

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
APPLICATION OF

AQUA VIRGINIA, INC.

FOR A GENERAL INCREASE IN RATES
CASE NO. PUR-2025-00071

VOLUME 1 OF 3

APPLICATION AND SCHEDULES

1 - 8, 9 & 11, 12 & 14, 15 - 18,
19 & 21, 22 & 24, 25 – 31, 34 – 39, 40 - 43
and other system specific schedules

Filed July 2025



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July 30, 2025

*State Corporation Commission
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BY HAND DELIVERY

The Honorable Bernard Logan, Clerk
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State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

**Re: Application of Aqua Virginia, Inc. for an Increase in Rates;
Case No. PUR-2025-00071**

Dear Mr. Logan:

On behalf of Aqua Virginia, Inc. ("Aqua Virginia" or "Company"), please find enclosed for filing an original and the requisite copies of Aqua Virginia's Application for an Increase in Rates and accompanying Schedules, Direct Testimony, and Exhibits.

Should you have any questions or concerns regarding this matter, please feel free to contact me at the above number. Thank you for your assistance.

Sincerely,

WOODS ROGERS VANDEVENTER BLACK PLC

A handwritten signature in dark ink, appearing to read "John K. Byrum, Jr.", written in a cursive style.

John K. Byrum, Jr.

JKB:cpc
None

cc: Service List
John J. Aulbach, II, P.E.
Danny E. Allen
Rick F. Hale
Matthew D. Cooke
Andrew J. Barnes, P.E..

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF	)	
	)	
AQUA VIRGINIA, INC.	)	Case No. PUR-2025-00071
	)	
For an Increase in Rates	)	

APPLICATION

Pursuant to Chapter 10 of Title 56 of the Code of Virginia, Rule 5 VAC 5-20-80 of the Rules of Practice and Procedure of the Virginia State Corporation Commission (“Commission”) and Rule 20 VAC 5-201-10, *et seq.* of the Rules Governing Utility Rate Applications and Annual Informational Filings (“Rate Case Rules”), Applicant Aqua Virginia, Inc. (“Aqua Virginia” or “Company”) files this Application for a general increase in rates. In support of its Application, Aqua Virginia states the following:

Applicant

1. Aqua Virginia’s address of record is 2414 Granite Ridge Road, Rockville, Virginia 23146.

2. Legal counsel in this matter are:

John K. Byrum, Jr. (VSB # 38090)
Christopher P. Cox (VSB #100781)
WOODS ROGERS VANDEVENTER BLACK PLC
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Further communication regarding this Application should be sent to Applicant’s legal counsel.

Prefiled Testimony and Evidence

3. This case follows the Company's most recent base rate proceeding in Case No. PUR-2023-00073 ("2023 Rate Case"). In that matter, Aqua Virginia and Commission Staff filed a stipulation ("Stipulation"), unopposed by respondents, which the Commission adopted. The Stipulation supported and the Commission approved Aqua Virginia's request in that case for an increase in the incremental revenue requirement of \$5.49 million (\$4.83 million for water and \$0.66 million for wastewater), including the roll-in of Water and Wastewater Infrastructure Service Charge ("WWISC") revenues.

4. In the instant Application, the Company requests an increase in rates for water and wastewater service to produce an increase in water revenues of \$5,318,190 and an increase in wastewater revenues of \$2,608,423, for a combined increase of \$7,926,613. The requested increases constitute a 26.42% increase in water revenues and a 29.95% increase in wastewater revenues, for a combined increase of 27.48%

5. The requested water and wastewater revenue requirements are based on a cost of service reflected in the Schedules and prepared testimony accompanying this Application. The facts which Aqua Virginia will prove and the details of and the objectives sought by the Application are more fully reflected in the accompanying Schedules and prepared testimony.

6. Aqua Virginia's need for the requested increases, as well as its proposed rate design and tariff ("Tariff") is supported by the prefiled direct testimony of John J. Aulbach, II, P.E., President of Aqua Virginia. Mr. Aulbach provides an overview of the Company's Application and an introduction of other Company witnesses. He discusses the services Aqua Virginia provides to customers and the efforts the Company is making to improve the efficiency of its operations to provide our customers with safe and reliable water and wastewater service.

He also describes the necessity of including proposed capital investments in the subject water and wastewater systems in rate base and explains that current revenues and consumption growth will not offset the cost of these additions. Aqua Virginia also requests authorization to make one change to the Rules and Regulations of its Tariff, as further detailed in Schedule 41. After discussion with SCC Staff, the Company decided that availability fees will no longer be charged. The revenue from these fees, of \$474,770 (\$273,680 for water customers and \$201,090 for wastewater customers) will be added to the revenue requirement to be charged to all water and wastewater sales customers, respectively. Moreover, Mr. Aulbach also respectfully requests that the Commission consider adjusting the public notice requirements with procedures that will provide proper notice to customers and preserve compliance with statutory requirements but ultimately avoid efforts which are not only needlessly duplicative, but which unnecessarily increase the costs borne by the Company's customers.

7. Richard F. Hale, Jr., Aqua Virginia Controller, supports Schedules 1-39, which include operating income and base rate statements, rate adjustments, and work papers. He also discusses Schedules 40 (a) and (b). Mr. Hale supports the Company's Cost of Service, rate base and ratemaking adjustments, including adjustments for increased rate base, property and income taxes, and increased operations and maintenance expenses ("O&M Expense"). Along with Mr. Aulbach, Mr. Hale also sponsors the revision to the Company's Tariff identified in Schedule 41.

8. Matthew D. Cooke, Sr., Manager of Operations, testifies regarding additions to Aqua Virginia's plant in service and the Company capital expenditures subsequent to the 2023 Rate Case. Mr. Cooke explains Aqua Virginia's overall approach to capital management and discusses capital improvements made to repair, replace, and upgrade infrastructure in order to comply with state and federal environmental laws and regulations. Mr. Cooke also testifies

about the relevant characteristics of Aqua Virginia's water distribution and wastewater collection systems and discusses the Company's future capital needs.

9. Andrew J. Barnes, P.E., State Engineer, supports the Company's capital planning and the details underlying Aqua Virginia's engineering projects. Specifically, Mr. Barnes discusses the Company's water and wastewater infrastructure improvements.

10. John J. Spanos, President of Gannet Fleming, supports the water and wastewater depreciation studies.

11. Gregory R. Herbert, Project Manager, Rate Studies and Valuation with Gannett Flemming, discusses Aqua Virginia's class cost of service studies and supports Schedule 40(c). Mr. Herbert also testifies regarding revenue allocation and rate design and supports Schedules 42 and 43. As Mr. Herbert describes, with this Application, Aqua Virginia proposes to decrease the current four water rate groups (W0, W1, W2, and W3) to three (W0, W1, and W2) and decrease the current three wastewater rate groups (S0, S1, and S2) to two (S0 and S1). Further, Aqua Virginia adopted the jurisdiction of two service territories, Pinebrook and Brandywine, which are located near the North Carolina/Virginia state borders that were previously under the jurisdiction of Aqua North Carolina. These two service territories will be included under Rate Group W2.

12. Dylan W. D'Ascendis, CRRA, CVA, testifies that a capital structure consisting of 47.17% long-term debt, 0.00% short-term debt, and 52.83% common equity and an authorized return on equity capital ("ROE") of 10.70% are appropriate for ratemaking in this proceeding.

13. Aqua Virginia requests that the new rates be permitted to become effective, subject to refund, pending a final order in this matter, no later than 180 days after the filing of this Application.

14. Pursuant to 20 VAC 5-201-10, Aqua Virginia includes with this filing an original and 12 copies of Schedules 1-8, 9-16, 19-29, 30-39, and 41-43, and one copy of Schedules 29 and 40. Additionally, two copies of Schedules 29 and 40 have been submitted to the Division of Public Utility Accounting, and two copies of Schedule 40 have been submitted to the Division of Energy Regulation as required by Rule 20 VAC 5-201-10 I. Pursuant to Rule 20 VAC 5-201-10 H, the Company has also submitted electronic media containing electronic spreadsheet versions of all Schedules to the Commission Divisions of Public Utility Accounting, Economics and Finance, and Energy Regulation.

Petition for Waiver of Rule 20 VAC 5-201-90 (Schedule 12)

15. Rule 20 VAC 5-201-90 of the Rules Governing Utility Rate Applications and Annual Informational Filings of Investor-Owned Water Utilities (“Rate Case Rules”) (Instructions for Schedule 12) provides that:

Applicants with jurisdictional per books operating revenues of more than \$150 million shall calculate cash working capital allowance using a lead/lag study. Schedules 17 and 18 shall be provided detailing the cash working capital computation for Schedule 12 Columns (1) and (3). Applicants with jurisdictional per books operating revenues between \$20 and \$150 million may include a zero cash working capital requirement rather than perform a lead/lag study. Applicants with jurisdictional per books operating revenues less than \$20 million may use a formula method to calculate cash working capital.

16. The Rate Case Rules also provide, however, that “[t]he commission may waive any part or all of this chapter for good cause shown.” Rule 20 VAC 5-201-10 E.

17. The Commission promulgated the Rate Case Rules, including the \$20 million cash working capital threshold, in January of 2008. At that time, the Consumer Price Index for urban consumers regarding water/sewer/trash-removal services (“WS CPI”) was 148.277. As of May, 2025, the WS CPI is 315.585, an increase of 2.128X.

18. Aqua Virginia's existing revenue requirement as approved in Case No. PUR-2023-00073 is \$28.55 million. In this docket, the Company requests a rate increase which would bring total revenues to \$36,767,675. Nevertheless, if the \$20 million threshold of 20 VAC 5-201-90 were properly adjusted for changes to the CPI, that threshold would be \$42.56 million.

19. For this reason, Aqua Virginia requests that the Commission waive the \$20 million threshold requirement of 20 VAC 5-201-90 and permit the Company to calculate cash working capital using a formula method in this case.

Motion for Entry of Protective Ruling

20. In anticipation of requests for production of confidential information in discovery, and pursuant to Rate Case Rule 20 VAC 5-20-201-10 F and Rules 5 VAC 5-20-110 and 5 VAC 5-20-170 of the Commission's Rules of Practice and Procedure, Aqua Virginia requests entry of a protective ruling in this case. Contemporaneously with the filing of this Application, the Company has filed a motion for protective ruling and accompanying proposed protective ruling. Aqua Virginia will make confidential information submitted in conjunction with this matter available to respondent parties upon execution of an appropriate confidentiality agreement or upon entry of a Protective Order.

WHEREFORE, for the foregoing reasons and based upon the testimony, schedules, and evidence presented, Aqua Virginia requests that the Commission: (1) order appropriate notice to be given and schedule this matter for an evidentiary hearing; (2) permit the proposed rates to go into effect, subject to refund, no later than 180 days after filing of the Company's Application; (3) upon completion of proceedings, issue a final order approving the proposed rates as just and reasonable; and (4) grant such other and further relief as the Commission deems appropriate.

Respectfully submitted,

AQUA VIRGINIA, INC.

BY: 
Counsel

Dated: July __, 2025

John K. Byrum, Jr. (VSB # 38090)
Christopher P. Cox (VSB #100781)
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Sch #	Initis	Witness Name
1	RH	Richard F. Hale, Jr.
2	RH	Richard F. Hale, Jr.
3	RH	Richard F. Hale, Jr.
4	RH	Richard F. Hale, Jr.
5	RH	Richard F. Hale, Jr.
6	RH	Richard F. Hale, Jr.
7	RH	Richard F. Hale, Jr.
8	RH	Richard F. Hale, Jr.
9 & 11	RH	Richard F. Hale, Jr.
12 & 14	RH	Richard F. Hale, Jr.
15	RH	Richard F. Hale, Jr.
16	RH	Richard F. Hale, Jr.
17	---	N/A
18	---	N/A
19 & 21	RH	Richard F. Hale, Jr.
22 & 24	RH	Richard F. Hale, Jr.
25	RH	Richard F. Hale, Jr.
26	RH	Richard F. Hale, Jr.
27	---	N/A
28	---	N/A
29	RH	Richard F. Hale, Jr.
30	RH	Richard F. Hale, Jr.
31	RH	Richard F. Hale, Jr.
34	RH	Richard F. Hale, Jr.
35	RH	Richard F. Hale, Jr.
36	RH	Richard F. Hale, Jr.
37	RH	Richard F. Hale, Jr.
38	RH	Richard F. Hale, Jr.
39	RH	Richard F. Hale, Jr.
40a,b	RH	Richard F. Hale, Jr.
40c	GRH	Gregory R. Herbert
41	GH/JJA/RH	Herbert, Aulbach & Hale
42	GRH	Gregory R. Herbert
43	GRH	Gregory R. Herbert

AQUA VIRGINIA, INC.
HISTORIC PROFITABILITY AND MARKET DATA
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: RH
 Schedule 1

Consolidated Company Profitability and Capital Market Data	2020 Year Prior	2021 Year Prior	2022 Year Prior	2023 Year Prior	2024 Year Prior	3/31/25 Trail. Test Year
A. Ratios						
Return on Year End Equity	6.1%	8.3%	8.7%	8.4%	9.6%	9.5%
Return on Average Equity	6.7%	8.7%	8.8%	8.8%	9.8%	9.8%
Earnings Per Share	1.12	1.67	1.77	1.86	2.17	2.23
Dividends Per Share	0.9700	1.0378	1.1104	1.1882	1.2652	1.2836
Payout Ratio	86.6%	62.1%	62.7%	63.9%	58.3%	57.6%
Market Price of Common Stock:						
Year's High	\$ 54.07	\$ 53.69	\$ 53.13	\$ 49.28	\$ 41.78	\$ 41.78
Year's Low	\$ 32.65	\$ 41.50	\$ 38.50	\$ 32.07	\$ 33.57	\$ 33.18
Average Price	\$ 43.36	\$ 47.60	\$ 45.82	\$ 40.68	\$ 37.68	\$ 37.48
Dividend Yield on Common Stock:	2.24%	2.18%	2.42%	2.92%	3.36%	3.42%
Price Earnings Ratio	38.7	28.5	25.9	21.9	17.4	16.8
B. External Funds Raised						
External Funds Raised- Debt:						
Dollar Amount Raised	3,366,838,000	1,095,171,000	1,646,742,000	1,207,619,000	1,649,546,000	1,739,688,000
Coupon Rate	3.10%	2.49%	5.57%	5.50%	5.38%	5.38%
Bond Rating(s) (Rating Service)						
External Funds Raised- Preferred Stock:						
Dollar Amount Raised	N/A	N/A	N/A	N/A	N/A	N/A
Dividend Rate	N/A	N/A	N/A	N/A	N/A	N/A
Preferred Stock Rating(s) (Rating Service)						
External Funds Raised- Common Equity						
Dollar Amount from Public Offering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number Shares Issued	-	-	-	-	-	-
Average Offering Price	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C. Subsidiary Data						
Return on Year End Equity	7.80%	9.33%	6.23%	5.23%	7.33%	7.51%
Return on Average Equity	8.72%	8.93%	6.34%	5.48%	8.66%	8.48%
External Funds Raised- Bonds:						
Dollar Amount Raised	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coupon Rate	-	-	-	-	-	-
Bond Rating(s) (Rating Service)	N/A	N/A	N/A	N/A	N/A	N/A
External Funds Raised- Preferred Stock						
Dollar Amount Raised	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Rate	-	-	-	-	-	-
Preferred Stock Rating(s) (Rating Service)	N/A	N/A	N/A	N/A	N/A	N/A
Equity Capital Transfer						
From Parent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Dollar Amount-Net)						

AQUA VIRGINIA, INC.
INTEREST AND CASH FLOW COVERAGE DATA
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 2

	Coverage Ratios and Cash Flow Profile Data	2020 Year Prior	2021 Year Prior	2022 Year Prior	2023 Year Prior	2024 Year Prior	3/31/25 Trail. Test Year
A. Consolidated Company Data							
<u>Interest Coverage Ratio</u>							
Pre-Tax		2.45	3.06	2.92	2.54	2.92	2.88
<u>Cash Flow Coverage Ratios</u>							
a. Common Dividend Coverage		2.20	2.71	2.56	2.35	2.64	2.66
b. Cash Flow Coverage of Construction Expenditures		0.61	0.69	0.70	0.62	0.69	0.69
c. Cash After Dividends Coverage of Construction Expenditures		0.33	0.43	0.42	0.36	0.43	0.43
<u>Data for Interest Coverage</u>							
1 Net Income		284,849,000	431,612,000	465,237,000	498,226,000	595,314,000	613,331,000
2 Income Taxes		(19,878,000)	(9,612,000)	(14,329,000)	(66,445,000)	(21,838,000)	(31,789,000)
3 Interest on Mortgages		183,072,000	205,325,000	234,441,000	279,961,000	299,149,000	308,701,000
4 Other Interest		-	-	-	-	-	-
5 Total Interest		183,072,000	205,325,000	234,441,000	279,961,000	299,149,000	308,701,000
6 Earnings Before Interest and Taxes (Lines 1+2+5)		448,043,000	627,325,000	685,349,000	711,742,000	872,627,000	890,243,000
<u>Data for Cash Flow Coverage</u>							
7 Net Income		284,849,000	431,612,000	465,237,000	498,226,000	595,314,000	613,331,000
8 AFUDC		12,687,000	20,792,000	23,665,000	16,967,000	21,310,000	22,461,000
9 Amortization		5,616,000	5,761,000	5,366,000	5,040,000	5,646,000	7,171,000
10 Depreciation		251,443,000	292,191,000	315,811,000	338,655,000	363,906,000	371,954,000
11 Change in Deferred Taxes		(17,782,000)	(8,514,000)	(23,045,000)	(79,845,000)	(27,756,000)	(34,038,000)
12 Change in Investment Tax Credits		-	-	-	-	-	-
13 Preferred Dividends Paid		-	-	-	-	-	-
14 Cash Flow Generated (Lines 1-8+9+10+11-12-13)		511,439,000	700,258,000	739,704,000	745,109,000	915,800,000	935,957,000
15 Construction Expenditures		835,642,000	1,020,519,000	1,062,763,000	1,199,103,000	1,329,747,000	1,347,288,000
16 Common Dividends Paid		232,571,000	258,650,000	288,632,000	316,806,000	346,392,000	351,925,000
B. Subsidiary Data							
<u>Interest Coverage Ratio</u>							
Pre-Tax (Line 6+Line 5)		3.97	3.92	2.68	2.51	3.98	3.70
<u>Cash Flow Coverage Ratios</u>							
a. Common Dividend Coverage (Line 14+16)		N/A	N/A	N/A	N/A	N/A	N/A
b. Cash Flow Coverage of Construction Expenditures (Line 14+15)		0.59	0.91	0.81	0.39	0.63	0.60
c. Cash After Dividends Coverage of Construction Expenditures ((Lines 14-16)+15)		0.59	0.91	0.81	0.39	0.63	0.60
<u>Data for Interest Coverage</u>							
1 Net Income		3,822,806	4,197,049	2,892,302	2,686,854	5,404,740	5,099,739
2 Income Taxes		1,054,060	725,697	679,715	629,819	1,495,435	1,418,810
3 Interest on Mortgages		1,644,586	1,685,335	2,132,510	2,189,589	2,312,534	2,410,555
4 Other Interest		-	-	-	-	-	-
5 Total Interest		1,644,586	1,685,335	2,132,510	2,189,589	2,312,534	2,410,555
6 Earnings Before Interest and Taxes		6,521,452	6,608,081	5,704,527	5,506,262	9,212,709	8,829,104
<u>Data for Cash Flow Coverage</u>							
7 Net Income		3,822,806	4,197,049	2,892,302	2,686,854	5,404,740	5,099,739
8 AFUDC		-	-	-	-	-	-
9 Amortization		(810,738)	(549,396)	(568,475)	(811,004)	(569,921)	(928,078)
10 Depreciation		4,575,772	4,966,919	5,945,500	6,440,358	7,078,453	7,288,318
11 Change in Deferred Taxes		(347,145)	(426,145)	22,454	205,840	749,152	720,283
12 Change in Investment Tax Credits		-	-	-	-	-	-
13 Preferred Dividends Paid		-	-	-	-	-	-
14 Cash Flow Generated		7,240,695	8,218,427	8,291,782	8,522,048	12,662,424	12,159,265
15 Construction Expenditures		12,207,880	9,048,864	10,289,021	21,940,425	19,989,679	20,238,997
16 Common Dividends Paid		-	-	-	-	-	-

AQUA VIRGINIA, INC.
CAPITAL STRUCTURE AND COST OF CAPITAL STATEMENT - PER BOOKS AND AVERAGE
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 3

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>STAND-ALONE - State</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>3/31/25 Trail.</u>	<u>Five-Quarter</u>
	<u>Year Prior</u>	<u>Year Prior</u>	<u>Year Prior</u>	<u>Year Prior</u>	<u>Year Prior</u>	<u>Test Year</u>	<u>Average</u>
A. Capital Structure Per Balance Sheet (\$)							
Short-Term Debt	-	-	-	-	-	-	-
Customer Deposits	41,383	38,487	38,213	40,935	41,272	42,542	41,275
Other Current Liabilities	1,930,705	3,004,107	30,414,113	33,968,545	8,877,226	5,209,162	22,310,624
Long-Term Debt	39,296,528	46,636,950	48,138,961	50,140,326	50,168,713	62,070,202	52,540,454
Preferred & Preference Stock	-	-	-	-	-	-	-
Common Equity	48,980,877	44,987,298	46,454,260	51,139,512	73,689,241	67,903,764	63,920,037
Investment Tax Credits	-	-	-	-	-	-	-
Other Tax Deferrals	5,544,929	5,204,634	5,333,450	5,662,080	6,391,718	6,463,660	6,023,362
Other Liabilities	7,392,630	7,448,420	7,724,878	7,930,620	7,830,879	7,749,479	8,075,028
Total Capitalization	103,187,053	107,317,896	138,103,876	148,882,018	146,999,049	149,438,810	152,910,779
B. Capital Structure Approved for Ratemaking Purposes (\$)							
Short-Term Debt	-	-	-	-	-	-	-
Long-Term Debt	37,457,610	44,892,328	46,488,635	48,584,296	48,706,979	60,632,042	51,055,146
Preferred & Preference Stock	-	-	-	-	-	-	-
Job Development Credits	-	-	-	-	-	-	-
Common Equity	48,980,877	44,987,298	46,454,260	51,139,512	73,689,241	67,903,764	63,920,037
Other (specify)	-	-	-	-	-	-	-
Total Capitalization	86,438,487	89,879,626	92,942,895	99,723,808	122,396,220	128,535,807	114,975,183
C. Capital Structure Weights for Ratemaking Purposes							
Short-Term Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-Term Debt	43.33%	49.95%	50.02%	48.72%	39.79%	47.17%	44.41%
Preferred & Preference Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Job Development Credits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	56.67%	50.05%	49.98%	51.28%	60.21%	52.83%	55.59%
Other (specify)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Capitalization (100%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
D. Component Capital Cost Rates (%)							
Short-Term Debt	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long-Term Debt	4.07%	3.93%	4.25%	4.24%	4.23%	4.48%	4.28%
Preferred & Preference Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Job Development Credits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity (Authorized)	9.25%	9.30%	9.30%	9.30%	9.70%	9.70%	9.70%
Other (specify)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
E. Component Weighted Cost Rates (%)							
Short-Term Debt	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long-Term Debt	1.77%	1.96%	2.12%	2.07%	1.68%	2.11%	1.90%
Preferred & Preference Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Job Development Credits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity (Authorized)	5.24%	4.65%	4.65%	4.77%	5.84%	5.12%	5.39%
Other (specify)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Cost of Capital	7.01%	6.62%	6.77%	6.83%	7.52%	7.24%	7.29%

SCHEDULES OF LONG-TERM DEBT, PREFERRED AND PREFERENCE STOCK, JOB DEVELOPMENT CREDITS, AND ANY OTHER COMPONENT OF RATEMAKING CAPITAL
AQUA VIRGINIA, INC.
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 4

The attached schedule provides Long-Term Debt for Aqua Virginia, Inc. Stand Alone

AQUA VIRGINIA LONG TERM DEBT - STAND ALONE

Sch 4

Current and Pro Forma

3/31/2025

DESCRIPTION OF OBLIGATION (INCLUDING NOMINAL DATE OF ISSUE AND DATE OF MATURITY (a))				INTEREST RATE (b)	PRINCIPAL AMOUNT PER BALANCE SHEET (c)	Wt. Ave. Interest (d)	Unamortized Redemp. Prem. (e)	Unamortized Debt (f)	Annual Amortization (g)	Effective Interest Rate (h)
Essential Util.	04/26/19	05/01/29		3.57%	17,606,562	627,850		55,367	13,550	3.654%
Essential Util.	04/26/19	05/01/49		4.28%	22,008,202	941,071		175,653	7,291	4.344%
Essential Util.	04/15/20	04/15/30		2.70%	175,107	4,735		764	152	2.803%
Essential Util.	04/15/20	04/15/50		3.35%	210,129	7,041		1,899	76	3.418%
Essential Util.	12/31/21	12/31/30		2.70%	3,181,818	86,036		13,883	2,754	2.803%
Essential Util.	12/31/21	12/31/30		3.35%	3,818,182	127,947		34,499	1,378	3.418%
Essential Util.	04/19/21	05/01/31		2.40%	666,667	16,000		5,492	902	2.556%
Essential Util.	05/20/22	05/02/52		5.30%	833,333	44,167		12,561	464	5.438%
Essential Util.	12/31/23	12/31/53		2.40%	888,889	21,333		7,323	1,203	2.556%
Essential Util.	12/31/23	12/31/53		5.30%	1,111,111	58,889		16,748	618	5.438%
Essential Util.	01/31/25	01/15/34		5.38%	12,000,000	645,600		105,608	11,910	5.528%
Redemption Premium on pre-19 refinanced debt					-	-	1,438,160	-	94,296	
Total					62,500,000	2,580,670	1,438,160	429,798	134,594	
Unamortized Debt Iss. Exp.					(429,798)					
Unamortized Redemption Premium					(1,438,160)					
Net Amount Outstanding					60,632,042					4.478%

AQUA VIRGINIA, INC.
SCHEDULE OF SHORT-TERM DEBT, REVOLVING CREDIT AGREEMENTS,
AND SIMILAR SHORT-TERM FINANCING ARRANGEMENTS
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 5

There is no Short-term Debt, Revolving Credit Agreements or similar
Short-term financing for Aqua Virginia, Inc. Stand Alone

AQUA VIRGINIA, INC.
PUBLIC FINANCIAL REPORTS
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 6

Line
No.

