving credit facility of \$2,042,674 and have refunded \$25,108 of customers' advances for construction. Dividends increased during the past three years as a result of annual increases in the dividends declared and paid and increases in the number of shares outstanding.

Our planned 2026 capital program, excluding the costs of new mains financed by advances and contributions in aid of construction is estimated to be approximately \$1,715,000 in infrastructure improvements for the communities we serve. The 2026 capital program is expected to include approximately \$1,136,000 for infrastructure rehabilitation surcharge qualified projects. Our planned 2026 capital program in Pennsylvania for our water and natural gas utilities is estimated to be approximately \$1,141,000, a portion of which is expected to be eligible as a deduction for qualifying utility asset improvements for Federal income tax purposes. Our overall 2026 capital program along with \$21,822 of debt repayments and \$443,478 of other contractual cash obligations, as reported in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations – *Contractual*

*Obligations*”, has been, or is expected to be, financed through internally-generated funds, our revolving credit facilities, our commercial paper program, and the issuance of long-term debt and equity.

Future utility construction in the period 2027 through 2028, including addressing PFAS, lead and galvanized services line replacement, and recurring programs, such as the ongoing replacement or rehabilitation of utility meters and mains, water treatment plant upgrades, storage facility renovations, pipes, service lines, and additional transmission mains to meet customer demands, excluding the costs of new mains financed by advances and contributions in aid of construction, is estimated to require aggregate expenditures of approximately \$3,495,000. We anticipate that more than one half of these expenditures will require external financing. We expect to refinance \$742,484 of long-term debt during this period as it becomes due with funds from new issues of long-term debt, issuances of equity, internally-generated funds, our commercial paper program, and our revolving credit facilities. The estimates discussed above do not include any amounts for possible future acquisitions of utility systems or the financing necessary to support them.

Our primary sources of liquidity are cash flows from operations (including the allowed deferral of Federal income tax payments), borrowings under various short-term and long-term credit facilities, and customer advances and contributions in aid of construction. Our cash flow from operations, or internally-generated funds, is impacted by the timing of rate relief, utility operating revenues, and changes in Federal tax laws, and accelerated tax depreciation or deductions for utility construction projects. We fund our capital and typical acquisitions through internally-generated funds, supplemented by short-term or long term credit facilities. Over time, we partially repay or pay-down our short-term lines of credit with long-term debt. The ability to finance our future construction programs, as well as our acquisition activities, depends on our ability to attract the necessary external debt and equity financing and maintain internally-generated funds. Timely rate orders permitting compensatory rates of return on invested capital will be required by our operating subsidiaries to achieve an adequate level of earnings and cash flow to enable them to secure the capital they will need to operate and to maintain satisfactory debt coverage ratios.

### **Acquisitions**

As part of the Company’s growth-through-acquisition strategy, as of December 31, 2025, the Company has entered into purchase agreements to acquire the water or wastewater utility system assets of three municipalities and a private company for a total combined purchase price in cash of approximately \$300,000. The purchase price for these pending acquisitions is subject to certain adjustments at closing, and the pending acquisitions are subject to regulatory approvals, including the final determination of the fair value of the rate base acquired. This includes the Company’s agreement to acquire the Delaware County Regional Water Quality Control Authority (DELCORA) for \$276,000. DELCORA, a Pennsylvania sewer authority, serves approximately 198,000 equivalent dwelling units in the Philadelphia suburbs.

Aside from DELCORA, closings for these acquisitions, which occurred or are expected to occur in 2026, are subject to the timing of the various regulatory approval processes and are expected to add approximately 5,000 equivalent retail customers in two of the states in which the Company operates.

In July 2025, the Company acquired the wastewater utility system of the City of Beaver Falls, Pennsylvania for \$37,750. The system serves approximately 3,200 customers in the City of Beaver Falls and also provides bulk transmission and treatment service for approximately 3,800 equivalent dwelling units in seven nearby municipalities. The preliminary purchase price allocation for this acquisition consisted primarily of property, plant and equipment of \$29,900 and goodwill of \$7,850.

In April 2025, the Company acquired the Village of Midvale’s water system in Ohio, which serves approximately 1,000 customers for \$2,950.

In January 2025, the Company acquired Greenville Sanitary Authority’s wastewater utility assets, which serves approximately 2,300 customers in Greenville, Pennsylvania for \$18,000.

In October 2024, the Company acquired wastewater utility assets in Morgan County, Indiana, which serves approximately 100 customers for \$500. In May 2024, the Company acquired the wastewater utility assets of Westfield HOA, which serves approximately 200 customers within Westfield Homeowners Subdivision in Glenview, Illinois for a cash purchase price of \$67.

In July 2023, the Company completed the following water utility asset acquisitions: Shenandoah Borough, Pennsylvania, which serves approximately 2,900 customers for \$12,291; La Rue, an Ohio municipality, which serves approximately 300 customers for \$2,253; and, Southern Oaks Water System, which serves approximately 800 customers in Texas for \$3,321. In July 2023, the Company completed their acquisition of a portion of the water and wastewater utility assets of the Village of Frankfort, an Illinois municipality, which serves approximately 1,500 customers for \$1,424. In June 2023, the Company acquired the wastewater utility assets of Union Rome, Ohio, which serves approximately 4,300 customers for a cash purchase price of \$25,547. Additionally, in March 2023, the Company acquired the North Heidelberg Sewer Company in Berks County, Pennsylvania, which serves approximately 300 customer connections for a cash purchase price of \$136.

During the past three years, we have expended cash of \$102,972 related to the acquisition of both water and wastewater utility systems. We continue to pursue the acquisition of water and wastewater utility systems and explore other utility acquisitions that may be in a new state. Our typical acquisitions are expected to be financed with short-term debt with subsequent repayment from the proceeds of long-term debt, retained earnings, or equity issuances.

### **Dispositions**

We routinely review and evaluate areas of our business and operating divisions and, over time, may sell utility systems or portions of systems. In October 2023, the Company completed the sale of its regulated natural gas utility assets in West Virginia, which represented approximately two percent of the Company's regulated natural gas customers. The Company initially received net cash proceeds of \$39,965, subject to working capital and other adjustments. In March 2024, the Company received an additional \$1,213 from the buyer. In January 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects for \$165,000. This sale resulted in the recognition of a gain of \$91,236 during 2024 which is included in other expense (income) in the consolidated statement of operations. These transactions are consistent with the Company's long-term strategy of focusing on its core business and will allow the Company to prioritize the growth of its utilities in states where it has scale. The Company used the proceeds from these transactions to finance its capital expenditures and water and wastewater acquisitions, in place of external funding from equity and debt issuances. Refer to Note 3 – *Dispositions* in this Annual Report for additional information.

### **Sources of Capital**

Since net operating cash flow plus advances and contributions in aid of construction have not been sufficient to fully fund our cash requirements including capital expenditures and our growth through acquisitions program, we issued \$15,332,559 of long-term debt, and obtained other short-term borrowings during the past three years. At December 31, 2025, we have a \$1,000,000 unsecured long-term revolving credit facility that expires in December 2027, which has the following sublimits and available capacity under the credit facility: \$100,000 letter of credit sublimit, \$85,632 of letters of credit available capacity \$100,000 daily demand loan sublimit, \$100,000 daily demand loan available capacity and \$417,632 available for borrowing (net of \$568,000 of capacity designated for outstanding principal borrowings under our commercial program and \$14,368 letter of credit usage). In addition, Aqua Pennsylvania has a \$100,000 364-day unsecured revolving credit facility and Peoples Natural Gas has a \$300,000 364-day unsecured revolving credit facility. These short-term lines of credit 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.

On August 7, 2025, the Company issued \$500,000 of senior notes, less expenses of \$1,220, due on August 15, 2035 with an interest rate of 5.25%. The Company used the proceeds from the issuance of senior notes to repay a portion of its commercial paper borrowings and for general corporate purposes.

On June 3, 2025, Aqua Pennsylvania and Peoples Natural Gas Companies amended and restated their respective \$100,000 and \$300,000 revolving credit agreements, extending the maturity date by another 364-day period. The funds borrowed under these revolving credit agreements are classified as loans payable and are used to provide working capital.

On May 29, 2025, the Company's subsidiary, Aqua Pennsylvania, issued \$100,000 in aggregate principal amount of first mortgage bonds. The bonds consisted of \$75,000 of 5.38% first mortgage bonds due in 2035; and \$25,000 of 5.63% first mortgage bonds due in 2040. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

On March 19, 2025, the Company established the CP Program that allows it to issue, through private placement, short-term, unsecured commercial paper notes (the "CP Notes") in an aggregate principal amount not to exceed \$1,000,000. Maturities of CP Notes may vary, but cannot exceed 364 days from the date of issue. Amounts available under the CP Program may be borrowed, repaid, and re-borrowed from time to time. The CP Program is reinforced by the Company's revolving credit facility, as amounts undrawn under the Company's revolving credit facility are available to repay the CP Notes. Notes issued under the CP Program rank equally with the Company's present and future unsecured indebtedness. The Company utilizes the proceeds from the sale of the CP Notes for general corporate purposes, which may include working capital, capital expenditures, water and wastewater utility acquisitions, and repaying outstanding indebtedness, including under the Company's revolving credit facility or the revolving credit facilities of its subsidiaries. As of December 31, 2025, outstanding borrowings under the Company's CP Program were \$567,590, net of unamortized discount on issuance of \$410.

On August 15, 2024, the Company issued \$500,000 of senior notes, less expenses of \$3,015, due in 2027, with an interest rate of 4.80%. On January 8, 2024, the Company issued \$500,000 of long-term debt, less expenses of \$4,610, due in 2034 with an interest rate of 5.375%. The Company used the net proceeds from the issuance of these notes (1) to repay a portion of the borrowings under the Company's existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

In August 2023, the Company's subsidiary, Aqua Pennsylvania, issued \$225,000 in aggregate principal amount of first mortgage bonds. The bonds consisted of \$175,000 of 5.48% first mortgage bonds due in 2053; and \$50,000 of 5.56% first mortgage bonds due in 2061. In January 2023 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 August 13, 2024, the Company filed a prospectus supplement under the 2024 universal shelf registration statement relating to a new at-the-market equity sales program ("ATM"), under which it may issue and sell shares of its common stock up to an aggregate offering price of \$1,000,000 ("2024 ATM"). This 2024 ATM replaced the Company's previous ATM filed on October 14, 2022 ("2022 ATM"). During the year ended December 31, 2025, the Company issued 7,671,350 shares of common stock for net proceeds of \$300,117 under the 2024 ATM. As of December 31, 2025, the 2024 ATM had approximately \$663,750 of equity available for issuance. During the year ended December 31, 2024, the Company issued 925,497 shares of common stock for net proceeds of \$36,134 under the 2024 ATM. As of December 31, 2024, the 2024 ATM had approximately \$964,000 of equity available for issuance. During the year ended December 31, 2023, the Company issued 8,938,839 shares of common stock for net proceeds of \$322,983 under the 2022 ATM. The Company used the net proceeds from the sales of shares through ATM for working capital, capital expenditures, water and wastewater utility acquisitions, and repaying a portion of outstanding indebtedness.

Our regulated water and gas business is capital intensive and requires a significant level of capital spending. Our consolidated balance sheet historically has had a negative working capital position, whereby routinely our current liabilities exceed our current assets. Management believes that internally-generated funds along with existing credit facilities and the proceeds from the issuance of commercial paper, other long-term debt and common 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 loan and debt agreements require us to comply with certain financial covenants, which among other things, subject to specific exceptions, limit the Company's ratio of consolidated total indebtedness to consolidated total capitalization, and require a minimum level of earnings coverage over interest expense. During 2025, we were in compliance with our debt covenants under our credit facilities. Failure to comply with our debt covenants could result in an event of default, which could result in us being required to repay or refinance our borrowings before their due date, possibly limiting our future borrowings, and increasing our borrowing costs.

In March 2024, the Company filed a new universal shelf registration with the Securities and Exchange Commission (SEC) to allow for the potential future offer and sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities, and other securities specified therein at indeterminate prices. This registration statement is effective for three years and replaces a similar filing that expired in the second quarter of 2024. During the past three years, we issued common stock and long-term debt in offerings under this shelf registration statement. Refer to Note 12 – *Long-term Debt and Loans Payable* and Note 14 – *Stockholders' Equity* in this Annual Report for further information regarding these financings.

In addition, we have an acquisition shelf registration statement, which was filed with the SEC on February 27, 2015, to permit the offering from time to time of an aggregate of \$500,000 of our common stock and shares of preferred stock in connection with acquisitions. The balance remaining available for use under the acquisition shelf registration as of December 31, 2025 is \$487,155.

We will determine the form and terms of any further securities issued under the universal shelf registration statement and the acquisition shelf registration statement at the time of issuance.

We offer a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan) that provides a convenient and economical way to purchase shares of the Company. Under the direct stock purchase portion of the Plan, shares are issued throughout the year. The dividend reinvestment portion of the Plan offers a five percent discount on the purchase of shares of common stock with reinvested dividends. As of the December 2025 dividend payment, holders of 3.5% of the common shares outstanding participated in the dividend reinvestment portion of the Plan. The shares issued under the Plan are either original issue shares or shares purchased by the Company's transfer agent in the open-market. During the past three years, we have sold 1,280,212 original issue shares of common stock for net proceeds of \$46,782 through the dividend reinvestment portion of the Plan, and we used the proceeds to invest in our operating subsidiaries, to repay short-term debt, and for general corporate purposes. In 2025, 2024, and 2023, we sold 416,037, 433,688, and 430,487 original issues shares of common stock for net proceeds of \$15,301, \$15,476, and \$16,005, respectively, through the dividend reinvestment portion of the plan.

## Credit Risk

The Company and its subsidiaries' access to capital markets and costs of financing are influenced by its credit ratings. Below summarizes the Company and its subsidiaries' issuer and security credit ratings as of December 31, 2025:

	S&P	Moody's
<b>Essential Utilities, Inc. -</b>		
Issuer/corporate credit rating	A - / Positive	Baa2 / Negative
Commercial paper	A - 2	P - 2
Senior unsecured debt	BBB+	Baa2
<b>Aqua Pennsylvania, Inc. -</b>		
Issuer/corporate credit rating	A - / Positive	Not Rated
Senior secured	A	Not Rated
<b>PNG Companies LLC -</b>		
Issuer/corporate credit rating	A - / Stable	Baa2 / Negative
Senior secured	A -	Baa2

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.

## Off-Balance Sheet Financing Arrangements

We do not engage in any off-balance sheet financing arrangements. We do not have any interest in entities referred to as variable interest entities, which includes special purpose entities and other structured finance entities.

## Contractual Obligations

The following table summarizes our contractual cash obligations as of December 31, 2025:

	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt	\$ 7,613,848	\$ 21,822	\$ 742,484	\$ 911,882	\$ 5,937,660
Interest on fixed-rate, long-term debt (1)	311,431	1,586	32,745	28,050	249,050
Operating leases (2)	36,477	7,906	14,651	1,695	12,225
Unconditional purchase obligations (3)	11,781	5,168	2,525	2,139	1,949
Gas purchase obligations (4)	2,197,181	265,091	544,181	525,384	862,525
Other purchase obligations (5)	129,033	129,033	-	-	-
Pension plan obligations (6)	2,416	2,416	-	-	-
Other obligations (7)	37,535	32,278	2,224	1,991	1,042
<b>Total</b>	<b>\$ 10,339,702</b>	<b>\$ 465,300</b>	<b>\$ 1,338,810</b>	<b>\$ 1,471,141</b>	<b>\$ 7,064,451</b>

(1) Represents interest payable on fixed rate, long-term debt. Amounts reported may differ from actual due to future refinancing of debt.

(2) Represents minimum lease payments for long-term operating leases of land, office facilities, office equipment, and vehicles.

- (3) Represents our commitment to purchase minimum quantities of water as stipulated in agreements with other water purveyors. We use purchased water to supplement our water supply, particularly during periods of peak customer demand. Our actual purchases may exceed the minimum required levels.
- (4) Represents our commitment to purchase minimum quantities of natural gas stipulated in agreements with various producers of natural gas to meet regulated customers' natural gas requirements.
- (5) Represents an approximation of the open purchase orders for goods and services purchased in the ordinary course of business.
- (6) Represents contributions to be made to the Company's retirement plans.
- (7) Represents expenditures estimated to be required under legal and binding contractual obligations.

In addition to the contractual obligations table above, we have the following obligations:

*Refunds of customer's advances for construction* – We pay refunds on customers' advances for construction over a specific period of time based on operating revenues related to developer-installed utility mains or as new customers are connected to and take service from such mains. After all refunds are paid, any remaining balance is transferred to contributions in aid of construction. The refund amounts are not included in the above table because the refund amounts and timing are dependent upon several variables, including new customer connections, customer consumption levels and future rate increases, which cannot be accurately estimated. Portions of these refund amounts are payable annually through 2034 and amounts not paid by the contract expiration dates become non-refundable.

*Asset Retirement Obligations* – We recognize asset retirement obligations associated with retirements of production, storage wells and other pipeline components at fair value, as incurred, or when sufficient information becomes available to determine a reasonable estimate of the fair value of the retirement activities to be performed. Expected obligations are not included in the above table because the amounts and timing are dependent upon several variables, which cannot be accurately estimated.

*Uncertain tax positions* – We have uncertain tax positions of \$7,770. Although we believe our tax positions comply with applicable law, we have made judgments as to the sustainability of each uncertain tax position based on its technical merits. Due to the uncertainty of future cash outflows, if any, associated with our uncertain tax positions, we are unable to make a reasonable estimate of the timing or amounts that may be paid. See Note 8 – *Income Taxes* in this Annual Report for further information on our uncertain tax positions.

We will fund these contractual obligations with cash flows from operations and liquidity sources held by or available to us.

The Company is routinely involved in legal matters, including both asserted and unasserted legal claims, during the ordinary course of business. See Note 10 – *Commitments and Contingencies* in this Annual Report for a discussion of the Company's legal matters. It is not always possible for management to make a meaningful estimate of the potential loss or range of loss associated with such litigation. Also, unanticipated changes in circumstances and/or revisions to the assessed probability of the outcomes of legal matters could result in expenses being incurred in future periods as well as an increase in actual cash required to resolve the legal matter.

**Capitalization**

The following table summarizes our capitalization as of December 31, 2025 and 2024:

December 31,	2025	2024
Long-term debt (1)	54.4%	54.9%
Essential Utilities stockholders' equity	45.6%	45.1%
	100.0%	100.0%

(1) Includes current portion, as well as our commercial paper borrowings and borrowings under a variable rate revolving credit agreement of \$568,000 and \$0 at December 31, 2025, and \$0 and \$413,000 at December 31, 2024, respectively.

Over the past two years, the changes in the capitalization ratios primarily resulted from the issuance of debt to finance our acquisitions and capital program, changes in net income, the issuance of common stock, and the declaration of dividends.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our financial condition and results of operations are impacted by the methods, assumptions, and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to our financial condition or results of operations and require estimates or other judgments of matters of uncertainty. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the financial statements. We believe our most critical accounting policies include the use of regulatory assets and liabilities, revenue recognition, the valuation of our long-lived assets (which consist primarily of utility plant in service, regulatory assets, and goodwill), our accounting for post-retirement benefits, and our accounting for income taxes. We have discussed the selection and development of our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

**Regulatory Assets and Liabilities** — We defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recognized in the rate-making process in a period different from when the costs and credits were incurred. These deferred amounts, both assets and liabilities, are then recognized in the consolidated statement of operations in the same period that they are reflected in our rates charged for utility service. We make significant judgments and estimates to record regulatory assets and liabilities, such as for amounts related to income taxes, pension and postretirement benefits, acquisitions and capital projects. For each regulatory jurisdiction with regulated operations, we evaluate at the end of each reporting period, whether the regulatory assets and liabilities continue to meet the probable criteria for future recovery or refund. The evaluation considers factors such as regulatory orders or guidelines, in the same regulatory jurisdiction, of a specific matter or a similar matter, as provided to us in the past or to other regulated utilities. In addition, the evaluation may be impacted by changes in the regulatory environment and pending or new legislation that could impact the ability to recover costs through regulated rates. There may be multiple participants to rate or transactional regulatory proceedings who might offer different views on various aspects of such proceedings, and in these instances may challenge our prudence of business policies and practices, seek cost disallowances or request other relief.

In the event that our assessment as to the probability of the inclusion in the rate-making process is incorrect, the associated regulatory asset or liability would be adjusted to reflect the change in our assessment or change in regulatory approval.

**Revenue Recognition** — Our utility revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. The estimated usage is based on our judgment and assumptions; our actual results could differ

from these estimates, which would result in operating revenues being adjusted in the period that the revision to our estimates is determined. In Virginia, North Carolina, and Kentucky, we may bill our utility customers, in certain circumstances, in accordance with a rate filing that is pending before the respective regulatory commission, which would allow interim rates before the final commission rate order is issued. The revenue recognized reflects an estimate based on our judgment of the final outcome of the commission's ruling. We monitor the applicable facts and circumstances regularly and revise the estimate as required. The revenue billed and collected prior to the final ruling is subject to refund based on the commission's final ruling.

**Valuation of Long-Lived Assets, Goodwill and Intangible Assets** — We review our long-lived assets for impairment, including utility plant in service. We also review regulatory assets for the continued application of the FASB accounting guidance for regulated operations. Our review determines whether there have been changes in circumstances or events, such as regulatory disallowances, or abandonments, that have occurred that require adjustments to the carrying value of these assets. Adjustments to the carrying value of these assets would be made in instances where their inclusion in the rate-making process is not probable. For utility plant in service, we would recognize an impairment loss for any amount disallowed by the respective utility commission.

Our long-lived assets, which consist primarily of utility plant in service, operating lease right-of-use assets and intangible assets, are reviewed for impairment when changes in circumstances or events occur. These circumstances or events could include a decline in the market value or physical condition of a long-lived asset, an adverse change in the manner in which long-lived assets are used or planned to be used, a change in historical trends, operating cash flows associated with the long-lived assets, changes in macroeconomic conditions, industry and market conditions, or overall financial performance. When these circumstances or events occur, we determine whether it is more likely than not that the fair value of those assets is less than their carrying amount. If we determine that it is more likely than not (that is, the likelihood of more than 50 percent), we would recognize an impairment charge if it is determined that the carrying amount of an asset exceeds the sum of the undiscounted estimated cash flows. In this circumstance, we would recognize an impairment charge equal to the difference between the carrying amount and the fair value of the asset. Fair value is estimated to be the present value of future net cash flows associated with the asset, discounted using a discount rate commensurate with the risk and remaining life of the asset. This assessment requires significant management judgment and estimates that are based on budgets, general strategic business plans, historical trends and other data and relevant factors. These estimates include significant inherent uncertainties, since they involve forecasting future events. If changes in circumstances or events occur, or estimates and assumptions that were used in this review are changed, we may be required to record an impairment charge on our long-lived assets. Refer to Note 1 – *Summary of Significant Accounting Policies – Impairment of Long-Lived Assets* in this Annual Report for additional information regarding the review of long-lived assets for impairment.

We test the goodwill attributable to each of our reporting units for impairment at least annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, changes to regulatory environment, recent regulatory and legislative proceedings, cost factors, overall financial performance, and entity specific events, for some or all of our reporting units to determine whether it's more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on our assessment of the qualitative factors previously noted, or at our discretion, we may perform a quantitative goodwill impairment test by determining the fair value of a reporting unit by weighting the results from the income approach and the market approach. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information (which includes projected operating income, expected future capital expenditures, and projected regulatory rate base, among others), growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and future profitability of our business. If we perform a quantitative test and determine that the fair value of a reporting unit is less than its carrying amount, we would record an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of

goodwill. The assessment requires significant management judgment and estimates that are based on budgets, general strategic business plans, historical trends and other data and relevant factors. If changes in circumstances or events occur, or estimates and assumptions that were used in our impairment test change, we may be required to record an impairment charge for goodwill. Refer to Note 1 – *Summary of Significant Accounting Policies – Goodwill* in this Annual Report for further information.

As part of the October 1, 2025 annual goodwill assessment, we elected to perform qualitative assessments for our Regulated Water, Regulated Natural Gas, and Other reporting units. Based on our analysis, we determined that it is more likely than not that the fair value of our reporting units is greater than their carrying amounts, and none of the goodwill of our reporting units was impaired.

**Accounting for Post-Retirement Benefits** — We maintain a qualified and a non-qualified defined benefit pension plan and plans that provide for post-retirement benefits other than pensions. Accounting for pension and other post-retirement benefits requires an extensive use of assumptions including the discount rate, expected return on plan assets, the rate of future compensation increases received by our employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from our actuarial consultant, who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefits expense that we recognize.

Our discount rate assumption, which is used to calculate the present value of the projected benefit payments of our post-retirement benefits, was determined by selecting a hypothetical portfolio of high quality corporate bonds appropriate to match the projected benefit payments of the plans. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds. The discount rate was then developed as the rate that equates the market value of the bonds purchased to the discounted value of the projected benefit payments of the plans. A decrease in the discount rate would generally increase our post-retirement benefits expense and benefit obligation. After reviewing the hypothetical portfolio of bonds, we selected a discount rate of 5.45% for our pension plan, and 5.57% for our other post-retirement benefit plans as of December 31, 2025, which represent a 19 and 1 basis-point decrease as compared to the discount rates selected at December 31, 2024, respectively. Our post-retirement benefits expense under these plans is determined using the discount rate as of the beginning of the year, which was 5.64% for our pension plan and 5.65% for our other-postretirement benefit plan for 2025.