- 1 The most recent Essential Utilities, Inc. Stockholder's Annual Report is available on www.essential.co
- 2 The most recent Form 10-K and Form 10-Qs for Essential Utilities, Inc. are available on www.essential.co



LEADING TODAY, SHAPING TOMORROW

2024 ANNUAL REPORT • NYSE: WTRG



[2024 Year in Review]

Our Footprint



9

states



5.5 million

people served



1.9 million

customer connections



3,200+

employees

Our Impact



4,500

employee
volunteer hours



\$5M

in charitable
donations



550+

community organizations
supported

Our Investment



425

miles of pipeline
replaced or retired



\$1.3+ billion

in infrastructure improvement



\$10.7 million

invested in smart
natural gas meters



\$27 million

invested in
PFAS mitigation



1,670

lead service
lines replaced



\$23 million

invested in lead service
line remediation

A Word From Our Chairman & CEO

Dear Shareholders,

Reflecting on the past year, I am reminded of the dynamic landscape in which we live. The water, wastewater and natural gas sectors face pressing challenges —PFAS contamination, aging infrastructure and unusual weather—all while we work to keep customer rates affordable. These challenges also present opportunities to lead with purpose and shape a future rooted in sustainability, innovation, resilience and best-in-class service for our customers.

Our theme, *"Leading Today, Shaping Tomorrow,"* captures our dual focus: solving today's challenges while building a sustainable future. With pride and confidence, I share our 2024 achievements and vision for the future of our 138-year-old company.

This year, our strong financial results reflected a disciplined approach to operating and capital expense management, ensuring consistent returns for shareholders. Operational excellence is central to our success. In fact, "the pursuit of excellence" is one of the three corporate values we hold and display proudly at each facility around the company.

Regulatory Milestones

In the utility business, regulatory reputation is critical. It begins with how we treat customers and deliver on our service commitments. It's also why we are proud of our 2024 regulatory accomplishments in our home state of Pennsylvania. The successful conclusion of our water and natural gas rate cases included approval of a weather normalization mechanism—a regulatory tool that stabilizes natural gas customer bills and company revenue amid weather fluctuations.

Tackling Pressing Challenges

This year we were appointed receiver for 10 water and wastewater systems that were undercapitalized and, in some cases, dilapidated. We stabilized operations and improved the long-term viability of the systems. We used our patent-pending PFAS treatment and lead service line replacements to protect public health and comply with emerging federal regulations. The deployment of smart meters in our gas business has the potential to save lives in cases of over-pressurization. These initiatives were accomplished while we reduced greenhouse gas emissions through extensive natural gas pipeline replacement and explored hydrogen energy as a cleaner alternative, positioning us at the forefront of energy innovation.

Customer-Centric Innovations

Innovation is key to meeting evolving customer needs. Our ePortal and smart metering systems provide customers with greater convenience and deeper insights into consumption, reinforcing our commitment to an improved customer experience.

Business Resilience

Our work to mitigate risk in the natural gas business led us to accelerate gas pipeline replacements and address aging underground storage wells to make them safer and cleaner for the environment. We also implemented Supervisory Control and Data Acquisition (SCADA) monitoring systems to ensure water safety and reliability.

By staying ahead of potential challenges, our customers and employees are safer.

Steady Growth

In Pennsylvania, we recognized that the acquisition of municipal water and wastewater systems were receiving some opposition, so we worked closely with the PUC to bring reform to the Pennsylvania fair market value (FMV) statute. The new regulation will provide greater certainty for municipal transactions, support rate affordability and advance regionalization, where Essential Utilities can be a solution.

The current buzz in the utility industry is the rise of data centers and the resulting AI-driven power demand. While some investors see greater growth in electric utilities, we offer a unique advantage: stability as the second largest investor-owned water utility in the U.S., and growth potential from data centers in our natural gas service territory. We are currently in discussions with developers planning over 5 GW of power demand in our region.

Above all, we remain committed to sustainable growth and long-term stability—delivering value to our shareholders while ensuring future generations benefit from our operations and strategies.

None of this would be possible without our dedicated team, strong partnerships with communities and regulators, and trust of our customers.

To our shareholders, thank you for your continued confidence and investment. The foundation we have built positions us to continue leading with purpose and delivering value for years to come.

With optimism and resolve,

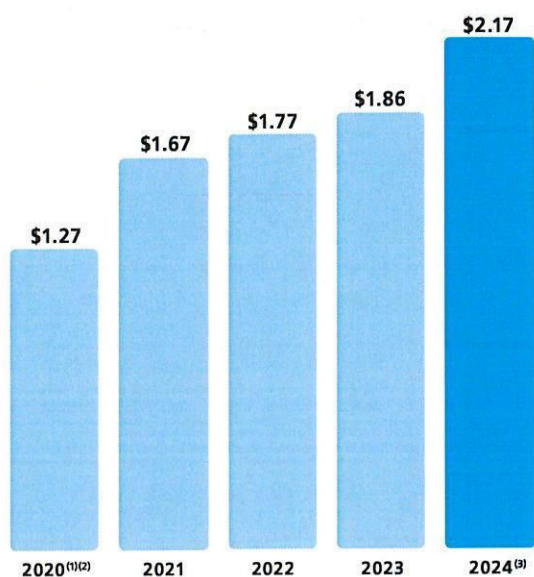


Christopher H. Franklin
Chairman and CEO,
Essential Utilities, Inc.

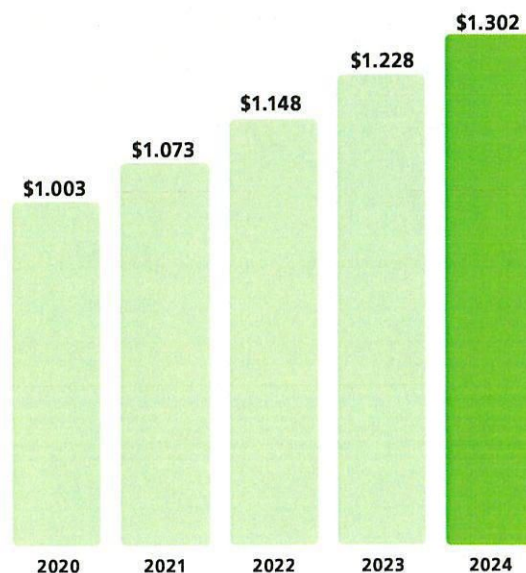


[2024 Financial Highlights]

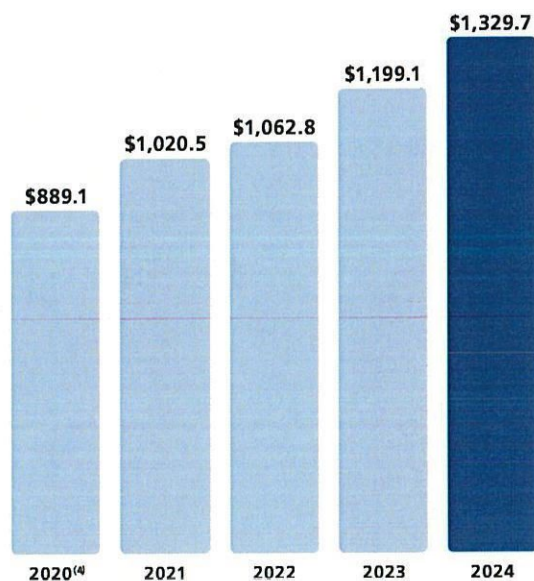
In thousands of dollars, except per-share amounts	2024	2023	% Change
Operating Revenues	\$2,086,113	\$2,053,824	1.6%
Regulated Segments:			
Regulated Water Segment Revenues	\$1,221,880	\$1,153,376	5.9%
Regulated Natural Gas Segment Revenues	\$842,991	\$863,759	-2.4%
Operations and Maintenance Expense	\$587,250	\$575,518	2.0%
Net income	\$595,314	\$498,226	19.5%
Capital Expenditures	\$1,329,747	\$1,199,103	10.9%
Diluted net income per common share	\$2.17	\$1.86	16.7%
Annualized dividend rate per common share (12/31)	\$1.3020	\$1.2284	6.0%
Total Assets	\$18,026,554	\$16,841,459	7.0%
Number of utility customers served (12/31)	1,869,306	1,857,461	0.6%



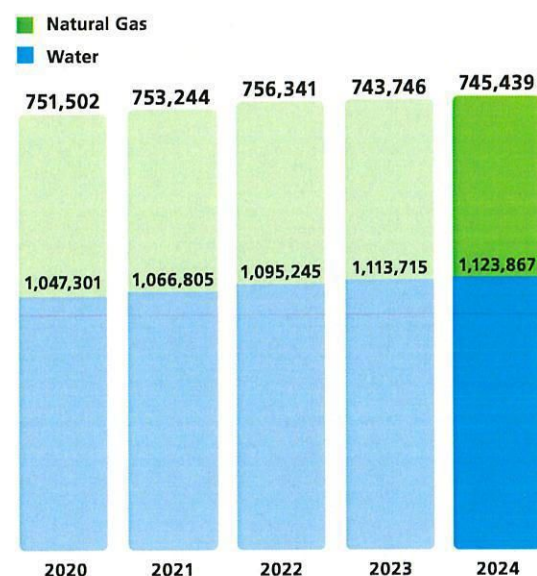
**Diluted Adjusted Income
per Common Share**



**Dividends per Share
(annualized)**



**Capital Investment
(in millions of dollars)**



Utility Customer Connections

(1) 2020 Net income per share was \$1.12 (GAAP). 2020 adjusted for transaction costs and other items related to the Peoples transaction (Non-GAAP).

(2) Includes Peoples' operating results as of the closing date of the Peoples acquisition on March 16, 2020.

(3) 2024 Adjusted Income per Common Share (Non-GAAP) was \$1.97.

(4) 2020 Capital investment includes \$53.5 million of capital invested by Peoples prior to closing.

Please see the investor relations page of Essential.co for a reconciliation of GAAP to non-GAAP financial measures.

Leading the Way Through Operational and Environmental Excellence

In 2024, we upheld our commitment to protecting and providing Earth's most essential resources with a focus on infrastructure modernization, environmental stewardship, and exceptional service. With more than \$1.3 billion invested and plans for more than \$7.8 billion in long-term projects through 2029, we are addressing today's challenges while preparing for tomorrow's needs.



Through 2029, Essential
will invest more than
\$7.8 billion

Our approach reflects a balance of operational agility and forward-thinking vision, from advancing water safety through PFAS innovations and lead service line replacements to enhancing system reliability with advanced monitoring and energy initiatives. These achievements earned us Newsweek's "America's Most Responsible Companies" award for the fourth consecutive year, a testament to our leadership and impact.

Our influence extends beyond operations. By sharing our expertise at major industry conferences, including National Association of Water Companies, American Water Works Association, American Gas Association, and the Energy Solutions Center, we continue to lead critical conversations shaping the future of water and energy management.



Setting the Standard in Water Industry Leadership

The water and wastewater industry faces transformative challenges as regulatory demands evolve to ensure higher standards for safety and quality. We are meeting these challenges with adaptability, expertise, and a relentless focus on operational excellence.

PFAS Solutions: Innovation Meets Affordability

PFAS contamination presents one of the most pressing environmental challenges of our time. Our proactive adoption of advanced treatment technologies while seeking access to low interest loans and grants ensures regulatory compliance while minimizing the financial impact on customers.

In North Carolina, our team secured \$5.8 million in grant funding to construct PFAS mitigation projects at eight sites across our service territory. These advanced treatment facilities will use modular ion exchange filters to remove PFAS from drinking water for approximately 37,000 customers. The proprietary modular system known as PFAS Guard, developed by our team, not only meets the anticipated new federal PFAS standards but also reduces initial capital costs and improves long-term maintenance efficiency.

"Our innovative and scalable approach to PFAS treatment allows us to rapidly address these contaminants in the many community-based well systems we serve statewide."

**SHANNON BECKER, PRESIDENT,
AQUA NORTH CAROLINA**





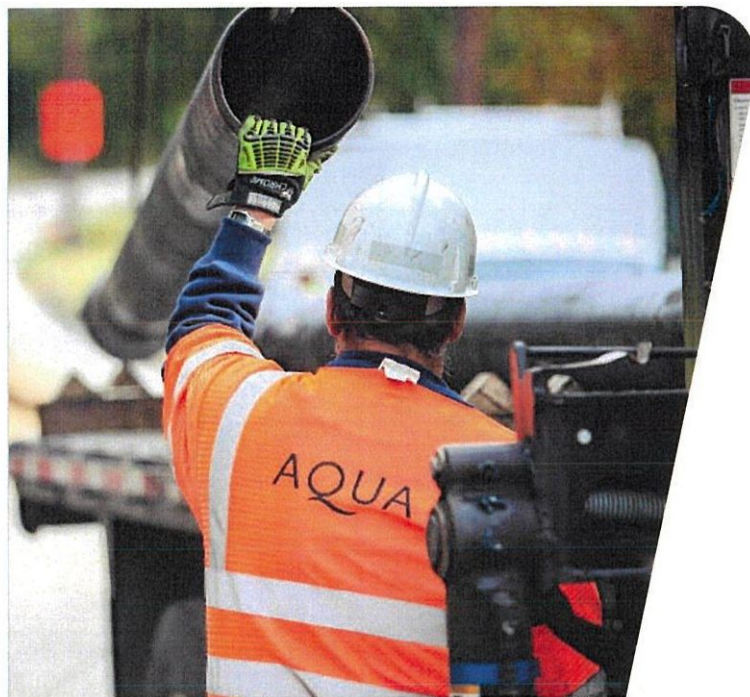
Progress in Lead Service Line Replacement

Our lead service line replacement initiatives underscore our commitment to public health and regulatory compliance. Through meticulous planning and community collaboration, we are making tangible progress in modernizing water infrastructure and safeguarding drinking water. To date, we have replaced 4,800 lead or galvanized service lines across our service territory, with more than 1,600 in 2024 alone.

In Pennsylvania, we have successfully replaced lead and galvanized service lines at more than 1,000 homes and businesses across 62 municipalities, just one year into our major statewide initiative. These projects focus on customer-owned service lines—the pipes running from the curb to homes and businesses.

In 2024 alone, we replaced 241 lead and 777 galvanized service lines in Bradford, Bucks and Chester Counties. Much of the work in Chester County was supported by a low-interest loan administered by the Pennsylvania Infrastructure Investment Authority (PENNVEST).

This initiative goes beyond compliance, reflecting a proactive approach to infrastructure renewal and customer safety as we work to remove all lead and galvanized service lines from our distribution system across our service territories.

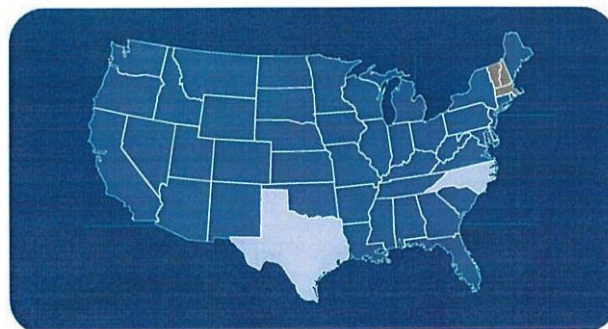


Enhanced Monitoring for Safety and Reliability

With expanded Supervisory Control and Data Acquisition (SCADA) systems, we can monitor water quality and operating performance in real time, ensuring compliance, reliability and transparency.

In North Carolina, we continue to expand SCADA implementation with nearly 50 new installations each year. This includes enhancing pump control operations, upgrading legacy cellular alarm notification units, installing alarm notifications for high differential pressure, and integrating SCADA alarms for new plant operations.

In Texas, we are innovating virtual inspections, providing supervisors and area managers greater operational visibility across the state's vast service area. Using tablet-based technology, operators conduct inspections in real-time, enabling supervisors to review equipment remotely and ensure compliance throughout the diverse system.

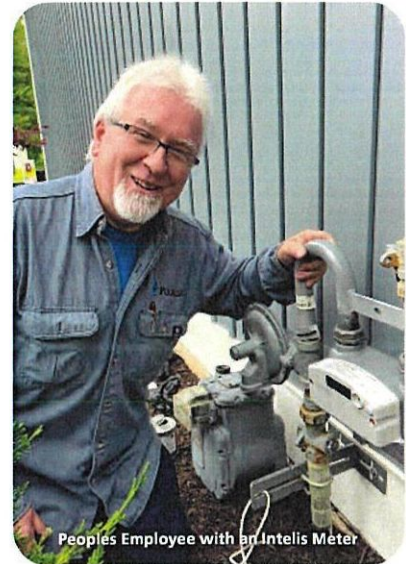


Advancing Energy Leadership

As a leading natural gas provider, our responsibility extends beyond delivering safe, reliable service to our customers today. We are committed to shaping the future of natural gas—redefining how it is produced, managed, and safely utilized to support a more sustainable and secure energy landscape. Through forward-thinking strategies, innovative pilot programs and strategic investments, we are driving solutions that address today's needs while positioning us for long-term success.

Innovation in Action: Programs That Lead the Way

- **Hydrogen Pilot Program:** Partnering with H Quest and the University of Pittsburgh, we are pioneering zero-emission hydrogen energy at scale, positioning us at the forefront of cleaner energy solutions.
- **Vision RNG Facility in Kentucky:** Transforming waste into renewable natural gas (RNG) at this state-of-the-art facility is an example of our commitment to a circular energy economy, where resources are reused and environmental impacts minimized.
- **Intelis Meters Deployment:** Our deployment of advanced Intelis smart meters reflects a significant step forward in natural gas safety and efficiency. These meters feature built-in sensors that automatically shut off the gas supply in potentially dangerous conditions such as fires or system overpressurization, mitigating risks before they escalate.





Modernizing Natural Gas Infrastructure

Our extensive modernization efforts include replacing aging pipelines, upgrading underground storage wells, and enhancing system integrity to prioritize safety, reduce emissions, and meet evolving regulatory standards. These investments ensure that our infrastructure is ready for the future while enhancing the reliability and security our customers depend on.

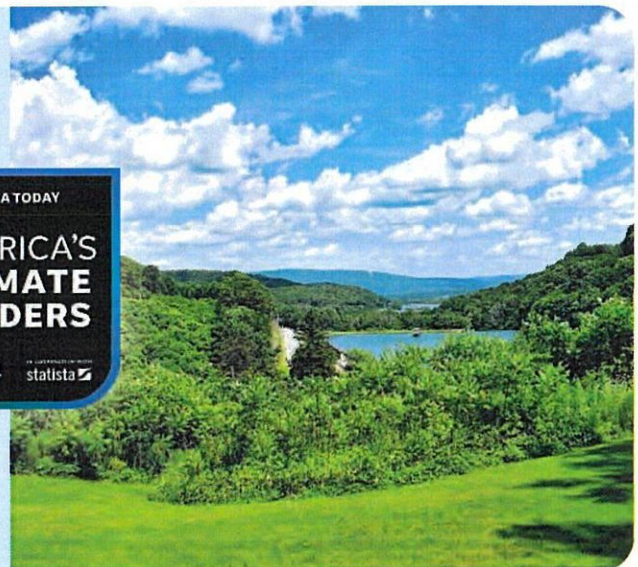
320 miles

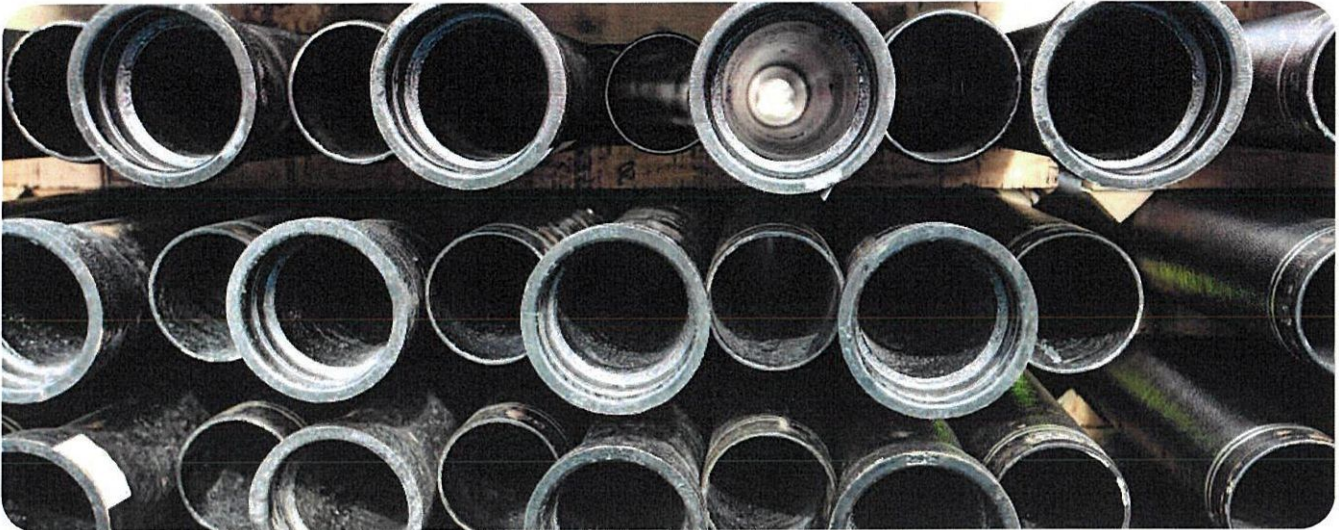
of natural gas pipeline replaced
or retired from service in 2024



Recognition for Climate Leadership

Our dedication to advancing energy sustainability earned us a spot on USA Today's Climate Leaders list, a recognition of our measurable achievements in reducing greenhouse gas emissions. This honor underscores our role as a responsible energy provider, committed to making meaningful contributions to environmental progress while ensuring the long-term viability of natural gas as part of a diversified energy portfolio.





Trusted to Deliver

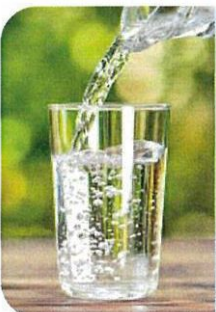
In 2024, our water segment was appointed the receiver for a significant number of utilities, a responsibility entrusted to us by state authorities to assume operations for struggling water and wastewater systems. This recognition reflects our reputation as a leader in operational excellence, a trusted partner to regulators, and a proven problem-solver for communities in need.

Receiverships are not just about stepping in; they are about stepping up. We bring the expertise, resources, and commitment necessary to stabilize critical infrastructure, restore reliable service, and provide safe, clean water to underserved communities. These appointments underscore our ability to confront complex challenges head-on and deliver tangible results that improve customers' lives.

In October 2024, Aqua Pennsylvania was appointed by the Pennsylvania Public Utility Commission (PUC) to act as receiver for several water and wastewater companies. Many of these systems faced significant operational and infrastructure challenges, such as outdated equipment, safety concerns, and a lack of certified operators.

Upon assuming operational responsibility, Aqua immediately began addressing these issues, including upgrading infrastructure and ensuring compliance with DEP regulations. Aqua worked quickly to issue and resolve boil water advisories to protect public health. By improving communications and operations at these companies, Aqua has earned the trust of customers and regulators alike.

This trust from state partners speaks volumes about our operational capabilities and our unwavering dedication to our mission: protecting and providing Earth's most essential resources. With each receivership, we reaffirm our role as a company that gets things done—driving transformative change where it's needed most.



Governance for the Future

Our board-level risk committee is a distinctive feature of our governance structure, setting us apart in the utility industry. This comprehensive oversight body ensures that our operations align with our mission and values while proactively identifying, assessing, and mitigating potential risks. By elevating risk management to the highest level of leadership, we reinforce our commitment to long-term resilience, operational excellence, and stakeholder trust.



Empowering Our Customers, Enriching Our Communities

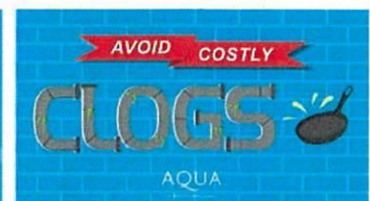
We're more than just a utility company; we're a neighbor, deeply committed to uplifting the communities we call home. We hold our responsibility to our customers in the highest regard, and every day, we strive to go above and beyond—not only by enhancing the reliability and quality of the resources we provide, but also by ensuring access to vital education, innovative customer service tools, and financial assistance for those who need it most.

We view every interaction as an opportunity to serve, educate and uplift. Whether it's improving customer service tools, providing financial assistance, or supporting life-changing community initiatives, our dedication remains steadfast: to make a lasting difference in the lives of our customers and the communities we proudly serve.

Improving the Customer Experience

We are constantly evolving to meet and exceed the needs of our customers. Through enhanced tools like the ePortal, customers can seamlessly manage their accounts, track payments, and stay informed about their services. Our improved disruption map ensures real-time updates during outages, offering transparency and empowering customers to plan accordingly.

We go further by equipping our communities with proactive resources. From safe digging guidelines and hurricane readiness tips to winter pipe protection education and pipeline modernization updates, we aim to prepare customers for every situation.

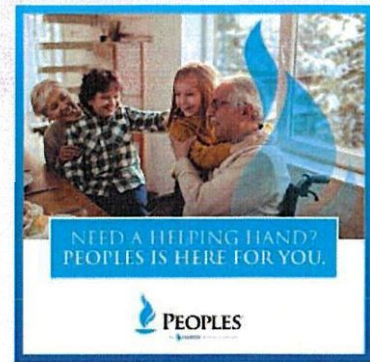




Supporting Our Customers in Need

Recognizing that life's unpredictability can create financial challenges, we offer Customer Assistance Programs for our water, wastewater, and natural gas customers. These programs provide income-based discounts, flexible payment plans, and other support to ensure essential services remain accessible for all.

Essential's gas segment is leading the way in supporting customers' access to essential resources through an innovative pilot with Peoples Energy Analytics. Focused on Allegheny County, Pennsylvania, during the 2024-25 winter heating season, the program uses advanced algorithms to identify customers and areas for targeted outreach, helping more households enroll in assistance programs that make bills more manageable and secure vital resources for those who need them most.



Creating a Better World

Our responsibility extends far beyond providing reliable service. Through the Essential Foundation, we focus on improving lives, protecting the environment, and strengthening the fabric of our neighborhoods. In 2024 alone, we donated nearly \$5 million to organizations driving positive change.

Key initiatives include:

- **Essential Earth Day:** A month-long celebration of sustainability, where employees participate in tree plantings, park clean-ups, and other activities aimed at improving the health of our local ecosystems.
- **Fall for Food Banks:** Every autumn, we unite as a company to combat food insecurity by donating resources and volunteering at local food banks.
- **Employee Giving Campaign:** Our team members contribute to causes they are passionate about, and Essential matches their generosity, doubling the impact.
- **Water Safety Programs:** Last year, we took a bold step to address water safety in underserved communities, donating \$50,000 and significant time to educate and protect children and families through our SureSplash Program.

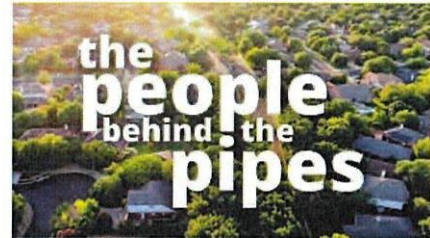
These efforts are more than acts of corporate responsibility—they're a reflection of our values. By leveraging our resources and rallying our people, we strive to create a better, brighter future for all.



Our People: The Heart of Essential

We believe that when our employees feel supported in every aspect of their lives, they are inspired to excel and contribute meaningfully to their work and communities. Our comprehensive employee engagement initiatives create a culture where our team members feel valued, empowered and inspired to achieve extraordinary results.

To honor the individuals who make our mission possible, we launched our "People Behind the Pipes" video series on social media. This campaign highlights the ingenuity, perseverance, and dedication of our team across all business units, sharing their stories of protecting and providing Earth's most essential resources. Through this series, we shine a light on the incredible work being done every day by those who embody Essential's values.



The Forum of Executive Women Champions OF BOARD DIVERSITY

As we continue to make strides to achieve our goal of ensuring our corporate makeup accurately reflects the communities we serve, we are honored to once again receive the Champion of Board Diversity award from the Forum of Executive Women. This recognition reflects our commitment to fostering an inclusive culture at every level of leadership, ensuring diverse voices and perspectives are integral to shaping our company's future.

Developing Tomorrow's Leaders: Essential Executive Development Program

In February 2024, we celebrated the graduation of the inaugural cohort of Essential's Executive Development Program, a transformative 16-month initiative created in partnership with Drexel University's LeBow College of Business and Talogy Talent Assessment. This program reflects our deep commitment to building a resilient leadership pipeline to guide Essential through the challenges and opportunities of the future.

Through targeted development in strategic thinking, organizational growth, and financial management, the program empowers high-potential leaders to expand their perspectives and embrace new approaches to leadership.

The Essential Executive Development Program is more than an investment in individual development; it's a strategic initiative that strengthens the foundations of our company and ensures its enduring success.



ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
 Management's Discussion and Analysis of Financial Condition and Results of Operations
 (In thousands of dollars, except per share amounts)

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report (the "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.

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:

- the success in the closing of, and the profitability of future acquisitions;
- changes in general economic, political, business, credit, and financial market conditions and interest rates;
- our ability to 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 proposed 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;

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- 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; and
- restrictions on our subsidiaries' ability to make dividend payments and other distributions.

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 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

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 27 other counties in Pennsylvania. Our other regulated water or wastewater utility subsidiaries provide similar services in seven additional states. Our Peoples subsidiaries provide natural gas service to approximately 745,000 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.

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. These transactions are consistent with the

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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. See Note 3 – *Dispositions* in the *Notes to Consolidated Financial Statements* for additional information.

Recent Developments

Water Quality Standards

On April 10, 2024, the U.S. Environmental Protection Agency ("EPA") announced the final National Primary Drinking Water Regulation (NPDWR) for the treatment of six per- and polyfluoroalkyl substances or compounds ("PFAS"). The NPDWR established the maximum contaminant levels (MCLs) in drinking water and allows for a five-year window to comply (Compliance Period). The Company performed its analysis of the NPDWR and estimated an investment of at least \$450,000 of capital expenditures to install additional treatment facilities over the Compliance Period in order to comply (i.e., 2029 pending no delays due to lawsuits). This figure could increase as plans for construction execution are refined or if additional sites require treatment in the future. Additionally, the Company estimates annual operating expenses of approximately five percent of the installed capital expenditures, in today's dollars, related to testing, treatment, and disposal. These were preliminary estimates and actual capital expenditures and expenses may differ based upon a variety of factors, including supply chain issues and site-by-site requirements.

On October 30, 2024, the EPA issued the final Lead and Copper Rule Improvements (LCRI) which requires 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. The Company estimates that approximately 6% of its regulated water service systems contain some lead or galvanized service lines requiring replacement. The Company currently has budgeted approximately \$210,000 of capital expenditures over the next five years for lead and galvanized service line replacement. Management is still reviewing the final LCRI and its impact to the Company.

Capital expenditures and operating costs required as a result of water quality standards have traditionally been recognized by state utility commissions as appropriate for inclusion in establishing rates. Various federal and state funding programs are also available to help reduce costs for rate payers. The Company has been actively applying for grants and low interest loans, whenever possible, to reduce the overall cost to customers.

Comprehensive Environmental Response, Compensation, and Liability Act

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

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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.

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 Note 9 – *Commitments*, in the *Notes to Consolidated Financial Statements*.

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, 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.

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

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

^(a) Our water and wastewater operations are comprised of 38 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 eight states in which we operate water and wastewater utilities currently permit us to file a revenue requirement using some form of consolidated rates for some or all 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.

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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 2024:

State	Segment	Effective Date	Annualized Revenue Increase
Ohio	Water	1/1/2024; 8/1/2024	\$ 1,637
	Wastewater	7/1/2024	490
North Carolina*	Water	1/1/2024	2,632
	Wastewater	1/1/2024	1,111
Virginia	Water	2/5/2024	4,830
	Wastewater	2/5/2024	660
Pennsylvania	Gas	9/27/2024	93,000
New Jersey	Water	10/15/2024	2,250
Illinois	Water	12/5/2024	4,726
	Wastewater	12/5/2024	6,906
Total Base Rate Case Authorizations in 2024			<u>\$ 118,242</u>

* Base rate case - step increase for Year 2

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.

Our operating subsidiaries received rate increases representing estimated annualized revenues of \$118,242 in 2024 resulting from twelve base rate decisions, \$28,426 in 2023 resulting from seven base rate decisions, and \$81,610 in 2022 resulting from seven base rate decisions. Annualized revenues in aggregate from all of the rate increases realized in the year of grant were \$34,832 in 2024, \$10,109 in 2023, and \$51,163 in 2022. Refer to Note 17 – *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

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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 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. During 2022, we completed three acquisitions of water and wastewater systems, which along with the organic growth in our existing systems, represents 31,537 new customers.

As of December 31, 2024, the Company has seven signed purchase agreements for additional water and wastewater systems that are expected to serve approximately 213,000 equivalent retail customers or equivalent dwelling units and total approximately \$362,000 in purchase price in three 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 – *Acquisitions* in this Annual Report for further discussion.

As of December 31, 2024, 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.

On January 31, 2025, the Company closed on the acquisition of Greenville Sanitary Authority's wastewater utility assets, which serves approximately 2,300 customers in Greenville, Pennsylvania for \$18,000.

Capital Investment

In 2024, the Company invested \$1,329,747 to improve its regulated water and natural gas infrastructure systems and to enhance customer service across its operations. From 2025 through 2029, the company plans to invest approximately \$7,800,000 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 2020, the Company's combined rate base grew by 44%. The Company expects its regulated water and natural gas rate bases to grow at a compound annual rate 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, 2024, the Company's rate base is estimated to be \$11,500,000, which is comprised of:

- \$7,300,000 in the Regulated Water segment; and
- \$4,200,000 in the Regulated Natural Gas segment.

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As of December 31, 2024, the regulatory status of the Company's rate base is estimated to be as follows:

- \$10,300,000 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, 2024, 2023, and 2022 are presented below. For discussion of our results of operations and cash flows for 2023 compared with 2022, 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, 2023, filed with the SEC on February 29, 2024.

Years ended December 31,	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Operating revenues:					
Regulated water segment	\$ 1,221,880	\$ 1,153,376	\$ 1,082,972	\$ 68,504	\$ 70,404
Regulated natural gas segment	842,991	863,759	1,143,362	(20,768)	(279,603)
Other and eliminations	21,242	36,689	61,698	(15,447)	(25,009)
Consolidated operating revenues	\$ 2,086,113	\$ 2,053,824	\$ 2,288,032	\$ 32,289	\$ (234,208)
Operations and maintenance expense	\$ 587,250	\$ 575,518	\$ 613,649	\$ 11,732	\$ (38,131)
Net income	\$ 595,314	\$ 498,226	\$ 465,237	\$ 97,088	\$ 32,989
Capital expenditures	\$ 1,329,747	\$ 1,199,103	\$ 1,062,763	\$ 130,644	\$ 136,340
Operating Statistics					
Selected operating results as a percentage of operating revenues:					
Operations and maintenance	28.2%	28.0%	26.8%	0.2%	1.2%
Depreciation and amortization	17.7%	16.7%	14.0%	1.0%	2.7%
Taxes other than income taxes	4.5%	4.4%	3.9%	0.1%	0.5%
Interest expense, net of interest income	14.3%	13.6%	10.2%	0.7%	3.4%
Net income	28.5%	24.3%	20.3%	4.2%	4.0%
Return on Essential Utilities stockholders' equity	9.6%	8.4%	8.7%	1.2%	-0.3%
Ratio of capital expenditures to depreciation expense	3.7	3.5	3.4	0.2	0.1
Effective tax rate	(3.8%)	(15.4%)	(3.2%)	11.6%	(12.2%)

Consolidated Results of Operations Comparison for 2024 and 2023

Operating revenues - Operating revenues increased by \$32,289 or 1.6% for the year ended December 31, 2024 compared to the year ended December 31, 2023. Revenues from our Regulated Water segment increased by \$68,504, Regulated Natural Gas segment revenues decreased by \$20,768 and Other business segment revenues decreased by \$15,447. 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 \$21,242 in 2024, \$36,689 in 2023, and \$61,698 in 2022. The decrease in Other business segment revenues in 2024 compared to 2023 is primarily due to lower revenues from our non-regulated natural gas operations as a result of lower average gas prices and lower gas usage in the current period as compared to the prior period.

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Operating expenses - Operations and maintenance expenses increased in 2024, as compared to 2023, by \$11,732 or 2.0%, primarily due to:

- an increase in customer assistance surcharge costs of \$8,140 in our Regulated Natural Gas segment, which has an equivalent offsetting amount in revenues;
- an increase in employee related costs of \$7,828, primarily resulting from higher salary costs, healthcare costs, and contributions to the Company's defined contribution plan, offset by lower pension cost;
- an increase in production costs for water and wastewater operations of \$5,880, primarily due to higher purchased water, wastewater, and power costs;
- additional operating costs associated with acquired and pending acquisitions of water and wastewater utility systems and higher customer base of \$2,788;
- an insurance recovery of \$2,448 in 2023 associated with clean-up costs and other expenses incurred during Hurricane Ida; and,
- an increase in materials and supplies of \$2,026; offset by
- a decrease in legal expenses of \$4,137;
- a decrease in bad debt expense of \$1,344;
- a decrease in transportation expenses of \$1,548; and,
- lower operations and maintenance expense of \$12,411 as a result of our sale of the assets of Peoples West Virginia in October 2023 and our interest in three non-utility local microgrid and distributed energy projects in January 2024.

Purchased gas decreased by \$75,297 or 21.4% in 2024 compared to 2023. 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 decreased for the regulated natural gas business and non-regulated business by \$60,322 and \$14,975, respectively. The decrease in 2024 is the result of the impact of lower average cost of gas of \$55,236, lower gas usage of \$11,380 due to warmer weather conditions, and a decrease of \$8,681 from the sale of Peoples West Virginia in October 2023 and our three non-utility local microgrid and distributed energy projects in January 2024.

Depreciation and amortization expense increased by \$25,857 or 7.5%, in 2024 over 2023, principally due to continued capital expenditures to expand and improve our utility facilities, upgrade our information systems, our acquisitions of new utility systems, and additional rate case filings. Expenses associated with filing rate cases are deferred and amortized over periods that generally range from one to three years.

Taxes other than income taxes increased by \$4,426 or 4.9% in 2024 as compared to 2023 largely due to an increase in property taxes, payroll taxes, and pumping fees.

Other expense, net - Interest expense, net of interest income, increased by \$15,406 in our Regulated Water segment and by \$668 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 \$3,114. The weighted average cost of fixed rate long-term debt was 4.03% at December 31, 2024 and 3.86% at December 31, 2023. The weighted average cost of fixed and variable rate long-term debt was 4.14% at December 31, 2024 and 4.14% at December 31, 2023.

Allowance for funds used during construction (AFUDC) was \$21,310 in 2024 and \$16,967 in 2023, 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 2024 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 \$13,938 in 2024 and \$11,726 in 2023.

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Gain on sale of other assets totaled \$92,224 in 2024 and \$65 in 2023. 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 income of \$1,425 in 2024 and \$2,613 in 2023, 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 2024 in our Regulated Water segment.

Income tax benefit - Our effective income tax rate was a benefit of 3.8% in 2024 and 15.4% in 2023. The Company's provision for income taxes represents an income tax benefit due to the effects of tax deductions recognized for certain qualifying infrastructure investments. The decrease in the income tax benefit is primarily attributed to the gain recognized from the sale of the Company's interest in three non-utility local microgrid and distributed energy projects in the first quarter of 2024 and decrease in tax benefit associated with the repairs tax deduction for qualifying utility infrastructure investments in our Regulated Natural Gas segment.

Net income -

	Years ended December 31,		
	2024	2023	2022
Operating income	\$ 757,668	\$ 692,097	\$ 661,187
Net income	\$ 595,314	\$ 498,226	\$ 465,237
Diluted net income per share	\$ 2.17	\$ 1.86	\$ 1.77

The changes in diluted net income per share in 2024 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 2024 and 2023

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 in three states acquired in the Peoples Gas Acquisition. These utilities provide natural gas distribution services, and their operating results subsequent to the March 16, 2020 acquisition date are reported in the Regulated Natural Gas segment. 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.

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- 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:

	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
<u>Sendout^(a) (in millions of gallons)</u>					
Pennsylvania	43,794	42,525	42,666	1,269	(141)
Ohio	13,979	13,560	14,604	419	(1,044)
Illinois	8,774	8,421	8,784	353	(363)
Texas	8,038	8,703	8,606	(665)	97
North Carolina	5,809	5,824	5,934	(15)	(110)
Other states	6,705	6,526	6,272	179	254
Subtotal	87,099	85,559	86,866	1,540	(1,307)
Elimination	(94)	(122)	(141)	28	19
Total sendout by state	87,005	85,437	86,725	1,568	(1,288)
<u>Utility customers:</u>					
Residential water	865,028	859,331	850,673	5,697	8,658
Commercial water	43,969	43,853	43,119	116	734
Industrial water	1,275	1,283	1,286	(8)	(3)
Other water	19,774	19,123	18,446	651	677
Wastewater	193,821	190,119	181,721	3,702	8,398
Total water and wastewater utility customers	1,123,867	1,113,709	1,095,245	10,158	18,464
<u>Operating revenues:</u>					
Residential water	\$ 662,909	\$ 641,351	\$ 607,473	\$ 21,558	\$ 33,878
Commercial water	186,534	180,731	168,460	5,803	12,271
Industrial water	34,831	33,949	32,581	882	1,368
Other water	123,373	92,784	94,359	30,589	(1,575)
Wastewater	199,157	187,462	165,312	11,695	22,150
Other utility	15,076	17,099	14,787	(2,023)	2,312
Total operating revenues	\$ 1,221,880	\$ 1,153,376	\$ 1,082,972	\$ 68,504	\$ 70,404
<u>Operating expenses:</u>					
Operations and maintenance expense	\$ 381,088	\$ 368,843	\$ 370,850	\$ 12,245	\$ (2,007)
Depreciation and amortization	\$ 232,338	\$ 217,593	\$ 201,392	\$ 14,745	\$ 16,201
Taxes other than income taxes	\$ 68,006	\$ 62,759	\$ 64,472	\$ 5,247	\$ (1,713)
Other expense, net	\$ 121,292	\$ 105,674	\$ 84,396	\$ 15,618	\$ 21,278
Provision for income taxes	\$ 68,851	\$ 57,546	\$ 47,510	\$ 11,305	\$ 10,036
Segment net income	\$ 350,305	\$ 340,961	\$ 314,352	\$ 9,344	\$ 26,609

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

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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 \$50,639 in 2024, \$57,924 in 2023, and \$63,367 in 2022. The number of customers increased at an annual compound rate of 1.8% 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 \$4,182 in 2024, \$9,646 in 2023, and \$16,145 in 2022.

Our Regulated Water segment also includes operating revenues of \$11,226 in 2024, \$14,863 in 2023, and \$11,477 in 2022, 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 \$12,245 or 3.3% primarily due to the following:

- an increase in production costs for water and wastewater operations of \$5,880;
- an insurance recovery of \$2,448 in 2023 associated with clean-up costs and other expenses incurred during Hurricane Ida;
- an increase in employee related costs of \$2,529 resulting from higher salary costs, healthcare costs, and contributions to the Company's defined contribution plan, offset by lower pension cost;
- additional operating costs resulting from acquired water and wastewater utility systems and higher customer base of \$2,788; offset by
- a decrease in legal fees of \$1,192; and,
- a decrease in bad debt expense of \$467.

Depreciation and amortization increased by \$14,745 or 6.8% primarily due to continued capital investment to expand and improve our utility facilities and our acquisitions of new utility systems.

Taxes other than income taxes increased by \$5,247 or 8.4% in 2024 as compared to 2023 largely due to an increase in property taxes, payroll taxes and pumping fees.

Other expense, net - Interest expense, net of interest income, increased by \$15,406 or 12.4% primarily due to the increase in average borrowings and increased borrowing costs.

AFUDC increased by \$1,927 or 13.0% due to the increase in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Other, net, was an income of \$1,445 in 2024 and an income of \$3,596 in 2023, 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 2024. The credit arising from the expected return of plan assets assumption was lower in 2024 as compared to 2023.

Provision for income tax - The effective income tax rate for our Regulated Water segment was an expense of 16.4% in 2024, compared to an expense of 14.4% in 2023. The increase in the effective tax rate is primarily the result of changes in the jurisdictional earnings mix, decrease in the amortization of certain regulatory liabilities associated with deferred taxes, and decrease in the income tax benefit associated with the repairs tax deduction for qualifying utility infrastructure investments.

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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:

	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Gas utility customers:					
Residential gas	685,591	683,811	695,198	1,780	(11,387)
Commercial gas	59,296	59,384	59,684	(88)	(300)
Industrial gas	552	551	1,459	1	(908)
Total gas utility customers	745,439	743,746	756,341	1,693	(12,595)
Delivered volumes - retail and transportation (thousand cubic feet)					
Residential gas	50,669,829	51,698,440	61,093,372	(1,028,611)	(9,394,932)
Commercial gas	33,641,589	33,151,308	37,240,382	490,281	(4,089,074)
Industrial gas	47,959,164	48,323,846	49,017,036	(364,682)	(693,190)
Total delivered volumes	132,270,582	133,173,594	147,350,790	(903,012)	(14,177,196)
Heating Degree Days ^(a)	4,288	4,558	5,648	(270)	(1,090)
Average Heating Degree Days ^(b)	5,240	5,427	5,438	(187)	(11)
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Operating revenues:					
Residential gas	\$ 504,426	\$ 519,406	\$ 720,490	\$ (14,980)	\$ (201,084)
Commercial gas	100,662	111,272	149,653	(10,610)	(38,381)
Industrial gas	2,279	3,232	5,636	(953)	(2,404)
Gas transportation	194,413	184,598	205,825	9,815	(21,227)
Other utility	41,211	45,251	61,758	(4,040)	(16,507)
Total operating revenues	\$ 842,991	\$ 863,759	\$ 1,143,362	\$ (20,768)	\$ (279,603)
Operating expenses:					
Operations and maintenance expense	\$ 207,176	\$ 209,073	\$ 239,506	\$ (1,897)	\$ (30,433)
Purchased gas	\$ 267,226	\$ 327,548	\$ 551,009	\$ (60,322)	\$ (223,461)
Depreciation and amortization	\$ 135,814	\$ 125,263	\$ 118,955	\$ 10,551	\$ 6,308
Taxes other than income taxes	\$ 22,985	\$ 23,846	\$ 22,642	\$ (861)	\$ 1,204
Other expense, net	\$ (3,834)	\$ 90,819	\$ 87,916	\$ (94,653)	\$ 2,903
Income tax benefit	\$ (79,993)	\$ (113,353)	\$ (61,942)	\$ 33,360	\$ (51,411)
Segment net income	\$ 293,617	\$ 200,563	\$ 185,276	\$ 93,054	\$ 15,287

^(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 decreased by \$20,768 or 2.4% primarily due to:

- a decrease in purchased gas costs of \$60,322; refer to purchased gas costs discussion below for further information;
- the decrease in distribution revenues of \$4,043 as a result of our sale of the assets of Peoples West Virginia;
- a decrease in other utility revenues of \$7,100 resulting from the sale of the Company's interest in three non-utility local microgrid and distributed energy projects; offset by

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- an increase of \$32,432 due to higher rates and other surcharges;
- an increase in customer assistance surcharge of \$8,140, which has an equivalent offsetting amount in operations and maintenance expense; and
- a weather normalization adjustment of \$9,243, which had the effect of increasing 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, 2024, we experienced actual HDDs of 4,288 days, which was warmer by 5.9% than the actual HDDs of 4,558 days in 2023 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.