Our expected return on plan assets is determined by evaluating the asset class return expectations with our advisors as well as actual, long-term, historical results of our asset returns. The Company's market-related value of plan assets is equal to the fair value of the plans' assets as of the last day of its fiscal year and is a determinant for the expected return on plan assets, which is a component of post-retirement benefits expense. The allocation of our plans' assets impacts our expected return on plan assets. As of December 31, 2025, the expected return on plan assets is based on a targeted allocation of 20% to 40% return seeking assets and 60% to 80% liability hedging assets for our pension plan, and a targeted allocation of 50% to 70% return seeking assets and 30% to 50% liability hedging assets for our other post-retirement benefit plans. Our post-retirement benefits expense increases as the expected return on plan assets decreases. We believe that our actual long-term asset allocations on average will approximate our targeted allocations. Our targeted allocations are driven by our investment strategy to earn a reasonable rate of return while maintaining risk at acceptable levels through the diversification of investments across and within various asset categories. For 2025, we used a 6.0% expected return on plan assets assumption and are currently reviewing this assumption for 2026.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and our funding policy, during 2026 our pension contribution is expected to be \$2,416. Future years' contributions will be subject to economic conditions, plan participant data and the funding rules in effect at such time as the funding calculations are performed, though we

expect future changes in the amount of contributions and expense recognized to be generally included in customer rates.

**Accounting for Income Taxes** — We estimate the amount of income tax payable or refundable for the current year and the deferred income tax liabilities and assets that results from estimating temporary differences resulting from the treatment of specific items, such as depreciation, for tax and financial statement reporting. Generally, these differences result in the recognition of a deferred tax asset or liability on our consolidated balance sheet and require us to make judgments regarding the probability of the ultimate tax impact of the various transactions we enter into. Based on these judgments, we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realization of future tax benefits. Actual income taxes could vary from these estimates and changes in these estimates can increase income tax expense in the period that these changes in estimates occur.

Our determination of what qualifies as a capital cost versus a tax deduction, for qualifying utility asset improvements, as it relates to our income tax accounting method, is subject to subsequent adjustment as well as IRS audits, changes in income tax laws, including regulations regarding tax-basis depreciation as it applies to our capital expenditures, or qualifying utility asset improvements, the expiration of a statute of limitations, or other unforeseen matters could impact the tax benefits that have already been recognized. We establish reserves for uncertain tax positions based upon management's judgment as to the sustainability of these positions. These accounting estimates related to the uncertain tax position reserve require judgments to be made as to the sustainability of each uncertain tax position based on its technical merits. We believe our tax positions comply with applicable law and that we have adequately recorded reserves as required. However, to the extent the final tax outcome of these matters is different than our estimates recorded, we would then need to adjust our tax reserves which could result in additional income tax expense or benefits in the period that this information is known.

### IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

We describe the impact of recent accounting pronouncements in Note 1 – *Summary of Significant Accounting Policies* in this Annual Report.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are subject to market risks in the normal course of business, including changes in interest rates, gas commodity prices and equity prices. The exposure to changes in interest rates is typically related to financings between utility rate increases, since generally our rate increases include a revenue level to allow recovery of our current cost of capital. Interest rate risk is managed through the use of a combination of long-term debt, which is at fixed interest rates; short-term debt, which is at floating interest rates; and at times in the past interest rate swap agreements. As of December 31, 2025, the debt maturities by period, in thousands of dollars, and the weighted average interest rate for long-term debt are as follows:

	2026	2027	2028	2029	2030	Thereafter	Total	Fair Value
Long-term debt:								
Fixed rate	\$ 21,822	\$ 734,249	\$ 8,235	\$ 406,130	\$ 505,752	\$ 5,937,660	\$ 7,613,848	\$ 6,758,133
Variable rate	-	568,000	-	-	-	-	568,000	568,000
<b>Total</b>	<b>\$ 21,822</b>	<b>\$ 1,302,249</b>	<b>\$ 8,235</b>	<b>\$ 406,130</b>	<b>\$ 505,752</b>	<b>\$ 5,937,660</b>	<b>\$ 8,181,848</b>	<b>\$ 7,326,133</b>
Weighted average interest rate	7.27%	4.23%	3.77%	3.55%	2.70%	4.21%	4.09%	

Volatile equity market conditions arising from macroeconomic dynamics, public health threats, global conflicts, and sanctions imposed in response thereto, may result in our pension and other post-retirement plans' assets market values suffering a decline, which could increase our required cash contributions to the plans and expense in subsequent years. The Company reduces this risk through fixed income investments to manage interest rate exposures that impact the valuation of liabilities and through the diversification of investments across and within various asset categories. The Company's risk is also reduced through its ability to recover pension and other benefit costs through rates.

From time to time, we make investments in marketable equity securities. As a result, we are exposed to the risk of changes in equity prices for the marketable equity securities. As of December 31, 2025, we have assets of, in thousands of dollars, \$33,862 to fund our deferred compensation and non-qualified pension plan liabilities. The market risk of the deferred compensation plan assets are borne by the participants in the deferred compensation plan.

Our natural gas commodity price risk, driven mainly by price fluctuations of natural gas, is mitigated by our purchased-gas cost adjustment mechanisms, which provide a dollar-for-dollar offset to increases or decreases in the cost of natural gas and allows for recovery of purchased gas costs fluctuations on an ongoing basis without filing a rate case. We also use derivative instruments to economically hedge the cost of anticipated natural gas purchases during the winter heating months that seeks to offset the risk to our customers from upward market price volatility. These instruments include requirements contracts and spot purchase contracts to meet our regulated customers' natural gas requirements and these instruments may have fixed or variable pricing. The variable price contracts qualify as derivative instruments; however, because the contract price is the prevailing price at the future transaction date the contract has no determinable fair value. The fixed price contracts and firm commitments to purchase a fixed quantity of gas in the future qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business and, as such, are accounted for under the accrual basis and not recorded at fair value in the Company's consolidated financial statements. We also manage gas commodity price risk and supply risk by injecting natural gas into storage during the summer months and withdrawing the natural gas during the winter heating season.

Item 8. *Financial Statements and Supplementary Data*

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Essential Utilities, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets, including the consolidated statements of capitalization, of Essential Utilities, Inc. and its subsidiaries (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statements of operations and comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2025, including the related notes and schedule of condensed parent company financial statements as of December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 appearing after the signature pages (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Accounting for the Effects of Regulatory Matters***

As described in Notes 1 and 6 to the consolidated financial statements, most of the operating companies of the Company that are regulated public utilities are subject to regulation by the utility commissions of the states in which they operate. Some of the operating companies that are regulated public utilities are also subject to rate regulation by county or city government. As of December 31, 2025, regulatory assets were \$2.1 billion and regulatory liabilities were \$0.71 billion. Regulated public utilities follow the accounting guidance for regulated operations, which provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. The regulatory assets represent costs that are probable to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in the Company's rates charged for utility service. If, as a result of a change in circumstances, it is determined that a regulated operating company no longer meets the criteria to apply regulatory accounting, the operating company would have to discontinue regulatory accounting and write-off the respective regulatory assets and liabilities.

The principal considerations for our determination that performing procedures relating to accounting for the effects of regulatory matters is a critical audit matter are a high degree of auditor effort in performing procedures and evaluating audit evidence related to the probability of recovery of regulatory assets and refund of regulatory liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of regulatory proceedings, including controls over the probability of recovery of regulatory assets, refund of regulatory liabilities, and the related accounting and disclosure impacts. These procedures also included, among others (i) evaluating the reasonableness of management's assessment regarding the probability of recovery of regulatory assets and refund of regulatory liabilities and (ii) testing, on a sample basis, regulatory assets and regulatory liabilities, based on the provisions and formulas outlined in rate orders and other regulatory proceedings and correspondence, as well as application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 26, 2026

We have served as the Company's auditor since 2000.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars, except per share amounts)

	December 31,	
	2025	2024
Assets		
Property, plant and equipment, at cost	\$ 17,690,717	\$ 16,275,377
Less: accumulated depreciation	3,427,035	3,131,901
Net property, plant and equipment	<u>14,263,682</u>	<u>13,143,476</u>
Current assets:		
Cash and cash equivalents	34,778	9,156
Accounts receivable, net	217,191	166,522
Unbilled revenues	167,085	142,310
Inventory - materials and supplies	51,767	48,619
Inventory - gas stored	60,686	45,311
Prepayments and other current assets	59,110	41,139
Regulatory assets	19,779	32,854
Total current assets	<u>610,396</u>	<u>485,911</u>
Regulatory assets	2,089,669	1,907,786
Deferred charges and other assets, net	122,217	112,712
Funds restricted for construction activity	1,445	1,420
Goodwill	2,348,559	2,340,713
Operating lease right-of-use assets	25,923	31,263
Intangible assets	2,954	3,273
Total assets	<u>\$ 19,464,845</u>	<u>\$ 18,026,554</u>

See accompanying notes to consolidated financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (continued)  
(In thousands of dollars, except per share amounts)

	December 31,	
	2025	2024
Liabilities and Equity		
Essential Utilities stockholders' equity:		
Common stock at \$0.50 par value, authorized 600,000,000 shares, issued 286,505,895 and 278,209,660 as of December 31, 2025 and December 31, 2024	\$ 143,253	\$ 139,105
Capital in excess of par value	4,524,517	4,199,836
Retained earnings	2,280,669	1,949,492
Treasury stock, at cost, 3,423,086 and 3,386,069 shares as of December 31, 2025 and December 31, 2024	(90,983)	(89,624)
<b>Total stockholders' equity</b>	<b>6,857,456</b>	<b>6,198,809</b>
Long-term debt, excluding current portion	8,160,026	7,416,289
Less: debt issuance costs	49,859	47,908
Long-term debt, excluding current portion, net of debt issuance costs and unamortized discount on debt	8,110,167	7,368,381
Commitments and contingencies (See Note 10)		
Current liabilities:		
Current portion of long-term debt	21,822	142,807
Loans payable	150,139	186,542
Accounts payable	276,080	258,615
Book overdraft	25,494	47,714
Accrued interest	82,466	72,281
Accrued taxes	28,688	38,219
Regulatory liabilities	11,202	1,770
Dividends payable	-	89,441
Other accrued liabilities	168,592	137,279
<b>Total current liabilities</b>	<b>764,483</b>	<b>974,668</b>
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	2,090,120	1,831,868
Customers' advances for construction	115,465	113,323
Regulatory liabilities	703,285	764,745
Operating lease liabilities	21,608	27,447
Pension and other postretirement benefit liabilities	15,241	33,680
Other	60,814	24,788
<b>Total deferred credits and other liabilities</b>	<b>3,006,533</b>	<b>2,795,851</b>
Contributions in aid of construction	726,206	688,845
<b>Total liabilities and equity</b>	<b>\$ 19,464,845</b>	<b>\$ 18,026,554</b>

See accompanying notes to consolidated financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(In thousands, except per share amounts)

	Years ended December 31,		
	2025	2024	2023
Operating revenues	\$ 2,474,615	\$ 2,086,113	\$ 2,053,824
Operating expenses:			
Operations and maintenance	639,604	587,250	575,518
Purchased gas	403,817	277,009	352,306
Depreciation	403,190	363,906	338,655
Amortization	14,281	5,646	5,040
Taxes other than income taxes	92,772	94,634	90,208
Total operating expenses	1,553,664	1,328,445	1,361,727
Operating income	920,951	757,668	692,097
Other expense (income):			
Interest expense	329,081	302,467	283,362
Interest income	(1,703)	(3,318)	(3,401)
Allowance for funds used during construction	(26,253)	(21,310)	(16,967)
Gain on sale of other assets	(1,325)	(92,224)	(65)
Other	1,337	(1,425)	(2,613)
Income before income taxes	619,814	573,478	431,781
Income tax expense (benefit)	3,445	(21,836)	(66,445)
Net income	\$ 616,369	\$ 595,314	\$ 498,226
Comprehensive income	\$ 616,369	\$ 595,314	\$ 498,226
Net income per common share:			
Basic	\$ 2.20	\$ 2.17	\$ 1.86
Diluted	\$ 2.20	\$ 2.17	\$ 1.86
Average common shares outstanding during the period:			
Basic	280,054	273,914	267,171
Diluted	280,619	274,421	267,659

See accompanying notes to consolidated financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CAPITALIZATION  
(In thousands of dollars, except per share amounts)

	December 31,	
	2025	2024
Stockholders' equity:		
Common stock, \$0.50 par value	\$ 143,253	\$ 139,105
Capital in excess of par value	4,524,517	4,199,836
Retained earnings	2,280,669	1,949,492
Treasury stock, at cost	(90,983)	(89,624)
<b>Total stockholders' equity</b>	<b>6,857,456</b>	<b>6,198,809</b>
Long-term debt of subsidiaries (substantially collateralized by utility plant):		
<u>Interest Rate Range</u>	<u>Maturity Date Range</u>	
0.00% to 0.99%	2026 to 2052	7,328
1.00% to 1.99%	2030 to 2049	23,977
2.00% to 2.99%	2025 to 2058	204,870
3.00% to 3.99%	2026 to 2056	1,252,397
4.00% to 4.99%	2025 to 2059	1,120,564
5.00% to 5.99%	2028 to 2061	412,260
6.00% to 6.99%	2026 to 2036	31,000
7.00% to 7.99%	2025 to 2027	4,652
8.00% to 8.99%	2025	-
9.00% to 9.99%	2026	11,800
	3,068,848	3,101,096
Notes payable to bank under revolving credit agreement, variable rate, due 2027	-	413,000
Unsecured notes payable:		
Commercial paper program (See Note 13)	568,000	-
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 4.276%, due 2049	500,000	500,000
Notes at 4.80%, due 2027	500,000	500,000
Notes at 5.25%, due 2035	500,000	-
Notes at 5.30%, due 2052	500,000	500,000
Notes at 5.375%, due 2034	500,000	500,000
Notes at 5.95%, due 2033 through 2034	20,000	20,000
<b>Total long-term debt</b>	<b>8,181,848</b>	<b>7,559,096</b>
Current portion of long-term debt	21,822	142,807
Long-term debt, excluding current portion	8,160,026	7,416,289
Less: debt issuance costs and unamortized discount on debt	49,859	47,908
Long-term debt, excluding current portion, net of debt issuance costs and unamortized discount on debt	8,110,167	7,368,381
<b>Total capitalization</b>	<b>\$ 14,967,623</b>	<b>\$ 13,567,190</b>

See accompanying notes to consolidated financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EQUITY  
(In thousands of dollars, except per share amounts)

	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	-	-	498,226	-	498,226
Dividends declared and paid (\$1.1882 per share)	-	-	(240,999)	-	(240,999)
Dividends of March 1, 2024 declared (\$0.3071 per share)	-	-	(83,929)	-	(83,929)
Issuance of common stock under dividend reinvestment plan (430,487 shares)	215	15,790	-	-	16,005
Issuance of common stock from at-the-market sale agreements (8,938,839 shares)	4,470	318,513	-	-	322,983
Repurchase of stock (89,785 shares)	-	-	-	(3,981)	(3,981)
Equity compensation plan (244,407 shares)	122	(122)	-	-	-
Exercise of stock options (8,174 shares)	4	283	-	-	287
Stock-based compensation	-	11,330	(954)	-	10,376
Other	-	(1,360)	-	1,189	(171)
Balance at December 31, 2023	\$ 138,297	\$ 4,137,696	\$ 1,706,675	\$ (86,485)	\$ 5,896,183
Net income	-	-	595,314	-	595,314
Dividends declared and paid (\$1.2652 per share)	-	-	(262,462)	-	(262,462)
Dividends of March 1, 2025 declared (\$0.3255 per share)	-	-	(89,441)	-	(89,441)
Issuance of common stock under dividend reinvestment plan (433,688 shares)	217	15,259	-	-	15,476
Issuance of common stock from at-the-market sale agreements (925,497 shares)	463	35,671	-	-	36,134
Repurchase of stock (111,955 shares)	-	-	-	(4,048)	(4,048)
Equity compensation plan (185,927 shares)	93	(93)	-	-	-
Exercise of stock options (69,320 shares)	35	2,436	-	-	2,471
Stock-based compensation	-	9,781	(594)	-	9,187
Other	-	(914)	-	909	(5)
Balance at December 31, 2024	\$ 139,105	\$ 4,199,836	\$ 1,949,492	\$ (89,624)	\$ 6,198,809
Net income	-	-	616,369	-	616,369
Dividends declared and paid (\$1.3362 per share)	-	-	(284,380)	-	(284,380)
Issuance of common stock under dividend reinvestment plan (416,037 shares)	208	15,093	-	-	15,301
Issuance of common stock from at-the-market sale agreements (7,671,350 shares)	3,836	296,281	-	-	300,117
Repurchase of stock (62,702 shares)	-	-	-	(2,284)	(2,284)
Equity compensation plan (181,610 shares)	91	(91)	-	-	-
Exercise of stock options (27,238 shares)	13	943	-	-	956
Stock-based compensation	-	12,814	(812)	-	12,002
Other	-	(359)	-	925	566
Balance at December 31, 2025	\$ 143,253	\$ 4,524,517	\$ 2,280,669	\$ (90,983)	\$ 6,857,456

See accompanying notes to consolidated financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Statements of Cash Flows  
(In thousands of dollars, except per share amounts)

	Years ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Net income	\$ 616,369	\$ 595,314	\$ 498,226
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	417,471	369,552	343,695
Deferred income taxes	(3,178)	(27,756)	(79,845)
Provision for doubtful accounts	22,227	21,865	23,209
Stock-based compensation	12,855	9,785	11,323
Gain on sale of utility system and other assets	(1,325)	(92,224)	(65)
Net change in receivables, deferred purchased gas costs, inventory and prepayments	(85,432)	(103,335)	189,989
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	14,299	26,963	(14,559)
Pension and other postretirement benefits contributions	(3,945)	(9,394)	(20,343)
Other, net	21,118	(20,427)	(18,043)
Net cash flows from operating activities	1,010,459	770,343	933,587
Cash flows from investing activities:			
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of \$7,975, \$7,372 and \$5,241	(1,429,980)	(1,329,747)	(1,199,103)
Acquisitions of utility systems, net	(57,004)	(665)	(45,303)
Proceeds from the sale of utility systems and other assets	1,548	167,470	41,758
Convertible note investment	(25,125)	-	-
Other, net	(183)	(339)	(19,080)
Net cash flows used in investing activities	(1,510,744)	(1,163,281)	(1,221,728)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	28,255	19,563	23,982
Repayments of customers' advances	(8,073)	(8,564)	(8,471)
Net proceeds (repayments) of short-term debt	(36,403)	26,418	(68,377)
Net proceeds from commercial paper program	567,448	-	-
Proceeds from other long-term debt	1,318,887	1,649,546	1,207,619
Repayments of other long-term debt	(1,262,822)	(1,027,473)	(876,379)
Change in cash overdraft position	(22,220)	34,356	(15,336)
Proceeds from issuance of common stock under dividend reinvestment plan	15,301	15,476	16,005
Proceeds from issuance of common stock from at-the-market sale agreement	300,117	36,134	322,983
Proceeds from exercised stock options	956	2,471	287
Repurchase of common stock	(2,284)	(4,048)	(3,981)
Dividends paid on common stock	(373,821)	(346,392)	(316,806)
Other, net	566	(5)	(171)
Net cash flows from financing activities	525,907	397,482	281,355
Net change in cash and cash equivalents	25,622	4,544	(6,786)
Cash and cash equivalents at beginning of year	9,156	4,612	11,398
Cash and cash equivalents at end of year	\$ 34,778	\$ 9,156	\$ 4,612
Cash paid during the year for:			
Interest, net of amounts capitalized	\$ 310,921	\$ 275,898	\$ 272,532
Income taxes	\$ 9,080	\$ 6,698	\$ 7,839
Non-cash investing activities:			
Property, plant and equipment additions purchased at the period end, but not yet paid for	\$ 144,987	\$ 135,331	\$ 102,770
Non-cash utility property contributions	\$ 34,349	\$ 38,840	\$ 56,297

See accompanying notes to consolidated financial statements.

Refer to Note 15 – *Employee Stock and Incentive Plan* for a description of non-cash activities

Refer to Note 20 – *Other Supplemental Cash Flow Information* for details on cash paid for income taxes

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Operations** — Essential Utilities, Inc. (“Essential Utilities,” the “Company,” “we,” “our”, or “us”) is the holding company for regulated utilities providing water, wastewater, or natural gas services concentrated in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, Virginia, and Kentucky under the Aqua and Peoples brands. One of our largest operating subsidiaries is Aqua Pennsylvania, Inc., which accounted for approximately 57% of our Regulated Water segment’s operating revenues and approximately 72% of our Regulated Water segment’s income for 2025. Aqua Pennsylvania’s service territory is located in the suburban areas north and west of the City of Philadelphia and in 28 other counties in Pennsylvania. The Company’s other regulated water or wastewater utility subsidiaries provide similar services in seven additional states. Our Peoples subsidiaries provide natural gas service to approximately 747,000 customers in western Pennsylvania and Kentucky. Approximately 95% of the total number of natural gas utility customers we serve are in western Pennsylvania. The Company also operates market-based activities, conducted through its non-regulated subsidiaries, that provide utility service line protection solutions and repair services to households and gas marketing and production activities.

**Execution of Agreement and Plan of Merger with American Water**

On October 26, 2025, American Water Works Company, Inc. (“American Water”), Alpha Merger Sub, Inc., a direct wholly owned subsidiary of American Water (“Merger Sub”), and the Company, entered into an Agreement and Plan of Merger (the “Merger Agreement”). The Merger Agreement provides that upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of American Water. Subject to the terms and conditions of the Merger Agreement, at the time at which the Merger becomes effective (the “Effective Time”), each share of the Company’s common stock, par value \$0.50 per share (“Essential Common Stock”), issued and outstanding immediately prior to the Effective Time, other than any shares of Essential Common Stock owned by American Water or Merger Sub or by the Company as treasury stock (in each case, other than restricted shares), will be converted into the right to receive 0.305 shares (the “Exchange Ratio”) of validly issued, fully paid and nonassessable common stock, par value \$0.01 per share, of American Water (“American Water Common Stock”) (the aggregate number of such shares of American Water Common Stock to be issued in the Merger). On February 10, 2026, at the respective special shareholder meetings of the Company and American Water, each company’s shareholders approved the merger-related proposals, satisfying certain of the conditions to closing.

Consummation of the Merger is subject to certain remaining customary conditions, including the receipt of certain governmental approvals, including (a) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and (b) the approval of certain public utility commissions, in each case on such terms and conditions that would not, individually or in the aggregate, result in a “Burdenome Effect” (as defined in the Merger Agreement). There can be no guarantee that all of the remaining closing conditions and approvals will be satisfied, and the failure to complete the proposed Merger on a timely basis or at all may adversely affect the Company’s financial condition and results of operations. The Company currently estimates that the closing of the proposed Merger will occur by the end of the first quarter of 2027.

**Regulation** — Most of the operating companies that are regulated public utilities are subject to regulation by the utility commissions of the states in which they operate. The respective utility commissions have jurisdiction with respect to rates, service, accounting procedures, issuance of securities, acquisitions and other matters. Some of the operating companies that are regulated public utilities are subject to rate regulation by county or city government. Regulated public utilities follow the Financial Accounting Standards Board’s (“FASB”) accounting guidance for regulated operations, which provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. Costs, for which the Company has received or expects to receive prospective rate recovery, are deferred as a regulatory asset and amortized over the period of rate recovery in accordance with the FASB’s accounting guidance

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

for regulated operations. Conversely, excess recovery of costs or amounts collected in rates to recover costs expected to be incurred in the future or to be refunded in the future are recorded as regulatory liabilities. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in Company's rates charged for utility service. If, as a result of a change in circumstances, it is determined that a regulated operating company no longer meets the criteria to apply regulatory accounting, the operating company would have to discontinue regulatory accounting and write-off the respective regulatory assets and liabilities. See Note 6 - *Regulatory Assets and Liabilities* for further information.

The Company makes significant judgments and estimates to record regulatory assets and liabilities. For each regulatory jurisdiction with regulated operations, the Company evaluates at the end of each reporting period, whether the regulatory assets and liabilities continue to meet the probable criteria for future recovery or refund. The evaluation considers factors such as regulatory orders or guidelines, in the same regulatory jurisdiction, of a specific matter or a similar matter, as provided to the Company in the past or to other regulated utilities. In addition, the evaluation may be impacted by changes in the regulatory environment and pending or new legislation that could impact the ability to recover costs through regulated rates. There may be multiple participants to rate or transactional regulatory proceedings who might offer different views on various aspects of such proceedings, and in these instances, may challenge the prudence of our business policies and practices, seek cost disallowances or request other relief.

***Use of Estimates in Preparation of Consolidated Financial Statements*** — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the application of regulatory accounting principles and estimation of regulatory assets and liabilities, estimates used in impairment testing of goodwill and other long-lived assets, allowance for doubtful accounts, unbilled revenues, pension and other post-retirement benefit obligations, and income taxes. Actual results could differ from those estimates.