Operating expenses – Operations and maintenance expense for the year ended December 31, 2024 decreased by \$1,897 or 0.9% primarily due to the following:

- lower operations and maintenance expense of \$12,411 as a result of our sale of the assets of Peoples West Virginia in October 2023 and our interest in three non-utility local microgrid and distributed energy projects in January 2024;
- a decrease in legal fees of \$3,266;
- a decrease in transportation expense of \$1,429;
- a decrease in bad debt expense of \$905; offset by
- an increase in customer assistance surcharge costs of \$8,140, which has an equivalent offsetting amount in revenues;
- an increase in materials and supplies of \$1,805; and
- an increase in labor and employee benefits of \$5,719 resulting from higher salary costs, healthcare costs, and contributions to the Company's defined contribution plan, offset by lower pension cost.

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 decreased by \$60,322 or 18.4% in 2024 compared to 2023. The decrease is the result of lower average cost of gas of \$44,044, and lower gas usage of \$10,761 due to warmer weather conditions and \$5,517 due to the sale of Peoples West Virginia in October 2023 and our three non-utility local microgrid and distributed energy projects in January 2024.

Depreciation and amortization increased by \$10,551 or 8.4% primarily due to continued capital investment in pipe replacement.

Taxes other than income taxes decreased by \$861 or 3.6% mainly due to lower sales and use taxes during the period.

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Other expense, net – Interest expense, net of interest income, increased by \$668 or 0.7% for 2024 compared to 2023.

AFUDC increased by \$2,416 or 110.8% 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 \$91,581 for the year ended December 31, 2024 and a loss on sale of assets was \$559 for the year ended December 31, 2023. 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 was a benefit of 37.4% in 2024, compared to a benefit of 130.0% in 2023. The decrease in the income tax benefit is primarily attributed to the gain recognized from the sale of the Company's interest in three non-utility local microgrid and distributed energy projects in the first quarter of 2024 and a decrease in tax benefit associated with the repairs tax deduction for qualifying utility infrastructure investments in our Regulated Natural Gas segment.

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		Dividends		Capital Expenditures		Acquisitions	
	Flows							
2022	\$	600,306	\$	288,632	\$	1,062,763	\$	116,891
2023		933,587		316,806		1,199,103		45,303
2024		770,343		346,392		1,329,747		665
	\$	2,304,236	\$	951,830	\$	3,591,613	\$	162,859

Net cash provided by operating activities decreased by \$163,244 during the year ended December 31, 2024, when compared to the same period in 2023. Our operating cash flow can be significantly affected by changes in operating working capital, especially during periods with significant changes in natural gas commodity prices and also the timing of our natural gas inventory purchases. The net change in working capital and other assets and liabilities resulted in a decrease in cash from operations of \$96,799 in 2024 and an increase in cash from operations of \$157,387 in 2023. The decrease in cash flows from operations associated with working capital during 2024, when compared to 2023, was primarily due to higher gas cost collections from customers brought about by higher average gas prices in 2023. In addition, accounts receivable and unbilled receivables were higher as of December 31, 2024 as compared with the same period in 2023 due to increased billings as a result of greater heating degree days for the month of December 2024 as compared with 2023.

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 \$55,259 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 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 \$1,732,026 and have refunded \$22,041 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.

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Our planned 2025 capital program, excluding the costs of new mains financed by advances and contributions in aid of construction is estimated to be approximately \$1,469,000 in infrastructure improvements for the communities we serve. The 2025 capital program is expected to include approximately \$1,037,000 for infrastructure rehabilitation surcharge qualified projects. Our planned 2025 capital program in Pennsylvania for our water and natural gas utilities is estimated to be approximately \$1,032,000, a portion of which is expected to be eligible as a deduction for qualifying utility asset improvements for Federal income tax purposes. Our overall 2025 capital program along with \$142,807 of debt repayments and \$454,049 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, and the issuance of long-term debt and equity.

Future utility construction in the period 2026 through 2027, 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 \$3,042,000. We anticipate that more than one half of these expenditures will require external financing. We expect to refinance \$1,173,486 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, 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, 2024, the Company has entered into purchase agreements to acquire the water or wastewater utility system assets of six municipalities and a private company for a total combined purchase price in cash of approximately \$362,000. 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 2025, are subject to the timing of the various regulatory approval processes and are expected to add approximately 15,000 equivalent retail customers in three of the states in which the Company operates.

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.

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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.

In November 2022, the Company acquired the water system of Oak Brook, DuPage County, Illinois, which serves 2,037 customers, for a cash purchase price of \$12,500. In August 2022, the Company acquired the municipal wastewater assets of East Whiteland Township, Chester County, Pennsylvania, which serves 4,018 customers, for a cash purchase price of \$54,374. In March 2022, the Company acquired the wastewater system of Lower Makefield Township, which serves 11,323 customer connections in Lower Makefield, Falls, and Middletown townships, and Yardley Borough, Bucks County, Pennsylvania, for a cash purchase price of \$53,000.

Subsequent to the August 2022 closing on the acquisition of the municipal wastewater assets of East Whiteland Township, a party filed an appeal to the Pennsylvania Public Utility Commission's order of approval. On July 31, 2023, a decision was issued by the Pennsylvania Commonwealth Court that agreed with the party's appeal and reversed the order which approved the acquisition. In an effort to resolve the matter, the Company pursued and is continuing to pursue certain legal actions. Management believes the final resolution of this matter is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Refer to Note 2 – *Acquisitions* in this Annual Report for additional information.

During the past three years, we have expended cash of \$162,859 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.

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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 \$3,377,430 of long-term debt, and obtained other short-term borrowings during the past three years. At December 31, 2024, we have a \$1,000,000 unsecured long-term revolving credit facility that expires in December 2027, of which \$16,774 was designated for letter of credit usage, \$570,226 was available for borrowing, and \$413,000 of borrowings were outstanding at December 31, 2024. 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 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 May 20, 2022, the Company issued \$500,000 of long-term debt (the "2022 Senior Notes"), less expenses of \$5,815, due in 2052 with an interest rate of 5.30%. The Company used the net proceeds from the issuance of 2022 Senior Notes to (1) to repay \$49,700 of borrowings under Aqua Pennsylvania's 364-day revolving credit facility and \$410,000 of borrowings under the Company's existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

On 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, 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. During the year ended December 31, 2022, the Company issued 1,321,994 shares of common stock for net proceeds of \$63,040 under the 2022 ATM. There were no common stock sales under the 2022 ATM in 2024. The Company used the net proceeds from the sales of shares through the 2022 and 2024 ATMs for working capital, capital expenditures, water and wastewater utility acquisitions, and repaying a portion of outstanding indebtedness.

On June 12, 2024, Aqua Pennsylvania and Peoples Natural Gas Companies amended the terms of its respective \$100,000 and \$300,000 364-day revolving credit agreements by extending the maturity dates to June 10, 2025 and revised the interest rate index from the Bloomberg Short-Term Bank Yield Index (BSBY) to the Secured Overnight Financing Rate (SOFR).

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 long-term debt and common equity will be adequate to provide

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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 2024, 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 11 – *Long-term Debt and Loans Payable* and Note 13 – *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, 2024 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 2024 dividend payment, holders of 4.0% 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 1,232,453 original issue shares of common stock for net proceeds of \$48,099 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 2024, 2023, and 2022, we sold 433,688, 430,487, and 368,278 original issues shares of common stock for net proceeds of \$15,476, \$16,005, and \$16,619, respectively, through the dividend reinvestment portion of the plan.

Credit Risk

As of December 31, 2024, our credit ratings remained at investment grade levels. On March 19, 2024, S&P Global Ratings ("S&P") lowered its credit rating for the Company, Aqua Pennsylvania, and PNG Companies, LLC from A to A-, citing weakening financial measures as a result of inflationary pressures and our significant capital spending; and revised its outlook from negative to stable for the companies. However, as can be noted in their report, S&P continues to assess our business risk profile as excellent, considering our low-risk and rate-regulated water and gas distribution operations in credit-supportive regulatory environments, our geographic and regulatory diversity, our large and stable residential and commercial customer base, and our solid and reliable operations. On October 3, 2024, Moody's Investors Service ("Moody's") affirmed the Company's senior unsecured notes rating of Baa2 and changed its outlook from stable to negative; and, changed PNG Companies, LLC's senior secured notes rating from Baa1 to Baa2 and maintained a negative outlook. 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,

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
(In thousands of dollars, except per share amounts)

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, 2024:

	Total	Payments Due by Period			
		Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt	\$ 7,559,096	\$ 142,807	\$ 1,173,486	\$ 412,869	\$ 5,829,934
Interest on fixed-rate, long-term debt (1)	286,400	6,819	34,020	14,693	230,868
Operating leases (2)	44,694	9,144	14,777	7,946	12,827
Unconditional purchase obligations (3)	14,049	5,404	3,143	2,475	3,027
Gas purchase obligations (4)	2,148,368	238,353	485,193	474,767	950,055
Other purchase obligations (5)	138,438	138,438	-	-	-
Pension plan obligations (6)	3,945	3,945	-	-	-
Other obligations (7)	56,661	51,946	2,401	1,325	989
Total	\$ 10,251,651	\$ 596,856	\$ 1,713,020	\$ 914,075	\$ 7,027,700

- (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.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
(In thousands of dollars, except per share amounts)

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 \$8,207. 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 7 – *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 9 – *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, 2024 and 2023:

December 31,	2024	2023
Long-term debt (1)	54.9%	54.1%
Essential Utilities stockholders' equity	45.1%	45.9%
	100.0%	100.0%

(1) Includes current portion, as well as our borrowings under a variable rate revolving credit agreement of \$413,000 at December 31, 2024, and \$720,000 at December 31, 2023.

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.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
 Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
 (In thousands of dollars, except per share amounts)

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.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
(In thousands of dollars, except per share amounts)

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, 2024 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

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
(In thousands of dollars, except per share amounts)

the 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 5.64% for our pension plan, and 5.65% for our other post-retirement benefit plans as of December 31, 2024, which represent a 47 and 56 basis-point decrease as compared to the discount rates selected at December 31, 2023, respectively. Our post-retirement benefits expense under these plans is determined using the discount rate as of the beginning of the year, which was 5.17% for our pension plan and 5.09% for our other-postretirement benefit plan for 2024.

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, 2024, 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 2024, we used a 6.2% expected return on plan assets assumption and are currently reviewing this assumption for 2025.

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 2025 our pension contribution is expected to be \$3,945. 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

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
(In thousands of dollars, except per share amounts)

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.

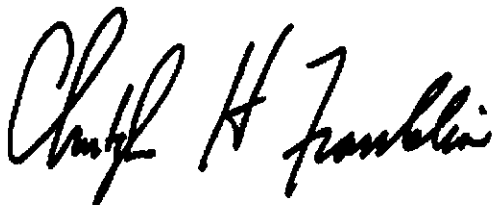
ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
Management's Report On Internal Control Over Financial Reporting

Management of Essential Utilities, Inc. (the "Company") 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.

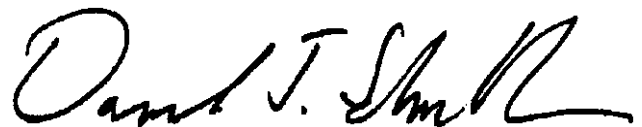
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree 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, 2024, the Company's internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.



Christopher H. Franklin
Chairman, President and Chief Executive Officer



Daniel J. Schuller
Executive Vice President and Chief Financial Officer

February 27, 2025

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders 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, 2024 and 2023, 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, 2024, including the related notes and schedule of condensed parent company financial statements as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 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, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 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, 2024, 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, 2024, regulatory assets were \$1.94 billion and regulatory liabilities were \$0.77 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.



Philadelphia, Pennsylvania
February 27, 2025

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,	
	2024	2023
Assets		
Property, plant and equipment, at cost	\$ 16,275,377	\$ 14,977,021
Less: accumulated depreciation	3,131,901	2,879,949
Net property, plant and equipment	13,143,476	12,097,072
Current assets:		
Cash and cash equivalents	9,156	4,612
Accounts receivable, net	166,522	144,300
Unbilled revenues	142,310	101,436
Inventory - materials and supplies	48,619	47,494
Inventory - gas stored	45,311	65,173
Prepayments and other current assets	41,139	99,884
Regulatory assets	32,854	29,080
Total current assets	485,911	491,979
Regulatory assets	1,907,786	1,766,892
Deferred charges and other assets, net	112,712	102,388
Funds restricted for construction activity	1,420	1,381
Goodwill	2,340,713	2,340,738
Operating lease right-of-use assets	31,263	37,416
Intangible assets	3,273	3,593
Total assets	\$ 18,026,554	\$ 16,841,459

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,	
	2024	2023
Liabilities and Equity		
Essential Utilities stockholders' equity:		
Common stock at \$0.50 par value, authorized 600,000,000 shares, issued 278,209,660 and 276,595,228 as of December 31, 2024 and December 31, 2023	\$ 139,105	\$ 138,297
Capital in excess of par value	4,199,836	4,137,696
Retained earnings	1,949,492	1,706,675
Treasury stock, at cost, 3,386,069 and 3,299,191 shares as of December 31, 2024 and December 31, 2023	(89,624)	(86,485)
Total stockholders' equity	6,198,809	5,896,183
Long-term debt, excluding current portion	7,416,289	6,870,593
Less: debt issuance costs	47,908	44,508
Long-term debt, excluding current portion, net of debt issuance costs	7,368,381	6,826,085
Commitments and contingencies (See Note 9)		
Current liabilities:		
Current portion of long-term debt	142,807	67,415
Loans payable	186,542	160,123
Accounts payable	258,615	221,191
Book overdraft	47,714	13,358
Accrued interest	72,281	53,084
Accrued taxes	38,219	40,641
Regulatory liabilities	1,770	31,270
Dividends payable	89,441	83,929
Other accrued liabilities	137,279	126,916
Total current liabilities	974,668	797,927
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,831,868	1,628,324
Customers' advances for construction	113,323	128,755
Regulatory liabilities	764,745	820,910
Asset retirement obligations	860	848
Operating lease liabilities	27,447	34,425
Pension and other postretirement benefit liabilities	33,680	38,850
Other	23,928	24,086
Total deferred credits and other liabilities	2,795,851	2,676,198
Contributions in aid of construction	688,845	645,066
Total liabilities and equity	\$ 18,026,554	\$ 16,841,459

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,		
	2024	2023	2022
Operating revenues	\$ 2,086,113	\$ 2,053,824	\$ 2,288,032
Operating expenses:			
Operations and maintenance	587,250	575,518	613,649
Purchased gas	277,009	352,306	601,995
Depreciation	363,906	338,655	315,811
Amortization	5,646	5,040	5,366
Taxes other than income taxes	94,634	90,208	90,024
Total operating expenses	1,328,445	1,361,727	1,626,845
Operating income	757,668	692,097	661,187
Other expense (income):			
Interest expense	302,467	283,362	238,116
Interest income	(3,318)	(3,401)	(3,675)
Allowance for funds used during construction	(21,310)	(16,967)	(23,665)
Gain on sale of other assets	(92,224)	(65)	(991)
Other	(1,425)	(2,613)	494
Income before income taxes	573,478	431,781	450,908
Income tax benefit	(21,836)	(66,445)	(14,329)
Net income	\$ 595,314	\$ 498,226	\$ 465,237
Comprehensive income	\$ 595,314	\$ 498,226	\$ 465,237
Net income per common share:			
Basic	\$ 2.17	\$ 1.86	\$ 1.77
Diluted	\$ 2.17	\$ 1.86	\$ 1.77
Average common shares outstanding during the period:			
Basic	273,914	267,171	262,246
Diluted	274,421	267,659	262,868

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,	
	2024	2023
Stockholders' equity:		
Common stock, \$0.50 par value	\$ 139,105	\$ 138,297
Capital in excess of par value	4,199,836	4,137,696
Retained earnings	1,949,492	1,706,675
Treasury stock, at cost	(89,624)	(86,485)
Total stockholders' equity	6,198,809	5,896,183
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%	2024 to 2053	2,637
1.00% to 1.99%	2030 to 2046	11,732
2.00% to 2.99%	2024 to 2058	206,297
3.00% to 3.99%	2024 to 2056	1,258,003
4.00% to 4.99%	2024 to 2059	1,239,032
5.00% to 5.99%	2028 to 2061	312,260
6.00% to 6.99%	2026 to 2036	31,000
7.00% to 7.99%	2025 to 2027	27,888
8.00% to 8.99%	2025	447
9.00% to 9.99%	2026	11,800
		3,101,096
Notes payable to bank under revolving credit agreement, variable rate, due 2027	413,000	720,000
Unsecured notes payable:		
Notes at 2.40% due 2031	400,000	400,000
Notes at 2.704% due 2030	500,000	500,000
Notes ranging from 3.01% to 3.59%, due 2029 through 2050	1,125,000	1,125,000
Notes at 4.276%, due 2049	500,000	500,000
Notes at 4.80%, due 2027	500,000	-
Notes at 5.30%, due 2052	500,000	500,000
Notes at 5.375%, due 2034	500,000	-
Notes at 5.95%, due 2024 through 2034	20,000	30,000
Total long-term debt	7,559,096	6,938,008
Current portion of long-term debt	142,807	67,415
Long-term debt, excluding current portion	7,416,289	6,870,593
Less: debt issuance costs	47,908	44,508
Long-term debt, excluding current portion, net of debt issuance costs	7,368,381	6,826,085
Total capitalization	\$ 13,567,190	\$ 12,722,268

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, 2021	\$ 128,050	\$ 3,705,814	\$ 1,434,201	\$ (83,615)	\$ 5,184,450
Net income	-	-	465,237	-	465,237
Dividends declared and paid (\$1.1104 per share)	-	-	(288,632)	-	(288,632)
Dividends of March 1, 2023 declared (\$0.287 per share)	-	-	(75,808)	-	(75,808)
Issuance of common stock from stock purchase contracts (9,029,461 shares)	4,515	(4,515)	-	-	-
Issuance of common stock under dividend reinvestment plan (368,278 shares)	184	16,435	-	-	16,619
Issuance of common stock from at-the-market sale agreements (1,321,994 shares)	661	62,379	-	-	63,040
Repurchase of stock (25,037 shares)	-	-	-	(1,192)	(1,192)
Equity compensation plan (81,516 shares)	41	(41)	-	-	-
Exercise of stock options (69,684 shares)	35	2,440	-	-	2,475
Stock-based compensation	-	12,094	(667)	-	11,427
Other	-	(1,344)	-	1,114	(230)
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

See accompanying notes to consolidated financial statements.

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

	Years ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 595,314	\$ 498,226	\$ 465,237
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	369,552	343,695	321,177
Deferred income taxes	(27,756)	(79,845)	(23,045)
Provision for doubtful accounts	21,865	23,209	27,631
Stock-based compensation	9,785	11,323	12,206
Gain on sale of utility system and other assets	(92,224)	(65)	(991)
Net change in receivables, deferred purchased gas costs, inventory and prepayments	(103,335)	189,989	(223,335)
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	26,963	(14,559)	53,761
Pension and other postretirement benefits contributions	(9,394)	(20,343)	(22,027)
Other	(20,427)	(18,043)	(10,308)
Net cash flows from operating activities	770,343	933,587	600,306
Cash flows from investing activities:			
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of \$7,372, \$5,241 and \$6,047	(1,329,747)	(1,199,103)	(1,062,763)
Acquisitions of utility systems and other, net	(665)	(45,303)	(116,891)
Net proceeds from the sale of utility systems and other assets	167,470	41,758	1,081
Other	(339)	(19,080)	271
Net cash flows used in investing activities	(1,163,281)	(1,221,728)	(1,178,302)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	19,563	23,982	11,714
Repayments of customers' advances	(8,564)	(8,471)	(5,006)
Net proceeds (repayments) of short-term debt	26,418	(68,377)	163,500
Proceeds from long-term debt	1,649,546	1,207,619	1,646,742
Repayments of long-term debt	(1,027,473)	(876,379)	(977,175)
Change in cash overdraft position	34,356	(15,336)	(53,028)
Proceeds from issuance of common stock under dividend reinvestment plan	15,476	16,005	16,619
Proceeds from issuance of common stock from at-the-market sale agreement	36,134	322,983	63,040
Proceeds from exercised stock options	2,471	287	2,475
Repurchase of common stock	(4,048)	(3,981)	(1,192)
Dividends paid on common stock	(346,392)	(316,806)	(288,632)
Other	(5)	(171)	(230)
Net cash flows from financing activities	397,482	281,355	578,827
Net increase (decrease) in cash and cash equivalents	4,544	(6,786)	831
Cash and cash equivalents at beginning of year	4,612	11,398	10,567
Cash and cash equivalents at end of year	\$ 9,156	\$ 4,612	\$ 11,398
Cash paid during the year for:			
Interest, net of amounts capitalized	\$ 275,898	\$ 272,532	\$ 225,820
Income taxes	6,698	7,839	11,269
Non-cash investing activities:			
Property, plant and equipment additions purchased at the period end, but not yet paid	\$ 135,331	\$ 102,770	\$ 102,129
Non-cash utility property contributions	38,840	56,297	35,698

See accompanying notes to consolidated financial statements.

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

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

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 55% of our Regulated Water segment’s operating revenues and approximately 67% of our Regulated Water segment’s income for 2024. Aqua Pennsylvania’s service territory is located in the suburban areas north and west of the City of Philadelphia and in 27 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 745,000 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.

In October 2023, the Company closed on the sale of its regulated natural gas utility assets in West Virginia. In January 2024, the Company closed on the sale of its interest in three non-utility local microgrid and distributed energy projects. 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. See Note 3 – *Dispositions* for further information.

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 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.

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

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 estimated original cost, less applicable accumulated depreciation, and the purchase price may be recorded as an acquisition adjustment within utility plant as permitted by the applicable regulatory jurisdiction. At December 31, 2024 and 2023, utility plant includes a net credit acquisition adjustment of \$5,627 and \$6,444, respectively, which is generally being amortized from 10 to 53 years. Amortization of the acquisition adjustments totaled \$787 in 2024, \$2,103 in 2023, and \$2,788 in 2022.

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, 2024, \$1,635 of these costs have been incurred since the last respective rate proceeding and are considered probable of being included in future rates.

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, 2024, \$18,107 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.

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

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. During the year ended December 31, 2022, the Company recorded an impairment loss to write down a portion of the operating lease right-of-use asset for office space not used in operations to fair value. Refer to Note 10 – *Leases*, for further details.

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 2024 was \$13,938, 2023 was \$11,726, and 2022 was \$17,618. No interest was capitalized by our market-based businesses.

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.

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

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:

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

2022	Water Revenues	Wastewater Revenues	Natural Gas Revenues	Other Revenues
Revenues from contracts with customers:				
Residential	\$ 607,473	\$ 122,612	\$ 720,490	\$ -
Commercial	168,460	30,340	149,653	-
Fire protection	38,970	-	-	-
Industrial	32,581	1,755	5,636	-
Gas transportation & storage	-	-	205,825	-
Other water	55,389	-	-	-
Other wastewater	-	10,676	-	-
Other utility	-	-	61,393	11,478
Revenues from contracts with customers	902,873	165,383	1,142,997	11,478
Alternative revenue program	3,309	(71)	365	-
Other and eliminations	-	-	-	61,698
Consolidated	\$ 906,182	\$ 165,312	\$ 1,143,362	\$ 73,176

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

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.
- **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.

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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, 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.

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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 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 2024, as part of the annual goodwill assessment as of October 1, 2024, 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, 2022	\$ 58,504	\$ 2,277,447	\$ 4,841	\$ 2,340,792
Goodwill acquired	-	-	-	-
Reclassifications to utility plant acquisition adjustment	(54)	-	-	(54)
Balance at December 31, 2023	58,450	2,277,447	4,841	2,340,738
Goodwill acquired	-	-	-	-
Reclassifications to utility plant acquisition adjustment	(25)	-	-	(25)
Balance at December 31, 2024	<u>\$ 58,425</u>	<u>\$ 2,277,447</u>	<u>\$ 4,841</u>	<u>\$ 2,340,713</u>

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

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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 \$31,324 and \$45,983 as of December 31, 2024; and \$26,442 and \$43,025 as of December 31, 2023, 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 12 – *Fair Value of Financial Instruments* for further details. Refer to Note 16 – *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.

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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, 2024 and 2023.

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 December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*". The ASU enhances the transparency and decision usefulness of income tax disclosures and is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company plans to adopt the standard in its 2025 annual report on Form 10-K. The Company does not expect this ASU to have a significant impact to its current 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

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reports and registration statements, when material. A number of petitions have been filed in federal courts seeking to challenge the SEC's climate disclosure rule. As a result, in April 2024, the SEC placed a pause on its implementation of the new rule. We are evaluating the impact of the new rule and, depending on the outcome of the proceedings, will include the required disclosures once it becomes effective.

Pronouncements adopted during the fiscal year:

In November 2023, the FASB issued ASU 2023-07 *Segment Reporting - Improving Reportable Segment Disclosures (Topic 280)*. The update is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker (CODM), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires certain annual disclosures currently required by Topic 280 to be included in interim periods. The update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. The Company adopted the updated provisions in this 2024 annual report on Form 10-K.

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

Note 2 – Acquisitions

Water and Wastewater Utility Acquisitions – Completed

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 serve 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. 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.

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

In March 2022, the Company acquired the wastewater system of Lower Makefield Township, which serves 11,323

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customer connections in Lower Makefield, Falls, and Middletown townships, and Yardley Borough, Bucks County, Pennsylvania, for a cash purchase price of \$53,000.

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 are \$32.

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 \$7,715 in 2024 and \$3,290 in 2023.

The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for the utility systems acquired in 2022 were \$19,013 in 2024, \$18,039 in 2023 and \$11,393 in 2022.

The purchase price allocation for these acquisitions consisted primarily of property, plant and equipment. The pro forma effect of the utility systems acquired is not material either individually or collectively to the Company's results of operations.

Water and Wastewater Utility Acquisitions – Pending Completion

In 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 August 2024, the Company entered into a purchase agreement to acquire the Village of Midvale's water system in Ohio, which serves approximately 900 customers for \$2,950.

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 December 2023, the Company entered into a purchase agreement to acquire North Versailles wastewater assets in North Versailles Township, Pennsylvania which serves approximately 4,400 customers for between \$25,000 and \$30,000. In August 2024, the purchase agreement was terminated mutually by the Company and the Authority.

In September 2023, the Company entered into a purchase agreement to acquire Greenville Municipal Water Authority's water system in Greenville, Pennsylvania which serves approximately 3,000 customers for \$18,000.

In October 2021, the Company entered into a purchase agreement to acquire the wastewater utility assets of the City of Beaver Falls, Pennsylvania which consists of approximately 7,600 customers for \$41,250.

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 revolving credit facility until permanent debt and common equity are secured. These pending acquisitions are expected to close in 2025. Closing for our utility acquisitions are subject to the timing of the respective regulatory approval processes.

East Whiteland Purchase Agreement

On July 29, 2022, the Pennsylvania Public Utility Commission issued an order (the "PUC Order") approving the Company's acquisition of the municipal wastewater assets of East Whiteland Township, Chester County, Pennsylvania, which serves 4,018 customers (the "East Whiteland Wastewater Assets"). On August 12, 2022, the Company acquired the East Whiteland Wastewater Assets for a cash purchase price of \$54,374. Subsequently on August 25, 2022, the Office of Consumer Advocate ("OCA") filed an appeal of the PUC Order to the Pennsylvania Commonwealth Court. On July 31, 2023, a decision was issued by the Pennsylvania Commonwealth Court, in which

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the Pennsylvania Commonwealth Court agreed with the OCA and reversed the PUC order which approved the acquisition. On September 26, 2023, the Pennsylvania Commonwealth Court denied our motion for reargument. On October 26, 2023, the Company, the Pennsylvania Public Utility Commission, and East Whiteland Township filed an appeal to the Pennsylvania Supreme Court. East Whiteland Township filed to Supplement its Petition for Allowance of Appeal on January 2, 2024. On January 16, 2024, the Company, the OCA and the PUC filed Answers to East Whiteland Township's Petition. On June 14, 2024, the Pennsylvania Supreme Court granted the Petitions for Allowance of Appeal of the Pennsylvania Public Utility Commission, the Company, and East Whiteland Township. The Company, the Pennsylvania Public Utility Commission, East Whiteland Township, and several Amicus Curiae filed Initial Briefs on September 26, 2024. The OCA submitted its Brief on December 10, 2024. The Company, the Pennsylvania Public Utility Commission, and East Whiteland Township submitted Reply Briefs on January 10, 2025. Management believes the final resolution of this matter is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

DELCORA Purchase Agreement

In 2019, the Company entered into a purchase agreement to acquire the wastewater utility system assets of the Delaware County Regional Water Quality Control Authority ("DELCORA"), which consists of approximately 16,000 customers, or the equivalent of 198,000 retail customers, in 42 municipalities in Southeast Pennsylvania for \$276,500. There are several legal proceedings involving the Company as a result of the purchase agreement that are on-going. On January 25, 2023, DELCORA filed in the Delaware Court of Common Pleas a complaint for Declaratory Judgment seeking resolution of whether the County Ordinance dissolving DELCORA is a final action prohibiting DELCORA from carrying out the material transaction of the Asset Purchase Agreement and, in the event that DELCORA retains the ability to close the transaction, whether DELCORA is permitted to exist as a trust. On February 14, 2023, the Company filed preliminary objections to DELCORA's complaint. DELCORA filed an answer and new matter to the Company's preliminary objections on February 21, 2023. On December 3, 2024, the Delaware County Court of Common Pleas issued an order that sustained Aqua's preliminary objections and dismissed DELCORA's complaint. The purchase price for this pending acquisition is subject to certain adjustments at closing, and is subject to regulatory approval, including the final determination of the fair value of the rate base acquired. We plan to finance the purchase price of this acquisition with a mix of equity and debt financing, utilizing our revolving credit facility until permanent debt is secured. Closing of our acquisition of DELCORA is subject to regulatory approval and on-going litigation.

Note 3 – Dispositions

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 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.

In October 2023, the Company entered into an agreement to sell its interest in three non-utility local microgrid and distributed energy projects for \$165,000. As of December 31, 2023, balances associated with these projects of \$63,182 were included in prepayments and other current assets in the condensed consolidated balance sheets. The sale was completed in January 2024, and the Company recognized a gain of \$91,236 during the first quarter of 2024, which is included in other expense (income) in the accompanying consolidated statement of operations.

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.

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Note 4 – Property, Plant and Equipment

	December 31,		Approximate Range of Useful Lives	Weighted Average Useful Life
	2024	2023		
Regulated Water segment:				
Utility plant and equipment:				
Mains and accessories	\$ 4,781,229	\$ 4,523,718	26-90 years	73 years
Services, hydrants, treatment plants and reservoirs	3,315,076	3,140,497	5-89 years	56 years
Operations structures and water tanks	448,040	413,147	15-80 years	48 years
Miscellaneous pumping and purification equipment	1,328,806	1,237,967	7-76 years	42 years
Meters, transportation and other operating equipment	1,152,416	1,104,643	5-84 years	28 years
Land and other non-depreciable assets	141,835	143,752	-	-
Utility plant and equipment - regulated water segment	11,167,402	10,563,724		
Utility construction work in progress	405,751	315,973	-	-
Net utility plant acquisition adjustment	(5,627)	(6,444)	10-53 years	22 years
Non-utility plant and equipment	20,073	20,019	17-64 years	58 years
Property, Plant and Equipment - Regulated Water segment	11,587,599	10,893,272		
Regulated Natural Gas segment:				
Natural gas transmission	444,560	429,465	29-97 years	61 years
Natural gas storage	62,706	62,157	30-89 years	44 years
Natural gas gathering and processing	155,470	147,700	22-96 years	47 years
Natural gas distribution	3,279,497	2,733,054	21-81 years	53 years
Meters, transportation and other operating equipment	637,712	613,653	5-61 years	24 years
Land and other non-depreciable assets	4,839	4,139	-	-
Utility plant and equipment - Regulated Natural Gas segment	4,584,784	3,990,168		
Utility construction work-in-progress	102,994	93,581	-	-
Property, plant and equipment - Regulated Natural Gas segment	4,687,778	4,083,749		
Total property, plant and equipment	\$ 16,275,377	\$ 14,977,021		

Note 5 – Accounts Receivable

	December 31,	
	2024	2023
Billed utility revenue	\$ 211,168	\$ 199,986
Other	14,295	4,887
	225,463	204,873
Less allowance for doubtful accounts	58,941	60,573
Net accounts receivable	\$ 166,522	\$ 144,300

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As of December 31, 2024, 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, 2024, 2023, and 2022. The following table summarizes the changes in the Company's allowance for doubtful accounts:

	2024	2023	2022
Balance at January 1,	\$ 60,573	\$ 63,981	\$ 58,073
Amounts charged to expense	21,865	23,209	27,631
Accounts written off	(24,190)	(27,759)	(22,507)
Recoveries of accounts written off and other	693	1,142	784
Balance at December 31,	<u>\$ 58,941</u>	<u>\$ 60,573</u>	<u>\$ 63,981</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 and utility plant retirement 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, 2024		December 31, 2023	
	Regulatory Assets	Regulatory Liabilities	Regulatory Assets	Regulatory Liabilities
Income taxes	\$ 1,712,714	528,656	\$ 1,553,111	599,088
Purchased gas costs	21,366	413	21,019	29,807
Utility plant retirement costs	29,146	75,270	38,148	68,815
Post-retirement benefits	80,875	160,851	80,000	153,816
Accrued vacation	418	-	1,877	-
Water tank painting	11,242	-	17,044	-
Fair value adjustment of long-term debt assumed in acquisition	30,603	-	38,482	-
Debt refinancing	11,587	-	12,674	-
Rate case filing expenses and other	42,689	1,325	33,617	654
	<u>\$ 1,940,640</u>	<u>\$ 766,515</u>	<u>\$ 1,795,972</u>	<u>\$ 852,180</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 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

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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.

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 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.

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*.

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Note 7 – Income Taxes

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

	Years Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ -	\$ 1,913	\$ -
State	5,920	11,487	8,716
	<u>5,920</u>	<u>13,400</u>	<u>8,716</u>
Deferred:			
Federal	(4,583)	(103,617)	(8,258)
State	(23,173)	23,772	(14,787)
	<u>(27,756)</u>	<u>(79,845)</u>	<u>(23,045)</u>
Total income tax benefit	<u>\$ (21,836)</u>	<u>\$ (66,445)</u>	<u>\$ (14,329)</u>

The statutory Federal tax rate is 21% for 2024, 2023, and 2022. For states with a corporate net income tax, the state corporate net income tax rates range from 2.5% to 9.99% for the years presented. The Company's effective income tax rate for 2024, 2023, and 2022 was (3.8)%, (15.4)%, and (3.2)%, respectively. The Company remains subject to examination by federal and state tax authorities for the tax years of 2021 through 2024.

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

	Years Ended December 31,		
	2024	2023	2022
Computed Federal tax expense at statutory rate	\$ 120,430	\$ 90,674	\$ 94,691
Decrease in Federal tax expense related to the flow through benefit of repair deductions	(107,853)	(117,370)	(72,302)
Amortization of deferred benefit from repair method changes	(18,454)	(18,454)	(21,012)
State income taxes, net of Federal tax benefit	(13,745)	(15,115)	(3,972)
Amortization of excess deferred income taxes	(5,971)	(8,324)	(8,425)
Net change in unrecognized tax benefit	288	(4,796)	718
Valuation allowance for deferred tax assets	4,747	8,148	-
Other, net	(1,278)	(1,208)	(4,027)
Actual income tax benefit	<u>\$ (21,836)</u>	<u>\$ (66,445)</u>	<u>\$ (14,329)</u>

As of December 31, 2024, and 2023, a change in valuation allowance for state deferred tax assets in the amounts of \$(4,206) and \$10,969, 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.

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In April 2023, the Internal Revenue Service issued Revenue Procedure 2023-15 which provides a safe harbor method of accounting that taxpayers may use to determine whether expenses to repair, maintain, replace, or improve natural gas transmission and distribution property must be capitalized for tax purposes. The Company adopted the methodology on its 2023 tax return. In the second quarter of 2023, based on the tax legislative guidance that was issued, the Company reevaluated the uncertain tax positions related to the Regulated Water Segment and ultimately released a portion of its historical income tax reserves. Concurrently, the Company deferred this tax benefit from the reserve release as a regulatory liability. Based on the rate order received by Aqua Pennsylvania in February 2025, the tax benefit of \$4,874 from the reserve release 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:

	2024	2023	2022
Balance at January 1,	\$ 7,898	\$ 18,217	\$ 20,201
Impact of current year activity	309	7,219	(900)
Effect of Pennsylvania tax rate change	-	-	(1,084)
Decrease for prior year tax positions	-	(17,538)	-
Balance at December 31,	<u>\$ 8,207</u>	<u>\$ 7,898</u>	<u>\$ 18,217</u>

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, 2024, 2023, and 2022, there were expenses of \$216, \$23, and \$118 for interest and penalties related to uncertain tax positions. As of December 31, 2024, 2023 and 2022, the Company recognized liabilities of \$360, \$144, and \$620, 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, 2024, 2023, and 2022, \$7,216, \$6,918, and \$35,267, 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.

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

	December 31,	
	2024	2023
Deferred tax assets:		
Customers' advances for construction	\$ 26,394	\$ 20,332
Costs expensed for book not deducted for tax, principally accrued expenses	19,642	35,577
Post-retirement benefits	1,638	1,368
Tax effect of regulatory liabilities for post-retirement benefits	44,567	49,199
Tax attributes and credit carryforwards	494,318	458,001
Operating lease liabilities	9,532	11,529
Other	2,937	-
	599,028	576,006
Less valuation allowance	(166,249)	(149,486)
	432,779	426,520
Deferred tax liabilities:		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	1,820,785	1,662,741
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates, the effect of temporary differences	408,624	348,646
Tax effect of regulatory assets for post-retirement benefits	22,151	28,092
Deferred investment tax credit	4,601	4,771
Operating lease right-of-use assets	8,486	10,301
Other	-	293
	2,264,647	2,054,844
Net deferred tax liability	\$ 1,831,868	\$ 1,628,324

Certain prior year amounts have been reclassified for consistency with the current year presentation.

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

	2024	2023	2022
Balance at January 1,	\$ 149,486	\$ 38,940	\$ 36,662
Amounts charged to expense	542	16,311	2,278
Amounts charged to regulatory assets	16,221	94,235	-
Balance at December 31,	\$ 166,249	\$ 149,486	\$ 38,940

At December 31, 2024, the Company has a cumulative Federal NOL of \$1,425,886. 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, 2024, the Company has a cumulative state NOL of \$2,811,033, 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, 2024, the Company has a cumulative state valuation allowance of \$2,282,663. The state NOL began expiring in 2023.

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At December 31, 2024, the Company's Federal and state NOL carryforwards are reduced by an unrecognized tax position of \$19,549 and \$13,818, 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 \$1,406,337 and \$2,797,215, respectively. The Company records its unrecognized tax benefit as a component of its net deferred income tax liability.

At December 31, 2024, the Company has a cumulative Federal charitable contribution of \$61,404, on which a valuation allowance of \$61,404 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, 2024, the Company has a cumulative state charitable contribution of \$56,894 on which a valuation allowance of \$56,894 has been recorded as the Company does not believe these state charitable contributions are more likely than not to be realized.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was enacted into law, which, among other things, implements a 15% minimum tax on book income of certain large corporations, and a 1% excise tax on net stock repurchases after December 31, 2022. The alternative minimum tax would not be applicable in our next fiscal year because it is based on a three-year average annual adjusted financial statement income in excess of \$1,000,000. We are continuing to assess the future impact of the provisions of the IRA on our consolidated financial statements. As a regulated utility, taxes have been traditionally recognized by state public utility commissions as appropriate for inclusion in establishing rates.

On July 8, 2022, Pennsylvania enacted House Bill 1342 into law, which, among other things, reduces Pennsylvania's corporate income tax rate from 9.99% to 8.99% beginning January 1, 2023, and an additional 0.5% annually through 2031, when it reaches to 4.99%. The Company evaluated the impacts of the tax rate change and recorded a reduction to our deferred tax liabilities with a corresponding reduction primarily to our regulatory assets.

Note 8 – Taxes Other than Income Taxes

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

	Years Ended December 31,		
	2024	2023	2022
Property	\$ 34,569	\$ 32,790	\$ 33,703
Gross receipts, excise and franchise	17,801	17,985	16,828
Payroll	22,930	21,628	21,343
Regulatory assessments	7,836	7,451	6,771
Pumping fees	8,049	6,405	7,881
Other	3,449	3,949	3,498
Total taxes other than income taxes	<u>\$ 94,634</u>	<u>\$ 90,208</u>	<u>\$ 90,024</u>

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Note 9 – 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 2029 are expected to average \$2,204, and the aggregate of the years remaining approximates \$3,027.

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:

	2025		2026		2027		2028		2029		Thereafter
\$	1,157	\$	1,183	\$	1,209	\$	657	\$	668	\$	989

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 2029 are expected to average \$239,663, and the aggregate of the years remaining beyond 2029 approximates \$950,055.

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

	Years Ended December 31,		
	2024	2023	2022
Purchased water under long-term agreements	\$ 7,633	\$ 6,752	\$ 5,559
Water treatment expense under contractual agreement	1,125	1,103	1,061
Purchased natural gas under long-term agreements	277,009	352,306	601,995

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, 2024, the aggregate amount of \$23,815 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, 2024, estimates that approximately \$688 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

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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. 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. 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, 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. 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 February and April 2024, the MDL court issued its final approval of the DuPont and 3M class action settlements, respectively. In April 2024 and May 2024, Tyco Fire Products LP and BASF Corp, respectively, filed similar class action settlements in the MDL court to resolve claims, and, on November 11, 2024, received final approval from the MDL court. The Company submitted the phase one public water system claims requirements pursuant to the Dupont and 3M settlement agreements and will submit other requirements within the time period provided by the MDL court. The amount of recovery, if any, by the Company is uncertain.

Although the results of legal proceedings cannot be predicted with certainty, other than disclosed above, there are no pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of its properties is the subject that are material or are expected to have a material effect on the Company's financial position, results of operations or cash flows.

In addition to the aforementioned loss contingencies, the Company self-insures a portion of its employee medical benefit program, and maintains stop-loss coverage to limit the exposure arising from these claims. The Company's reserve for these claims totaled \$2,295 and \$1,846 at December 31, 2024 and 2023, respectively, and represents a reserve for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

Note 10 – 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 70 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.

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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 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.

On January 6, 2022, the Company entered into an amendment to an office lease that provided for the partial termination of the Company's obligations with respect to a portion of the leased premises of approximately 37,000 rentable square feet. The Company paid a termination fee of \$2,812, reduced its remaining lease payments by \$1,753 and recognized a loss on the partial termination of the lease of \$1,801 that is included within operations and maintenance expense in the consolidated statements of operations and comprehensive income.

	Years Ended December 31,		
	2024	2023	2022
Components of lease expense were as follows:			
Operating lease cost	\$ 9,821	\$ 9,307	\$ 9,359

	Years Ended December 31,	
	2024	2023
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	\$ 8,148	\$ 9,149

	December 31,	
	2024	2023
Supplemental balance sheet information related to leases was as follows:		
Operating leases:		
Operating lease right-of-use assets	\$ 31,263	\$ 37,416
Other accrued liabilities	\$ 7,591	7,360
Operating lease liabilities	27,447	34,425
Total operating lease liabilities	\$ 35,038	\$ 41,785

	December 31,	
	2024	2023
Weighted average remaining lease term:		
Operating leases	10.2 years	10.1 years
Weighted average discount rate:		
Operating leases	5.15%	4.87%

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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, 2024 are as follows:

	Operating Leases
2025	\$ 9,144
2026	7,515
2027	7,262
2028	6,870
2029	1,075
Thereafter	12,827
Total operating lease payments	<u>\$ 44,693</u>
Total operating lease payments	\$ 44,693
Less operating lease liabilities	35,038
Present value adjustment	<u>\$ 9,655</u>

Note 11 – 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, 2024 and 2023. 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, 2024, restrictions on the net assets of the Company were \$4,886,450 of the total \$6,198,809 in net assets. Included in this amount were restrictions on Aqua Pennsylvania's net assets of \$1,817,084 of their total net assets of \$2,540,787. As of December 31, 2024, \$2,626,620 of Aqua Pennsylvania's retained earnings of \$2,646,620 and \$372,979 of the retained earnings of \$578,490 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, the future sinking fund payments and debt maturities of the Company's long-term debt are as follows:

Interest Rate Range	2025	2026	2027	2028	2029	Thereafter
0.00% to 0.99%	\$ 250	\$ 232	\$ 199	\$ 199	\$ 199	\$ 1,558
1.00% to 1.99%	758	1,089	1,917	1,941	1,965	4,062
2.00% to 2.99%	1,427	1,304	1,111	906	774	1,100,775
3.00% to 3.99%	1,343	807	206,657	362	400,336	1,773,498
4.00% to 4.99%	115,621	3,818	501,626	1,628	1,558	1,614,781
5.00% to 5.99%	-	-	-	3,000	-	1,329,260
6.00% to 6.99%	-	5,000	20,000	-	-	6,000
7.00% to 7.99%	23,000	-	4,888	-	-	-
8.00% to 8.99%	408	39	-	-	-	-
9.00% to 9.99%	-	11,800	-	-	-	-
Total	<u>\$ 142,807</u>	<u>\$ 24,089</u>	<u>\$ 736,398</u>	<u>\$ 8,036</u>	<u>\$ 404,832</u>	<u>\$ 5,829,934</u>

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

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notes (1) to repay a portion of the borrowings under the Company's existing five year unsecured revolving credit facility, and (2) for general corporate purposes.

In August 2023, the Company's subsidiary, Aqua Pennsylvania, issued \$225,000 in aggregate principal amount of first mortgage bonds. The bonds consisted of \$175,000 of 5.48% first mortgage bonds due in 2053; and \$50,000 of 5.56% first mortgage bonds due in 2061. In January 2023, Aqua Pennsylvania issued \$75,000 of first mortgage bonds, due in 2043, and with an interest rate of 5.60%. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

The weighted average cost of long-term debt at December 31, 2024 and 2023 was 4.14% and 4.14%, respectively. The weighted average cost of fixed rate long-term debt at December 31, 2024 and 2023 was 4.03% and 3.86%, respectively.

On December 14, 2022, the Company entered into a five year \$1,000,000 unsecured revolving credit facility, which replaced the Company's prior five year \$1,000,000 unsecured revolving credit facility. The facility includes a \$100,000 sublimit for daily demand loan. Funds borrowed under this facility are classified as long-term debt and are used to provide working capital as well as support for letters of credit for insurance policies and other financing arrangements. As of December 31, 2024, the Company has the following sublimits and available capacity under the credit facility: \$100,000 letter of credit sublimit, \$83,226 of letters of credit available capacity, \$0 borrowed under the swing-line commitment, \$570,226 was available for borrowing and \$413,000 of funds borrowed under the agreement. 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 6.17% and 6.30%, and the average borrowing was \$292,017 and \$537,983, during 2024 and 2023, respectively.

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 2024, 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 12, 2024, Aqua Pennsylvania and Peoples Natural Gas Companies amended the terms of their respective \$100,000 and \$300,000, 364-day revolving credit agreements, as follows: (1) extended the maturity dates to June 10, 2025; and (2) revised the interest rate index from the Bloomberg Short-Term Bank Yield Index (BSBY) to SOFR. The funds borrowed under these agreements are classified as loans payable and are used to provide working capital.

As of December 31, 2024 and 2023, funds borrowed under the Aqua Pennsylvania revolving credit agreement were \$31,158 and \$23,123, respectively. Interest under this facility is based, at the borrower's option, on the prime rate, an adjusted overnight bank funding rate, or, effective June 12, 2024, an adjusted SOFR (prior benchmark rate was an adjusted BSBY floating 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 5.9% and 5.36%, and the average borrowing was \$29,074 and \$19,275, during 2024 and 2023, respectively. The maximum amount outstanding at the end of any one month was \$42,691 and \$54,472 in 2024 and 2023, respectively.

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
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As of December 31, 2024 and 2023, funds borrowed under the Peoples Natural Gas Companies revolving credit agreement were \$155,384 and \$137,000, respectively. Interest under this facility is based, at the borrower's option, at the prime rate, an adjusted overnight bank funding rate, or, effective June 12, 2024, an adjusted SOFR (prior benchmark rate was an adjusted BSBY floating 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 6.18% and 5.97%, and the average borrowing was \$96,609 and \$78,952, during 2024 and 2023, respectively. The maximum amount outstanding at the end of any one month was \$158,249 and \$161,500 in 2024 and 2023, respectively.