***Basis of Presentation*** — The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated.

***Property, Plant and Equipment and Depreciation*** — Property, plant and equipment consist primarily of utility plant. The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overheads, and for additions meeting certain criteria, allowance for funds used during construction. Utility systems acquired are typically recorded at estimated original cost of utility plant when first devoted to utility service and the applicable depreciation is recorded to accumulated depreciation. Further, utility systems acquired under fair value regulations would be recorded based on the valuation of the utility plant as approved by the respective utility commission. The difference between the fair value and the estimated original cost, less applicable accumulated depreciation may be recorded as an acquisition adjustment within utility plant as permitted by the applicable regulatory jurisdiction. At December 31, 2025 and 2024, utility plant includes a net credit acquisition adjustment of \$8,258 and \$5,627, respectively, which is generally being amortized from 10 to 53 years. Amortization of the acquisition adjustments totaled \$465 in 2025, \$787 in 2024, and \$2,103 in 2023.

Utility expenditures for maintenance and repairs, including major maintenance projects and minor renewals, are charged to operating expenses when incurred in accordance with the system of accounts prescribed by the utility commissions of the states in which the company operates. The cost of new units of property and betterments are capitalized. Utility expenditures for water main cleaning and relining of pipes are deferred and are presented in net property, plant and equipment in accordance with the FASB's accounting guidance for regulated operations. As of December 31, 2025, \$1,635 of these costs have been incurred since the last respective rate proceeding and are considered probable of being included in future rates.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

The cost of software upgrades and enhancements are capitalized if they result in added functionality, which enables the software to perform tasks it was previously incapable of performing. Information technology costs associated with major system installations, conversions and improvements, such as software training, data conversion and business process reengineering costs, are deferred as a regulatory asset if it is probable that such costs are recoverable in future rates. If these costs are not deferred, then these costs are charged to operating expenses when incurred. As of December 31, 2025, \$21,778 of these costs have been deferred since the last respective rate proceeding as a regulatory asset, and the deferral is reported as a component of net property, plant and equipment.

When units of utility property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and such value, together with the net cost of removal, is charged to accumulated depreciation. To the extent the Company anticipates recovery of the cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded as those costs are incurred. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts, which are not yet utilized, result in a regulatory liability being reported based on the amounts previously recovered through customer rates.

The straight-line remaining life method is used to compute depreciation on utility plant. Generally, the straight-line method is used with respect to transportation and mechanical equipment, office equipment and laboratory equipment.

**Impairment of Long-Lived Assets** - Long-lived assets of the Company, which consist primarily of utility plant in service, operating lease right-of-use assets and intangible assets, are reviewed for impairment when changes in circumstances or events occur. These circumstances or events could include a decline in the market value or physical condition of a long-lived asset, an adverse change in the manner in which long-lived assets are used or planned to be used, a change in historical trends, operating cash flows associated with the long-lived assets, changes in macroeconomic conditions, industry and market conditions, or overall financial performance. When these circumstances or events occur, the Company determines whether it is more likely than not that the fair value of those assets is less than their carrying amount. If the Company determines that it is more likely than not (that is, the likelihood of more than 50 percent), the Company would recognize an impairment charge if it is determined that the carrying amount of an asset exceeds the sum of the undiscounted estimated cash flows. In this circumstance, the Company would recognize an impairment charge equal to the difference between the carrying amount and the fair value of the asset. Fair value is estimated to be the present value of future net cash flows associated with the asset, discounted using a discount rate commensurate with the risk and remaining life of the asset.

Regulatory assets are reviewed for the continued application of the FASB accounting guidance for regulated operations. The Company's review determines whether there have been changes in circumstances or events, such as regulatory disallowances, or abandonments, that have occurred that require adjustments to the carrying value of these assets. Adjustments to the carrying value of these assets would be made in instances where their inclusion in the rate-making process is unlikely. For utility plant in service, we would recognize an impairment loss for any amount disallowed by the respective utility commission.

**Allowance for Funds Used During Construction** — The allowance for funds used during construction ("AFUDC") represents the capitalized cost of funds used to finance the construction of utility plant. In general, AFUDC is applied to construction projects requiring more than one month to complete. No AFUDC is applied to projects funded by customer advances for construction, contributions in aid of construction, or applicable state-revolving fund loans. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used and is recovered through rates as the utility plant is depreciated. The amount of AFUDC related to equity funds in 2025 was \$18,278, 2024 was \$13,938, and 2023 was \$11,726. No interest was capitalized by our market-based businesses.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

**Lease Accounting** — The Company evaluates the contracts it enters into to determine whether such contracts contain leases. A contract contains a lease if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. We enter into operating lease contracts for the right to utilize certain land, office facilities, office equipment, and vehicles from third parties. For contracts that extend for a period greater than 12 months, we recognize a right of use asset and a corresponding lease liability on our consolidated balance sheet. The present value of each lease is based on the future minimum lease payments in accordance with Accounting Standards Codification (“ASC”) 842 and is determined by discounting these payments using an incremental borrowing rate or the rate implicit in the lease, if available.

**Recognition of Revenues** — The Company recognizes revenue as utility services are provided to our customers, which happens over time as the services are delivered and the performance obligation is satisfied. The Company’s utility revenues recognized in an accounting period includes amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average customer usage. The Company’s actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to our estimates are determined.

Generally, payment is due within 30 days once a bill is issued to a customer. Sales tax and other taxes we collect on behalf of government authorities, concurrent with our revenue-producing activities, are primarily excluded from revenue. The following table presents our revenues disaggregated by major source and customer class for the years ended December 31:

2025	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:				
Residential	\$ 731,818	\$ 165,257	\$ 708,049	\$ -
Commercial	208,617	41,738	141,275	-
Fire protection	46,998	-	-	-
Industrial	41,619	2,477	3,150	-
Gas transportation & storage	-	-	242,186	-
Other water	62,870	-	-	-
Other wastewater	-	13,294	-	-
Other utility	-	-	29,541	10,937
Revenues from contracts with customers	1,091,922	222,766	1,124,201	10,937
Alternative revenue program	667	337	(6,326)	-
Other and eliminations	-	-	-	30,111
Consolidated	\$ 1,092,589	\$ 223,103	\$ 1,117,875	\$ 41,048

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

2024	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:				
Residential	\$ 662,909	\$ 146,849	\$ 504,426	\$ -
Commercial	186,534	36,951	100,662	-
Fire protection	42,409	-	-	-
Industrial	34,831	2,724	2,279	-
Gas transportation & storage	-	-	194,413	-
Other water	80,964	-	-	-
Other wastewater	-	12,898	-	-
Other utility	-	-	30,436	11,226
Revenues from contracts with customers	1,007,647	199,422	832,216	11,226
Alternative revenue program	3,850	(265)	10,775	-
Other and eliminations	-	-	-	21,242
Consolidated	\$ 1,011,497	\$ 199,157	\$ 842,991	\$ 32,468

2023	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:				
Residential	\$ 641,351	\$ 139,188	\$ 519,406	\$ -
Commercial	180,731	35,530	111,272	-
Fire protection	41,257	-	-	-
Industrial	33,949	2,087	3,232	-
Gas transportation & storage	-	-	184,598	-
Other water	51,527	-	-	-
Other wastewater	-	10,589	-	-
Other utility	-	-	43,163	14,863
Revenues from contracts with customers	948,815	187,394	861,671	14,863
Alternative revenue program	2,236	68	2,088	-
Other and eliminations	-	-	-	36,689
Consolidated	\$ 951,051	\$ 187,462	\$ 863,759	\$ 51,552

**Revenues from Contracts with Customers** – These revenues are composed of four main categories: water, wastewater, natural gas, and other. Water revenues represent revenues earned for supplying customers with water service. Wastewater revenues represent revenues earned for treating wastewater and releasing it into the environment. Natural gas revenues represent revenues earned for the gas commodity and delivery of natural gas to customers. Other revenues are associated fees that relate to our utility businesses but are not water, wastewater, or natural gas revenues. Refer to the description below for a discussion of the performance obligation for each of these revenue streams.

**Tariff Revenues** – These revenues are categorized by customer class: residential, commercial, fire protection, industrial, gas transportation, other water, and other wastewater. The rates that generate these revenues are approved by the respective state utility commission, and revenues are billed cyclically and accrued for when unbilled. The regulated natural gas rates are set and adjusted for increases or decreases in our purchased gas costs through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide us with a means to recover purchased gas costs on an ongoing basis without filing a rate case. Other water and other wastewater revenues consists primarily of fines, penalties, surcharges, and availability lot fees. Our performance obligation for tariff revenues is to provide potable water, wastewater treatment service, or delivery and sale of natural gas to customers. This performance obligation is satisfied over time as the services are rendered. The amounts that the Company has a right to invoice for tariff revenues reflect the right to consideration from the customers in an amount that corresponds directly with the value transferred to the customer for the performance completed to date.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

Other Utility Revenues – Other utility revenues represent revenues earned primarily from: antenna revenues, which represents fees received from telecommunication operators that have put cellular antennas on our water towers; operation and maintenance and billing contracts, which represent fees earned from municipalities for our operation of their water or wastewater treatment services or performing billing services; and fees earned from developers for accessing our water mains, miscellaneous service revenue from gas distribution operations, gas processing and handling revenue, sales of natural gas at market-based rates and contracted fixed prices, sales of gas purchased from third parties, and other gas marketing activities. The performance obligations vary for these revenues, but all are primarily recognized over time as the service is delivered.

Alternative Revenue Program:

- Water / Wastewater Revenues – These revenues represent the difference between the actual billed utility volumetric water and wastewater revenues for Aqua Illinois and the revenues set in the last Aqua Illinois rate case. In accordance with the Illinois Commerce Commission, we recognize revenues based on the target amount established in the last rate case, and then record either a regulatory asset or liability based on the cumulative annual difference between the target and actual amounts billed, which results in either a payment from customers or a refund due to customers. The cumulative annual difference is either refunded to customers or collected from customers over a nine-month period.
- Natural Gas Revenues – These revenues represent the weather-normalization adjustment (“WNA”) mechanism in place for our natural gas customers served in Kentucky and, beginning in October 2024, for our natural gas customers in Pennsylvania. The WNA serves to minimize the effects of weather on the Company’s results for its residential and small commercial natural gas customers. This regulatory mechanism adjusts revenues earned for the variance between actual and normal weather and can have either positive (warmer than normal) or negative (colder than normal) effects on revenues. Customer bills are adjusted in the heating season billing months, with rates adjusted for the difference between actual revenues and revenues calculated under this mechanism billed to the customers.

These revenue programs represent a contract between the utility and its regulators, not customers, and therefore are not within the scope of the FASB’s accounting guidance for recognizing revenue from contracts with customers.

Other and Eliminations – Other and eliminations consist of market-based revenues, which are earned through our non-regulated natural gas operations and Aqua Resources, and intercompany activities for revenue billed between our subsidiaries. Our non-regulated natural gas operations consist of utility service line protection solutions and repair services for households and the operation of gas marketing and production entities. Revenue is recognized and the performance obligation is satisfied over time as the service is delivered. Aqua Resources earned revenues and continues to earn revenue through third-party water and sewer service line protection and repair services. For the service line protection business, the performance obligations are allowing the use of our logo to a third-party water and sewer service line repair provider. Revenues are primarily recognized over time as service is delivered.

**Cash and Cash Equivalents** — The Company considers all highly liquid investments with an original maturity of three months or less, which are not restricted for construction activity, to be cash equivalents.

Under our cash management system, checks issued but not yet presented to banks would result in a negative bank balance or a book overdraft. The Company funds its book overdraft from its line of credit and operating cash

flows. The balance of the book overdraft is reported as book overdraft in the accompanying consolidated balance sheets, and the change in the book overdraft balance is reported as cash flows from financing activities, due to our ability to fund the overdraft with the Company's credit facility.

**Accounts Receivable** — Accounts receivable are recorded at the invoiced amounts, which consists of billed and unbilled revenues. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in our existing accounts receivable and is determined based on lifetime expected credit losses, the aging of account balances, and consideration of current and expected future conditions. The Company reviews the allowance for doubtful accounts quarterly. Account balances are written off against the allowance when it is probable the receivable will not be recovered. When utility customers request extended payment terms, credit is extended based on regulatory guidelines, and collateral is not required.

**Inventories – Materials and Supplies** – Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

**Inventory – Gas Stored** – The Company accounts for gas in storage inventory using the weighted average cost of gas method.

**Goodwill** — Goodwill represents the excess cost over the fair value of net tangible and identifiable intangible assets acquired through acquisitions. Goodwill is not amortized but is tested for impairment annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, changes to regulatory environment, recent regulatory and legislative proceedings, cost factors, overall financial performance, and entity specific events, for some or all of our reporting units to determine whether it's more likely than not that the fair value of a reporting unit is less than its carrying amount. Alternatively, based on our assessment of the qualitative factors previously noted or at our discretion, we may perform a quantitative goodwill impairment test by determining the fair value of a reporting unit. If we perform a quantitative test and determine that the fair value of a reporting unit is less than its carrying amount, we would record an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the reporting unit's carrying amount of goodwill.

Impairment testing for goodwill is done at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available, and segment management regularly reviews the operating results of that component. We assigned assets and liabilities to each reporting unit based on either specific identification or by using judgment for the remaining assets and liabilities that are not specific to a reporting unit. Goodwill was assigned to the reporting units based on a combination of specific identification and relative fair values.

Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. We estimated the fair value of reporting units by weighting results from the market approach and the income approach. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies in our industry. Changes in market conditions, changes in the regulatory environment, pending or new legislation that could impact the ability to recover costs through regulated rates or other factors outside of our control, could cause us to change key assumptions and our judgment about a reporting unit's prospects. Similarly, in a specific period, a reporting unit could significantly underperform relative to its historical or projected future operating results. Either situation

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could result in a meaningfully different estimate of the fair value of our reporting units, and a consequent future impairment charge.

During the fourth quarter of 2025, as part of the annual goodwill assessment as of October 1, 2025, we elected to perform qualitative goodwill impairment assessments on the goodwill attributable to our Regulated Natural Gas, our Regulated Water, and Other reporting units. Based on our analysis, we determined that none of the goodwill of our reporting units were impaired.

The following table summarizes the changes in the Company's goodwill:

	Regulated Water	Regulated Natural Gas	Other	Consolidated
Balance at December 31, 2023	\$ 58,450	\$ 2,277,447	\$ 4,841	\$ 2,340,738
Reclassifications to utility plant acquisition adjustment	(25)	-	-	(25)
Balance at December 31, 2024	58,425	2,277,447	4,841	2,340,713
Goodwill acquired (See Note 2)	7,850	-	-	7,850
Reclassifications to utility plant acquisition adjustment	(4)	-	-	(4)
Balance at December 31, 2025	\$ 66,271	\$ 2,277,447	\$ 4,841	\$ 2,348,559

The reclassification of goodwill to utility plant acquisition adjustment results from either a regulatory order or a mechanism approved by the applicable utility commission. A regulatory order may provide for the one-time transfer of certain acquired goodwill. The mechanism provides for the transfer over time, and the recovery through customer rates, of goodwill associated with some acquisitions upon achieving specific objectives.

**Intangible assets** – The Company's intangible assets consist of customer relationships for our non-regulated natural gas operations and non-compete agreements with certain former employees of Peoples. These intangible assets are amortized on a straight-line basis over their estimated useful lives of fifteen years for the customer relationships and five years for the non-compete agreements.

**Derivative Instruments** – The Company's natural gas commodity price risk, driven mainly by price fluctuations of natural gas, is mitigated by its purchased-gas cost adjustment mechanisms. The Company also uses derivative instruments to economically hedge the cost of anticipated natural gas purchases during the winter heating months that seeks to offset the risk to the Company's utility customers from upward market price volatility. These strategies include requirements contracts, spot purchase contracts and underground storage to meet regulated customers' natural gas requirements that may have fixed or variable pricing. The variable price contracts qualify as derivative instruments; however, because the contract price is the prevailing price at the future transaction date the contract has no determinable fair value. The fixed price contracts and firm commitments to purchase a fixed quantity of gas in the future qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business and, as such, are accounted for under the accrual basis and are not recorded at fair value in the Company's consolidated financial statements.

**Deferred Charges and Other Assets** – Deferred charges and other assets consist primarily of assets held to compensate employees in the future who participate in the Company's deferred compensation plan, and prepaid pension and other post-retirement benefit plans assets, which amounted to \$33,862 and \$55,217 as of December 31, 2025; and \$31,324 and \$45,983 as of December 31, 2024, respectively. The assets of the deferred compensation plan are invested in mutual funds which are carried on the consolidated balance sheet at fair market value, and changes in fair value are included in other expense (income), refer to Note 13 – *Fair Value of Financial Instruments* for further details. Refer to Note 17 – *Pension Plans and Other Post-Retirement Benefit Plans* for further information on the prepaid pension and other post-retirement benefit plan assets.

**Income Taxes** — The Company accounts for some income and expense items in different time periods for financial and tax reporting purposes. Deferred income taxes are provided on specific temporary differences between the tax basis of the assets and liabilities, and the amounts at which they are carried in the consolidated financial statements. The income tax effect of temporary differences not currently included in rates is recorded as deferred taxes with an offsetting regulatory asset or liability. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. Investment tax credits are deferred and amortized over the estimated useful lives of the related properties. Judgment is required in evaluating the Company's Federal and state tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company establishes reserves when it believes that its tax positions are likely to be challenged and it may not fully prevail in these challenges. The Company's provision for income taxes includes interest, penalties and reserves for uncertain tax positions.

**Customers' Advances for Construction and Contributions in Aid of Construction** — Utility mains, other utility property or, in some instances, cash advances to reimburse the Company for its costs to construct utility mains or other utility property, are contributed to the Company by customers, real estate developers and builders in order to extend utility service to their properties. The value of these contributions is recorded as customers' advances for construction. Over time, the amount of non-cash contributed property will vary based on the timing of the contribution of the non-cash property and the volume of non-cash contributed property received in connection with development in our service territories. The Company makes refunds on these advances over a specific period of time based on operating revenues related to the property, or as new customers are connected to and take service from the applicable water main. After all refunds are made, any remaining balance is transferred to contributions in aid of construction for our regulated water business. Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that become non-refundable. For our regulated gas business, non-refundable contributions are netted against the cost of the related utility mains or other utility property.

Based on regulatory conventions in states where the Company operates, generally our subsidiaries depreciate contributed property and amortize contributions in aid of construction at the composite rate of the related property. Contributions in aid of construction and customers' advances for construction are deducted from the Company's rate base for rate-making purposes, and therefore, no return is earned on contributed property.

**Stock-Based Compensation** — The Company records compensation expense in the financial statements for stock-based awards based on the grant date fair value of those awards. Stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on either a straight-line basis, or the graded vesting method, which is generally commensurate with the vesting term.

**Fair Value Measurements** — The Company follows the FASB's accounting guidance for fair value measurements and disclosures, which defines fair value and establishes a framework for using fair value to measure assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access;

Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or

liabilities in non-active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3: inputs that are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, assets that are measured at fair value using the net asset value ("NAV") per share practical expedient are not classified in the fair value hierarchy. 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 years ended December 31, 2025 and 2024.

### ***Recent Accounting Pronouncements —***

Pronouncements to be adopted upon the effective date:

In November 2024, the FASB issued ASU 2024-03, "*Income Statement Reporting—Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses*". The standard update improves the disclosures about a public business entity's expenses by requiring more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation and amortization) included within income statement expense captions. The guidance will be effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The standard updates are to be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact of adoption of the standard update on its financial statement disclosures.

In March 2024, the U.S. Securities and Exchange Commission (SEC) issued its final climate disclosure rule, which requires the disclosure of Scope 1 and Scope 2 greenhouse gas emissions and other climate-related topics in annual reports and registration statements, when material. A number of petitions have been filed in federal courts seeking to challenge the SEC's climate disclosure rule. As a result, in April 2024, the SEC placed a pause on its implementation of the new rule. Depending on the outcome of the proceedings, we will include the required disclosures once it becomes effective.

Pronouncements adopted during the fiscal year:

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*". The ASU enhances the transparency and decision usefulness of income tax disclosures and is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. We adopted this ASU on a prospective basis, starting with this 2025 annual report.

Recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the Company.

### ***Note 2 – Water and Wastewater Utility Acquisitions***

#### ***Completed Acquisitions***

In July 2025, the Company acquired the wastewater utility system of the City of Beaver Falls, Pennsylvania for \$37,750. The system serves approximately 3,200 customers in the City of Beaver Falls and also provides bulk transmission and treatment service for approximately 3,800 equivalent dwelling units in seven nearby municipalities.

The preliminary purchase price allocation for this acquisition consisted primarily of property, plant and equipment of \$29,900 and goodwill of \$7,850.

In April 2025, the Company acquired the Village of Midvale's water system in Ohio, which serves approximately 1,000 customers for \$2,950.

In January 2025, the Company acquired Greenville Sanitary Authority's wastewater utility assets, which serve approximately 2,300 customers in Greenville, Pennsylvania for \$18,000.

In October 2024, the Company acquired wastewater utility assets in Morgan County, Indiana, which serve approximately 100 customers for \$500.

In May 2024, the Company acquired the wastewater utility assets of Westfield HOA, which serve approximately 200 customers within Westfield Homeowners Subdivision in Glenview, Illinois for a cash purchase price of \$67.

In July 2023, the Company completed the following water utility asset acquisitions: Shenandoah Borough, Pennsylvania, which serves approximately 2,900 customers for \$12,291; La Rue, an Ohio municipality, which serves approximately 300 customers for \$2,253; and, Southern Oaks Water System, which serves approximately 800 customers in Texas for \$3,321. Additionally, in July 2023, the Company completed their acquisition of a portion of the water and wastewater utility assets of the Village of Frankfort, an Illinois municipality, which serves approximately 1,500 customers for \$1,424.

In June 2023, the Company acquired the wastewater utility assets of Union Rome, Ohio, which serves approximately 4,300 customers for a cash purchase price of \$25,547.

In March 2023, the Company acquired the North Heidelberg Sewer Company in Berks County, Pennsylvania, which serves approximately 300 customer connections for a cash purchase price of \$136.

The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for these utility systems acquired in 2025 are \$2,600.

The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for these utility systems acquired in 2024 were \$95 in 2025 and \$32 in 2024.

The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for these utility systems acquired in 2023 were \$9,332 in 2025, \$7,715 in 2024, and \$3,290 in 2023.

Except for the City of Beaver Falls, Pennsylvania acquisition, the purchase price allocation for the above water and wastewater utility acquisitions consisted primarily of property, plant and equipment. The pro forma effect of the utility systems acquired is not material either individually or collectively to the Company's results of operations.

#### Pending Acquisitions

In October 2024, the Company entered into a purchase agreement to acquire Integra Water Texas, LLC's wastewater system assets in Bastrop County, Texas, which serves approximately 1,100 customers for \$4,400.

In June 2024, the Company entered into a purchase agreement to acquire private water and wastewater utility assets in Harris County, Texas, which serves approximately 400 equivalent retail customers for \$1,125.

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.

The purchase price for each of these pending acquisitions 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 these acquisitions by utilizing our commercial paper program and revolving credit facility until permanent debt and common equity are secured. These pending acquisitions are expected to close during the first half of 2026. Closings for our utility acquisitions are subject to the timing of the respective regulatory approval processes.

#### East Whiteland Purchase Agreement

On July 29, 2022, the Pennsylvania Public Utility Commission issued an order (the "PUC Order") approving the Company's acquisition of the municipal wastewater assets of East Whiteland Township, Chester County, Pennsylvania, which serves 4,018 customers (the "East Whiteland Wastewater Assets"). On August 12, 2022, the Company acquired the East Whiteland Wastewater Assets for a cash purchase price of \$54,374. Subsequently on August 25, 2022, the Office of Consumer Advocate ("OCA") filed an appeal of the PUC Order to the Pennsylvania Commonwealth Court. On July 31, 2023, a decision was issued by the Pennsylvania Commonwealth Court, in which the Pennsylvania Commonwealth Court agreed with the OCA and reversed the PUC order which approved the acquisition. On September 26, 2023, the Pennsylvania Commonwealth Court denied our motion for reargument. On October 26, 2023, the Company, the Pennsylvania Public Utility Commission, and East Whiteland Township filed an appeal to the Pennsylvania Supreme Court. East Whiteland Township filed to Supplement its Petition for Allowance of Appeal on January 2, 2024. Oral arguments before the Pennsylvania Supreme Court took place on May 14, 2025. On December 16, 2025, a decision was issued by the Pennsylvania Supreme Court that reversed the Pennsylvania Commonwealth Court's decision and upheld the PUC's approval of the sale of East Whiteland Wastewater Assets to the Company.

#### DELCORA Purchase Agreement

In 2019, the Company entered into a purchase agreement to acquire the wastewater utility system assets of the Delaware County Regional Water Quality Control Authority ("DELCORA"), which consist of approximately 16,000 customers, or the equivalent of 198,000 retail customers, in 42 municipalities in Southeast Pennsylvania for \$276,500. There are several legal proceedings involving the Company as a result of the purchase agreement that are on-going. 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 commercial paper program and revolving credit facility until permanent debt is secured. Closing of our acquisition of DELCORA is subject to regulatory approval and on-going litigation.

#### **Note 3 – Dispositions**

In January 2024, the Company completed the sale of its interest in three non-utility local microgrid and distributed energy projects for \$165,000. This sale resulted in the recognition of a gain of \$91,236 during the first quarter of 2024, which is included in other expense (income) in the accompanying consolidated statement of operations.