At December 31, 2023, the Company had other combined short-term lines of credit of \$35,500. During the third quarter of 2024, the Company terminated these lines as they were no longer needed. There were no funds borrowed under these short-term lines of credit in 2024 and 2023, and, if borrowings were outstanding, they would have been classified as loans payable and used to provide working capital.

Interest Income and Expense— Interest income of \$3,318, \$3,401, and \$3,675 was recognized for the years ended December 31, 2024, 2023, and 2022, respectively. Interest expense was \$302,467, \$283,362, and \$238,116 in 2024, 2023, and 2022, including amounts capitalized for borrowed funds of \$7,372, \$5,241, and \$6,047, respectively.

Note 12 – 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, 2024 and 2023, the carrying amount of the Company's loans payable was \$186,542 and \$160,123, respectively, which equates to their estimated fair value. The fair value of cash and cash equivalents is determined based on Level 1 methods and assumptions. As of December 31, 2024 and 2023, the carrying amounts of the Company's cash and cash equivalents were \$9,156 and \$4,612, respectively, which equates to their fair value. The Company's assets underlying the deferred compensation and non-qualified pension plans are determined by the fair value of mutual funds, which are based on quoted market prices from active markets utilizing Level 1 methods and assumptions. As of December 31, 2024 and 2023, the carrying amount of these securities was \$31,324 and \$26,442, 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,		
	2024	2023	2022
Net gain (loss) recognized during the period on equity securities	\$ 1,158	\$ 582	\$ (895)
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>\$ 1,158</u>	<u>\$ 582</u>	<u>\$ (895)</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."

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

	December 31,	
	2024	2023
Carrying amount	\$ 7,559,096	\$ 6,938,008
Estimated fair value	\$ 6,431,777	\$ 5,980,722

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration utilizing Level 2 methods and assumptions.

Note 13 – Stockholders' Equity

At December 31, 2024, 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,		
	2024	2023	2022
Shares outstanding	274,823,591	273,296,037	263,737,084
Treasury shares	3,386,069	3,299,191	3,236,237

At December 31, 2024, the Company had 1,770,819 shares of authorized but unissued Series Preferred Stock, \$1.00 par value.

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, 2024 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 2024, 2023, and 2022, the Company sold 433,688, 430,487, and 368,278 original issue shares of common stock through the dividend reinvestment portion of the Plan, for net proceeds of \$15,476, \$16,005, and \$16,619, 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.

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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").

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. 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. During the year ended December 31, 2022, the Company issued 1,321,994 shares of common stock for net proceeds of \$63,040 under the 2022 ATM. There were no common stock sales under the 2022 ATM in 2024. The Company used the net proceeds from the sales of shares through the 2022 and 2024 ATMs for working capital, capital expenditures, water and wastewater utility acquisitions, and repaying a portion of outstanding indebtedness.

Tangible Equity Unit Issuances

On April 23, 2019, the Company issued \$690,000, less expenses of \$16,358, of its tangible equity units (the "Units"), with a stated amount of \$50 per unit, as part of the financing of the Peoples Gas Acquisition. Each Unit consisted of a prepaid stock purchase contract and an amortizing note, each issued by the Company. The amortizing notes had an initial principal amount of \$8.62909, or \$119,081 in aggregate, and yielded interest at a rate of 3.00% per year, and paid equal quarterly cash installments of \$0.75000 per amortizing note (except for the July 30, 2019 installment payment, which was \$0.80833 per amortizing note), that constituted a payment of interest and a partial repayment of principal. This cash payment in the aggregate was equivalent to 6.00% per year with respect to each \$50 stated amount of the Units. The amortizing notes represented unsecured senior obligations of the Company. During 2022, 981,919 stock purchase contracts were early settled by the holders of the contracts prior to the mandatory settlement date, resulting in the issuance of 1,166,107 shares of the Company's common stock. On May 2, 2022, the remaining 6,621,315 stock purchase contracts were each mandatorily settled for 1.18758 shares of the Company's common stock, and in the aggregate the Company issued 7,863,354 shares of its common stock. Additionally, the final quarterly installment payment was made, which resulted in the complete pay-off of the amortizing notes.

Note 14 – 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 and the weighted average minimum number of shares issued upon settlement of the stock purchase contracts issued under the tangible equity units. Diluted net income per share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock-based compensation and shares issuable under the forward equity sale agreement (from the date the Company entered into the forward equity sale agreement to the settlement date) are included in the computation of diluted net income per common share. The dilutive effect of stock-based compensation and shares issuable under the forward equity sale agreement are calculated by using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation and settlement of the forward equity sale agreement. The treasury stock method assumes that the proceeds from stock-based compensation and settlement of the forward equity sale agreement 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,		
	2024	2023	2022
Average common shares outstanding during the period for basic computation	273,914	267,171	262,246
Effect of dilutive securities:			
Employee stock-based compensation	507	488	622
Average common shares outstanding during the period for diluted computation	274,421	267,659	262,868

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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 243,780, 148,725 and 77,506 for the years ended December 31, 2024, 2023 and 2022, 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.

On May 2, 2022, all of the remaining stock purchase contracts under the tangible equity units were mandatorily settled. For the year ended December 31, 2022, the weighted average impact of 2,932,010 shares was included in the basic computation of the average common shares outstanding based on the number of shares that were issued upon settlement of the stock purchase contracts under the tangible equity units.

Note 15 – 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, 2024, 1,197,122 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 2024, 2023, and 2022, 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 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 2024, 2023, and 2022 PSU grants consisted of the following metrics:

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)	38.46%
Metric 2 – Achievement of a targeted cumulative level of rate base growth as a result of acquisitions (a performance-based condition)	30.77%
Metric 3 – Achievement of targets for maintaining consolidated operations and maintenance expenses over the three-year measurement period (a performance-based condition)	30.77%

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

	Years ended December 31,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 5,787	\$ 6,942	\$ 7,950
Income tax benefit	\$ 1,450	\$ 1,741	\$ 1,997

The following table summarizes nonvested PSU transactions for the year ended December 31, 2024:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	531,437	\$ 40.03
Granted	227,284	38.10
Performance criteria adjustment	(50,562)	39.47
Forfeited	(48,078)	41.37
Share units issued	(96,425)	43.40
Nonvested share units at end of period	563,656	\$ 38.61

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,		
	2024	2023	2022
Expected term (years)	3.0	3.0	3.0
Risk-free interest rate	4.19%	4.43%	1.75%
Expected volatility	22.4%	33.8%	31.9%
Weighted average fair value of PSUs granted	\$ 38.10	\$ 45.06	\$ 42.33
Intrinsic value of vested PSUs	\$ 3,421	\$ 7,483	\$ -
Fair value of vested PSUs	\$ 4,168	\$ 9,692	\$ -

As of December 31, 2024, \$9,729 of unrecognized compensation costs related to PSUs is expected to be recognized over a weighted average period of approximately 1.8 years. The aggregate intrinsic value of PSUs as of December 31, 2024 was \$20,472. 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.

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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. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. 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,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 2,802	\$ 2,877	\$ 2,927
Income tax benefit	\$ 702	\$ 722	\$ 736

The following table summarizes nonvested RSU transactions for the year ended December 31, 2024:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	192,217	\$ 45.06
Granted	104,661	36.61
Stock units vested	(66,040)	44.40
Forfeited	(20,589)	41.37
Nonvested stock units at end of period	210,249	\$ 41.40

The following table summarizes the value of RSUs:

	Years ended December 31,		
	2024	2023	2022
Weighted average fair value of RSUs granted	\$ 36.61	\$ 45.53	\$ 44.74
Intrinsic value of vested RSUs	\$ 2,348	\$ 2,427	\$ 3,090
Fair value of vested RSUs	\$ 2,930	\$ 2,665	\$ 2,483

As of December 31, 2024, \$3,596 of unrecognized compensation costs related to RSUs is expected to be recognized over a weighted average period of approximately 1.5 years. The aggregate intrinsic value of RSUs as of December 31, 2024 was \$7,636. 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 2024, 2023 and 2022 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.

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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,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expenses	\$ 304	\$ 650	\$ 451
Income tax benefit	\$ 76	\$ 162	\$ 140

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:

	2024	2023	2022
Expected term (years)	5.5	5.5	5.5
Risk-free interest rate	4.00%	4.03%	1.92%
Expected volatility	28.30%	27.80%	26.50%
Dividend yield	3.43%	2.53%	2.37%
Grant date fair value per option	\$ 8.12	\$ 11.37	\$ 9.34

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a 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, 2024:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding, beginning of year	882,442	\$ 37.03		
Granted	119,548	35.78		
Forfeited	(17,917)	39.27		
Expired / Cancelled	(7,851)	43.74		
Exercised	(69,320)	35.65		
Outstanding at end of year	906,902	\$ 36.87	5.1	\$ 713
Exercisable at end of year	732,590	\$ 36.27	4.2	\$ 655

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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,		
	2024	2023	2022
Intrinsic value of options exercised	\$ 172	\$ 64	\$ 960
Fair value of options vested	\$ 502	\$ 236	\$ 1,203

The following table summarizes information about the options outstanding and options exercisable as of December 31, 2024:

	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	50,975	2.1	\$ 30.47	50,975	\$ 30.47
\$34.00 - 34.99	86,714	3.2	34.51	86,714	34.51
\$35.00 - 35.99	633,620	5.0	35.94	525,433	35.94
\$36.00 and above	135,593	7.6	45.24	69,468	45.18
	<u>906,902</u>	5.1	\$ 36.87	<u>732,590</u>	\$ 36.27

As of December 31, 2024, there was \$122 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 0.7 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,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 53	\$ 43	\$ 50
Income tax benefit	\$ 15	\$ 12	\$ 15

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The following table summarizes restricted stock transactions for the year ended December 31, 2024:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	1,412	\$ 35.42
Granted	1,268	39.43
Vested	(1,412)	35.42
Nonvested shares at end of period	<u>1,268</u>	<u>\$ 39.43</u>

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,		
	2024	2023	2022
Stock-based compensation within operations and maintenance expense	\$ 840	\$ 810	\$ 715
Income tax benefit	\$ 233	\$ 228	\$ 207

The following table summarizes the value of stock awards:

	Years ended December 31,		
	2024	2023	2022
Intrinsic and fair value of stock awards vested	\$ 840	\$ 810	\$ 715
Weighted average fair value of stock awards granted	\$ 36.82	\$ 41.58	\$ 46.44

The following table summarizes stock award transactions for year ended December 31, 2024:

	Number of Stock Awards	Weighted Average Fair Value
Nonvested stock awards at beginning of period	-	\$ -
Granted	22,813	36.82
Vested	(22,813)	36.82
Nonvested stock awards at end of period	<u>-</u>	<u>\$ -</u>

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Note 16 – 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 \$4,003 and \$30,347 to participants who elected this option during 2024 and 2023, respectively. During 2023, we made lump-sum pension benefit distributions exceeding the cumulative amount of service and interest cost components of the net periodic pension cost for the year, which is the settlement accounting threshold. A settlement loss of \$5,173 was recorded as a regulatory asset, as it is probable of recovery in future rates, and will be amortized into pension benefit costs. A settlement loss is the recognition of unrecognized pension benefit costs that would have been incurred in subsequent periods.

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.

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

	Pension Benefits	Other Post-retirement Benefits
Years:		
2025	\$ 26,780	\$ 5,357
2026	26,492	5,503
2027	28,235	5,870
2028	26,920	6,147
2029	26,560	6,488
2030-2034	117,508	32,521

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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	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation at January 1,	\$ 313,698	\$ 324,690	\$ 91,502	\$ 83,501
Service cost	1,429	1,507	1,453	1,347
Interest cost	15,632	16,007	4,450	4,476
Actuarial loss/(gain)	(12,579)	20,418	(1,071)	5,008
Plan participants' contributions	-	-	121	106
Benefits paid	(23,144)	(18,577)	(7,439)	(2,936)
Settlements	-	(30,347)	(6,052)	-
Benefit obligation at December 31,	<u>295,036</u>	<u>313,698</u>	<u>82,964</u>	<u>91,502</u>
Change in plan assets:				
Fair value of plan assets at January 1,	312,303	333,176	95,005	85,994
Actual return on plan assets	(4,959)	7,648	11,781	12,060
Employer contributions	9,393	20,343	-	-
Participants' contributions	-	-	121	106
Benefits paid	(23,085)	(18,517)	(6,605)	(3,155)
Settlements	-	(30,347)	(6,052)	-
Fair value of plan assets at December 31,	<u>293,652</u>	<u>312,303</u>	<u>94,250</u>	<u>95,005</u>
Funded status of plan:				
Net asset / (liability) recognized at December 31,	<u>\$ (1,384)</u>	<u>\$ (1,395)</u>	<u>\$ 11,286</u>	<u>\$ 3,503</u>

The following table provides the net liability recognized on the consolidated balance sheets at December 31:

	Pension Benefits		Other Post-retirement Benefits	
	2024	2023	2024	2023
Non-current asset	\$ 16,475	\$ 16,325	\$ 29,508	\$ 26,700
Current liability	(1,844)	(1,334)	(557)	(733)
Noncurrent liability	(16,015)	(16,386)	(17,665)	(22,464)
Net asset / (liability) recognized	<u>\$ (1,384)</u>	<u>\$ (1,395)</u>	<u>\$ 11,286</u>	<u>\$ 3,503</u>

The following table provides selected information about plans with accumulated benefit obligation and projected benefit obligation in excess of plan assets:

	December 31, 2024		December 31, 2023	
	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	\$ 17,858	\$ N/A	\$ 17,720	\$ 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	\$ 15,352	\$ 30,072	\$ 14,843	\$ 35,154
Fair value of plan assets	\$ -	\$ 13,507	\$ -	\$ 11,957

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The following table provides the components of net periodic benefit costs for the years ended December 31:

	Pension Benefits			Other Post-retirement Benefits		
	2024	2023	2022	2024	2023	2022
Service cost	\$ 1,429	\$ 1,507	\$ 2,587	\$ 1,453	\$ 1,347	\$ 1,911
Interest cost	15,632	16,007	13,806	4,450	4,476	3,369
Expected return on plan assets	(18,782)	(22,223)	(22,004)	(4,420)	(4,372)	(4,502)
Amortization of prior service cost (credit)	325	684	536	-	-	-
Amortization of actuarial loss (gain)	3,003	2,962	2,043	(1,068)	(1,317)	(1,336)
Net periodic benefit cost/(credit)	\$ 1,607	\$ (1,063)	\$ (3,032)	\$ 415	\$ 134	\$ (558)

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	
	2024	2023	2024	2023
Net actuarial loss (gain)	\$ 92,190	\$ 84,030	\$ (24,504)	\$ (21,257)
Prior service cost (credit)	1,540	1,866	-	-
Total recognized in regulatory assets	\$ 93,730	\$ 85,896	\$ (24,504)	\$ (21,257)

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	
	2024	2023	2024	2023
Weighted Average Assumptions Used to Determine Benefit Obligations as of December 31,				
Discount rate	5.64%	5.17%	5.65%	5.09%
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,				
Health care cost trend rate	n/a	n/a	6.50%	6.25%
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	2029

n/a – Assumption is not applicable.

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The significant assumptions related to the Company's net periodic benefit costs are as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2024	2023	2022	2024	2023	2022
Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Discount rate *	5.17%	5.51%	2.91%	5.09% 3.91%-	5.45% 4.28%-	2.96%
Expected return on plan assets	6.20%	6.80%	5.40%	6.2%	6.8% 3.4%-5.4%	
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,						
Health care cost trend rate	n/a	n/a	n/a	6.25%	6.50%	6.3%
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	2029	2029	2027

n/a – Assumption is not applicable.

* In 2023 and 2022, the Company remeasured its qualified pension plan assets and liabilities in accordance with settlement accounting rules. The discount rate used for the remeasurement and for the calculation of the net periodic benefit cost for the remainder of the year in 2023 and 2022 was 5.20% and 5.58%, respectively.

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.

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The target allocation by asset class as of December 31, 2024, along with the actual allocation of the Company's pension plan assets, are as follows:

	Target Allocation	Percentage of Plan Assets at December 31,	
		2024	2023
Return seeking assets	20-40%	39%	38%
Liability hedging assets	60-80%	61%	62%
Total	100%	100%	100%

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
Total pension assets	\$ 19,701	\$ -	\$ -	\$ 273,951	\$ 293,652

(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 pension plans' assets at December 31, 2023 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Common stock	\$ 14,115	\$ -	\$ -	\$ -	\$ 14,115
Return seeking assets:					
Global equities	-	-	-	9,226	9,226
Hedge / diversifying strategies	-	-	-	57,608	57,608
Credit	-	-	-	37,798	37,798
Liability hedging assets	-	-	-	186,317	186,317
Cash and cash equivalents	7,239	-	-	-	7,239
Total pension assets	\$ 21,354	\$ -	\$ -	\$ 290,949	\$ 312,303

Equity securities include our common stock in the amounts of \$13,726 or 4.7% and \$14,115 or 4.5% of total pension plans' assets as of December 31, 2024 and 2023, respectively.

The target allocation by asset class as of December 31, 2024, 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,	
		2024	2023
Return seeking assets	50-70%	65%	68%
Liability hedging assets	30-50%	35%	32%
Total	100%	100%	100%

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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
Total other post-retirement assets	\$ 59,280	\$ -	\$ -	\$ 34,970	\$ 94,250

(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, 2023 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Return seeking assets:					
Global equities	\$ 34,209	\$ -	\$ -	\$ 19,890	\$ 54,099
Real estate securities	7,041	-	-	3,653	10,694
Liability hedging assets	16,949	-	-	9,473	26,422
Cash and cash equivalents	3,790	-	-	-	3,790
Total other post-retirement assets	\$ 61,989	\$ -	\$ -	\$ 33,016	\$ 95,005

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

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
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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 2025 our pension contribution is expected to be \$3,945.

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 \$24,921, \$23,519, and \$21,758, for the years ended December 31, 2024, 2023, and 2022, respectively.

Note 17 – Rate Activity

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 25, 2024, the Company's natural gas operating division in Kentucky filed an application with the Kentucky Public Service Commission a rate case designed to increase rates by \$10,910 or 19.0% on an annual basis. The Company anticipates a final order to be issued by June 2025.

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

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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.

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

In addition to the Illinois, New Jersey, Virginia, North Carolina, Ohio, Pennsylvania, and Kentucky base rate awards noted above, the Company's operating subsidiaries were allowed annualized rate increases of \$2,127 in 2024, \$1,703 in 2023, and \$1,378 in 2022, represented by four, three, and two rate decisions, respectively. Revenues recognized in aggregate from all of the base rate increases realized in the year of grant were approximately \$34,832, \$10,109, and \$51,163, in 2024, 2023, and 2022, 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

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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 2024, the Company received approval to bill infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by \$28,660 in its water and wastewater utility operating divisions in Pennsylvania and Illinois, and \$1,170 in its gas utility operating division in Kentucky. The surcharge for infrastructure system replacements and rehabilitations provided revenues in 2024, 2023, and 2022 of \$45,750, \$20,261, and \$26,902, respectively.

Note 18 – 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 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:

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)	-
Total operating revenues	\$ 1,221,880	\$ 842,991	\$ 2,064,871	\$ 21,242	\$ 2,086,113
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)
Loss (gain) on sale of assets ^(a)	\$ (636)	\$ (91,581)	\$ (92,217)	\$ (7)	\$ (92,224)
Other segment items ^(b)	\$ (1,445)	\$ (644)	\$ (2,089)	\$ 664	\$ (1,425)
Provision for income taxes (benefit)	\$ 68,851	\$ (79,993)	\$ (11,142)	\$ (10,694)	\$ (21,836)
Net income (loss)	\$ 350,305	\$ 293,617	\$ 643,922	\$ (48,608)	\$ 595,314
Capital expenditures	\$ 726,698	\$ 603,049	\$ 1,329,747	\$ -	\$ 1,329,747

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 ^(b)	\$ (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

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

2022	Regulated Water	Regulated Natural Gas	Total Reportable Segments	Other and Eliminations	Consolidated
Revenues from external customers	\$ 1,082,972	\$ 1,139,570	\$ 2,222,542	\$ 65,490	\$ 2,288,032
Intersegment revenues	-	3,792	3,792	(3,792)	-
Total operating revenues	\$ 1,082,972	\$ 1,143,362	\$ 2,226,334	\$ 61,698	\$ 2,288,032
Operations and maintenance expense	\$ 370,850	\$ 239,506	\$ 610,356	\$ 3,293	\$ 613,649
Purchased gas	\$ -	\$ 551,009	\$ 551,009	\$ 50,986	\$ 601,995
Depreciation and amortization	\$ 201,392	\$ 118,955	\$ 320,347	\$ 830	\$ 321,177
Taxes other than income taxes	\$ 64,472	\$ 22,642	\$ 87,114	\$ 2,910	\$ 90,024
Interest expense, net	\$ 111,938	\$ 87,186	\$ 199,124	\$ 35,317	\$ 234,441
Allowance for funds used during construction	\$ (20,950)	\$ (2,715)	\$ (23,665)	-	\$ (23,665)
Loss (gain) on sale of assets	\$ (991)	\$ -	\$ (991)	-	\$ (991)
Other segment items ^(b)	\$ (5,601)	\$ 3,445	\$ (2,156)	\$ 2,650	\$ 494
Provision for income taxes (benefit)	\$ 47,510	\$ (61,942)	\$ (14,432)	\$ 103	\$ (14,329)
Net income (loss)	\$ 314,352	\$ 185,276	\$ 499,628	\$ (34,391)	\$ 465,237
Capital expenditures	\$ 576,314	\$ 479,335	\$ 1,055,649	\$ 7,114	\$ 1,062,763

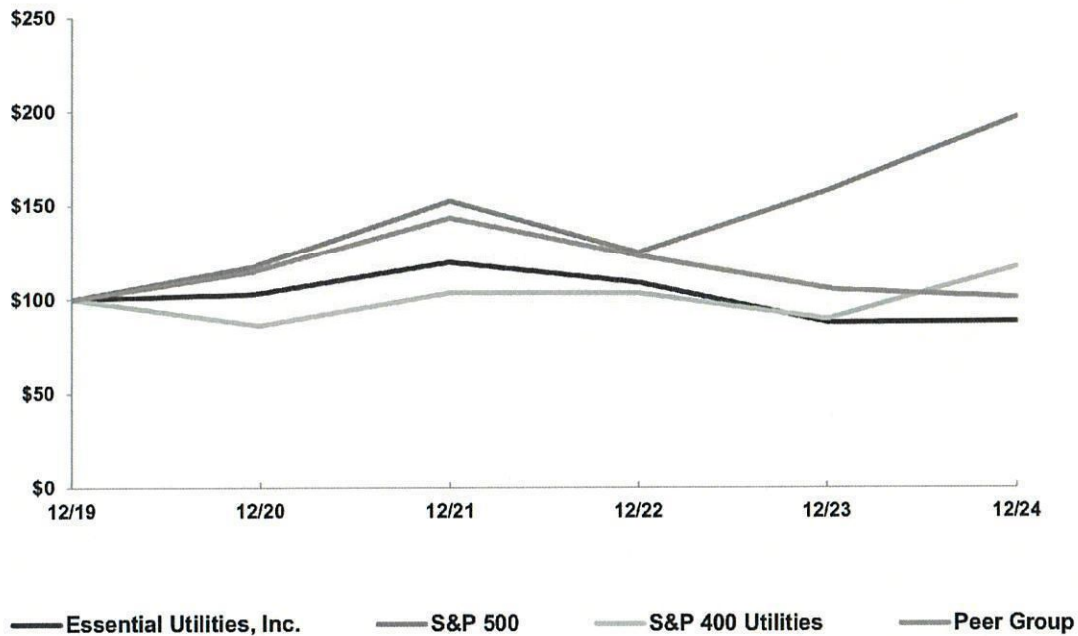
^(a) Refer to Note 3 – *Dispositions* for additional information.

^(b) Other segment items mainly consists of the non-service cost component of pension and other postretirement benefits for our regulated segments.