In October 2023, the Company closed on the sale of its regulated natural gas utility assets in West Virginia, which served approximately 13,000 customers or about two percent of the Company's regulated natural gas customers ("Peoples Gas West Virginia"). Initially the sale closed for an estimated purchase price of \$39,965, subject to working capital and other adjustments. In March 2024, the Company received an additional \$1,213 from the buyer. The additional proceeds were based on finalizing closing working capital and other adjustments, resulting in a final

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purchase price of \$41,178 and a loss of an inconsequential amount. The sale concluded the Company's regulated utility operations in West Virginia. The sale of the Peoples Gas West Virginia utility assets had no major effect on the Company's operations and did not meet the requirements to be classified as discontinued operations.

The Company used the proceeds from these transactions to finance its capital expenditures and water and wastewater acquisitions, in place of external funding from equity and debt issuances.

**Note 4 – Property, Plant and Equipment**

	December 31,		Approximate Range of Useful Lives	Weighted Average Useful Life
	2025	2024		
<b>Regulated Water segment:</b>				
Utility plant and equipment				
Mains and accessories	\$ 5,023,290	\$ 4,781,229	35-90 years	66 years
Services, hydrants, treatment plants and reservoirs	3,567,271	3,315,076	5-83 years	53 years
Operations structures and water tanks	465,054	448,040	15-75 years	49 years
Miscellaneous pumping and purification equipment	1,522,970	1,328,806	3-78 years	42 years
Meters, transportation and other operating equipment	1,245,867	1,152,416	5-88 years	30 years
Land and other non-depreciable assets	142,746	141,835	-	-
Utility plant and equipment - regulated water segment	11,967,198	11,167,402		
Utility construction work in progress	415,527	405,751	-	-
Net utility plant acquisition adjustment	(8,258)	(5,627)	10-53 years	22 years
Non-utility plant and equipment	22,721	20,073	17-64 years	55 years
<b>Property, Plant and Equipment - Regulated Water segment</b>	<b>12,397,188</b>	<b>11,587,599</b>		
<b>Regulated Natural Gas segment:</b>				
Natural gas transmission	469,806	444,560	22-97 years	61 years
Natural gas storage	65,844	62,706	30-89 years	45 years
Natural gas gathering and processing	156,078	155,470	22-80 years	48 years
Natural gas distribution	3,828,813	3,279,497	21-73 years	53 years
Meters, transportation and other operating equipment	663,979	637,712	5-61 years	24 years
Land and other non-depreciable assets	16,099	4,839	-	-
Utility plant and equipment - Regulated Natural Gas segment	5,200,619	4,584,784		
Utility construction work-in-progress	92,910	102,994	-	-
<b>Property, plant and equipment - Regulated Natural Gas segment</b>	<b>5,293,529</b>	<b>4,687,778</b>		
<b>Total property, plant and equipment</b>	<b>\$ 17,690,717</b>	<b>\$ 16,275,377</b>		

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**Note 5 – Accounts Receivable**

	December 31,	
	2025	2024
Billed utility revenue	\$ 257,735	\$ 211,168
Other	21,150	14,295
	<u>278,885</u>	<u>225,463</u>
Less allowance for doubtful accounts	61,694	58,941
Net accounts receivable	<u>\$ 217,191</u>	<u>\$ 166,522</u>

As of December 31, 2025, the Company's utility customers are located principally in the following states: 66% in Pennsylvania, 9% in Ohio, 6% in North Carolina, 5% in Texas, and 5% in Illinois. No single customer accounted for more than one percent of the Company's utility operating revenues during the years ended December 31, 2025, 2024, and 2023. The following table summarizes the changes in the Company's allowance for doubtful accounts:

	2025	2024	2023
Balance at January 1,	\$ 58,941	\$ 60,573	\$ 63,981
Amounts charged to expense	22,227	21,865	23,209
Accounts written off	(25,502)	(24,190)	(27,759)
Recoveries of accounts written off and other	6,028	693	1,142
Balance at December 31,	<u>\$ 61,694</u>	<u>\$ 58,941</u>	<u>\$ 60,573</u>

**Note 6 – Regulatory Assets and Liabilities**

Regulatory assets represent costs that are probable to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. Except for income taxes, utility plant retirement costs and water tank painting costs, regulatory assets and regulatory liabilities are excluded from the Company's rate base and do not earn a return. The components of regulatory assets and regulatory liabilities are as follows:

	December 31, 2025		December 31, 2024	
	Regulatory Assets	Regulatory Liabilities	Regulatory Assets	Regulatory Liabilities
Income taxes	\$ 1,897,167	\$ 450,713	\$ 1,712,714	\$ 528,656
Purchased gas costs	18,253	-	21,366	413
Utility plant retirement costs	39,928	81,918	29,146	75,270
Post-retirement benefits	66,302	158,627	80,875	160,851
Accrued vacation	451	-	418	-
Water tank painting	12,357	-	11,242	-
Fair value adjustment of long-term debt assumed in acquisition	23,234	-	30,603	-
Debt refinancing	10,595	-	11,587	-
Rate case filing expenses and other	41,161	23,229	42,689	1,325
	<u>\$ 2,109,448</u>	<u>\$ 714,487</u>	<u>\$ 1,940,640</u>	<u>\$ 766,515</u>

Items giving rise to deferred state income taxes, as well as a portion of deferred Federal income taxes related to specific differences between tax and book depreciation expense, are recognized in the rate setting process on a cash basis or as a reduction in current income tax expense and will be recovered as they reverse. Amounts include differences that arise between specific utility asset improvement costs capitalized for book and deducted as an expense for tax purposes. Additionally, the recording of AFUDC for equity funds results in the recognition of a regulatory asset for income taxes, which represents amounts due related to the revenue requirement. The Company records regulatory assets when a valuation allowance is recorded on deferred tax assets, associated with state NOLs

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that the Company does not believe are more likely than not to be realized, and are expected to be fully recovered from customers in future rates. Regulatory liabilities are refundable in future rate filings based on the difference between the amount of the income tax benefits that were incorporated into the Company's cost of service in its latest rate case as compared to the actual income tax benefits recognized.

A portion of the income taxes regulatory liability is related to Peoples Natural Gas' income tax accounting change for the tax benefits realized for the periods prior to adoption of a tax accounting method change for certain qualifying infrastructure investments. In May 2021, the Company received a regulatory order directing the Company to refund the catch-up adjustment to its utility customers over a five-year period, which was initiated by the Company in August 2021, and, in December 2024, extended this refund period to ten years or up to August 2031. In 2022, the Company made a similar change for its Peoples Gas and Aqua New Jersey subsidiaries, resulting in the recognition of a regulatory liability for each of these subsidiaries for the tax benefits prior to the year of adoption.

The regulatory asset or liability for purchased gas costs reflects the differences between actual purchased gas costs and the levels of recovery for these costs in current rates. The unrecovered costs are recovered and the over-recovered costs are refunded in future periods, typically within a year, through quarterly and annual filings with the applicable state regulatory agency.

The regulatory asset for utility plant retirement costs, including cost of removal, represents costs already incurred that will be recovered in future rates over a five year recovery period. The regulatory liability for utility plant retirement costs represents amounts recovered through rates during the life of the associated asset and before the costs are incurred.

The regulatory asset for accrued vacation represents costs that would otherwise be charged to operations and maintenance expense for vacation that is earned by employees, which is recovered as a cost of service.

The regulatory asset for post-retirement benefits, which includes pension and other post-retirement benefits, primarily reflects a regulatory asset that has been recorded for the costs that would otherwise be charged to stockholders' equity for the underfunded status of the Company's pension and other post-retirement benefit plans. The Company also has a regulatory asset related to post-retirement benefits costs that represent costs already incurred which are now being or anticipated to be recovered in rates over a period ranging from approximately 10 to 37 years. The regulatory liability for post-retirement benefits represents costs recovered in rates in excess of post-retirement benefits expense.

Expenses associated with water tank painting are deferred and amortized over a period of time as approved in the regulatory process. Water tank painting costs are generally being amortized over a period ranging from 10 to 20 years. The regulatory liability for water tank painting costs represents amounts recovered through rates and before the costs are incurred.

The Company recorded a fair value adjustment for fixed rate, long-term debt assumed in acquisitions that matures in various years ranging from 2024 to 2033. The regulatory asset or liability results from the rate setting process continuing to recognize the historical interest cost of the assumed debt.

The regulatory asset for debt refinancing represents a portion of a make whole payment of \$25,237 incurred in 2019 for the Company's redemption of \$313,500 of the Company's outstanding notes that had maturities ranging from 2019 to 2037 and interest rates ranging from 3.57% to 5.83%. The Company deferred a portion of the make whole payment as it represents an amount by which we expect to receive prospective rate recovery.

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The regulatory asset related to rate case filing expenses and other represents the costs associated with filing for rate increases that are deferred and amortized over periods that generally range from one year to five years, and costs incurred by the Company for which it has received or expects to receive rate recovery. Other regulatory assets and liabilities also include the financial impacts of customer-owned lead service line replacement costs and regulatory balancing accounts. Regulatory balancing accounts represent the difference between revenues recognized and authorized revenue requirements until they are recovered from customers, and low-income customer assistance programs. In 2025, other regulatory liabilities also include \$9,738 of class action lawsuit settlement proceeds allocated to Aqua North Carolina and Aqua Virginia. See Note 10 – *Commitments and Contingencies* for further information.

The regulatory asset related to the costs incurred for information technology software projects and water main cleaning and relining projects are described in Note 1 – *Summary of Significant Accounting Policies – Property, Plant and Equipment and Depreciation*.

#### Note 7 – Convertible Note Investment

On August 27, 2025, the Company, through its wholly owned subsidiary, Aqua Infrastructure, entered into a convertible promissory note purchase agreement with IEP Hummingbird Energy LLC (“IEP”) whereby the Company agreed to purchase convertible notes (“Convertible Note Investment”) in the aggregate principal amount of \$26,000 through January 2026. IEP, a subsidiary of International Electric Power III, LLC, shall use the proceeds for the development of a gas-fired plant to power a data center being developed in Greene County, PA. The Convertible Note Investment bears zero interest, includes a fixed \$16,500 loan fee concurrently payable to the Company at maturity with the principal amount of the notes on September 30, 2026, and contains conversion rights into equity at any time on or after maturity or upon certain triggering events, such as a project financial closing or equity financing, as defined in the agreement. The agreement also grants the Company the right of first refusal to certain water and gas business opportunities and additional equity kickers upon the occurrence of a financing event or change of control. As of December 31, 2025, the Company has purchased a total of \$25,125 of convertible notes from IEP.

Due to a change in project scope to focus on grid provided power, on January 20, 2026, the Company received \$20,000, representing the reimbursement of the deposit paid to the gas turbine manufacturer. The Company continues to be an investor in the project via its remaining convertible notes holdings and continues to have a right of first refusal to certain water and gas business opportunities.

The Convertible Note Investment is accounted for as an available-for-sale debt security under Accounting Standards Codification 320, *Investments – Debt Securities*. The Company elected to measure the Convertible Note Investment using the fair value option, wherein bifurcation of an embedded derivative is not necessary, and all the related gains and losses due to change in fair value are reflected in Other expense (income) in the accompanying consolidated statement of operations.

As of December 31, 2025, \$20,000 of the Convertible Note Investment is presented within Prepayments and other current assets, and the remaining \$5,125 is classified as a long-term asset in the accompanying consolidated balance sheets. Changes in the fair value of this Level 3 investment (see Note 13) for year ended December 31, 2025 were as follows:

	Cost	Unrealized Gains (Losses)	Fair Value as of December 31, 2025
Convertible Note Investment	\$ 25,125	\$ -	\$ 25,125

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The Company is not a primary beneficiary of IEP as it does not have both (1) the power to direct the activities that most significantly impact IEP's economic performance, and (2) the obligation to absorb losses or the right to receive benefits that could be significant to IEP. Therefore, the Company is not required to consolidate IEP in its financial statements. The Company reconsiders whether it is the primary beneficiary on an ongoing basis. The Company's maximum risk of loss is limited to \$5,125, which represents the long-term portion of the Convertible Note Investment.

### Note 8 – Income Taxes

Income tax benefit for the years ended December 31, is comprised of the following:

	Years Ended December 31,		
	2025	2024	2023
Current:			
Federal	\$ -	\$ -	\$ 1,913
State	6,623	5,920	11,487
	<u>6,623</u>	<u>5,920</u>	<u>13,400</u>
Deferred:			
Federal	1,521	(4,583)	(103,617)
State	(4,699)	(23,173)	23,772
	<u>(3,178)</u>	<u>(27,756)</u>	<u>(79,845)</u>
Total income tax expense/(benefit)	<u>\$ 3,445</u>	<u>\$ (21,836)</u>	<u>\$ (66,445)</u>

The statutory Federal tax rate is 21% for 2025, 2024, and 2023. For states with a corporate net income tax, the state corporate net income tax rates range from 2.25% to 9.50% for the years presented. The Company's effective income tax rate for 2025, 2024, and 2023 was 0.6%, (3.8)%, and (15.4)%, respectively. The Company remains subject to examination by federal and state tax authorities for the tax years of 2022 through 2025.

The differences between income taxes expected at the federal statutory rate and the reported income tax benefit are described below:

	Year Ended December 31,	
	2025	
	Amount	Percentage
US Federal statutory tax rate	\$ 130,166	21.0%
State and local income tax, net of Federal income tax effect <sup>(a)</sup>	2,336	0.4%
Changes in valuation allowances	108	0.0%
Nontaxable or nondeductible items	7,948	1.3%
Changes in unrecognized tax benefits	1,294	0.2%
Other adjustments:		
Plant basis differences	(114,892)	(18.6%)
Amortization of excess deferred income taxes	(6,476)	(1.0%)
Release of income tax reserve regulatory liability <sup>(b)</sup>	(10,218)	(1.6%)
Other	(6,821)	(1.1%)
Actual income tax expense	<u>\$ 3,445</u>	<u>0.6%</u>

<sup>(a)</sup> Pennsylvania accounts for the majority of state and local income tax, net of federal income tax effect.

<sup>(b)</sup> Release of income tax reserve regulatory liability of (\$22,575) of which (\$12,357) is included in state and local income tax, net of federal income tax effect.

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	Years Ended December 31,	
	2024	2023
Computed Federal tax expense at statutory rate	\$ 120,430	\$ 90,674
Decrease in Federal tax expense related to the flow through benefit of repair deductions	(107,853)	(117,370)
Amortization of deferred benefit from repair method changes	(18,454)	(18,454)
State income taxes, net of Federal tax benefit	(13,745)	(15,115)
Amortization of excess deferred income taxes	(5,971)	(8,324)
Net change in unrecognized tax benefit	288	(4,796)
Valuation allowance for deferred tax assets	4,747	8,148
Other, net	(1,278)	(1,208)
Actual income tax benefit	<u>\$ (21,836)</u>	<u>\$ (66,445)</u>

As of December 31, 2025, and 2024, a change in valuation allowance for state deferred tax assets in the amounts of \$(14,758) and \$(4,206), respectively, are included in state income taxes, net of federal tax benefit above.

The Company uses the flow-through method to account for the repairs tax deduction for qualifying utility infrastructure at its regulated Pennsylvania and New Jersey subsidiaries. The flow-through method of recording income tax benefits results in a reduction to current income tax expense and is included in utility customers' rates. The Company's regulated Pennsylvania subsidiaries are subject to a collar mechanism. Amounts recognized above or below the collar are required to be recorded as either a regulatory asset or liability, subject to disposition in the next base rate case.

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. 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 reclassified a portion of its historical income tax reserves as a regulatory liability until accounting treatment is determined in its next base rate case. In the first quarter of 2025, based on the rate order received by Aqua Pennsylvania, the Company released \$22,575 of income tax reserve regulatory liability, while the remaining the tax benefit of \$4,874 will be refunded to customers through base rates over a two-year period.

In September 2024, the Pennsylvania Public Utility Commission issued a rate order to Peoples Natural Gas approving several tax related settlements. Accordingly, in December 2024, the Company filed an updated Tax Repairs surcredit calculation with the Public Utility Commission to reflect the updated catch-up adjustment that should be returned to customers effective January 1, 2025, with extension of the original 481(a) amortization period from 5 to 10 years. Beginning January 1, 2025, no state tax benefit is being returned to customers in the approved base rates, as the state NOLs cannot be utilized presently.

The following table provides the changes in the Company's unrecognized tax benefits:

	2025	2024	2023
Balance at January 1,	\$ 8,207	\$ 7,898	\$ 18,217
Impact of current year activity	(315)	309	7,219
Effect of Pennsylvania tax rate change	(122)	-	-
Decrease for prior year tax positions	-	-	(17,538)
Balance at December 31,	<u>\$ 7,770</u>	<u>\$ 8,207</u>	<u>\$ 7,898</u>

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The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. From time to time, the Company may be assessed interest and penalties by taxing authorities, which would be recorded as income tax expense. During the years ended December 31, 2025, 2024, and 2023, there were expenses of \$75, \$216, and \$23 for interest and penalties related to uncertain tax positions. As of December 31, 2025, 2024, and 2023, the Company recognized liabilities of \$435, \$360, and \$144, respectively, for interest and penalties related to its uncertain tax positions.

The unrecognized tax benefits from uncertain tax positions are attributable to temporary differences. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As a result of the regulatory treatment afforded by the income tax accounting change in Pennsylvania and despite this position being a temporary difference, as of December 31, 2025, 2024, and 2023, \$8,408, \$7,216, and \$6,918, respectively, of these tax benefits would have an impact on the Company's effective income tax rate in the event the Company does sustain all, or a portion, of its tax position.

The following table provides the components of net deferred tax liability:

	December 31,	
	2025	2024
<b>Deferred tax assets:</b>		
Tax attributes and credit carryforwards	\$ 513,724	\$ 494,318
Tax effect of regulatory liabilities for post-retirement benefits	43,324	44,567
Costs expensed for book not deducted for tax, principally accrued expenses	25,102	19,642
Customers' advances for construction	18,537	26,394
Operating lease liabilities	7,524	9,532
Post-retirement benefits	-	1,638
Other	20	2,937
	<u>608,231</u>	<u>599,028</u>
Less valuation allowance	(178,597)	(166,249)
	<u>\$ 429,634</u>	<u>\$ 432,779</u>
<b>Deferred tax liabilities:</b>		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	\$ 2,020,858	\$ 1,820,785
Deferred taxes associated with the gross-up of revenues necessary to recover the effect of temporary differences in rates	468,647	408,624
Tax effect of regulatory assets for post-retirement benefits	17,932	22,151
Operating lease right-of-use assets	6,883	8,486
Deferred investment tax credit	4,432	4,601
Post-retirement benefits	1,002	-
	<u>\$ 2,519,754</u>	<u>\$ 2,264,647</u>
Net deferred tax liability	<u>\$ 2,090,120</u>	<u>\$ 1,831,868</u>

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The following table summarizes the changes in the Company's valuation allowance for deferred tax assets:

	2025	2024	2023
Balance at January 1,	\$ 166,249	\$ 149,486	\$ 38,940
Amounts charged to expense	14,866	542	16,311
Amounts charged to regulatory assets	(2,518)	16,221	94,235
Balance at December 31,	\$ 178,597	\$ 166,249	\$ 149,486

At December 31, 2025, the Company has a cumulative Federal NOL of \$1,494,786. The Company believes the Federal NOLs are more likely than not to be recovered and require no valuation allowance. The Company's Federal NOLs will begin to expire in 2032.

At December 31, 2025, the Company has a cumulative state NOL of \$3,063,726, a portion of which is offset by a valuation allowance. The Company believes a portion of its Regulated Natural Gas segment state NOLs is not likely to be realized due to its continuous investments in qualifying infrastructure resulting in the recording of a valuation allowance in 2023. The Company recorded a regulatory asset for the portion of the valuation allowance that is expected to be fully recovered from customers in future rates. At December 31, 2025, the Company has a cumulative state valuation allowance of \$2,612,828. The state NOL began expiring in 2023.

At December 31, 2025, the Company's Federal and state NOL carryforwards are reduced by an unrecognized tax position of \$22,538 and \$16,670, respectively, which results from the Company's presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amounts of the Company's Federal and state NOL carryforwards net of the unrecognized tax positions are \$1,472,249 and \$3,047,056, respectively. The Company records its unrecognized tax benefit as a component of its net deferred income tax liability.

At December 31, 2025, the Company has a cumulative Federal charitable contribution of \$61,917, on which a valuation allowance of \$61,917 has been recorded as the Company determined it is more likely than not they will expire before they are utilized within the carryforward period.

At December 31, 2025, the Company has a cumulative state charitable contribution of \$56,916 on which a valuation allowance of \$56,916 has been recorded as the Company does not believe these state charitable contributions are more likely than not to be realized.

On July 4, 2025, H.R.1 – One Big Beautiful Bill Act ("OBBBA") was enacted into law. The OBBBA includes significant provisions such as the permanent extension of certain expiring provisions of the 2017 Tax Cuts and Jobs Act. The OBBBA did not have a significant impact to our consolidated financial statements.

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**Note 9 – Taxes Other than Income Taxes**

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

	Years Ended December 31,		
	2025	2024	2023
Property	\$ 36,920	\$ 34,569	\$ 32,790
Gross receipts, excise and franchise	17,231	17,801	17,985
Payroll	23,772	22,930	21,628
Regulatory assessments	8,777	7,836	7,451
Pumping fees	6,369	8,049	6,405
Other	(297)	3,449	3,949
<b>Total taxes other than income taxes</b>	<b>\$ 92,772</b>	<b>\$ 94,634</b>	<b>\$ 90,208</b>

**Note 10 – Commitments and Contingencies**

**Commitments –**

The Company maintains agreements with other water purveyors for the purchase of water to supplement its water supply, particularly during periods of peak demand. The agreements stipulate purchases of minimum quantities of water to the year 2032. The estimated annual commitments related to such purchases through 2030 are expected to average \$1,966, and the aggregate of the years remaining approximates \$1,949.

The Company has entered into purchase obligations, in the ordinary course of business, that include agreements for water treatment processes at some of its wells in a small number of its divisions. The 20 year term agreement provides for the use of treatment equipment and media used in the treatment process and are subject to adjustment based on changes in the Consumer Price Index. The future contractual cash obligations related to these agreements are as follows:

2026	2027	2028	2029	2030	Thereafter
\$ 1,263	\$ 1,272	\$ 952	\$ 981	\$ 1,010	\$ 1,042

The Company's natural gas supply is provided by sources on the interstate pipeline system and from local western Pennsylvania gas well production. The Company has various interstate pipeline service agreements that provide for firm transportation capacity, firm storage capacity, and other services and include capacity reservation charges based upon the maximum daily and annual contract quantities set forth in the agreements. Some of these agreements have minimum volume obligations and are transacted at applicable tariff and negotiated rates to the year 2034. The estimated annual commitments related to such purchases through 2030 are expected to average \$266,931, and the aggregate of the years remaining beyond 2030 approximates \$862,525.

The purchased water, water treatment, and purchased gas expenses under these agreements were as follows:

	Years Ended December 31,		
	2025	2024	2023
Purchased water under long-term agreements	\$ 6,612	\$ 7,633	\$ 6,752
Water treatment expense under contractual agreement	\$ 1,210	\$ 1,125	\$ 1,103
Purchased natural gas under long-term agreements	\$ 403,817	\$ 277,009	\$ 352,306

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On October 25, 2025, the Company entered into an agreement with a financial advisor (“Advisor”) for services to be rendered in connection with the consummation of a Merger with American Water, pursuant to which the Company will pay the Advisor a fee of \$60,000 (“Transaction Fee”) upon the achievement of certain milestones. If the Merger fails to close, a termination fee equal to 10% of any compensation payable to the Company will be due to the Advisor, but not to exceed the Transaction Fee. As of December 31, 2025, the Company has paid \$12,000 of the Transaction Fee.

**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 December 31, 2025, the aggregate amount of \$23,363 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 December 31, 2025, estimates that approximately \$769 of the amount accrued for these matters are probable of recovery through insurance, which amount is also reported in the Company’s consolidated balance sheet as deferred charges and other assets, net.

During a portion of 2019, the Company initiated a do not consume advisory for some of its customers in one division served by the Company’s Illinois subsidiary. The do not consume advisory was lifted in 2019, and, in 2022, the water system was determined to be in compliance with the federal Lead and Copper Rule. The Company has accrued for the penalty and other fees that will be paid as a result of a settlement that was reached with the state and local regulators and approved by the Illinois court with jurisdiction over this matter in July 2024. 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. In December, 2024, the State court in Will County, Illinois dismissed the case against the Company, and plaintiffs have filed an appeal of that decision. In addition, plaintiffs commenced similar actions in federal court and in front of two state agencies. The Company has an accrual for the amount of loss asserted in the complaint that we determined to be probable and estimable of being incurred. The Company is vigorously defending against this claim. 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. Further, 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, and recently prevailed in the Third Circuit Court of Appeals which held that the insurance carrier possessed a duty to defend. In February 2025, the Company received \$5,602 in related insurance proceeds for a portion of expenses incurred by the Company. The Company continues to assess the potential loss contingency on this matter.

A number of the Company’s subsidiaries are parties to several lawsuits against manufacturers of certain per- and polyfluoroalkyl substances or compounds (“PFAS”) for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries throughout its service area. One such suit to which the Company is a party is a multi-district litigation (the “MDL”) lawsuit which commenced on December 7, 2018, in the United States District

Court for the District of South Carolina. Several defendants in such lawsuit have agreed to settle. In 2024, the MDL court granted approval of the DuPont, 3M, Tyco Fire Products LP, and BASF Corp class action settlements. The Company submitted the phase one public water system claims requirements, and will submit other requirements within the time period provided by the MDL court. The total amount of recovery by the Company is uncertain. During the second half of 2025, the Company received a total of \$46,166, representing a portion of its share of the settlement reached with 3M and DuPont, net of legal fees and settlement costs. The Company recorded \$84 as a credit to claims expense and \$9,739 of the proceeds allocated to its North Carolina and Virginia water and wastewater subsidiaries as regulatory liabilities, pursuant to regulatory orders issued by the public utility commissions from such states regarding the treatment of PFAS settlement costs. The remaining proceeds received that were allocated to the Company's other water and wastewater subsidiaries totaling \$36,343 were recorded within Deferred Credits and Other Non-current liabilities in the accompanying consolidated balance sheet, pending recommendations or orders from the respective public utility commissions on treatment of the amounts. The Company anticipates receiving additional settlement payments from the MDL lawsuit defendants over the next ten years.

The Company's gas subsidiary was served with lawsuits surrounding a home explosion in August 2023 in which six individuals lost their lives. The twelve lawsuits bring the actions against several other defendants and seek damages for loss of life, property, emotional distress, and other damage. The Company is vigorously defending against this claim. 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 estimated liability for these claims totaled \$4,934 and \$2,295 at December 31, 2025 and 2024, respectively, and represents an accrual for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

On October 1, 2025, the Company established a wholly-owned captive insurance company, Utility Insurance LLC, incorporated in the State of Utah, whose principal activity at this time is to provide insurance and reinsurance coverage for a portion of the Company's general liability, property, workers compensation, auto liability, cyber, and management liability risks.

#### **Note 11 – Leases**

The Company leases land, office facilities, office equipment, and vehicles for use in its operations, which are accounted for as operating leases. Leases with a term of 12 months or less are not recorded on the balance sheet; rather, lease expense is recognized over the lease term. Our leases have remaining lives of 1 to 69 years.

Some of the Company's leases can be extended on a month-to-month basis, which allow us to terminate the lease at any given month without penalty while others include options to extend the leases for up to 50 years. The renewal of a month-to-month lease is at our sole discretion.

The Company accounts for lease and non-lease components of lease arrangements separately. For calculating lease liabilities, we may deem lease terms to include options to extend or terminate the lease when it's reasonably certain

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that we will exercise that option. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants.

Lease liabilities and corresponding right-of-use assets are recorded based on the present value of the lease payments over the expected lease term, including leases with variable payments that are based on a market rate or an index and net of any impairment. All other variable payments are expensed as incurred. Since the Company's lease agreements do not provide an implicit interest rate, we utilize our incremental borrowing rate to determine the discount rate used to present value the lease payments.

	Years Ended December 31,		
	2025	2024	2023
Components of lease expense were as follows:			
Operating lease cost	\$ 9,201	\$ 9,821	\$ 9,307

	Years Ended December 31,	
	2025	2024
Supplemental cash flow information related to leases was as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 9,254	\$ 8,148

	December 31,	
	2025	2024
Supplemental balance sheet information related to leases was as follows:		
Operating leases:		
Operating lease right-of-use assets	\$ 25,923	\$ 31,263
Other accrued liabilities	\$ 6,663	7,591
Operating lease liabilities	21,608	27,447
Total operating lease liabilities	\$ 28,271	\$ 35,038

	December 31,	
	2025	2024
Weighted average remaining lease term:		
Operating leases	10.7 years	10.2 years
Weighted average discount rate:		
Operating leases	5.07%	5.15%

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Maturities of operating lease liabilities and a reconciliation of the operating lease liabilities reported on our consolidated balance sheets as of December 31, 2025 are as follows:

	Operating Leases
2026	\$ 7,906
2027	7,663
2028	6,988
2029	1,094
2030	602
Thereafter	12,225
<b>Total operating lease payments</b>	<b>\$ 36,478</b>
<b>Total operating lease payments</b>	<b>\$ 36,478</b>
Less operating lease liabilities	28,271
<b>Present value adjustment</b>	<b>\$ 8,207</b>

**Note 12 – Long-term Debt and Loans Payable**

**Long-term Debt** – The consolidated statements of capitalization provide a summary of long-term debt as of December 31, 2025 and 2024. The supplemental indentures with respect to specific issues of the first mortgage bonds restrict the ability of Aqua Pennsylvania and other operating subsidiaries of the Company to declare dividends, in cash or property, or repurchase or otherwise acquire the stock of these companies. Loan agreements for Aqua Pennsylvania and other operating subsidiaries of the Company have restrictions on minimum net assets. As of December 31, 2025, restrictions on the net assets of the Company were \$5,321,334 of the total \$6,857,456 in net assets. As of December 31, 2025, \$2,924,447 of Aqua Pennsylvania’s retained earnings of \$2,944,447 and \$431,127 of the retained earnings of \$646,538 of other subsidiaries were free of these restrictions. Some supplemental indentures also prohibit Aqua Pennsylvania and some other subsidiaries of the Company from making loans to, or purchasing the stock of, the Company.

Sinking fund payments are required by the terms of specific issues of long-term debt. Excluding amounts due under the Company’s revolving credit agreement and commercial paper program, the future sinking fund payments and debt maturities of the Company’s long-term debt are as follows:

Interest Rate Range	2026	2027	2028	2029	2030	Thereafter
0.00% to 0.99%	\$ 231	\$ 199	\$ 199	\$ 199	\$ 1,091	\$ 5,409
1.00% to 1.99%	1,076	2,088	2,143	3,263	2,378	13,029
2.00% to 2.99%	1,303	1,111	906	774	500,569	600,207
3.00% to 3.99%	792	204,574	357	400,336	189	1,771,149
4.00% to 4.99%	1,620	501,625	1,630	1,558	1,525	1,612,606
5.00% to 5.99%	-	-	3,000	-	-	1,929,260
6.00% to 6.99%	5,000	20,000	-	-	-	6,000
7.00% to 7.99%	-	4,652	-	-	-	-
8.00% to 8.99%	-	-	-	-	-	-
9.00% to 9.99%	11,800	-	-	-	-	-
<b>Total</b>	<b>\$ 21,822</b>	<b>\$ 734,249</b>	<b>\$ 8,235</b>	<b>\$ 406,130</b>	<b>\$ 505,752</b>	<b>\$ 5,937,660</b>

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On August 7, 2025, the Company issued \$500,000 of senior notes, less expenses of \$1,220, due on August 15, 2035, with an interest rate of 5.25%. The Company used the proceeds from the issuance of senior notes to repay a portion of its commercial paper borrowings and for general corporate purposes.

On May 29, 2025, the Company's subsidiary, Aqua Pennsylvania, issued \$100,000 in aggregate principal amount of first mortgage bonds. The bonds consisted of \$75,000 of 5.38% first mortgage bonds due in 2035, and \$25,000 of 5.63% first mortgage bonds due in 2040. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

On August 15, 2024, the Company issued \$500,000 of senior notes, less expenses of \$3,015, due in 2027, with an interest rate of 4.80%. On January 8, 2024, the Company issued \$500,000 of senior notes, less expenses of \$4,610, due in 2034 with an interest rate of 5.375%. The Company used the net proceeds from the issuance of these senior notes (1) to repay a portion of the borrowings under the Company's existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

The weighted average cost of long-term debt at December 31, 2025 and 2024 was 4.09% and 4.14%, respectively. The weighted average cost of fixed rate long-term debt at December 31, 2025 and 2024 was 4.10% and 4.03%, respectively.

#### *Revolving Credit Facility*

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. 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 December 31, 2025, the Company has the following sublimits and available capacity under the credit facility: \$100,000 letter of credit sublimit, \$85,632 of letters of credit available capacity, \$100,000 daily demand loan sublimit, \$100,000 daily demand loan available capacity. At December 31, 2025, the Company has \$417,632 available for borrowing (net of \$568,000 of capacity designated for outstanding principal borrowings under our commercial program and \$14,368 letter of credit usage). Interest under the facility is equal to either (i) Term simple secured overnight financing rate (SOFR), plus applicable margin; or (ii) an Alternate Base Rate (which is based at the highest of the (a) New York Federal Reserve Bank rate, plus 0.5%, (b) the prime rate, and, (c) the daily SOFR, plus 1.0%,) plus applicable margin. The applicable margin for an Alternate Base Rate loan will be up to 0.5% and for a SOFR loan will be up to 1.5%, in each case depending on the debt ratings in effect as of such date. The Company may elect either the Term SOFR or the Alternate Base Rate at the time of the drawdown, and loans may be converted from one rate to another at any time, subject to certain conditions. A facility fee is charged on the total commitment amount of the agreement. Under these facilities the average cost of borrowings was 5.59% and 6.17%, and the average borrowing was \$134,182 and \$292,017, during 2025 and 2024, respectively.

#### *Commercial Paper Program*

On March 19, 2025, the Company established a commercial paper program (the "CP Program") that allows it to issue, through private placement, short-term, unsecured commercial paper notes (the "CP Notes") in an aggregate principal amount not to exceed \$1,000,000. Maturities of CP Notes may vary, but cannot exceed 364 days from the date of issue. Amounts available under the Program may be borrowed, repaid, and re-borrowed from time to time. The CP Program is reinforced by the Company's revolving credit facility, as amounts undrawn under the Company's revolving credit facility are available to repay the CP Notes. Notes issued under the CP Program rank equally with the Company's present and future unsecured indebtedness. The Company utilizes the proceeds from the sale of the CP Notes for general corporate purposes, which may include working capital, capital expenditures, water and wastewater utility acquisitions, and repaying outstanding indebtedness, including under the Company's revolving credit facility or the revolving credit facilities of its subsidiaries.

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As of December 31, 2025, outstanding borrowings under the Company's commercial paper program were \$567,590, net of unamortized discount on issuance of \$410, with a weighted average interest rate of 3.97% and weighted average remaining term of 8 days. Outstanding CP Notes are classified as long-term debt in the accompanying consolidated balance sheets and consolidated statements of capitalization since the Company has the intent and ability to refinance the CP Notes on a long-term basis using the Company's revolving credit facility. The carrying value of CP Notes approximates their fair value, primarily due to their market interest rates, and are classified as Level 2 in the fair value hierarchy (see Note 13).

*Debt Covenants*

The Company is obligated to comply with covenants under some of its loan and debt agreements. These covenants contain a number of restrictive financial covenants, which among other things limit, subject to specific exceptions, the Company's ratio of consolidated total indebtedness to consolidated total capitalization, and require a minimum level of earnings coverage over interest expense. During 2025, the Company was in compliance with its debt covenants under its loan and debt agreements. Failure to comply with the Company's debt covenants could result in an event of default, which could result in the Company being required to repay or finance its borrowings before their due date, possibly limiting the Company's future borrowings, and increasing its borrowing costs.

**Loans Payable** – On June 3, 2025, Aqua Pennsylvania and PNG Companies, LLC amended and restated their respective \$100,000 and \$300,000 revolving credit agreements extending the maturity date by another 364-day period. The funds borrowed under these agreements are classified as loans payable and are used to provide working capital.

As of December 31, 2025 and 2024, funds borrowed under the Aqua Pennsylvania revolving credit agreement were \$39,139 and \$31,158, respectively. Interest under this facility is based, at the borrower's option, on the prime rate, an adjusted overnight bank funding rate, or an adjusted SOFR rate. A commitment fee of 0.05% is charged on the total commitment amount of Aqua Pennsylvania's revolving credit agreement. The average cost of borrowing under the facility was 5.01% and 5.9%, and the average borrowing was \$34,437 and \$29,074, during 2025 and 2024, respectively. The maximum amount outstanding at the end of any one month was \$55,347 and \$42,691 in 2025 and 2024, respectively.

As of December 31, 2025 and 2024, funds borrowed under the Peoples Natural Gas Companies revolving credit agreement were \$111,000 and \$155,384, respectively. Interest under this facility is based, at the borrower's option, at the prime rate, an adjusted overnight bank funding rate, or an adjusted SOFR rate. A commitment fee of 0.08% is charged on the total commitment amount of Peoples' revolving credit agreement. The average cost of borrowing under the facility was 5.20% and 6.18%, and the average borrowing was \$63,840 and \$96,609, during 2025 and 2024, respectively. The maximum amount outstanding at the end of any one month was \$124,079 and \$158,249 in 2025 and 2024, respectively.

**Interest Income and Expense**– Interest income of \$1,703, \$3,318, and \$3,401 was recognized for the years ended December 31, 2025, 2024, and 2023, respectively. Interest expense was \$329,081, \$302,467, and \$283,362 in 2025, 2024, and 2023, including amounts capitalized for borrowed funds of \$7,975, \$7,372, and \$5,241, respectively.

### **Note 13 – Fair Value of Financial Instruments**

Financial instruments are recorded at carrying value in the financial statements and approximate fair value, with the exception of long-term debt, as of the dates presented. The fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The fair value of loans payable is determined based on its carrying amount and utilizing Level 1 methods and assumptions. As of December 31, 2025 and 2024, the carrying amount of the Company's loans payable was \$150,139 and \$186,542, 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 December 31, 2025 and 2024, the carrying amounts of the Company's cash and cash equivalents were \$34,778 and \$9,156, 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 December 31, 2025 and 2024, the carrying amount of these securities was \$33,862 and \$31,324, respectively, which equates to their fair value, and is reported in the consolidated balance sheet in deferred charges and other assets.

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

	Years ended December 31,		
	2025	2024	2023
Net gain (loss) recognized during the period on equity securities	\$ 942	\$ 1,158	\$ 582
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	<u>\$ 942</u>	<u>\$ 1,158</u>	<u>\$ 582</u>

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:

	December 31,	
	2025	2024
Carrying amount	\$ 8,181,848	\$ 7,559,096
Estimated fair value	\$ 7,326,133	\$ 6,431,777

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 Convertible Note Investment is recorded at fair value on a recurring basis. Since observable price quotations were not available, this is classified as a Level 3 measurement within fair value hierarchy (see Note 7).

**Note 14 – Stockholders' Equity**

At December 31, 2025, the Company had 600,000,000 shares of common stock authorized; par value \$0.50. Shares outstanding and treasury shares held were as follows:

	December 31,		
	2025	2024	2023
Shares outstanding	283,082,809	274,823,591	273,296,037
Treasury shares	3,423,086	3,386,069	3,299,191

At December 31, 2025, the Company had 1,770,819 shares of authorized but unissued Series Preferred Stock, \$1.00 par value.

On January 23, 2026, the Company's Board of Directors declared a quarterly cash dividend of \$0.3426 per share, payable March 2, 2026, to all shareholders of record on February 9, 2026. We expect to pay \$96,996 in connection with this dividend.

In March 2024, the Company filed a new universal shelf registration with the SEC to allow for the potential future offer and sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities, and other securities specified therein at indeterminate prices. This registration statement is effective for three years and replaces a similar filing that expired in the second quarter of 2024.

The Company has an acquisition shelf registration statement on file with the SEC which permits the offering, from time to time, of an aggregate of \$500,000 in shares of common stock and shares of preferred stock in connection with acquisitions. The balance remaining available for use under the acquisition shelf registration statement as of December 31, 2025 is \$487,155.

The form and terms of any securities issued under the universal shelf registration statement and the acquisition shelf registration statement will be determined at the time of issuance.

The Company has a Dividend Reinvestment and Direct Stock Purchase Plan ("Plan") that allows reinvested dividends to be used to purchase shares of common stock at a five percent discount from the current market value. Under the direct stock purchase program, shares are issued throughout the year. The shares issued under the Plan are either shares purchased by the Company's transfer agent in the open-market or original issue shares. In 2025, 2024, and 2023, the Company sold 416,037, 433,688, and 430,487 original issue shares of common stock through the dividend reinvestment portion of the Plan, for net proceeds of \$15,301, \$15,476, and \$16,005, respectively.

The Company recorded a regulatory asset for the underfunded status of its pension and other post-retirement benefit plans that would otherwise be charged to other comprehensive income, as it anticipates recovery of its costs through customer rates.

***At-the-Market Offering***

On August 13, 2024, the Company filed a prospectus supplement under the 2024 universal shelf registration statement relating to a new at-the-market equity sales program ("ATM"), under which it may issue and sell shares of its common stock up to an aggregate offering price of \$1,000,000 ("2024 ATM"). This 2024 ATM replaced the Company's previous ATM filed on October 14, 2022 ("2022 ATM").

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During the year ended December 31, 2025, the Company issued 7,671,350 shares of common stock for net proceeds of \$300,117 under the 2024 ATM. As of December 31, 2025, the 2024 ATM had approximately \$663,750 of equity available for issuance. During year ended December 31, 2024, the Company issued 925,497 shares of common stock for net proceeds of \$36,134 under the 2024 ATM. During the year ended December 31, 2023, the Company issued 8,938,839 shares of common stock for net proceeds of \$322,983 under the 2022 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 a portion of outstanding indebtedness.

**Note 15 – Net Income per Common Share and Equity per Common Share**

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

	Years ended December 31,		
	2025	2024	2023
Average common shares outstanding during the period for basic computation	280,054	273,914	267,171
Effect of dilutive securities:			
Employee stock-based compensation	565	507	488
Average common shares outstanding during the period for diluted computation	280,619	274,421	267,659

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 432,942, 243,780, and 148,725 for the years ended December 31, 2025, 2024, and 2023, respectively. 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.

**Note 16 – Employee Stock and Incentive Plan**

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 award, 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 common 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, 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 December 31, 2025, 790,028 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** – During 2025, 2024, and 2023, the Company granted 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

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through the respective vesting periods, 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 performance goals of the 2025, 2024, and 2023 PSU grants consisted of the following metrics:

	2025	2024 and 2023
Metric 1 – Company's total shareholder return ("TSR") compared to the TSR for a specific peer group of investor-owned utilities (a market-based condition)	40.00%	38.46%
Metric 2 – Achievement of a three-year average return on equity target (a performance-based condition)	30.00%	30.77%
Metric 3 – Achievement of a consolidated operations and maintenance expense target over a three-year measurement period (a performance-based condition)	30.00%	30.77%

The following table provides the compensation expense and income tax benefit for PSUs:

	Years ended December 31,		
	2025	2024	2023
Stock-based compensation within operations and maintenance expense	\$ 5,189	\$ 5,787	\$ 6,942
Income tax benefit	\$ 1,311	\$ 1,450	\$ 1,741

The following table summarizes nonvested PSU transactions for the year ended December 31, 2025:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	563,656	\$ 38.61
Granted	195,301	34.25
Performance criteria adjustment	(123,895)	39.78
Forfeited	(18,833)	37.96
Share units issued	(103,775)	42.77
Nonvested share units at end of period	512,454	\$ 35.85

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A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions associated with the PSUs using the Monte Carlo valuation method, which assesses the probabilities of various outcomes of market conditions. The other portion of the fair value of the PSUs associated with performance-based conditions was 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 fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective vesting periods, generally 36 months. The accrual of compensation costs is based on an 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. The following table provides the assumptions used in the pricing model for the grant, the resulting grant date fair value of PSUs, and the intrinsic value and fair value of PSUs that vested during the year:

	Years ended December 31,		
	2025	2024	2023
Expected term (years)	3.0	3.0	3.0
Risk-free interest rate	4.19%	4.19%	4.43%
Expected volatility	23.2%	22.4%	33.8%
Weighted average fair value of PSUs granted	\$ 34.25	\$ 38.10	\$ 45.06
Intrinsic value of vested PSUs	\$ 3,700	\$ 3,421	\$ 7,483
Fair value of vested PSUs	\$ 4,390	\$ 4,168	\$ 9,692

As of December 31, 2025, \$7,507 of unrecognized compensation costs related to PSUs is expected to be recognized over a weighted average period of approximately 1.7 years. The aggregate intrinsic value of PSUs as of December 31, 2025 was \$19,658. The aggregate intrinsic value of PSUs is based on the number of nonvested share units and the market value of the Company's common stock as of the period end date.

**Restricted Stock Units** – A restricted stock unit (“RSU”) represents the right to receive a share of the Company's common stock and is valued based on the fair market value of the Company's stock on the date of grant. In prior years, RSUs were eligible to be earned at the end of a specified restricted period, which is generally three years, beginning on the date of grant. RSUs granted in 2025 vest 33% each year. In some cases, the right to receive the shares is subject to specific performance goals established at the time the grant is made. 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:

	Years ended December 31,		
	2025	2024	2023
Stock-based compensation within operations and maintenance expense	\$ 5,082	\$ 2,802	\$ 2,877
Income tax benefit	\$ 1,285	\$ 702	\$ 722

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The following table summarizes nonvested RSU transactions for the year ended December 31, 2025:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	210,249	\$ 41.40
Granted	157,442	35.00
Stock units vested	(59,841)	44.31
Forfeited	(10,516)	37.68
Nonvested stock units at end of period	297,334	\$ 37.52

The following table summarizes the value of RSUs:

	Years ended December 31,		
	2025	2024	2023
Weighted average fair value of RSUs granted	\$ 35.00	\$ 36.61	\$ 45.53
Intrinsic value of vested RSUs	\$ 2,064	\$ 2,348	\$ 2,427
Fair value of vested RSUs	\$ 2,647	\$ 2,930	\$ 2,665

As of December 31, 2025, \$3,611 of unrecognized compensation costs related to RSUs is expected to be recognized over a weighted average period of approximately 1.3 years. The aggregate intrinsic value of RSUs as of December 31, 2025 was \$11,406. The aggregate intrinsic value of RSUs is based on the number of nonvested stock units and the market value of the Company's common stock as of the period end date.

**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 ten years from the grant date. The vesting of stock options granted in 2025, 2024, and 2023 are subject to the achievement of the following performance goal: the Company achieves at least an adjusted return on equity equal to 150 basis points below the return on equity granted by the Pennsylvania Public Utility Commission during the Company's Pennsylvania subsidiary's last rate proceeding. The adjusted return on equity equals net income, excluding net income or loss from acquisitions which have not yet been incorporated into a rate application as of the last year end, divided by equity which excludes equity applicable to acquisitions which are not yet incorporated in a rate application during the award period.

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 compensation expense and income tax benefit for stock options:

	Years ended December 31,		
	2025	2024	2023
Stock-based compensation within operations and maintenance expenses	\$ 1,733	\$ 304	\$ 650
Income tax benefit	\$ 436	\$ 76	\$ 162

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Options under the plans were issued at the closing market price of the stock on the day of the grant. The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model, which relies on assumptions that require management's judgment. The following table provides the assumptions used in the pricing model for grants and the resulting grant date fair value of stock options granted in the period reported:

	2025	2024	2023
Expected term (years)	5.5	5.5	5.5
Risk-free interest rate	4.22%	4.00%	4.03%
Expected volatility	28.50%	28.30%	27.80%
Dividend yield	3.69%	3.43%	2.53%
Grant date fair value per option	\$ 7.95	\$ 8.12	\$ 11.37

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a 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. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense.

The following table summarizes stock option transactions for the year ended December 31, 2025:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding, beginning of year	906,902	\$ 36.87		
Granted	197,805	35.33		
Forfeited	(6,566)	36.16		
Expired / Cancelled	(1,517)	41.15		
Exercised	(27,238)	35.13		
Outstanding at end of year	1,069,386	\$ 36.63	5.0	\$ 2,778
Exercisable at end of year	784,179	\$ 36.79	3.6	\$ 2,011

The intrinsic value of stock options is the amount by which the market price of the stock on a given date, such as at the end of the period or on the day of exercise, exceeded the closing market price of stock on the date of grant. The following table summarizes the intrinsic value of stock options exercised and the fair value of stock options which vested:

	Years ended December 31,		
	2025	2024	2023
Intrinsic value of options exercised	\$ 138	\$ 172	\$ 64
Fair value of options vested	\$ 750	\$ 502	\$ 236

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The following table summarizes information about the options outstanding and options exercisable as of December 31, 2025:

	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Range of prices:					
\$30.00 - 33.99	47,999	1.1	\$ 30.47	47,999	\$ 30.47
\$34.00 - 34.99	82,346	2.2	34.51	82,346	34.51
\$35.00 - 35.99	804,911	5.2	35.77	541,208	35.93
\$36.00 and above	134,130	6.6	45.28	112,626	45.26
	<u>1,069,386</u>	5.0	\$ 36.63	<u>784,179</u>	\$ 36.79

As of December 31, 2025, there was \$810 of total unrecognized compensation costs related to nonvested stock options granted under the plans. The cost is expected to be recognized over a weighted average period of approximately 1.4 years.