The graph below matches the cumulative 5-Year total return of holders of Essential Utilities, Inc.'s common stock with the cumulative total returns of the S&P 500 index, the S&P 400 Utilities index and a customized peer group of six companies that includes: Middlesex Water Co, American Water Works Company Inc, American States Water Co, Essential Utilities Inc, California Water Service Group and SJW Group. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on 12/31/2019 and tracks it through 12/31/2024.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Essential Utilities, Inc., the S&P 500 Index, the S&P 400 Utilities Index, and a Peer Group



*\$100 invested on 12/31/19 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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Years as of December 31

	2019	2020	2021	2022	2023	2024
Essential Utilities, Inc.	100.00	102.93	119.44	108.77	87.70	88.15
S&P 500 Index	100.00	118.40	152.39	124.79	157.59	197.02
S&P 400 Utilities Index	100.00	86.13	103.14	102.99	89.38	117.50
Peer Group	100.00	115.51	143.41	122.69	105.48	101.07

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Financial Reports and Investor Relations

Copies of the company's public financial reports, including annual reports and Forms 10-K and 10-Q, are available online and can be downloaded from the investor relations section of our website at Essential.co. You may also obtain these reports by writing to us at:

Investor Relations Department
Essential Utilities Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Corporate Governance

We are committed to maintaining high standards of corporate governance and are in compliance with the corporate governance rules of the Securities and Exchange Commission (SEC) and the New York Stock Exchange. Copies of our key corporate governance documents, including our Corporate Governance Guidelines, Code of Ethical Business Conduct, and the charters of each committee of our Board of Directors can be obtained from the corporate governance portion of the investor relations section of our website, Essential.co. Amendments to the Code of Ethical Business, and in the event of any grant of waiver from a provision of the Code of Conduct requiring disclosure under applicable SEC rules will be disclosed on our website.

Annual Meeting

The 2025 Annual Meeting of Shareholders of Essential Utilities, Inc. will be held virtually via live webcast on Wednesday, May 7, 2025, at 8 a.m. Eastern Time, at www.virtualshareholdermeeting.com/WTRG2025.

Transfer Agent and Registrar

Computershare
P.O. Box 43006
Providence, RI 02940-3006
800.205.8314 or
www.computershare.com/investor

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
Two Commerce Square
Suite 1800
2001 Market Street
Philadelphia, PA 19103-7042

Stock Exchange

The Common Stock of the company is listed on the New York Stock Exchange (NYSE) and under the ticker symbol **WTRG**.

Dividend Reinvestment and Direct Stock Purchase Plan

The company's Dividend Reinvestment and Direct Stock Purchase Plan ("Plan") enables shareholders to reinvest all, or a designated portion of, dividends paid on up to 100,000 shares of Common Stock in additional shares of Common Stock at a discretionary discount from a price based on the market value of the stock. The discount between 0 and 5.0 percent on the shares purchased or issued to meet the dividend reinvestment requirement will be designated by us in our sole discretion prior to the purchase or issuance of such shares. We reserve the right to change, reduce or discontinue any discount at any time without notice. In addition, shareholders may purchase additional shares of Essential Utilities Common Stock at any time with a minimum investment of \$50, up to a maximum of \$250,000 annually. Individuals may become shareholders by making an initial investment of at least \$500. A Plan prospectus may be obtained by calling Computershare at 800.205.8314 or by visiting www.computershare.com/investor. Please read the prospectus carefully before you invest.

Direct Deposit

With direct deposit, Essential Utilities cash dividends are deposited automatically on the dividend payment date of each quarter. Shareholders will receive confirmation of their deposit in the mail.

Shareholders interested in direct deposit should call the company's transfer agent at 800.205.8314.

Delivery of voting materials to shareholders sharing an address

The SEC's rules permit the Company to deliver a Notice of Internet Availability of Proxy Materials or a single set of proxy materials to one address shared by two or more of the Company's shareholders. This is intended to reduce the printing and postage expense of delivering duplicate voting materials to our shareholders who have more than one Essential Utilities stock account. A separate Notice of Internet Availability or proxy card is included for each of these shareholders. If you received a Notice of Internet Availability you will not receive a printed copy of the proxy materials unless you request it by following the instructions in the notice for requesting printed proxy material.

How to obtain a separate set of voting materials If you are a registered shareholder who shares an address with another registered shareholder and have received only one Notice of Internet Availability of Proxy Materials or set of proxy material and wish to receive a separate copy for each shareholder in your household for the 2025 Annual Meeting, you may write or call us to request a separate copy of this material at no cost to you at 610.645.1021 or write us at:

Attn: Investor Relations
Essential Utilities Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA, 19010

Email: investorrelations@essential.co

For future annual meetings, you may request separate voting material by calling Broadridge at 866.540.9095, or by writing to Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

Account Access

Essential Utilities shareholders may access their account by visiting www.computershare.com/investor. Shareholders may view their account, purchase additional shares, and make changes to their account. To learn more, visit www.computershare.com/investor or call 800.205.8314.

Dividends

Essential Utilities has paid dividends for 80 consecutive years. The normal Common Stock dividend dates for 2025 and the first six months of 2026 are:

Declaration Date	Ex-Dividend Date	Record Date	Payment Date
December 11, 2024	February 10, 2025	February 10, 2025	March 3, 2025
February 19, 2025	May 13, 2025	May 13, 2025	June 2, 2025
July 30, 2025	August 12, 2025	August 12, 2025	September 2, 2025
October 29, 2025	November 12, 2025	November 12, 2025	December 1, 2025
January 12, 2026	February 9, 2026	February 9, 2026	March 2, 2026
February 18, 2026	May 12, 2026	May 12, 2026	June 1, 2026

To be an owner of record, and therefore eligible to receive the quarterly dividend, shares must have been purchased before the ex-dividend date. Owners of any share(s) on or after the ex-dividend date will not receive the dividend for that quarter. The previous owner – the owner of record – will receive the dividend.

Only the Board of Directors may declare dividends and set record dates. Therefore, the payment of dividends and these dates may change at the discretion of the Board.

Dividends paid on the company's Common Stock are subject to Federal and State income tax.

Lost Dividend Checks, Stock Certificates and Escheatment

Dividend checks lost by shareholders, or those that might be lost in the mail, will be replaced upon notification of the lost or missing check. All inquiries concerning lost or missing dividend checks should be made to the company's transfer agent at 800.205.8314. Shareholders should call or write the company's transfer agent to report a lost certificate. Appropriate documentation will be prepared and sent to the shareholder with instructions.

Escheatment is the act of reporting and transferring property to a state when the rightful owner has an invalid address or has not made contact or initiated a transaction during the state's designated dormancy period. Escheated assets are transferred to the state for safekeeping (and often liquidated) until the rightful owner makes a claim on the asset. To keep your shares of stock and uncashed dividends from being escheated, you must maintain contact (recommended at least once a year) with the company's transfer agent, especially if you recently changed your address, changed your marital status or are managing an estate following a death. Unclaimed property laws vary widely from state to state.

Safekeeping of Stock Certificates

Under the Direct Stock Purchase Plan, shareholders may have their stock certificates deposited with the transfer agent for safekeeping free of charge. Stock certificates and written instructions should be forwarded to:

Computershare, N.A.
P.O. BOX 43006
Providence, RI 02940-3006



OUR MISSION:

To sustain life and improve economic prosperity by safely and reliably delivering Earth's most essential resources to our customers and communities.

OUR VALUES: INTEGRITY RESPECT EXCELLENCE

BOARD OF DIRECTORS

As of February 28, 2025



Christopher H. Franklin
Chairman, Chief Executive
Officer and President
Essential Utilities, Inc.
Director since 2015



Christopher L. Bruner
Former Assurance Partner
Ernst & Young
Director since 2024



W. Bryan Lewis
Vice President and
Chief Investment Officer
United States Steel Corporation
Director since 2022



Elizabeth B. Amato
Former Executive Vice President and
Chief Human Resources Officer
United Technologies Corporation
Director since 2018



David A. Ciesinski
President, Chief Executive
Officer and Director
Lancaster Colony Corporation
President, T. Marzetti Company
Director since 2021



Tamara Linde
Executive Vice President,
Chief Legal Officer
PSEG
Director since 2024



Daniel J. Hilferty
Chairman and Chief
Executive Officer
Comcast Spectacor
Director since 2017

OFFICERS

Christopher H. Franklin
Chairman, Chief Executive
Officer and President

Michael A. Huwar
President
Peoples

Robert A. Rubin
Senior Vice President
Chief Accounting Officer

Colleen M. Arnold
President
Aqua

Christopher P. Luning
Executive Vice President
General Counsel

Daniel J. Schuller
Executive Vice President
Chief Financial Officer

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which generally include words such as "believes," "expects," "intends," "anticipates," "estimates" and similar expressions. The Company can give no assurance that any actual or future results or events discussed in these statements will be achieved. Any forward-looking statements represent its views only as of today and should not be relied upon as representing its views as of any subsequent date. Readers are cautioned that such forward-looking statements are subject to a variety of risks and uncertainties that could cause the company's actual results to differ materially from the statements contained in this release. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including the factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with the Company's business, please refer to the Company's annual, quarterly and other SEC filings. The Company is not under any obligation — and expressly disclaims any such obligation — to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.



Essential Utilities, Inc. | 762 W. Lancaster Avenue | Bryn Mawr, PA 19010

NYSE: WTRG | 877.987.2782 | www.Essential.co

AQUA VIRGINIA, INC.
COMPARATIVE FINANCIAL STATEMENTS
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 7

Line
No.

- 1 Please see the following balance sheets, income statements and cash flows for the test year and the
- 2 12-month period preceding the test year for Aqua Virginia, Inc.
- 3 See income statements and cash flows for the test year and the 12-month period preceding the
- 4 test year for Essential Utilities, Inc which follow those of Aqua Virginia, Inc. For Essential Utilities, Inc.
- 5 balance sheets, please refer to the 2024 and 2025 Form 10-Qs available on www.essential.co

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET INCOME
(In thousands of dollars)
(UNAUDITED)

Sch 7 - P2

	Twelve months ended March 31,	
	2025	2024
Operating revenues	\$ 2,257,670	\$ 1,939,443
Operating expenses:		
Operations and maintenance	588,174	574,424
Purchased Gas	331,975	225,666
Depreciation	371,954	344,448
Amortization	7,171	5,257
Taxes other than income taxes	92,489	92,354
	<u>1,391,763</u>	<u>1,242,149</u>
Operating income	865,907	697,294
Other expense (income):		
Interest expense, net	308,701	280,396
Allowance for funds used during construction	(22,461)	(15,960)
Change in fair value of interest rate swap agreements	-	-
Loss on debt extinguishment	-	-
Gain on sale of other assets	(836)	(91,441)
Equity loss (earnings) in joint venture	-	-
Other	(1,039)	(2,815)
Income before income taxes	<u>581,542</u>	<u>527,114</u>
Provision for income taxes	(31,789)	(45,450)
Net income	<u>\$ 613,331</u>	<u>\$ 572,564</u>

(Source is Essential 10-Qs)

ESSENTIAL UTILITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)
(UNAUDITED)

Sch 7 - P3

	Twelve months ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net income	\$613,331	\$572,564
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	379,125	349,705
Deferred income taxes	(34,038)	(58,911)
Provision for doubtful accounts	14,466	26,433
Stock-based compensation	11,328	8,962
Loss (gain) on sale of utility system and market-based business unit	-	-
Interest rate swap agreements	-	-
Loss on debt extinguishment / Settlement of interest rate swap agreements	-	-
Gain on sale of other assets	(836)	(91,441)
Net change in receivables, inventory and prepayments	(112,583)	(29,513)
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	(2,770)	25,590
Pension and other postretirement benefits contributions	(9,394)	(20,343)
Other	(29,482)	(10,374)
Net cash flows from operating activities	829,147	772,672
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction	(1,347,288)	(1,208,371)
Acquisitions of utility systems and other, net	(18,217)	(45,167)
Net proceeds from the sale of utility system and other assets	1,147	207,984
Other	(320)	(19,449)
Net cash flows used in investing activities	(1,364,678)	(1,065,003)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	22,534	21,066
Repayments of customers' advances	(7,710)	(9,658)
Net repayments of short-term debt	1,789	65,000
Proceeds from long-term debt	1,739,688	1,595,857
Repayments of long-term debt	(991,974)	(1,348,139)
Extinguishment of long-term debt	-	-
Change in cash overdraft position	(4,428)	(9,132)
Proceeds from issuing common stock - div. reinvestment	15,406	15,770
Proceeds from issuing common stock - private placement & at market sale agreement	99,214	303,689
Proceeds from exercised stock options	2,638	359
Repurchase of common stock	(4,051)	(2,301)
Dividends paid on common stock	(351,925)	(324,928)
Other	(66)	(201)
Net cash flows from financing activities	521,115	307,382
Net increase (decrease) in cash and cash equivalents	(14,416)	15,051
Cash and cash equivalents at beginning of period	35,200	20,149
Cash and cash equivalents at end of period	\$ 20,784	\$ 35,200

(Source is Essential 10-Qs)

UTILITY NAME: AQUA VIRGINIA, INC.

Period Ending
MARCH 31, 2025

Sch 7 - P4

Account Name	Reference Page	Current Year	Previous Year
Assets:			
Utility Plant in Service (101 - 105)		\$ 237,055,073	\$ 215,749,952
Accumulated Depreciation and Amortization (108)		72,887,633	69,083,685
Net Utility Plant		\$ 164,167,440	\$ 146,666,268
Cash		185,066	200,104
Customer Accounts Receivable (141)		1,950,657	2,007,503
Affiliate Intercompany		2,659,064	23,907,964
Acquisition Adjustment		1,362,002	1,511,785
Regulatory Asset		1,618,830	2,038,780
Unbilled Revenue		1,193,815	1,394,306
Other Current and Non-Current		1,171,689	962,879
Total Assets		\$ 174,308,563	\$ 178,689,589
Liabilities and Capital:			
Common Stock Issued (201)		\$ 0	\$ 0
Preferred Stock Issued (204)		0	0
Other Paid in Capital (211)		0	0
Retained Earnings (215)		67,903,764	52,328,549
Proprietary Capital (Proprietary and partnership only) (218)		0	0
Total Capital		\$ 67,903,764	\$ 52,328,549
Long-Term Debt (224)		\$ 62,070,202	\$ 50,147,217
Accounts Payable (231)		1,039,283	1,152,744
Notes Payable (232)		0	0
Customer Deposits (235)		42,542	41,414
Accrued Taxes (236)		988,644	134,812
Other Liabilities (Specify) - Regulatory		7,029,931	7,043,272
Affiliate Intercompany		2,610,109	39,591,374
Accrued Expenses		571,126	625,501
Federal Deferred Income Taxes		6,463,660	5,766,143
Advances for Construction		670,990	767,990
Contributions in Aid of Construction - Net (271 - 272)		24,918,311	21,090,573
Total Liabilities and Capital		\$ 174,308,563	\$ 178,689,589

UTILITY NAME: AQUA VIRGINIA, INC.

Period Ending
MARCH 31, 2025

INCOME STATEMENT

Sch 7 - P5

Account Name			3/31/2025	3/31/2024
Gross Revenue:				
			\$ 28,057,971	\$ 23,993,045
			0	0
			0	0
			0	0
			0	0
			0	0
			0	0
Total Gross Revenue			\$ 28,057,971	\$ 23,993,045
Operation Expense			\$ 11,359,707	\$ 10,597,806
Depreciation Expense			7,268,318	6,560,127
Amortization Expense			(929,076)	(1,034,625)
Taxes Other Than Income			1,466,842	1,240,562
Income Taxes			1,418,810	873,040
Total Operating Expense			\$ 20,584,600	\$ 18,236,910
Net Operating Income (Loss)			\$ 7,473,371	\$ 5,756,135
Other Income:				
Nonutility Income			\$ 61,486	\$ 217,855
Gains / (Loss) on disposition			0	(11,214)
			0	0
Other Deductions:				
Miscellaneous Nonutility Expenses			\$ 24,563	\$ 203,629
Interest Expense			2,410,555	2,206,498
			0	0
Net Income (Loss)			\$ 5,099,739	\$ 3,552,650

AQUA VIRGINIA, INC.
CASH FLOW STATEMENT
TTM - March 31, 2025

Sch 7 - P6

Includes Great Bay (State Cash Flow)	TTM BALANCE 3/31/2025	TTM BALANCE 3/31/2024
Cash flows from operating activities:		
Net income	5,099,739	3,563,864
Noncash items in net income:		
Depreciation & amortization	6,709,406	5,775,666
Deferred income taxes	720,283	308,195
Stock based compensation	87,392	36,095
Gain on sale of other assets	-	-
Net change in A/R, invent & prepayments	5,732,012	12,985,442
Net change in A/P & other accruals	860,781	232,070
Net change in accrued interest	(527)	330
Payment of Competetive Transition Charge	-	-
Other	(150,822)	(290,813)
Net cash flows from operating activities	19,058,264	22,610,848
Cash flows from investing activities:		
Purchase of fixed assets	(20,238,997)	(23,171,191)
Acquisitions of water/ww systems	-	-
Increase in funds restricted for construction	-	-
Decrease in funds restricted for construction	-	-
Net proceeds from sale(purchases) of other assets	-	-
Other	-	-
Net cash flows from investing activities	(20,238,997)	(23,171,191)
Cash flows from financing activities:		
CAC & CIAC	1,540,698	617,088
Repayments of customers' advances	(375,000)	(149,088)
Net proceeds (repayments) of short-term debt	-	-
Proceeds from long-term debt	-	-
Repayments of long-term debt	-	-
Proceeds from issuing preferred stock	-	-
Payments to redeem preferred stock	-	-
Proceeds from issuing common stock	-	-
Repurchase of common stock	-	-
Dividends paid on preferred stock	-	-
Dividends paid on common stock	-	-
Net inter-company advance activity	-	-
Other	-	-
Net cash flows from financing activities	1,165,698	468,000
Net increase (decrease) in cash	(15,035)	(92,343)
Cash and equivalents at beginning of year	200,103	292,446
Cash and equivalents at end of period	185,068	200,103

AQUA VIRGINIA, INC.
PROPOSED COST OF CAPITAL STATEMENT
3/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: RH
 Schedule 8

Line No.	(1) Capital Amount	(2) Percent of Total Capital	(3) Capital Costs	(4) Weighted Capital Costs
1	-	0.00%	0.000%	0.00%
2	71,754,695	47.17%	4.478%	2.11%
3	-	0.00%		0.00%
4	-	0.00%		0.00%
5	-	0.00%		0.00%
6	80,360,379	52.83%	10.70%	5.65%
7	-	0.00%		0.00%
8				
9				
	Total	100.00%		7.77%

Assumptions

Consistent with the prior base case Rate Order, Aqua uses its test year ending stand-alone capital structure.

AQUA VIRGINIA, INC. - AVA Total
RATE OF RETURN STATEMENT - EARNINGS TEST - PER BOOKS
& ADJUSTED TO A REGULATORY ACCOUNTING BASIS
FOR THE TEST YEAR ENDED 03/31/2025
USING THIRTEEN MONTH AVERAGE RATE BASE AND COMMON EQUITY

Exhibit No.: _____
 Witness: **RH**
 Schedule **9 & 11**

Line No.	(1) VA Jurisdictional Cost of Service Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Regulatory Accounting Adjustments	(5) See Sch16 Adj Nos	(6) VA Jurisdictional Cost of Service after Adjustments (3)+(4)
1 Operating Revenues						
2 Base Rate Revenues	27,304,133	-	27,304,133	-	-	27,304,133
3 Availability Revenues	506,999	-	506,999	-	-	506,999
4 Other Operating Revenues	246,839	-	246,839	11,250	-	258,089
5 Operating Revenue	28,057,971	-	28,057,971	11,250		28,069,221
6						
7 Operating Revenue Deductions						
8 Operation & Maintenance Expense	11,359,707	(22,419)	11,337,288	51,828	-	11,389,116
9 Depreciation	7,268,318	-	7,268,318	-	-	7,268,318
10 Amortization	(929,076)	-	(929,076)	-	-	(929,076)
11 Federal Income Taxes	1,418,810	-	1,418,810	(99,893)	-	1,318,917
12 State Income Taxes	-	-	-	-	-	-
13 Payroll Taxes	246,988	-	246,988	-	-	246,988
14 Property Taxes	590,842	-	590,842	-	-	590,842
15 Gross Receipts Taxes & Regulatory Assmnt Fees	629,012	-	629,012	(10,689)	-	618,323
16 (Gain)/Loss On Disposition Of Property	-	-	-	-	-	-
17 Total Operating Revenue Deductions	20,584,600	(22,419)	20,562,181	(58,754)		20,503,428
18						
19 Operating Income	7,473,371	22,419	7,495,790	70,004		7,565,794
20						
21 Plus: AFUDC	-	-	-	-	-	-
22 Less: Charitable Donations	-	-	-	-	-	-
23 Interest Expense On Customer Deposits	-	-	-	-	-	-
24 Interest On Supplier Refunds	-	-	-	-	-	-
25 Other Interest Expense/(Income)	-	-	-	-	-	-
26 Adjusted Operating Income	7,473,371	22,419	7,495,790	70,004		7,565,794
27						
28 Plus: Other Income/(Expense)	36,923	(5,376)	31,548	(31,548)	-	-
29 Less: Interest Expense-Booked	2,410,555	-	2,410,555	(144,792)	-	2,265,763
30 Preferred Dividends	-	-	-	-	-	-
31 JDC Capital Expense	-	-	-	-	-	-
32						
33 Income Available For Common Equity	5,099,739	17,043	5,116,783	183,248		5,300,031
34						
35 Allowance For Working Capital	-	-	-	-	-	-
36 Plus: Net Utility Plant	129,999,611	-	129,999,611	-	-	129,999,611
37 Less: Other Rate Base Deductions	10,857,253	-	10,857,253	-	-	10,857,253
38 Total Average Rate Base	119,142,358	-	119,142,358	-		119,142,358
39						
40 Total Average Capital	119,142,358	-	119,142,358	-		119,142,358
41						
42 Average Common Equity Capital	66,236,763	-	66,236,763	-		66,236,763
43						
44 % Rate Of Return Earned On Avg. Rate Base	6.27%		6.29%			6.35%
45 % Rate Of Return Earned On Avg. Common Eq.	7.70%		7.72%			8.00%

AQUA VIRGINIA, INC. - AVA Water
RATE OF RETURN STATEMENT - EARNINGS TEST - PER BOOKS
& ADJUSTED TO A REGULATORY ACCOUNTING BASIS
FOR THE TEST YEAR ENDED 03/31/2025
USING THIRTEEN MONTH AVERAGE RATE BASE AND COMMON EQUITY

Exhibit No.: _____
 Witness: **RH**
 Schedule **9 & 11**

Line No.	(1) VA Jurisdictional Cost of Service Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Regulatory Accounting Adjustments	(5) See Sch16 Adj Nos	(6) VA Jurisdictional Cost of Service after Adjustments (3)+(4)
1 Operating Revenues						
2 Base Rate Revenues	19,538,054	-	19,538,054	-	-	19,538,054
3 Availability Revenues	301,497	-	301,497	-	-	301,497
4 Other Operating Revenues	195,470	-	195,470	11,250	-	206,720
5 Operating Revenue	20,035,021	-	20,035,021	11,250		20,046,271
6						
7 Operating Revenue Deductions						
8 Operation & Maintenance Expense	7,031,173	(22,419)	7,008,754	189,771	-	7,198,525
9 Depreciation	4,397,491	-	4,397,491	-	-	4,397,491
10 Amortization	(389,746)	-	(389,746)	-	-	(389,746)
11 Federal Income Taxes	1,418,810	-	1,418,810	(149,402)	-	1,269,408
12 State Income Taxes	-	-	-	-	-	-
13 Payroll Taxes	202,659	-	202,659	-	-	202,659
14 Property Taxes	455,787	-	455,787	-	-	455,787
15 Gross Receipts Taxes & Regulatory Assmnt Fees	450,801	-	450,801	(5,773)	-	445,027
16 (Gain)/Loss On Disposition Of Property	-	-	-	-	-	-
17 Total Operating Revenue Deductions	13,566,974	(22,419)	13,544,556	34,596		13,579,151
18						
19 Operating Income	6,468,046	22,419	6,490,465	(23,346)		6,467,119
20						
21 Plus: AFUDC	-	-	-	-	-	-
22 Less: Charitable Donations	-	-	-	-	-	-
23 Interest Expense On Customer Deposits	-	-	-	-	-	-
24 Interest On Supplier Refunds	-	-	-	-	-	-
25 Other Interest Expense/(Income)	-	-	-	-	-	-
26 Adjusted Operating Income	6,468,046	22,419	6,490,465	(23,346)		6,467,119
27						
28 Plus: Other Income/(Expense)	11,076	(5,376)	5,700	(5,700)	-	-
29 Less: Interest Expense-Booked	2,410,542	-	2,410,542	(873,903)	-	1,536,639
30 Preferred Dividends	-	-	-	-	-	-
31 JDC Capital Expense	-	-	-	-	-	-
32						
33 Income Available For Common Equity	4,068,580	17,043	4,085,623	844,858		4,930,481
34						
35 Allowance For Working Capital	-	-	-	-	-	-
36 Plus: Net Utility Plant	88,106,014	-	88,106,014	(382,485)	-	87,723,529
37 Less: Other Rate Base Deductions	9,091,272	-	9,091,272	(2,169,987)	-	6,921,285
38 Total Average Rate Base	79,014,742	-	79,014,742	1,787,502		80,802,244
39						
40 Total Average Capital	79,014,742	-	79,014,742	1,787,502		80,802,244
41						
42 Average Common Equity Capital	43,927,960	-	43,927,960	993,755		44,921,715
43						
44 % Rate Of Return Earned On Avg. Rate Base	8.19%	-	8.21%	-	-	8.00%
45 % Rate Of Return Earned On Avg. Common Eq.	9.26%	-	9.30%	-	-	10.98%