**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:

	Years ended December 31,		
	2025	2024	2023
Stock-based compensation within operations and maintenance expense	\$ 41	\$ 53	\$ 43
Income tax benefit	\$ 11	\$ 15	\$ 12

The following table summarizes restricted stock transactions for the year ended December 31, 2025:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	1,268	\$ 39.43
Granted	-	-
Vested	(1,268)	39.43
Nonvested shares at end of period	-	\$ -

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**Stock Awards** – Stock awards represent the issuance of the Company’s common stock, without restriction. Stock awards are granted to the Company’s non-employee directors. The issuance of stock awards results in compensation expense which is equal to the fair market value of the stock on the grant date, and is expensed immediately upon grant. The following table provides compensation cost and income tax benefit for stock-based compensation related to stock awards:

	Years ended December 31,		
	2025	2024	2023
Stock-based compensation within operations and maintenance expense	\$ 810	\$ 840	\$ 810
Income tax benefit	\$ 221	\$ 233	\$ 228

The following table summarizes the value of stock awards:

	Years ended December 31,		
	2025	2024	2023
Intrinsic and fair value of stock awards vested	\$ 810	\$ 840	\$ 810
Weighted average fair value of stock awards granted	\$ 37.42	\$ 36.82	\$ 41.58

The following table summarizes stock award transactions for year ended December 31, 2025:

	Number of Stock Awards	Weighted Average Fair Value
Nonvested stock awards at beginning of period	-	\$ -
Granted	21,648	37.42
Vested	(21,648)	37.42
Nonvested stock awards at end of period	-	\$ -

**Note 17 – Pension Plans and Other Post-retirement Benefits**

The Company maintains a qualified, defined benefit pension plan that covers its full-time employees who were hired prior to the date their respective pension plan was closed to new participants. Retirement benefits under the plan are generally based on the employee’s total years of service and compensation during the last five years of employment. The Company’s policy is to fund the plan annually at a level which is deductible for income tax purposes and which provides assets sufficient to meet its pension obligations over time. To offset some limitations imposed by the Internal Revenue Code with respect to payments under qualified plans, the Company has a non-qualified Supplemental Pension Benefit Plan for Salaried Employees in order to prevent some employees from being penalized by these limitations, and to provide certain retirement benefits based on employee’s years of service and compensation. The net pension costs and obligations of the qualified and non-qualified plans are included in the tables which follow. Employees hired after their respective pension plan was closed, may participate in a defined contribution plan that provides a Company matching contribution on amounts contributed by participants and an annual profit-sharing contribution based upon a percentage of the eligible participants’ compensation.

The Company’s qualified defined benefit pension plan has a permanent lump sum option on the form of benefit payments offered to participants upon retirement or termination. The plan paid \$8,062 and \$4,003 to participants who elected this option during 2025 and 2024, respectively.

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In addition to providing pension benefits, the Company offers post-retirement benefits other than pensions to employees retiring with a minimum level of service and hired before their respective plan closed to new participants. These benefits include continuation of medical and prescription drug benefits, or a cash contribution toward such benefits, for eligible retirees and life insurance benefits for eligible retirees. The Company funds these benefits through various trust accounts. The benefits of retired officers and other eligible retirees are paid by the Company and not from plan assets due to limitations imposed by the Internal Revenue Code.

In December 2024, the Company transferred a portion of its existing liability for a group of participants with retiree life insurance benefits under the pension and post-retirement benefit plan to an insurance carrier. Total consideration paid to the insurance carrier amounted to \$7,292. This transaction triggered settlement accounting in our other post-retirement benefit plan and a settlement gain of \$3,214 was recorded as a regulatory liability which will be amortized into post-retirement benefit costs.

In December 2025, the Company's Board of Directors approved the termination of the non-qualified Supplemental Pension Benefit Plan for Salaried Employees and authorized the distribution of accounts to participants as soon as administratively feasible, which is typically one year after termination to ensure compliance with tax regulations. As of December 31, 2025, the total obligation associated with the non-qualified Supplemental Pension Benefit Plan for Salaried Employees was \$18,406 and is included in Other accrued liabilities in our consolidated balance sheets.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Years:	Pension Benefits	Other Post-retirement Benefits
2026	\$ 43,398	\$ 5,065
2027	24,884	5,343
2028	24,527	5,676
2029	23,983	6,111
2030	23,594	6,255
2031-2035	104,046	31,768

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The changes in the benefit obligation and fair value of plan assets, the funded status of the plans and the assumptions used in the measurement of the company's benefit obligation are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2025	2024	2025	2024
<b>Change in benefit obligation:</b>				
Benefit obligation at January 1,	\$ 295,036	\$ 313,698	\$ 82,964	\$ 91,502
Service cost	1,218	1,429	1,488	1,453
Interest cost	15,964	15,632	4,529	4,450
Actuarial loss/(gain)	4,817	(12,579)	1,548	(1,071)
Plan participants' contributions	-	-	44	121
Benefits paid	(26,344)	(23,144)	(3,439)	(7,439)
Plan amendments	137	-	-	-
Curtailments	124	-	-	-
Settlements	(2,791)	-	-	(6,052)
Benefit obligation at December 31,	288,161	295,036	87,134	82,964
<b>Change in plan assets:</b>				
Fair value of plan assets at January 1,	293,652	312,303	94,250	95,005
Actual return on plan assets	24,317	(4,959)	9,824	11,781
Employer contributions	3,945	9,393	-	-
Participants' contributions	-	-	44	121
Benefits paid	(26,286)	(23,085)	(3,642)	(6,605)
Settlements	-	-	-	(6,052)
Fair value of plan assets at December 31,	295,628	293,652	100,476	94,250
<b>Funded status of plan:</b>				
Net asset / (liability) recognized at December 31,	\$ 7,467	\$ (1,384)	\$ 13,342	\$ 11,286

The following table provides the net liability recognized on the consolidated balance sheets at December 31:

	Pension Benefits		Other Post-retirement Benefits	
	2025	2024	2025	2024
Non-current asset	\$ 25,873	\$ 16,475	\$ 29,344	\$ 29,508
Current liability	(18,406)	(1,844)	(761)	(557)
Noncurrent liability	-	(16,015)	(15,241)	(17,665)
Net asset / (liability) recognized	\$ 7,467	\$ (1,384)	\$ 13,342	\$ 11,286

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The following table provides selected information about plans with accumulated benefit obligation and projected benefit obligation in excess of plan assets:

	December 31, 2025		December 31, 2024	
	Pension Benefits	Other Post-retirement Benefits	Pension Benefits	Other Post-retirement Benefits
<i>Selected information for plans with projected benefit obligation in excess of plan assets:</i>				
Projected benefit obligation	\$ 18,406	\$ N/A	\$ 17,858	\$ N/A
Fair value of plan assets	\$ -	\$ N/A	\$ -	\$ N/A
<i>Selected information for plans with accumulated benefit obligation in excess of plan assets:</i>				
Accumulated benefit obligation	\$ 18,406	\$ 29,231	\$ 15,352	\$ 30,072
Fair value of plan assets	\$ -	\$ 14,107	\$ -	\$ 13,507

The following table provides the components of net periodic benefit costs for the years ended December 31:

	Pension Benefits			Other Post-retirement Benefits		
	2025	2024	2023	2025	2024	2023
Service cost	\$ 1,218	\$ 1,429	\$ 1,507	\$ 1,488	\$ 1,453	\$ 1,347
Interest cost	15,964	15,632	16,007	4,529	4,450	4,476
Expected return on plan assets	(17,065)	(18,782)	(22,223)	(4,282)	(4,420)	(4,372)
Amortization of prior service cost	311	325	684	-	-	-
Amortization of actuarial loss (gain)	3,331	3,003	2,962	(1,606)	(1,068)	(1,317)
Net periodic benefit cost/(credit)	<u>\$ 3,759</u>	<u>\$ 1,607</u>	<u>\$ (1,063)</u>	<u>\$ 129</u>	<u>\$ 415</u>	<u>\$ 134</u>

The Company records the underfunded/overfunded status of its pension and other post-retirement benefit plans on its consolidated balance sheets and records a regulatory asset/liability for these costs that would otherwise be charged to stockholders' equity, as the Company anticipates recoverability of the costs through customer rates to be probable. Changes in the plans' funded status will affect the assets and liabilities recorded on the balance sheet. Due to the Company's regulatory treatment, the recognition of the funded status is recorded as a regulatory asset pursuant to the FASB's accounting guidance for regulated operations.

The following table provides the amounts recognized in regulatory assets and regulatory liabilities that have not been recognized as components of net periodic benefit cost as of December 31:

	Pension Benefits		Other Post-retirement Benefits	
	2025	2024	2025	2024
Net actuarial loss (gain)	\$ 85,822	\$ 92,190	\$ (29,383)	\$ (24,504)
Prior service cost	1,366	1,540	-	-
Total recognized in regulatory assets	<u>\$ 87,188</u>	<u>\$ 93,730</u>	<u>\$ (29,383)</u>	<u>\$ (24,504)</u>

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Accounting for pensions and other post-retirement benefits requires 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. Each assumption is reviewed annually with assistance from the Company's actuarial consultant who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's benefit obligations are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2025	2024	2025	2024
Weighted Average Assumptions Used to Determine Benefit Obligations as of December 31,				
Discount rate	5.45%	5.64%	5.57%	5.65%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	n/a	n/a

Assumed Health Care Cost Trend Rates Used to Determine Benefit Obligations as of December 31,

	Pension Benefits		Other Post-retirement Benefits	
	2025	2024	2025	2024
Health care cost trend rate	n/a	n/a	6.50%	6.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	2032	2032

*n/a – Assumption is not applicable.*

The significant assumptions related to the Company's net periodic benefit costs are as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2025	2024	2023	2025	2024	2023
Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Discount rate	5.64%	5.17%	5.51%	5.65%	5.09%	5.45%
Expected return on plan assets	6.00%	6.20%	6.80%	3.78%-6.0%	3.91%-6.2%	4.28%-6.8%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	3.0-4.0%	n/a	n/a	n/a

Assumed Health Care Cost Trend Rates Used to Determine Net Periodic Benefit Costs for Years Ended December 31,

	Pension Benefits			Other Post-retirement Benefits		
	2025	2024	2023	2025	2024	2023
Health care cost trend rate	n/a	n/a	n/a	6.50%	6.25%	6.5%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	n/a	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	n/a	2032	2029	2029

*n/a – Assumption is not applicable.*

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The Company's discount rate assumption, which is utilized to calculate the present value of the projected benefit payments of our post-retirement benefits, was determined by selecting a hypothetical portfolio of high-quality corporate bonds appropriate to match the projected benefit payments of the plans. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds. The discount rate was then developed as the rate that equates the market value of the bonds purchased to the discounted value of the plan's benefit payments. The Company's pension expense and liability (benefit obligations) increases as the discount rate is reduced.

The Company's expected return on plan assets is determined by evaluating the asset class return expectations with its advisors as well as actual, long-term, historical results of our asset returns. The Company's market related value of plan assets is equal to the fair value of the plan's assets as of the last day of its fiscal year, and is a determinant for the expected return on plan assets which is a component of post-retirement benefits expense. The Company's pension expense increases as the expected return on plan assets decreases. The Company believes its actual long-term asset allocation on average will approximate the targeted allocation. The Company's investment strategy is to earn a reasonable rate of return while maintaining risk at acceptable levels. Risk is managed through fixed income investments to manage interest rate exposures that impact the valuation of liabilities and through the diversification of investments across and within various asset categories. Over time, as the plan's funded status increases, the target allocation of return-seeking assets (e.g., equities and other instruments with a similar risk profile) may decline and the target allocation of liability-hedging assets (e.g., fixed income and other instruments with a similar risk profile) may increase. Investment returns are compared to a total plan benchmark constructed by applying the plan's asset allocation target weightings to passive index returns representative of the respective asset classes in which the plan invests. The Retirement and Employee Benefits Committee meets quarterly to review plan investments and management monitors investment performance quarterly through a performance report prepared by an external consulting firm.

The target allocation by asset class as of December 31, 2025, along with the actual allocation of the Company's pension plan assets, are as follows:

	Target Allocation	Percentage of Plan Assets at December 31,	
		2025	2024
Return seeking assets	20-40%	41%	39%
Liability hedging assets	60-80%	59%	61%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The fair value of the Company's pension plans' assets at December 31, 2025 by asset class are as follows:

	Assets measured at NAV			Total
	Level 1	Level 2	Level 3	
Common stock	\$ 15,351	\$ -	\$ -	\$ 15,351
Return seeking assets:				
Global equities	-	-	-	6,632
Hedge / diversifying strategies	-	-	-	61,039
Credit	-	-	-	37,335
Liability hedging assets	-	-	-	170,732
Cash and cash equivalents	4,539	-	-	4,539
<b>Total pension assets</b>	<b>\$ 19,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 275,738</b>

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

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The fair value of the Company's pension plans' assets at December 31, 2024 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV	
				(a)	Total
Common stock	\$ 13,726	\$ -	\$ -	\$ -	\$ 13,726
Return seeking assets:					
Global equities	-	-	-	8,677	8,677
Hedge / diversifying strategies	-	-	-	54,807	54,807
Credit	-	-	-	37,813	37,813
Liability hedging assets	-	-	-	172,654	172,654
Cash and cash equivalents	5,975	-	-	-	5,975
<b>Total pension assets</b>	<b>\$ 19,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 273,951</b>	<b>\$ 293,652</b>

Equity securities include our common stock in the amounts of \$15,351 or 5.2% and \$13,726 or 4.7% of total pension plans' assets as of December 31, 2025 and 2024, respectively.

The target allocation by asset class as of December 31, 2025, and actual asset allocation of the Company's other post-retirement benefit plans, are as follows:

	Target Allocation	Percentage of Plan Assets at December 31,	
		2025	2024
Return seeking assets	50-70%	68%	65%
Liability hedging assets	30-50%	32%	35%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2025 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV	
				(a)	Total
Return seeking assets:					
Global equities	\$ 33,051	\$ -	\$ -	\$ 23,935	\$ 56,986
Real estate securities	6,954	-	-	4,096	11,050
Liability hedging assets	16,063	-	-	11,880	27,943
Cash and cash equivalents	4,497	-	-	-	4,497
<b>Total other post-retirement assets</b>	<b>\$ 60,565</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,911</b>	<b>\$ 100,476</b>

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2024 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV	
				(a)	Total
Return seeking assets:					
Global equities	\$ 30,978	\$ -	\$ -	\$ 20,020	\$ 50,998
Real estate securities	6,750	-	-	3,713	10,463
Liability hedging assets	15,325	-	-	11,237	26,562
Cash and cash equivalents	6,227	-	-	-	6,227
<b>Total other post-retirement assets</b>	<b>\$ 59,280</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,970</b>	<b>\$ 94,250</b>

**Valuation Techniques Used to Determine Fair Value**

*Common Stocks* - Investments in common stocks are valued using unadjusted quoted prices obtained from active markets.

*Return Seeking Assets* – Investments in return seeking assets consists of the following:

- Global equities, which consist of common and preferred shares of stock, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or commingled fund vehicles, consisting of such securities valued using NAV, which are not classified within the fair value hierarchy.
- Real estate securities, which consist of securities, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or for real estate commingle fund vehicles that are not publicly quoted, the fund administrators value the funds using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
- Hedge / diversifying strategies, which consist of a multi-manager fund vehicle having underlying exposures that collectively seek to provide low correlation of return to equity and fixed income markets, thereby offering diversification. As a multi-manager fund investment, NAV is derived from underlying manager NAVs, which are derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
- Credit, which consist of certain opportunistic, return-oriented credits which primarily include below investment grade bonds (i.e. high yield bonds), bank loans, and securitized debt. Credits are valued using the NAV per fund share, derived from either quoted prices in active markets of the underlying securities, or less active markets, or quotes of similar assets, and are not classified within the fair value hierarchy.

*Liability Hedging Assets* – Investments in liability hedging assets consist of funds investing in high-quality fixed income securities (i.e. U.S. Treasury securities and government bonds), and for funds for which market quotations are readily available, are valued at the last reported closing price on the primary market or exchange on which they are traded. Funds for which market quotations are not readily available, are valued using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.

*Cash and Cash Equivalents* – Investments in cash and cash equivalents are comprised of both uninvested cash and money market funds. The uninvested cash is valued based on its carrying value, and the money market funds are valued utilizing the net asset value per unit obtained from published market prices.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and the Company's funding policy, during 2026 our pension contribution is expected to be \$2,416.

The Company has a 401(k) savings plan, which is a defined contribution plan and covers substantially all employees. The Company makes matching contributions that are based on a percentage of an employee's contribution, subject to specific limitations, as well as, non-discretionary contributions based on eligible hourly wages for certain union employees, discretionary year-end contributions based on an employee's eligible compensation, and employer profit sharing contributions. Participants may diversify their Company matching account balances into other investments offered under the 401(k) savings plan. The Company's contributions,

which are recorded as compensation expense, were \$25,960, \$24,921, and \$23,519, for the years ended December 31, 2025, 2024, and 2023, respectively.

**Note 18 – Rate Activity***Completed Rate Case Proceedings*

On July 1, 2025, the Company's natural gas operating subsidiary in Kentucky received an order from the Kentucky Public Service Commission approving the settlement agreement that allowed base rate increases designed to increase total annual operating revenue by \$7,700 or 11.2%. New rates went into effect on July 1, 2025.

On February 7, 2025, the Pennsylvania Public Utility Commission ("PAPUC") issued an order approving, with certain minor modifications, the joint petition for non-unanimous partial settlement filed by Aqua Pennsylvania, Office of Consumer Advocate and other groups, that allowed a base rate increase designed to increase total annual operating revenues by \$73,000. New rates went into effect on February 22, 2025. At the time the rate order was received, the rates in effect also included \$37,940 in Distribution System Improvement Charges ("DSIC"), which was 6.73% above prior base rates. Consequently, the aggregate annual base rates increased by \$110,940 since the last base rate increase and DSIC was reset to zero.

On November 21, 2024, Aqua Illinois received an order from the Illinois Commerce Commission designed to provide an increase in revenues of \$11,632 or 11.4% on an annual basis. New rates went into effect on December 5, 2024.

On October 9, 2024, Aqua New Jersey received an order from the New Jersey Board of Public Utilities that was designed to provide an increase in water rates of \$2,250 on an annual basis. The order also approved the recovery of customer-side lead service line replacement costs of \$11,535, that have been deferred from April 2021 through June 2024, through the use of a customer surcharge over a three-year period. New rates went into effect on October 15, 2024.

On September 12, 2024, the PAPUC issued an order approving the settlement agreement to the general rate case filed by the Company's regulated natural gas operating subsidiary, Peoples Natural Gas, that allowed base rate increases designed to increase total annual operating revenues by \$93,000 or 11.1%. At the time the rate order was received, the rates in effect included various surcharges and credits, such as the Distribution System Improvement Charges ("DSIC") and Tax Cuts and Jobs Act ("TCJA") amortization credits totaling approximately \$21,000 on an annual basis. The order also provided an annualized change in gathering and other operating revenues of approximately \$3,000. Consequently, the aggregate annual base rates increased approximately \$111,000, as the DSIC was reset to zero, and the TCJA amortization credit, other surcharges and other operating revenues were adjusted. New rates went into effect on September 27, 2024. The order also approved the implementation of a weather normalization adjustment mechanism (WNA), which is applied to customer bills during the heating season of October through May each year. The weather normalization adjustment mechanism is designed to stabilize our residential and commercial customers' distribution charges by adjusting billings based on temperature variances from average weather, which effectively decreases rates when the weather is colder than average, and increases rates when the weather is warmer than average. The Company expects the weather normalization adjustment mechanism to result in reduced earnings volatility during the heating season. On October 11, 2024, the Pennsylvania Office of the Consumer Advocate (OCA) appealed this rate case to the Commonwealth Court. On February 12, 2025, the Office of Consumer Advocate discontinued its appeal on all but one non-revenue matter which can potentially be resolved through settlement.

On September 12, 2024, the Company's regulated water and wastewater operating subsidiary in Virginia, Aqua Virginia, received an order from the State Corporation Commission approving an increase in revenues by \$5,490 or

23.8% on an annual basis. The Company implemented interim rates in February 2024 and has refunded to customers the difference between interim and final approved rates in December 2024.

On December 13, 2023, the Company's regulated water and wastewater utility operating divisions in Ohio received an order from the Public Utilities Commission of Ohio designed to increase operating revenues by \$4,850 annually. New rates for water and sewer service went into effect on December 13, 2023.

On September 28, 2023, the Company's regulated water and wastewater operating subsidiary in Texas, Aqua Texas, received a final order from the Public Utility Commission of Texas approving infrastructure rehabilitation surcharges designed to increase revenues by \$8,388 annually. The rates authorized on March 28, 2023 and implemented on an interim basis effective April 1, 2023 did not change with the final order.

On June 5, 2023, the Company's regulated water and wastewater operating subsidiary in North Carolina, Aqua North Carolina, received an order from the North Carolina Utilities Commission designed to increase rates by \$14,001 in the first year of new rates being implemented, then by an additional \$3,743 and \$4,130 in the second and third years, respectively. In February 2023, the Company had implemented interim rates, based on an estimate of the final outcome of the order, and no refunds or additional billings were required for the difference between interim and final approved rates.

In addition to the base rate awards noted above, the Company's other operating subsidiaries were allowed annualized rate increases of \$2,240 in 2025, \$2,127 in 2024, and \$1,703 in 2023, represented by three, four, and three rate decisions, respectively. Revenues recognized in aggregate from all of the base rate increases realized in the year of grant were approximately \$72,790, \$34,832, and \$10,109, in 2025, 2024, and 2023, respectively.

Eight states in which the Company operates permit water and wastewater utilities to add a surcharge to their water or wastewater bills to offset the additional depreciation and capital costs related to infrastructure system replacement and rehabilitation projects completed and placed into service between base rate filings. Additionally, Pennsylvania and Kentucky allow for the use of an infrastructure rehabilitation surcharge for natural gas utility systems. The surcharge for infrastructure system replacements and rehabilitations is typically adjusted periodically based on additional qualified capital expenditures completed or anticipated in a future period, is capped as a percentage of base rates, generally at 5% to 12.75%, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. During 2025, the Company received approval to bill infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by \$13,276 in its water and wastewater utility operating divisions in Pennsylvania, Ohio, and New Jersey, and \$1,180 in its gas utility operating divisions in Pennsylvania and Kentucky. The surcharge for infrastructure system replacements and rehabilitations provided revenues in 2025, 2024, and 2023 of \$15,189, \$45,750, and \$20,261, respectively.

#### *Pending Base Rate Cases*

On January 30, 2026, the Company's regulated water and wastewater operating subsidiary in New Jersey, Aqua New Jersey, filed an application with the New Jersey Board of Public Utilities designed to increase revenues by \$7,886 annually.

On July 30, 2025, 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 \$7,927 annually.

On June 30, 2025, the Company's regulated water and wastewater operating subsidiaries in Ohio, Aqua Ohio and Aqua Ohio Wastewater, filed applications with the Public Utilities Commission of Ohio designed to increase rates in total by \$14,653.

On June 20, 2025, the Company's regulated water and wastewater operating subsidiary in Texas, Aqua Texas, filed an application with the Public Utility Commission of Texas designed to increase rates by \$29,149.

On April 30, 2025, the Company's regulated water and wastewater operating subsidiary in North Carolina, Aqua North Carolina, filed an application with the North Carolina Utilities Commission, which was updated on August 18, 2025. The updated rate case filing requests an increase in rates of \$30,154 in the first year of new rates being implemented, then by an additional \$6,014 and \$6,074 in the second and third years, respectively.

#### **Note 19 – Segment Information**

The Company identifies a business as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by the chief operating decision maker ("CODM"), who is the Company's Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance; and iii) it has available discrete financial information. The CODM reviews financial information, such as budget-to-actual variances and comparisons against prior period, at the operating segment level, and uses that information when making decisions about the allocation of operating and capital resources to each segment. The CODM evaluates the performance of the Company's reportable segments based on a number of factors, the primary measure being the net income (loss) of each segment.

The Company has eleven operating segments and has two reportable segments, the Regulated Water segment and the Regulated Natural Gas segment. 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 for which the Company provides natural gas distribution services. Each reportable segment has a segment manager, the Aqua President for the Regulated Water segment and the Peoples President for the Regulated Natural Gas segment, that reports directly to the CODM.

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

The accounting policies of the segments are the same as those applied in in the Company's consolidated financial statements and described in Note 1 – *Summary of Significant Policies*. Intersegment revenues represent natural gas sales by the Regulated Natural Gas segment to the non-regulated natural gas operations, at cost, which has a corresponding offsetting amount in purchased gas. The reportable segments' financial results includes intercompany costs that are allocated by corporate and intercompany interest on push-down debt from corporate. All revenues of the Company are generated in the U.S., and all assets of the Company are located in the U.S.

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The following table presents information about the Company's reportable segments and reconciliations to consolidated amounts. Asset information by segment is not utilized for purposes of assessing performance or allocating resources and, as a result, such information is not presented:

2025	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,326,629	\$ 1,114,531	\$ 2,441,160	\$ 33,455	\$ 2,474,615
Intersegment revenues	-	3,344	3,344	(3,344)	-
<b>Total operating revenues</b>	<b>\$ 1,326,629</b>	<b>\$ 1,117,875</b>	<b>\$ 2,444,504</b>	<b>\$ 30,111</b>	<b>\$ 2,474,615</b>
Operations and maintenance expense	\$ 405,017	\$ 227,656	\$ 632,673	\$ 6,931	\$ 639,604
Purchased gas	-	\$ 384,811	\$ 384,811	\$ 19,006	\$ 403,817
Depreciation and amortization	\$ 257,305	\$ 158,348	\$ 415,653	\$ 1,818	\$ 417,471
Taxes other than income taxes	\$ 69,058	\$ 19,978	\$ 89,036	\$ 3,736	\$ 92,772
Interest expense, net	\$ 150,763	\$ 107,073	\$ 257,836	\$ 69,542	\$ 327,378
Allowance for funds used during construction	\$ (20,805)	\$ (5,448)	\$ (26,253)	-	\$ (26,253)
Gain on sale of assets <sup>(a)</sup>	\$ (1,325)	-	\$ (1,325)	-	\$ (1,325)
Other segment items <sup>(b)</sup>	\$ 1,038	\$ (618)	\$ 420	\$ 917	\$ 1,337
Provision for income taxes (benefit)	\$ 54,658	\$ (41,300)	\$ 13,358	\$ (9,913)	\$ 3,445
<b>Net income (loss)</b>	<b>\$ 410,920</b>	<b>\$ 267,375</b>	<b>\$ 678,295</b>	<b>\$ (61,926)</b>	<b>\$ 616,369</b>
Capital expenditures	\$ 779,543	\$ 650,437	\$ 1,429,980	-	\$ 1,429,980

  

2024	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,221,880	\$ 840,453	\$ 2,062,333	\$ 23,780	\$ 2,086,113
Intersegment revenues	-	2,538	2,538	(2,538)	-
<b>Total operating revenues</b>	<b>\$ 1,221,880</b>	<b>\$ 842,991</b>	<b>\$ 2,064,871</b>	<b>\$ 21,242</b>	<b>\$ 2,086,113</b>
Operations and maintenance expense	\$ 381,088	\$ 207,176	\$ 588,264	\$ (1,014)	\$ 587,250
Purchased gas	-	\$ 267,226	\$ 267,226	\$ 9,783	\$ 277,009
Depreciation and amortization	\$ 232,338	\$ 135,814	\$ 368,152	\$ 1,400	\$ 369,552
Taxes other than income taxes	\$ 68,006	\$ 22,985	\$ 90,991	\$ 3,643	\$ 94,634
Interest expense, net	\$ 140,086	\$ 92,988	\$ 233,074	\$ 66,075	\$ 299,149
Allowance for funds used during construction	\$ (16,713)	\$ (4,597)	\$ (21,310)	-	\$ (21,310)
Gain on sale of assets <sup>(a)</sup>	\$ (636)	\$ (91,581)	\$ (92,217)	\$ (7)	\$ (92,224)
Other segment items <sup>(b)</sup>	\$ (1,445)	\$ (644)	\$ (2,089)	\$ 664	\$ (1,425)
Provision for income taxes (benefit)	\$ 68,851	\$ (79,993)	\$ (11,142)	\$ (10,694)	\$ (21,836)
<b>Net income (loss)</b>	<b>\$ 350,305</b>	<b>\$ 293,617</b>	<b>\$ 643,922</b>	<b>\$ (48,608)</b>	<b>\$ 595,314</b>
Capital expenditures	\$ 726,698	\$ 603,049	\$ 1,329,747	-	\$ 1,329,747

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Notes to Consolidated Financial Statements (continued)  
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2023	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,153,376	\$ 860,586	\$ 2,013,962	\$ 39,862	\$ 2,053,824
Intersegment revenues	-	3,173	3,173	(3,173)	-
Total operating revenues	\$ 1,153,376	\$ 863,759	\$ 2,017,135	\$ 36,689	\$ 2,053,824
Operations and maintenance expense	\$ 368,843	\$ 209,073	\$ 577,916	\$ (2,398)	\$ 575,518
Purchased gas	-	\$ 327,548	\$ 327,548	\$ 24,758	\$ 352,306
Depreciation and amortization	\$ 217,593	\$ 125,263	\$ 342,856	\$ 839	\$ 343,695
Taxes other than income taxes	\$ 62,759	\$ 23,846	\$ 86,605	\$ 3,603	\$ 90,208
Interest expense, net	\$ 124,680	\$ 92,320	\$ 217,000	\$ 62,961	\$ 279,961
Allowance for funds used during construction	\$ (14,786)	\$ (2,181)	\$ (16,967)	-	\$ (16,967)
Loss (gain) on sale of assets	\$ (624)	\$ 559	\$ (65)	-	\$ (65)
Other segment items <sup>(b)</sup>	\$ (3,596)	\$ 121	\$ (3,475)	\$ 862	\$ (2,613)
Provision for income taxes (benefit)	\$ 57,546	\$ (113,353)	\$ (55,807)	\$ (10,638)	\$ (66,445)
Net income (loss)	\$ 340,961	\$ 200,563	\$ 541,524	\$ (43,298)	\$ 498,226
Capital expenditures	\$ 668,720	\$ 527,538	\$ 1,196,258	\$ 2,845	\$ 1,199,103

(a) Refer to Note 3 – *Dispositions* for additional information.

(b) Other segment items mainly consists of the non-service cost component of pension and other postretirement benefits for our regulated segments.

**Note 20 – Other Supplemental Cash Flow Information**

The following table provides the components of the Company’s cash paid for income taxes for the following years presented:

	Years Ended December 31,		
	2025	2024	2023
Federal	\$ -	\$ -	\$ -
State			
Pennsylvania	8,229	5,882	6,900
Texas	563	503	403
Other States	288	313	536
Total	\$ 9,080	\$ 6,698	\$ 7,839

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

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 December 31, 2025, the end of the period covered by this Annual 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 Annual Report are effective to provide reasonable assurance that the information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’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. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In assessing the effectiveness of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control-Integrated Framework* (2013). As a result of management’s assessment and based on the criteria in the framework, management has concluded that, as of December 31, 2025, the Company’s internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2025, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting – No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

During the quarter ended December 31, 2025, 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 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections*

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information appearing in the sections captioned *Information Regarding Nominees, Corporate Governance – Code of Ethics, – Board and Board Committees*, and *Section 16(a) Beneficial Ownership Reporting Compliance* of the definitive Proxy Statement relating to our 2026 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report is incorporated by reference herein.

The Company has adopted an Insider Trading Policy that governs the purchase, sale and/or other dispositions of our securities by directors, officers and employees that is reasonably designed to promote compliance with insider trading laws, rules and regulations and New York Stock Exchange listing standards. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this report.

We make available free of charge within the Corporate Governance portion of the investor relations section of our web site, at [www.essential.co](http://www.essential.co), our Corporate Governance Guidelines, the Charters of each Committee of our Board of Directors, and our Code of Ethical Business Conduct (the Code of Ethics). Amendments to the Code of Ethics, and any grant of a waiver from a provision of the Code requiring disclosure under applicable rules of the SEC, will be disclosed on our web site. The reference to our web site is intended to be an inactive textual reference only, and the contents of such web site are not incorporated by reference herein and should not be considered part of this or any other report that we file with or furnish to the SEC.

### Information About Our Executive Officers

The following table and the notes thereto set forth information with respect to our executive officers, including their names, ages, positions with Essential Utilities and business experience during the last five years:

<u>Name</u>	<u>Age</u>	<u>Position with Essential Utilities (1)</u>
Christopher H. Franklin	60	Chairman (January 2018 to present); President and Chief Executive Officer (July 2015 to present); Executive Vice President and President and Chief Operating Officer, Regulated Operations (January 2012 to July 2015); Regional President – Midwest and Southern Operations and Senior Vice President, Corporate and Public Affairs (January 2010 to January 2012); Regional President – Southern Operations and Senior Vice President, Public Affairs and Customer Operations (February 2007 to January 2010); Vice President, Public Affairs and Customer Operations (May 2005 to February 2007); Vice President, Corporate and Public Affairs (February 1997 to May 2005); Manager Corporate and Public Affairs (December 1992 to February 1997)
Daniel J. Schuller	56	Executive Vice President and Chief Financial Officer (October 2018 to present); Executive Vice President, Strategy and Corporate Development (July 2015 to October 2018); Investment Principal – J.P. Morgan Asset Management – Infrastructure Investments Group (2007 to 2015)
Colleen M. Arnold	55	President, Aqua Water (March 2020 to present); Deputy Chief Operating Officer, Aqua (September 2015 to March 2020)
Michael A. Huwar	62	President, Peoples Natural Gas (August 2020 to present); President Columbia Gas of Pennsylvania & Columbia Gas of Maryland (February 2017 to August 2020)
Christopher P. Luning	58	Executive Vice President and General Counsel (August 2022 to present); Executive Vice President, General Counsel, and Secretary (February 2019 to July 2022); Senior Vice President, General Counsel, and Secretary (April 2012 to February 2019); Vice President Corporate Development and Corporate Counsel (June 2008 to April 2012); Vice President and Deputy General Counsel (May 2005 to June 2008); Assistant General Counsel (March 2003 to May 2005)
Bradley J. Palmer	43	Vice President, Chief Accounting Officer (July 2025 to present); Vice President, Deputy Chief Accounting Officer (October 2024 to July 2025); Aqua Pennsylvania Controller (June 2021 to October 2024); Audit Senior Manager, Deloitte (January 2018 to June 2021); Accounting Manager, Florida Power & Light (June 2016 to January 2018); Accounting Manager, PECO Energy Company (June 2013 to June 2016)

(1) In addition to the capacities indicated, the individuals named in the above table hold other offices or directorships with subsidiaries of the Company. Officers serve at the discretion of the Board of Directors.

#### Item 11. *Executive Compensation*

The information responsive to this item will be included in the definitive Proxy Statement relating to our 2026 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, is incorporated by reference herein.

#### Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Ownership of Common Stock - The information responsive to this item will be included in the definitive Proxy Statement relating to our 2026 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, and is incorporated by reference herein.

Securities Authorized for Issuance under Equity Compensation Plans - The following table provides information for our equity compensation plans as of December 31, 2025:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,879,174 (1)	\$ 35.13 (2)	790,028
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>1,879,174</b>	<b>\$ 35.13</b>	<b>790,028</b>

(1) Consists of 1,069,386 shares issuable upon exercise of outstanding options, 512,454 shares issuable upon conversion of outstanding performance share units, and 297,334 shares issuable upon conversion of outstanding restricted share units.

(2) Calculated based upon outstanding options of 1,069,386 shares to acquire our common stock.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information responsive to this item will be included in the definitive Proxy Statement relating to our 2026 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, and is incorporated by reference herein.

Item 14. *Principal Accountant Fees and Services*

The information responsive to this item will be included in the definitive Proxy Statement relating to our 2026 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report, and is incorporated by reference herein.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

Financial Statements. The consolidated financial statements and supplementary data included in Part II, Item 8 are hereby incorporated by reference herein.

Financial Statement Schedules.

Schedule 1. – Condensed Parent Company Financial Statements. All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

Exhibits, Including Those Incorporated by Reference. A list of exhibits filed as part of this Annual Report is set forth in the Exhibit Index hereto which is incorporated by reference herein. Where so indicated, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in the exhibit index.

Item 16. *Form 10-K Summary*

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Company has elected not to include such summary information in this Annual Report.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
(In thousands of dollars, except per share amounts)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference to			
		Form	File No.	Exhibit(s)	Filing Date
2.1	<a href="#">Agreement and Plan of Merger, dated as of October 26, 2025, by and among American Water Works Company, Inc., Alpha Merger Sub, Inc., and Essential Utilities, Inc.**</a>	8-K	001-06659	10.1	October 27, 2025
3.1	<a href="#">Essential Utilities, Inc. Amended and Restated Articles of Incorporation as of May 12, 2020</a>	8-K	001-06659	3.1	May 18, 2020
3.2	<a href="#">Amended and Restated Bylaws of Essential Utilities, Inc. dated October 25, 2023</a>	8-K	001-06659	3.2	October 25, 2023
4.1	<a href="#">Description of Securities of Essential Utilities, Inc.</a>	^	^	^	^
4.2	<a href="#">Indenture of Mortgage dated as of January 1, 1941 between Aqua Pennsylvania, Inc. (f/k/a Philadelphia Suburban Water Company) and The Bank of New York Mellon Trust Company, as successor trustee to First Pennsylvania Bank, N.A. (f/k/a The Pennsylvania Company for Insurance on Lives and Granting Annuities)</a>	10-K	001-06659	4.1.1	February 26, 2016
4.2.1	<a href="#">Twenty-sixth Supplemental Indenture dated as of November 1, 1991</a>	10-K	001-06659	4.1.3	February 26, 2016
4.2.2	<a href="#">Thirty-third Supplemental Indenture, dated as of November 15, 1999</a>	10-K	001-06659	4.27	March 29, 2000
4.2.3	<a href="#">Thirty-fifth Supplemental Indenture, dated as of January 1, 2002</a>	10-K	001-06659	4.22	March 20, 2002
4.2.4	<a href="#">Forty-seventh Supplemental Indenture, dated as of October 15, 2012</a>	10-K	001-06659	4.24	February 28, 2013
4.2.5	<a href="#">Forty-eighth Supplemental Indenture, dated as of October 1, 2013</a>	10-K	001-06659	4.1.17	March 3, 2014
4.2.6	<a href="#">Form of Supplemental Indenture during and after 2014</a>	10-K	001-06659	4.1.15	February 26, 2016
4.2.6.1	<a href="#">Schedule of Outstanding Supplemental Indentures during and after 2014</a>	^	^	^	^
4.3	<a href="#">Bond Purchase Agreement, dated November 8, 2012, by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Association, John Hancock Life Insurance Company, John Hancock Life Insurance Company of New York, John Hancock Life &amp; Health Insurance Company, The Lincoln National Life Insurance Company, Lincoln Life &amp; Annuity Company of New York, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, Minnesota Life Insurance Company, United Health Care Insurance Company, American Republic Insurance Company, Western Fraternal Life Association</a>	10-K	001-06659	10.54	February 28, 2013

4.4	<a href="#">Bond Purchase Agreement, dated October 24, 2013, by and among Aqua Pennsylvania, Inc., John Hancock Life Insurance Company (U.S.A.), John Hancock Life Insurance Company of New York, John Hancock Life &amp; Health Insurance Company, The Lincoln National Life Insurance Company, Thrivent Financial for Lutherans, United Insurance Company of America, Equitable Life &amp; Casualty Insurance Company, Catholic United Financial, and Great Western Insurance Company</a>	10-K	001-06659	10.45	March 3, 2014
4.5	<a href="#">Bond Purchase Agreement, dated December 29, 2014, by and among Aqua Pennsylvania, Inc., Thrivent Financial for Lutherans, State Farm Life Insurance Company, John Hancock Life Insurance Company (U.S.A.), Phoenix Life Insurance Company, PHL Variable Insurance Company, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, and Companion Life Insurance Company</a>	10-K	001-06659	10.58	February 27, 2015
4.6	<a href="#">Bond Purchase Agreement, dated December 3, 2015 by and among Aqua Pennsylvania, Inc., Thrivent Financial for Lutherans, State Farm Life Insurance Company, John Hancock Life Insurance Company (U.S.A), The Lincoln National Life Insurance Company, Teachers Insurance And Annuity Association Of America, CMFG Life Insurance Company, Genworth Life Insurance Company, Phoenix Life Insurance Company, PHL Variable Insurance Company, United Of Omaha Life Insurance Company, The State Life Insurance Company, Pioneer Mutual Life Insurance Company, MONY Life Insurance Company</a>	10-K	001-06659	4.12	February 26, 2016
4.7	<a href="#">Note Purchase Agreement, dated November 3, 2016, by and among the Registrant and the note purchasers thereto</a>	10-K	001-06659	4.13	February 24, 2017
4.8	<a href="#">Bond Purchase Agreement, dated December 15, 2016 by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Association of America, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, John Hancock Life Insurance Company, American Equity Investment Life Insurance Company, Genworth Life and Annuity Insurance Company, Phoenix Life Insurance Company, PHL Variable Insurance Company, American United Life Insurance Company, The State Life Insurance Company, and Pioneer Mutual Life Insurance Company</a>	10-K	001-06659	4.14	February 24, 2017
4.9	<a href="#">Bond Purchase Agreement, dated July 10, 2017 by and among Aqua Illinois, Inc., Teachers Insurance and Annuity Association of America</a>	10-Q	001-06659	4.1	November 2, 2017
4.10	<a href="#">Bond Purchase Agreement, dated July 20, 2017 by and among Aqua Pennsylvania, Inc., New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 3), New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 3-2)</a>	10-Q	001-06659	4.2	November 2, 2017

4.11	<a href="#">Bond Purchase Agreement, dated June 29, 2018, by and among Aqua Pennsylvania, Inc., CMFG Life Insurance Company, Manufactures Life Reinsurance Limited, The Lincoln National Life Insurance Company, New York Life Insurance Company, The State Life Insurance Company, and Phoenix Life Insurance Company</a>	10-Q	001-06659	4.1	August 3, 2018
4.12	<a href="#">Bond Purchase Agreement, dated November 15, 2018, by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Associated of America, American United Life Insurance Company, Pioneer Mutual Life Insurance Company, The State Life Insurance Company, The Lincoln National Life Insurance Company, Lincoln Life &amp; Annuity Company of New York, and United of Omaha Life Insurance Company</a>	10-K	001-06659	4.15	February 26, 2019
4.13	<a href="#">Indenture, dated as of April 23, 2019, between the Registrant and U.S. Bank N.A., as trustee</a>	8-K	001-06659	4.4	April 23, 2019
4.13.1	<a href="#">First Supplemental Indenture, dated as of April 23, 2019, between the Registrant and U.S. Bank N.A., as trustee</a>	8-K	001-06659	4.5	April 23, 2019
4.13.2	<a href="#">Second Supplemental Indenture, dated as of April 23, 2019, between the Registrant and U.S. Bank N.A., as trustee</a>	8-K	001-06659	4.6	April 23, 2019
4.13.3	<a href="#">Third Supplemental Indenture, dated as of April 26, 2019, between the Registrant and U.S. Bank N.A., as trustee</a>	8-K	001-06659	4.3	April 26, 2019
4.13.4	<a href="#">Form of Global Note for the 2029 Notes (included in Exhibit 4.13.3 above)</a>	8-K	001-06659	4.4	April 26, 2019
4.13.5	<a href="#">Form of Global Note for the 2049 Notes (included in Exhibit 4.13.3 above)</a>	8-K	001-06659	4.5	April 26, 2019
4.13.6	<a href="#">Fourth Supplemental Indenture, dated April 13, 2020, by and between Essential Utilities, Inc. and U.S. Bank N.A.</a>	8-K	001-06659	4.3	April 15, 2020
4.13.7	<a href="#">Fifth Supplemental Indenture, dated April 19, 2021, between Essential Utilities, Inc. and U.S. Bank N.A., as trustee</a>	8-K	001-06659	4.3	April 19, 2021
4.13.8	<a href="#">Sixth Supplemental Indenture, dated May 20, 2022, between Essential Utilities, Inc. and U.S. Bank Trust Company N.A., as trustee</a>	8-K	001-06659	4.3	May 20, 2022
4.13.9	<a href="#">Seventh Supplemental Indenture, dated January 8, 2024, between Essential Utilities, Inc. and U.S. Bank Trust Company N.A., as trustee</a>	8-K	001-06659	4.3	January 8, 2024
4.13.10	<a href="#">Eighth Supplemental Indenture, dated August 15, 2024, between Essential Utilities, Inc. and U.S. Bank Trust Company N.A., as trustee</a>	8-K	001-06659	4.3	August 15, 2024
4.13.11	<a href="#">Ninth Supplemental Indenture, dated August 7, 2025, between Essential Utilities, Inc. and U.S. Bank Trust Company N.A., as trustee</a>	8-K	001-06659	4.3	August 7, 2025
4.13.12	<a href="#">Form of Global Note for the 2027 Notes (included in Exhibit 4.13.10 above)</a>	8-K	001-06659	4.3	August 15, 2024

4.14	<a href="#">Bond Purchase Agreement, dated May 31, 2019, by and among Aqua Pennsylvania, Inc., Athene Annuity and Life Company, Athene Annuity &amp; Life Assurance Company, Genworth Life and Annuity Insurance Company, Genworth Life Insurance Company, John Hancock Life Insurance Company (U.S.A), John Hancock Life Insurance Company of New York, John Hancock Life &amp; Health Insurance Company, Metropolitan Life Insurance Company, Metropolitan Tower Life Insurance Company, MetLife Insurance K.K., Brighthouse Life Insurance Company, United of Omaha Life Insurance Company, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Accounts (BOLI 30C, 30E, 3-2), The Northwestern Mutual Life Insurance Company, The Northwestern Mutual Life Insurance Company, and Life Insurance Company of the Southwest</a>	10-Q	001-06659	4.11	August 8, 2019
4.15	<a href="#">Bond Purchase Agreement, dated December 20, 2019, by and among Aqua Pennsylvania, Inc., MetLife Insurance K.K, Metropolitan Life Insurance Company, The Ohio National Life Insurance Company, Ohio National Life Assurance Corporation, National Guardian Life Insurance Company, Country Life Insurance Company, Horizon Blue Cross Blue Shield of New Jersey, and Farm Bureau Life Insurance Company</a>	10-K	001-06659	4.18	February 28, 2020
4.16	<a href="#">Bond Purchase Agreement, dated May 1, 2020, by and among Aqua Pennsylvania, Inc. and bond purchasers thereto</a>	10-Q	001-06659	4.4	May 8, 2020
4.17	<a href="#">Bond Purchase Agreement, dated October 13, 2020, by and among Aqua Pennsylvania, Inc., American General Life Insurance Company, The Variable Life Insurance Company, The United States Life Insurance Company in the City of New York, MetLife Insurance K.K., Pacific Life Insurance Company, Equitable Financial Life Insurance Company, Transamerica Life Insurance Company, Transamerica Life (Bermuda) LTD, Principal Life Insurance Company, Ameritas Life Insurance Company, Ameritas Life Insurance Corp. of New York, The State Life Insurance Company, Nassau Life Insurance Company, Life Insurance Company of the Southwest, United Farm Family Life Insurance Company, and Farm Bureau Life Insurance Company</a>	10-K	001-06659	4.18	March 1, 2021
4.18	<a href="#">Bond Purchase Agreement, dated April 15, 2021, by and among Aqua Ohio, Inc., Teachers Insurance and Annuity Association of America, State Farm Life Insurance Company, State Farm Life and Accident Assurance Company, and State Farm Insurance Companies Employee Retirement Trust</a>	10-K	001-06659	4.19	March 1, 2022
4.19	<a href="#">Bond Purchase Agreement, dated September 19, 2022, by and among Aqua Pennsylvania, Inc. and the Purchasers</a>	10-Q	001-06659	4.1	November 9, 2022

4.20	<a href="#">Bond Purchase Agreement, dated December 15, 2022, by and among Aqua Pennsylvania, Inc. and State Farm Life Insurance Company, State Farm Life and Accident Assurance Company, State Farm Insurance Companies Employee Retirement Trust</a>	10-K	001-06659	4.21	March 1, 2023
4.21	<a href="#">Bond Purchase Agreement, dated May 29, 2025, by and among Aqua Pennsylvania, Inc. and the Purchasers</a>	10-Q	001-06659	10.3	August 4, 2025
10.1	<a href="#">Credit Agreement, dated December 14, 2022, between Essential Utilities, Inc., PNC Bank, National Association, CoBank, ACB, Bank of America, N.A., Royal Bank of Canada, The Huntington National Bank, Barclays Bank PLC, Citizens Bank, N.A., The Toronto-Dominion Bank, and Wells Fargo Bank, N.A.</a>	10-K	001-06659	10.1	March 1, 2023
10.2	<a href="#">Amended and Restated Revolving Credit Agreement, dated as of November 17, 2016, between Aqua Pennsylvania and PNC Bank, National Association, TD Bank, N.A., Citizens Bank of Pennsylvania, and Huntington National Bank</a>	10-K	001-06659	10.2.4	February 24, 2017
10.2.1	<a href="#">Second Amended and Restated Revolving Credit Agreement, dated as of June 3, 2025, between Aqua Pennsylvania, Inc. and PNC Bank, National Association, Citizens Bank N.A., and The Huntington National Bank</a>	10-Q	001-06659	10.1	August 4, 2025
10.3	<a href="#">The Registrant's Deferred Compensation Plan Master Trust Agreement with PNC Bank, National Association, dated as of December 31, 1996*</a>	10-K	001-06659	10.24	March 25, 1997
10.3.1	<a href="#">Amendment 2008-1 to the Registrant's Deferred Compensation Plan Master Trust Agreement, dated as of December 15, 2008*</a>	10-K	001-06659	10.50	February 27, 2009
10.4	<a href="#">The Registrant's 2009 Executive Deferral Plan (as amended and restated effective January 1, 2009)*</a>	S-8	333-156047	4.1	December 10, 2008
10.5	<a href="#">The Registrant's Supplemental Pension Benefit Plan for Salaried Employees (as amended and restated effective January 1, 2011)*</a>	10-K	001-06659	10.58	February 27, 2012
10.6	<a href="#">The Registrant's Dividend Reinvestment and Direct Stock Purchase Plan</a>	S-3ASR	333-271878	N/A	May 12, 2023
10.7.1	<a href="#">Performance-Based Share Unit Grant Terms and Conditions*</a>	10-K	001-06659	10.7.1	February 27, 2025
10.7.2	<a href="#">Restricted Stock Unit Grant Terms and Conditions*</a>	10-K	001-06659	10.7.2	February 27, 2025
10.7.3	<a href="#">Stock Option Grant Terms and Conditions*</a>	10-K	001-06659	10.7.3	February 27, 2025
10.8	<a href="#">The Registrant's 2012 Employee Stock Purchase Plan*</a>	10-K	001-06659	10.10	February 26, 2016
10.9	<a href="#">The Registrant's Annual Cash Incentive Compensation Plan (adopted February 26, 2013)*</a>	10-K	001-06659	10.56	February 28, 2013
10.10	<a href="#">Form of Amended and Restated of Change-in-Control Agreement of Essential Utilities, Inc.*</a>	8-K	001-06659	10.2	May 3, 2024
10.10.1	<a href="#">Schedule of Change in Control Agreement between the Company and executive officers*</a>	^	^	^	^
10.11	<a href="#">Non-Employee Directors' Compensation, effective January 1, 2025*</a>	8-K	001-06659	10.1	December 13, 2024
10.12	<a href="#">Employment Agreement dated July 1, 2024, between the Registrant and Christopher Franklin*</a>	8-K	001-06659	10.1	May 3, 2024

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

10.13	<a href="#">Form of Sales Agreement, dated August 13, 2024, among Essential Utilities, Inc., a Sales Agent and, if applicable, a Forward Purchaser</a>	8-K	001-06659	1.1	August 13, 2024
10.13.1	<a href="#">Form of Forward Sale Agreement, by and between Essential Utilities, Inc. and a Forward Purchaser</a>	8-K	001-06659	99.1	August 13, 2024
10.14	<a href="#">The Registrant Amended and Restated Omnibus Equity Compensation Plan</a>	8-K	001-06659	10.1	May 3, 2019
10.15	<a href="#">Essential Utilities, Inc. Stock Award Grant Instrument dated as of March 16, 2020*</a>	10-Q	001-06659	10.4	May 8, 2020
10.16	<a href="#">Note Purchase Agreement, dated February 26, 2010, by and between PNG Companies, LLC and the note purchasers thereto</a>	8-K/A	001-06659	10.1	April 13, 2020
10.16.1	<a href="#">Third Supplement to Note Purchase Agreement, dated September 20, 2017, by and between PNG Companies, LLC and the note purchasers thereto</a>	8-K/A	001-06659	10.1.6	April 13, 2020
10.16.2	<a href="#">Fourth Supplement to Note Purchase Agreement, dated November 9, 2017, by and between PNG Companies, LLC and the note purchasers thereto</a>	8-K/A	001-06659	10.1.7	April 13, 2020
10.16.3	<a href="#">Credit Agreement, dated November 25, 2020, by and between PNG Companies, LLC and PNC Bank, National Association and TD Bank, N.A.</a>	10-K	001-06659	10.21.9	March 1, 2022
10.16.4	<a href="#">Amended and Restated Revolving Credit Agreement, dated as of June 3, 2025, between PNG Companies LLC and PNC Bank, National Association, Citizens Bank N.A., and The Huntington National Bank</a>	10-Q	001-06659	10.2	August 4, 2025
19.1	<a href="#">The Registrant's Insider Trading Policy</a>	10-K	001-06659	19.1	February 27, 2025
21.1	<a href="#">Subsidiaries of Essential Utilities, Inc.</a>	^	^	^	^
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP</a>	^	^	^	^
31.1	<a href="#">Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934</a>	^	^	^	^
31.2	<a href="#">Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934</a>	^	^	^	^
32.1	<a href="#">Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350</a>	^^	^^	^^	^^
32.2	<a href="#">Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350</a>	^^	^^	^^	^^
97.1	<a href="#">The Registrant's Compensation Recoupment Policy</a>	10-K	001-06659	10.16	March 1, 2023
101.INS	Inline XBRL Instance 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 Annual Report on Form 10-K for the year ended December 31, 2023 formatted in Inline XBRL (included in Exhibit 101)	^	^	^	^
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In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, copies of specific instruments defining the rights of holders of long-term debt of the Company or its subsidiaries are not filed herewith. Pursuant to this regulation, we hereby agree to furnish a copy of any such instrument to the SEC upon request.

\*Indicates management contract or compensatory plan or arrangement

\*\* Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

^ Filed herewith

^^Furnished herewith

The Merger Agreement incorporated by reference as Exhibit 2.1 herewith has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about American Water or the Company, or any of their or our respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Merger Agreement (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the Merger Agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosure schedules exchanged between the parties in connection with the execution of the Merger Agreement (such disclosure schedules having included information in each party's public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of American Water or the Company, or any of their or our respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the Merger Agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The Merger Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are or to be filed by the Company with the SEC.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ESSENTIAL UTILITIES, INC.

/s/ Christopher H. Franklin

Christopher H. Franklin

Chairman, President and Chief Executive Officer

Date: February 26, 2026

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the Registrant on February 26, 2026 in the capacities indicated below.

<u>Signature</u>	<u>Title</u>
<u>/s/ Christopher H. Franklin</u> Christopher H. Franklin	Chairman, President and Chief Executive Officer, Director (Principal Executive Officer)
<u>/s/ Daniel J. Schuller</u> Daniel J. Schuller	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ Bradley J. Palmer</u> Bradley J. Palmer	Vice President and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ Elizabeth B. Amato</u> Elizabeth B. Amato	Director
<u>/s/ Christopher L. Bruner</u> Christopher L. Bruner	Director
<u>/s/ David A. Ciesinski</u> David A. Ciesinski	Director
<u>/s/ Daniel J. Hilferty</u> Daniel J. Hilferty	Director
<u>/s/ W. Bryan Lewis</u> W. Bryan Lewis	Director
<u>/s/ Tamara Linde</u> Tamara Linde	Director

Essential Utilities, Inc.  
Schedule 1 – Condensed Parent Company Financial Statements  
Condensed Balance Sheets  
(In thousands of dollars)

	December 31,	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,512	\$ -
Accounts receivable, net	2,499	2,515
Accounts receivable - affiliates	400,820	244,758
Prepayments and other current assets	18,312	17,107
Total current assets	<u>424,143</u>	<u>264,380</u>
Deferred charges and other assets, net	85,598	68,141
Notes receivable - affiliates	3,773,702	3,033,702
Deferred income tax asset	82,225	135,026
Investment in subsidiaries	8,095,911	7,575,145
Total assets	<u>\$ 12,461,579</u>	<u>\$ 11,076,394</u>
Liabilities and Equity		
Stockholders' equity	\$ 6,857,456	\$ 6,198,809
Long-term debt, excluding current portion, net of debt issuance costs	5,088,583	4,430,657
Current liabilities:		
Accounts payable	335	-
Accrued interest	51,851	41,444
Accounts payable - affiliates	309,738	166,872
Dividends payable	-	89,441
Other accrued liabilities	44,893	24,394
Total current liabilities	<u>406,817</u>	<u>322,151</u>
Other liabilities	108,723	124,777
Total liabilities and equity	<u>\$ 12,461,579</u>	<u>\$ 11,076,394</u>

The accompanying condensed notes are an integral part of these condensed financial statements.

Essential Utilities, Inc.  
Schedule 1 – Condensed Parent Company Financial Statements  
Condensed Statements of Income and Comprehensive Income  
(In thousands, except per share amounts)

	Years ended December 31,		
	2025	2024	2023
Other income	\$ 2,331	\$ 1,303	\$ 2,985
Operating expense and other expenses	13,521	4,259	6,479
Operating income (loss)	(11,190)	(2,956)	(3,494)
Interest expense	69,643	61,900	64,031
Interest income	(169)	(1,582)	(348)
Other income	(945)	(1,160)	(584)
Loss before equity in earnings of subsidiaries and income taxes	(79,719)	(62,114)	(66,593)
Equity in earnings of subsidiaries	680,749	645,204	547,617
Income before income taxes	601,030	583,090	481,024
Income tax benefit	(15,339)	(12,224)	(17,202)
Net income	\$ 616,369	\$ 595,314	\$ 498,226
Comprehensive income	\$ 616,369	\$ 595,314	\$ 498,226
Net income per common share:			
Basic	\$ 2.20	\$ 2.17	\$ 1.86
Diluted	\$ 2.20	\$ 2.17	\$ 1.86
Average common shares outstanding during the period:			
Basic	280,054	273,914	267,171
Diluted	280,619	274,421	267,659

The accompanying condensed notes are an integral part of these condensed financial statements.

Essential Utilities, Inc.  
Schedule 1 – Condensed Parent Company Financial Statements  
Condensed Statements of Cash Flows  
(In thousands of dollars)

	Years ended December 31,		
	2025	2024	2023
Net cash flows used in operating activities	\$ (421,047)	\$ (284,039)	\$ (179,556)
Cash flows from investing activities:			
Acquisitions of utility systems and other, net	(56,985)	(501)	(32,431)
Increase in investment in subsidiaries	(84,620)	(104,022)	(36,740)
Convertible note investment	(25,125)	-	-
Other	349	322	554
Net cash flows used in investing activities	(166,381)	(104,201)	(68,617)
Cash flows from financing activities:			
Proceeds from long-term debt	1,201,657	1,644,604	906,856
Repayments of long-term debt	(1,120,000)	(960,000)	(677,000)
Proceeds from issuance of common stock from at-the market sale agreement	300,117	36,134	322,983
Net proceeds of commercial paper	567,448	-	-
Proceeds from issuance of common stock under dividend reinvestment plan	15,301	15,476	16,005
Proceeds from exercised stock options	956	2,471	287
Repurchase of common stock	(2,284)	(4,048)	(3,981)
Dividends paid on common stock	(373,821)	(346,392)	(316,806)
Other	566	(5)	(171)
Net cash flows from financing activities	589,940	388,240	248,173
Net change in cash and cash equivalents	2,512	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ 2,512	\$ -	\$ -

See Note 1 - *Basis of Presentation*

The accompanying condensed notes are an integral part of these condensed financial statements.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars, except per share amounts)

Essential Utilities, Inc.  
Schedule 1 – Condensed Parent Company Financial Statements  
Notes to Condensed Financial Statements  
(In thousands, except per share amounts)

**Note 1 – Basis of Presentation** – The accompanying condensed financial statements of Essential Utilities, Inc. (the “Parent”) should be read in conjunction with the consolidated financial statements and notes thereto of Essential Utilities, Inc. and subsidiaries (collectively, the “Registrant”) included in Part II, Item 8 of the Annual Report. The Parent’s significant accounting policies are consistent with those of the Registrant.

The Parent borrows from third parties and provides funds to its subsidiaries, in support of their operations. Amounts owed to the Parent for borrowings under this facility are reflected as accounts receivable – affiliates on the condensed balance sheets. The interest rate charged to the subsidiaries is sufficient to cover the Parent’s interest costs under its associated borrowings.

As of December 31, 2025 and 2024, the Parent had a current accounts receivable – affiliates balance of \$400,820 and \$244,758, respectively. As of December 31, 2025 and 2024, the Parent had a notes receivable – affiliates balance of \$3,773,702 and \$3,033,702, respectively. The changes in these balances represent non-cash adjustments that are recorded through the Parent’s investment in subsidiaries.

In the ordinary course of business, the Parent indemnifies a third-party for surety bonds issued on behalf of subsidiary companies, guarantees the performance of one of its regulated utilities in a jurisdiction that requires such guarantees, and guarantees several projects associated with the treatment of water in a jurisdiction.

**Note 2 – Dividends from subsidiaries** – Dividends in the amount of \$0, \$0, and \$0 were paid to the Parent by its wholly-owned subsidiaries during the years ended December 31, 2025, 2024, and 2023, respectively.

**Note 3 – Long-term debt** – The Parent has long-term debt under unsecured note purchase agreements with investors in addition to its \$1,000,000 revolving credit agreement. Excluding amounts due under the revolving credit agreement, the debt maturities of the Parent’s long-term debt are as follows:

Year	Debt Maturity
2026	\$ -
2027	500,000
2028	-
2029	400,000
2030	500,000
Thereafter	3,125,000

## DESCRIPTION OF THE REGISTRANT'S SECURITIES

REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934

As of the date of the Annual Report on Form 10-K (the "Annual Report") of which this exhibit is a part, Essential Utilities, Inc. (the "Registrant") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), its common stock, par value \$0.50 per share.

**Common Stock**

## Overview

As of December 31, 2025, the authorized capital stock of the Company was 601,770,819 shares, consisting of:

- 600,000,000 shares of common stock, par value \$0.50 per share; and
- 1,770,819 shares of preferred stock, par value \$1.00 per share.

The following summary of certain terms of the Registrant's common stock is qualified in its entirety by the provisions of the Registrant's Amended and Restated Articles of Incorporation, and Amended and Restated Bylaws, each of which is incorporated by reference as an exhibit to the Annual Report.

## Voting Rights

Holders of the Registrant's common stock are entitled to one vote for each share held by them at all meetings of the shareholders and are not entitled to cumulate their votes for the election of directors.

## Dividend Rights and Limitations

Holders of the Registrant's common stock may receive dividends when declared by its board of directors. Because the Registrant is a holding company, the funds used to pay any dividends on common stock are derived predominantly from the dividends that received from its direct and indirect subsidiaries. Therefore, the Registrant's ability to pay dividends to holders of its common stock depends upon the subsidiaries' earnings, financial condition and ability to pay dividends. Most of the subsidiaries are subject to regulation by state utility commissions and the amounts of their earnings and dividends are affected by the manner in which they are regulated. In addition, they are subject to restrictions on the payment of dividends contained in their various debt agreements. Payment of dividends on common stock is also subject to the preferential rights of the holders of any outstanding preferred stock.

## Liquidation Rights

In the event that the Registrant liquidates, dissolves or winds-up, the holders of its common stock are entitled to share ratably in all of the assets that remain after the Registrant pays its liabilities. This right is subject, however, to the prior distribution rights of any outstanding preferred stock.

## Listing

The common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "WTRG."

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## Anti-Takeover Provisions

### Pennsylvania State Law Provisions

Under Section 1712 of the Pennsylvania Business Corporation Law of 1988, as amended (“PBCL”), which is applicable to the Registrant, directors stand in a fiduciary relation to their corporation and, as such, are required to perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the corporation and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. Under Section 1715 of the PBCL, in discharging their duties, directors may, in considering the best interests of their corporation, consider various constituencies, including, shareholders, employees, suppliers, customers and creditors of the corporation, and upon communities in which offices or other establishments of the corporation are located. Directors are not required to give prominent consideration to the interests of any particular constituency. Absent a breach of fiduciary duty, a lack of good faith or self-dealing, any act of the board of directors, a committee thereof or an individual director is presumed to be in the best interests of the corporation. Actions by directors relating to an acquisition or potential acquisition of control of the corporation are not subject to any greater obligation to justify, or higher burden of proof, than is applied to any other acts of directors. The PBCL expressly provides that the fiduciary duty of directors does not require them to (i) redeem or otherwise render inapplicable outstanding rights issued under any shareholder rights plan; (ii) render inapplicable the anti-takeover statutes set forth in Chapter 25 of the PBCL (described below); or (iii) take any action solely because of the effect it may have on a proposed acquisition or the consideration to be received by shareholders in such a transaction. In addition, Section 2513 of the PBCL specifically validates shareholder rights plans, or “poison pills,” and the discriminatory dilution provisions contained in such plans.

Chapter 25 of the PBCL contains several anti-takeover statutes applicable to publicly-traded corporations. Corporations may opt-out of such anti-takeover statutes under certain circumstances. The Registrant has not opted-out of any of such statutes.

Section 2538 of Subchapter 25D of the PBCL requires certain transactions with an “interested shareholder” to be approved by a majority of disinterested shareholders. “Interested shareholder” is defined broadly to include any shareholder who is a party to the transaction or who is treated differently than other shareholders and affiliates of the interested shareholder.

Subchapter 25E of the PBCL requires a person or group of persons acting in concert which acquires 20% or more of the voting shares of the corporation to offer to purchase the shares of any other shareholder at “fair value.” “Fair value” means the value not less than the highest price paid per share by the controlling person or group during the 90-day period prior to the control transaction, plus a control premium. Among other exceptions, Subchapter 25E does not apply to shares acquired directly from the corporation in a transaction exempt from the registration requirements of the Securities Act of 1933, or to a one-step merger.

Subchapter 25F of the PBCL generally establishes a 5-year moratorium on a “business combination” with an “interested shareholder.” “Interested shareholder” is defined generally to be any beneficial owner of 20% or more of the corporation’s voting stock or an affiliate or associate of the corporation that at any time within the prior five-year period was a beneficial owner of 20% or more of the corporation’s voting stock. “Business combination” is defined broadly to include mergers, consolidations, asset sales and certain self-dealing transactions. Certain restrictions apply to business combination following the 5-year period. Among other exceptions, Subchapter 25F will be rendered inapplicable if the board of directors approves the proposed business combination, or approves the interested shareholder’s acquisition of 20% of the voting shares, in either case prior to the date on which the shareholder first becomes an interested shareholder.

Subchapter 25G of the PBCL provides that “control shares” lose voting rights unless such rights are restored by the affirmative vote of a majority of (i) the disinterested shares (generally, shares held by persons other than the acquiror, executive officers of the corporation and certain employee stock plans) and (ii) the outstanding voting shares of the corporation. “Control shares” are defined as shares which, upon acquisition, will result in a person or group acquiring for the first time voting control over (a) 20%, (b) 33 1/3% or (c) 50% or more of the outstanding shares, together with shares acquired within 180 days of attaining the applicable threshold and shares purchased with the intention of attaining such threshold. A corporation may redeem control shares if the acquiring person does not request restoration of voting rights as permitted by Subchapter 25G. Among other exceptions, Subchapter 25G does not apply to a merger, consolidation or a share exchange if the corporation is a party to the transaction agreement.

Subchapter 25H of the PBCL provides in certain circumstances for the recovery by the corporation of profits realized from the sale of its stock by a controlling person or group if the sale occurs within 18 months after the controlling person or group became a controlling person or group, and the stock was acquired during such month period or within 24 months before such period. A controlling person or group is a person or group that has acquired, offered to acquire, or publicly disclosed an intention to acquire 20% or more of the voting shares of the corporation or a person or group that has otherwise publicly disclosed or caused to be disclosed that it may seek to acquire control of the corporation through any means. Among other exceptions, Subchapter 25H does not apply to transactions approved by both the board of directors and the shareholders prior to the acquisition or distribution, as appropriate.

Subchapter 25I of the PBCL mandates severance compensation for eligible employees who are terminated within 24 months after the approval of a control-share acquisition. Eligible employees generally are all employees employed in Pennsylvania for at least two years prior to the control-share approval. Severance equals the weekly compensation of the employee multiplied by the employee’s years of service (up to 26 years), less payments made due to the termination.

Subchapter 25J of the PBCL requires the continuation of certain labor contracts relating to business operations owned at the time of a control-share approval.

#### Articles of Incorporation and Bylaw Provisions

Certain provisions of the Registrant’s Amended and Restated Articles of Incorporation, as amended (the “Articles”), and Amended and Restated Bylaws (the “Bylaws”) may have the effect of discouraging unilateral tender offers or other attempts to take over and acquire its business. These provisions might discourage some potentially interested purchaser from attempting a unilateral takeover bid for the Registrant on terms which some shareholders might favor. The Articles require that certain fundamental transactions must be approved by the holders of 75% of the outstanding shares of capital stock entitled to vote on the matter unless at least a majority of the members of the board of directors has approved the transaction, in which case the required shareholder approval will be the minimum approval required by applicable law. The fundamental transactions that are subject to this provision are those transactions that require approval by shareholders under applicable law or the Articles. These transactions include certain amendments of the Articles or Bylaws, certain sales or other dispositions of our assets, certain issuances of our capital stock, or certain transactions involving our merger, consolidation, division, reorganization, dissolution, liquidation or winding up. The Registrant’s Articles and Bylaws also provide that:

- a special meeting of shareholders may only be called by the chairman, the president, the board of directors or shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the particular meeting;

- nominations for election of directors may be made by any shareholder entitled to vote for election of directors if the name of the nominee and certain information relating to the nominee is filed

with our corporate secretary not less than 14 days nor more than 50 days before any meeting of shareholders to elect directors;

· under a “proxy access bylaw”, any eligible shareholder, or eligible group of up to 20 shareholders, owning 3% or more of the Registrant’s common stock continuously for a three-year period and through the date of the next annual meeting of shareholders may, subject to certain limitations and conditions set forth in the Bylaws, nominate and include in the Company’s proxy materials for such annual meeting of shareholders a number of director nominees not to exceed the greater of (a) one director and (b) 20% of the directors then serving on the Board (rounded down to the nearest whole number);

· a nomination and notice process is established whereby a shareholder can submit a nomination for election of a person or persons to serve on the Board, other than pursuant to the “proxy access” nomination process set forth in the Bylaws, to implement the universal proxy rules governing contested elections of directors under Rule 14a-19 promulgated under the Exchange Act;

· certain advance notice procedures must be met for shareholder proposals to be made at annual meetings of shareholders. These advance notice procedures generally require a notice to be delivered not less than 90 days nor more than 120 days before the anniversary date of the immediately preceding annual meeting of shareholders; and

· unless the Registrant consents in writing to the selection of an alternative forum, the sole and exclusive judicial forum for certain legal actions enumerated in the Bylaws shall be a state court located within Montgomery County, Pennsylvania, or if no state court located within such county has jurisdiction over such action or proceeding, the federal United States District Court for the Eastern District of Pennsylvania.

**SCHEDULE OF SUPPLEMENTAL INDENTURES SUBSTANTIALLY IDENTICAL TO FORM  
OF SUPPLEMENTAL INDENTURE DURING AND AFTER 2014**

In accordance with Instruction 2 to Item 601 of Regulation S-K, the Registrant has omitted filing the following Supplemental Indentures by and between Aqua Pennsylvania, Inc. and The Bank of New York Mellon Trust Company, N.A. because they are substantially identical in all material respects to the form of Supplemental Indenture filed as Exhibit 4.1.15 to Essential Utilities, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015:

1. Forty-Ninth Supplemental Indenture, dated as of December 1, 2014
  2. Fiftieth Supplemental Indenture, dated as of November 1, 2015
  3. Fifty-First Supplemental Indenture, dated as of November 1, 2016
  4. Fifty-Second Supplemental Indenture, dated as of June 15, 2017
  5. Fifty-Third Supplemental Indenture, dated as of June 1, 2018
  6. Fifty-Fourth Supplemental Indenture, dated as of October 15, 2018
  7. Fifty-Fifth Supplemental Indenture, dated as of May 1, 2019
  8. Fifty-Sixth Supplemental Indenture, dated as of September 1, 2019
  9. Fifty-Seventh Supplemental Indenture, dated as of November 1, 2019
  10. Fifty-Eight Supplemental Indenture, dated as of March 15, 2020
  11. Fifty-Ninth Supplemental Indenture, dated as of September 1, 2020
  12. Sixtieth Supplemental Indenture, dated as of September 1, 2022
  13. Sixty-First Supplemental Indenture, dated as of December 1, 2022
  14. Sixty-Second Supplemental Indenture, dated as of July 27, 2023
  15. Sixty-Third Supplemental Indenture, dated as of May 1, 2025
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**SCHEDULE OF CHANGE IN CONTROL AGREEMENTS**

In accordance with Instruction 2 to Item 601 of Regulation S-K, Essential Utilities, Inc. (the "Company") has omitted filing Change in Control Agreements by and between the Company and the following executive officers because the agreements are substantially identical in all material respects to the form of Change in Control Agreement filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2025:

1. Daniel J. Schuller
  2. Christopher P. Luning
  3. Michael Huwar
  4. Colleen Arnold
  5. Bradley J. Palmer
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## ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES

The following table lists the significant subsidiaries and other active subsidiaries of Essential Utilities, Inc. at December 31, 2025:

Aqua Pennsylvania, Inc. (Pennsylvania)  
Aqua Resources, Inc. (Delaware)  
Essential Utilities Services, Inc. (Pennsylvania)  
Aqua Services, Inc. (Pennsylvania)  
Aqua Infrastructure, LLC (Pennsylvania)  
Aqua Ohio, Inc. (Ohio)  
Aqua Illinois, Inc. (Illinois)  
Aqua New Jersey, Inc. (New Jersey)  
Aqua North Carolina, Inc. (North Carolina)  
Aqua Texas, Inc. (Texas)  
Aqua Indiana, Inc. (Indiana)  
Aqua Virginia, Inc. (Virginia)  
Aqua Water Holdings, Inc. (Pennsylvania)  
LDC Funding, LLC (Delaware)  
Utility Insurance, LLC (Utah)

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## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-271878 and 333-277563), on Form S-4 (No. 333-202393), and on Form S-8 (Nos. 033-52557, 033-53689, 333-26613, 333-70859, 333-81085, 333-61768, 333-107673, 333-113502, 333-116776, 333-126042, 333-148206, 333-156047, 333-159897, and 333-181389) of Essential Utilities, Inc. of our report dated February 26, 2026 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 26, 2026

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

I, Christopher H. Franklin, certify that:

1. I have reviewed this annual report on Form 10-K 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

Chairman, President and Chief Executive Officer

February 26, 2026

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

I, Daniel J. Schuller, certify that:

1. I have reviewed this annual report on Form 10-K 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

February 26, 2026

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

In connection with the Annual Report on Form 10-K for the year ended December 31, 2025 of Essential Utilities, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher H. Franklin, 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 of the Company 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(a) 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

Chairman, President and Chief Executive Officer

February 26, 2026

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

In connection with the Annual Report on Form 10-K for the year ended December 31, 2025 of Essential Utilities, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel J. Schuller, Executive Vice President and 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(a) 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

February 26, 2026

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