AQUA VIRGINIA, INC. - AVA Sewer
RATE OF RETURN STATEMENT - EARNINGS TEST - PER BOOKS
& ADJUSTED TO A REGULATORY ACCOUNTING BASIS
FOR THE TEST YEAR ENDED 03/31/2025
USING THIRTEEN MONTH AVERAGE RATE BASE AND COMMON EQUITY

Exhibit No.:
Preparer **RH**
Schedule **9 & 11**

Line No.	(1) VA Jurisdictional Cost of Service Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Regulatory Accounting Adjustments	(5) See Sch16 Adj Nos	(6) VA Jurisdictional Cost of Service after Adjustments (3)+(4)
1 Operating Revenues						
2 Base Rate Revenues	7,766,079	-	7,766,079	-	-	7,766,079
3 Availability Revenues	205,502	-	205,502	-	-	205,502
4 Other Operating Revenues	51,369	-	51,369	-	-	51,369
5 Operating Revenue	8,022,951	-	8,022,951	-	-	8,022,951
6						
7 Operating Revenue Deductions						
8 Operation & Maintenance Expense	4,328,534	-	4,328,534	(137,943)	-	4,190,591
9 Depreciation	2,870,827	-	2,870,827	-	-	2,870,827
10 Amortization	(539,330)	-	(539,330)	-	-	(539,330)
11 Federal Income Taxes	-	-	-	49,509	-	49,509
12 State Income Taxes	-	-	-	-	-	-
13 Payroll Taxes	44,329	-	44,329	-	-	44,329
14 Property Taxes	135,055	-	135,055	-	-	135,055
15 Gross Receipts Taxes & Regulatory Assmnt Fees	178,211	-	178,211	(4,916)	-	173,296
16 (Gain)/Loss On Disposition Of Property	-	-	-	-	-	-
17 Total Operating Revenue Deductions	7,017,626	-	7,017,626	(93,349)	-	6,924,276
18						
19 Operating Income	1,005,325	-	1,005,325	93,349	-	1,098,674
20						
21 Plus: AFUDC	-	-	-	-	-	-
22 Less: Charitable Donations	-	-	-	-	-	-
23 Interest Expense On Customer Deposits	-	-	-	-	-	-
24 Interest On Supplier Refunds	-	-	-	-	-	-
25 Other Interest Expense/(Income)	-	-	-	-	-	-
26 Adjusted Operating Income	1,005,325	-	1,005,325	93,349	-	1,098,674
27						
28 Plus: Other Income/(Expense)	25,848	-	25,848	(25,848)	-	-
29 Less: Interest Expense-Booked	13	-	13	729,111	-	729,124
30 Preferred Dividends	-	-	-	-	-	-
31 JDC Capital Expense	-	-	-	-	-	-
32						
33 Income Available For Common Equity	1,031,159	-	1,031,159	(661,610)	-	369,550
34						
35 Allowance For Working Capital	-	-	-	-	-	-
36 Plus: Net Utility Plant	41,893,597	-	41,893,597	382,485	-	42,276,082
37 Less: Other Rate Base Deductions	1,765,981	-	1,765,981	2,169,987	-	3,935,968
38 Total Average Rate Base	40,127,616	-	40,127,616	(1,787,502)	-	38,340,114
39						
40 Total Average Capital	40,127,616	-	40,127,616	(1,787,502)	-	38,340,114
41						
42 Average Common Equity Capital	22,308,803	-	22,308,803	(993,755)	-	21,315,048
43						
44 % Rate Of Return Earned On Avg. Rate Base	2.51%		2.51%			2.87%
45 % Rate Of Return Earned On Avg. Common Eq.	4.62%		4.62%			1.73%

250750065

41.071

AQUA VIRGINIA, INC. - AVA Water
RATE BASE STATEMENT - EARNINGS TEST - PER BOOKS
& ADJUSTED TO A REGULATORY ACCOUNTING BASIS
THIRTEEN-MONTH AVERAGE PER BOOKS RATE BASE

Exhibit No.: _____
 Witness: RH
 Schedule 12 & 14

Line No.	(1) Virginia Jurisdictional Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Regulatory Accounting Adjustments	(5) See Sch16 Adj Nos	(6) Virginia Jurisdictional Cost of Service after Adjustments (3)+(4)
1	Allowance For Working Capital					
2	Material And Supplies	0	0	0		0
3	Cash Working Capital (Lead Lag Study)	0	0	0		0
4	Deferred Fuel/Deferred Gas Net Of FIT	0	0	0		0
5	Other Working Capital (1/9 O&M)	0	0	0		0
6						
7	Total Allowance For Working Capital	0	0	0		0
8						
9						
10	Net Utility Plant					
11	Utility Plant In Service	138,258,325	0	138,258,325	(417,693)	137,840,632
12	Acquisition Adjustments	1,788,321	0	1,788,321	0	1,788,321
13	Construction Work In Progress	4,969,813	0	4,969,813	(140,106)	4,829,707
14	Plant Held For Future Use	0	0	0	0	0
15	Less: Accumulated Depreciation	(42,632,583)	0	(42,632,583)	172,356	(42,460,227)
16	Less: Accumulated Amortization of Acquisition Adjustments	11,030	0	11,030	0	11,030
17	Less: CIAC	(23,875,900)	0	(23,875,900)	2,958	(23,872,942)
18	Accumulated Amortization of CIAC	9,770,042	0	9,770,042	0	9,770,042
19	Less: Customer Advances for Construction	(183,034)	0	(183,034)	0	(183,034)
20	Total Net Utility Plant	88,106,014	0	88,106,014	(382,485)	87,723,529
21						
22						
23	Rate Base Deductions					
24	Customer Deposits	41,147	0	41,147		41,147
25	Supplier Refunds	0	0	0		0
26	Accumulated Deferred Income Taxes	9,050,124	0	9,050,124	(2,169,987)	6,880,137
27	Other Cost Free Capital	0	0	0		0
28						
29	Total Rate Base Deductions	9,091,272	0	9,091,272	(2,169,987)	6,921,285
30						
31						
32	Total Rate Base	79,014,742	0	79,014,742	1,787,502	80,802,244

AQUA VIRGINIA, INC. - AVA Sewer
RATE BASE STATEMENT - EARNINGS TEST - PER BOOKS
& ADJUSTED TO A REGULATORY ACCOUNTING BASIS
THIRTEEN-MONTH AVERAGE PER BOOKS RATE BASE

Exhibit No.: _____
 Preparer: RH
 Schedule 12 & 14

250750065

Line No.	(1) Virginia Jurisdictional Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Regulatory Accounting Adjustments	(5) See Sch 16 Adj Nos	(6) Virginia Jurisdictional Cost of Service after Adjustments (3)+(4)
1	<u>Allowance For Working Capital</u>					
2	Material And Supplies	0	0			0
3	Cash Working Capital (Lead Lag Study)	0	0			0
4	Deferred Fuel/Deferred Gas Net Of FIT	0	0			0
5	Other Working Capital (1/9 O&M)	0	0	0		0
6						
7	<u>Total Allowance For Working Capital</u>	0	0	0		0
8						
9						
10	<u>Net Utility Plant</u>					
11	Utility Plant In Service	79,473,167	79,473,167	417,693		79,890,860
12	Acquisition Adjustments	(2,557,196)	(2,557,196)	0		(2,557,196)
13	Construction Work In Progress	2,991,874	2,991,874	140,106		3,131,980
14	Plant Held For Future Use	0	0	0		0
15	Less: Accumulated Depreciation	(30,640,935)	(30,640,935)	(172,356)		(30,813,291)
16	Less: Accumulated Amortization of Acquisition Adjustments	2,194,739	2,194,739	0		2,194,739
17	Less: CIAC	(16,405,706)	(16,405,706)	(2,958)		(16,408,664)
18	Accumulated Amortization of CIAC	7,410,264	7,410,264	0		7,410,264
19	Less: Customer Advances for Construction	(572,610)	(572,610)	0		(572,610)
20	<u>Total Net Utility Plant</u>	41,893,597	41,893,597	382,485		42,276,082
21						
22						
23	<u>Rate Base Deductions</u>					
24	Customer Deposits	239	239			239
25	Supplier Refunds	0				0
26	Accumulated Deferred Income Taxes	1,765,742	1,765,742	2,169,987		3,935,729
27	Other Cost Free Capital	0	0			0
28						
29	<u>Total Rate Base Deductions</u>	1,765,981	1,765,981	2,169,987		3,935,968
30						
31						
32	<u>Total Rate Base</u>	40,127,616	40,127,616	(1,787,502)		38,340,114

AQUA VIRGINIA, INC.
SCHEDULE OF REGULATORY ASSETS
AS OF 3/31/2025

Exhibit No.: _____
 Witness: RH
 Schedule 15

Line No.	Account Number	Description (1)	(1) Start of Year 04/01/24 System Amount	(2) Juris. Factor	(3) Start of Year 04/01/24 Juris. Amount	(4) Test Year Amortization Expense	(5) Test Year Accruals	(6) End of Year 3/31/2025 Adjusted Amount
1	186101	Rate Case Expense	212,606	1.00	212,606	(370,164)	246,206	88,648
2	283050	Related Deferred Income Tax	44,647	1.00	44,647	(77,734)	51,703	18,616
3								
4	186330	Taxes (FAS 109)	202,393	1.00	202,393	-	(149,499)	52,894
5	283050	Related Deferred Income Tax	42,502	1.00	42,502	-	(31,395)	11,108
6								
7	186381	Vacation Balancing	2,044	1.00	2,044	-	(2,044)	-
8	283050	Related Deferred Income Tax	429	1.00	429	-	(429)	-
9								
10	186399	Debt issuance related	1,532,456	1.00	1,532,456	(94,296)	-	1,438,160
11	283050	Related Deferred Income Tax	321,816	1.00	321,816	(19,802)	-	302,014
12								
13	1242216	WWISC - related deferrals	(12,914)	1.00	(12,914)	-	45	(12,869)
14	283050	Related Deferred Income Tax (2)	(2,712)	1.00	(2,712)	-	9	(2,702)
15								
16		PFAS	-	1.00	-	-	66,803	66,803
17	283050	Related Deferred Income Tax	-	1.00	-	-	14,029	14,029
18								
19	186520	COVID19	102,195	1.00	102,195	(28,352)	-	73,843
20			21,461	1.00	21,461	(5,954)	-	15,507
21								
22								
23								
24	Totals	Regulatory Assets	2,038,779		2,038,779	(492,812)	161,511	1,707,479
25		Related Deferred Income Tax	428,144		428,144	(103,491)	33,917	358,571

This section details the Income Statement and Balance Sheet Data used in Schdl 15:

		04/01/24		3/31/2025
WSA	186101	Rate Case Expense	212,606	
W	186330	Taxes (FAS 109)	202,393	246,206.43
Adm	186381	Vacation Balancing	2,044	(149,499.01)
Adm	186399	Debt issuance related	1,532,456	(2,044)
WSA	186510	WWISC - related deferrals	(12,914)	-
W	1242216	PFAS	-	1,438,160
Adm	186520	COVID19	102,195	(12,869)
		Total Virginia	2,038,779	66,803
			(492,812)	73,843
				1,707,479

AQUA VIRGINIA, INC. - AVA Water
 DETAIL OF REGULATORY ACCOUNTING ADJUSTMENTS
 REFLECTED IN COL. (2 & 4) OF SCHEDULES 9&11 AND 12&14

Exhibit No.: _____
 Witness: RH
 Schedule 16

Please see also Schedule 29 Index

(1)	(2)	(3)	(4)
Line No.	Adj. No. Adjustment	Other	Amount
1	<u>EARNINGS TEST REVISIONS TO SCH 9&11 COL. 2</u>		
2			
3	Please see Revision Work paper		
4			
5	To Remove Non-Operating:		
6			
7			
8			
9			
10	OPERATING EXPENSE REVISIONS		
11			
12	ETR-1 Revision - Operation & Maintenance Expense		(22,419)
13			
14			
15			
16	OTHER INCOME / EXPENSE REVISIONS		
17			
18	ETR-2 Revision - Other Income / Expense		(5,376)
19			
20			
21			
22	<u>EARNINGS TEST REVISIONS TO SCH 12&14 COL. 2 - NONE</u>		
23			
24			
25			
26	<u>REGULATORY ADJUSTMENTS - INCOME</u>		
27			
28			
29	Move Going Forward Antenna Revenue above the line - see WP		15,000
30	Other Operating Revenues - please see revenue workpaper		
31	Booked Antenna Revenue		3,750
32	ET-1 Total Adjmnts for Other Operating Revenues		<u>11,250</u>
33			
34	Total Operating Revenue Adjustments		<u>11,250</u>
35			
36	<u>EXPENSE ADJUSTMENTS</u>		
37	Operation And Maintenance Expense Adjustments		
38			
39	To True up Admin by Modified Customer Count % - please see WP		122,205
40	ET-2 Total Adjmnts for Allocations		<u>122,205</u>
41			
42			
43			
44	Parent Management Fees		
45	ET-3a IT Assets - Please see Work Paper		79,458
46	ET-3b To remove costs - prior base case refunds		(9,584)
47	Total Adjmnts for Management Fees		<u>69,874</u>
48			
49	Contractual Services - Other		
50	To remove costs - prior base case refunds		(1,342)
51	ET-4 Total Adjmnts for Contractual Services - Other		<u>(1,342)</u>
52			
53			
54	Miscellaneous Expense		
55			
56	ET-5a Removal of Advertising		(966)
57	ET-5b Removal of Fines and Penalties		-
58			
59	ET-5 Total Adjmnts for Miscellaneous Expense		<u>(966)</u>
60			
61	Total Operation And Maintenance Expense Adjustments		<u>189,771</u>
62			
63			

AQUA VIRGINIA, INC. - AVA Water
 DETAIL OF REGULATORY ACCOUNTING ADJUSTMENTS
 REFLECTED IN COL. (2 & 4) OF SCHEDULES 9&11 AND 12&14

Exhibit No.: _____
 Witness: RH
 Schedule 16

Please see also Schedule 29 Index

(1)	(2)	(3)	(4)
Line No.	Adj. No. <u>Adjustment</u>	<u>Other</u>	<u>Amount</u>
64	Federal Income Tax Adjustments		
65	Adjustment to FIT - please see Work paper		(149,402)
66			-
67	ET-6 Total Federal Income Tax Adjustments		<u>(149,402)</u>
68			
69			
70	Gross Receipts Taxes & Reg'y Assmnt Fees		
71	Reconcile Per Books to Calculated Amounts		
72	Operating Revenue (from Schedule 9&11, Line 5)		
73			
74	Taxable Revenue		20,046,271
75	Gross Rcpts Tax & Reg Fees @	2.22%	445,027
76	Gross Rcpts Tax & Reg Fees Per Books		450,801
77	Adjustment (Calculated - Booked)		(5,773)
78			-
79	ET-7 Total Adjmnts for Gross Receipts Taxes & Reg'y Assmnt Fees		<u>(5,773)</u>
80			
81			
82			
83			
84	Other Income/(Expense)		
85	To Remove Non-Utility Income and Expense		-
86	Calcs: Non-utility Income and Expense		(5,700)
87			-
88			-
89	ET-8 Total Adjmnts for Other Income/(Expense)		<u>(5,700)</u>
90			-
91			-
92	Interest Expense		
93	Adjustment to Interest Expense - please see Work paper		(873,903)
94	ET-9 Total Adjmnts for Interest Expense		<u>(873,903)</u>
95			
96			
97			
98	<u>REGULATORY ADJUSTMENTS - RATE BASE</u>		
99			
100			
101	Net Utility Plant		
102	Utility Plant In Service		
103	To Remove non-water portion of Admin.		(\$417,693)
104			
105			
106	ET-10 Total Adjmnts for Utility Plant In Service		<u>(\$417,693)</u>
107			
108			
109	Construction Work In Progress		
110	To Remove non-water portion of Admin.		(\$140,106)
111			
112	ET-11 Total Adjmnts for Construction Work In Progress		<u>(\$140,106)</u>
113			
114			
115			
116	Accumulated Depreciation		
117	To Remove non-water portion of Admin.		\$172,356
118			
119	ET-12 Total Adjmnts for Accumulated Depreciation		<u>\$172,356</u>
120			
121			
122			
123	CIAC		
124	To Remove non-water portion of Admin.		\$2,958
125	ET-13 Total Adjmnts for CIAC		<u>\$2,958</u>
126			
127			
128			

AQUA VIRGINIA, INC. - AVA Water
 DETAIL OF REGULATORY ACCOUNTING ADJUSTMENTS
 REFLECTED IN COL. (2 & 4) OF SCHEDULES 9&11 AND 12&14

Exhibit No.: _____
 Witness: RH
 Schedule 16

Please see also Schedule 29 Index

	(1)	(2)	(3)	(4)
Line	Adj.			
No.	No.	<u>Adjustment</u>	<u>Other</u>	<u>Amount</u>
129				
130		Total Adjmnts for Net Utility Plant		<u>(\$382,485)</u>
131				
132				
133		Other Rate Base Deductions		
134				
135		Accumulated Deferred Income Taxes		(2,169,987)
136				
137				
138				"
139	ET-14	Total Adjmnts for Accumulated Deferred Income Taxes		<u>(2,169,987)</u>
140				"
141		Total Adjmnts for Other Rate Base Deductions		<u>(2,169,987)</u>
142				"
143		TOTAL		<u>1,787,502</u>

AQUA VIRGINIA, INC. - AVA Sewer
DETAIL OF REGULATORY ACCOUNTING ADJUSTMENTS
REFLECTED IN COL. (2) OF SCHEDULES 9&11 AND 12&14

Exhibit No.: _____
Preparer: RH
Schedule 16

Please see also Schedule 29 Index

	(1)	(2)	(3)	(4)
Line No.	Adj. No.	Adjustment	Other	Amount
1		<u>EARNINGS TEST REVISIONS TO SCH 9&11 COL. 2 - NONE</u>		
2				
3				
4		<u>EARNINGS TEST REVISIONS TO SCH 12&14 COL. 2 - NONE</u>		
5				
6				
7		<u>REGULATORY ADJUSTMENTS - INCOME</u>		
8				
9				
10		Other Operating Revenues		
11				
12				
13	ET-1	Water Only		-
14				
15		Total Adjmnts for Other Operating Revenues		-
16				
17		Total Operating Revenue Adjustments		-
18				
19		<u>EXPENSE ADJUSTMENTS</u>		
20		Operation And Maintenance Expense Adjustments		
21				
22		To True up Admin by Modified Customer Count % - please see WP		(122,212)
23	ET-2	Total Adjmnts for Allocations		(122,212)
24				
25				
26		Parent Management Fees		
27	ET-3a	IT Assets - Please see Work Paper		20,030
28	ET-3b	To remove costs - prior base case refunds		(2,416)
29		Total Adjmnts for Management Fees		17,614
30				
31		Contractual Services - Other		
32		To remove costs - prior base case refunds		(338)
33	ET-4	Total Adjmnts for Contractual Services - Other		(338)
34				
35		Miscellaneous Expense		
36				
37	ET-5a	Removal of Advertising		(243)
38	ET-5b	Removal of Fines and Penalties		(32,763)
39				
40	ET-5	Total Adjmnts for Miscellaneous Expense		(33,007)
41				
42		Total Operation And Maintenance Expense Adjustments		(137,943)
43				
44				
45		Federal Income Tax Adjustments		
46		Adjustment to FIT - please see Work paper		49,509
47				
48	ET-6	Total Federal Income Tax Adjustments		49,509
49				
50		Gross Receipts Taxes & Reg'y Assmnt Fees		
51		Reconcile Per Books to Calculated Amounts		
52		Operating Revenue (from Schedule 9&11, Line 5)		
53				
54		Taxable Revenue		8,022,951
55		Gross Rcpts Tax & Reg Fees @	2.16%	173,296
56		Gross Rcpts Tax & Reg Fees Per Books		178,211
57		Adjustment (Calculated - Booked)		(4,916)
58				
59	ET-7	Total Adjmnts for Gross Receipts Taxes & Reg'y Assmnt Fees		(4,916)

AQUA VIRGINIA, INC. - AVA Sewer
 DETAIL OF REGULATORY ACCOUNTING ADJUSTMENTS
 REFLECTED IN COL. (2) OF SCHEDULES 9&11 AND 12&14

Exhibit No.: _____
 Preparer: RH
 Schedule 16

Please see also Schedule 29 Index

(1)		(2)	(3)	(4)
Line No.	Adj. No.	Adjustment	Other	Amount
60		Other Income/(Expense)		
61		Remove Non-utility Other Inc (Exp) for ratemaking purposes		
62		Per Books Non-utility Other Income/(Expense)		(25,848)
63				
64				
65	ET-8	Total Adjmnts for Other Income/(Expense)		<u>(25,848)</u>
66				
67				
68		Interest Expense		
69		Adjustment to Interest Expense - please see Work paper		729,111
70	ET-9	Total Adjmnts for Interest Expense		<u>729,111</u>
71				
72				
73				
74		<u>REGULATORY ADJUSTMENTS - RATE BASE</u>		
75				
76				
77		Net Utility Plant		
78		Utility Plant In Service		
79		To Add sewer portion of Admin.		417,693
80				
81				
82	ET-10	Total Adjmnts for Utility Plant In Service		<u>417,693</u>
83				
84				
85		Construction Work In Progress		
86		To Add sewer portion of Admin.		140,106
87				
88	ET-11	Total Adjmnts for Construction Work In Progress		<u>140,106</u>
89				
90				
91		Accumulated Depreciation		
92		To Add sewer portion of Admin.		(172,356)
93				
94	ET-12	Total Adjmnts for Accumulated Depreciation		<u>(172,356)</u>
95				
96				
97				
98		CIAC		
99		To Add sewer portion of Admin.		(2,958)
100	ET-13	Total Adjmnts for CIAC		<u>(2,958)</u>
101				
102				
103				
104		Total Adjmnts for Net Utility Plant		<u>382,485</u>
105				
106				
107		Other Rate Base Deductions		
108				
109		Accumulated Deferred Income Taxes		2,169,987
110				
111				
112	ET-14	Total Adjmnts for Accumulated Deferred Income Taxes		<u>2,169,987</u>
113				-
114		Total Adjmnts for Other Rate Base Deductions		<u>2,169,987</u>
115				-
116		TOTAL		<u><u>(1,787,502)</u></u>

AQUA VIRGINIA, INC.
LEAD/LAG CASH WORKING CAPITAL CALCULATION - EARNINGS TEST
FOR THE TEST YEAR ENDED 03/31/2025
SUPPORTING COLUMN -- OF SCHEDULE --

Exhibit No.: _____
 Witness: N/A
 Schedule 17

Line No.	(1) Virginia Juris. Per Books Amounts	(2) Per Books Regulatory Accounting Adjustments	(3) Amounts After Adj.	(4) Average Daily Amount	(5) Expense (Lead)/Lag Days	(6) Revenue Lag	(7) Net (Lead)/Lag Days	(8) Working Capital (Provided)/ Required
OPERATING EXPENSES								
1	O&M Expenses:		Schedule Not Required					
2	Account # - Fuel Clause		-	-	-	-	-	-
3	Account # - Fuel Clause		-	-	-	-	-	-
4	Account # - Fuel Clause		-	-	-	-	-	-
5	Account # - Deferred Fuel		-	-	-	-	-	-
6	Payroll Expense		-	-	-	-	-	-
7	Benefits and Pension Expense		-	-	-	-	-	-
8	OPEB Expense		-	-	-	-	-	-
9	Regulatory Asset Amortization Expense		-	-	-	-	-	-
10	Uncollectible Expense		-	-	-	-	-	-
11	Stores Issues		-	-	-	-	-	-
12	Stored Undistributed		-	-	-	-	-	-
13	Accrued Vacation Expense		-	-	-	-	-	-
14	Prepaid Insurance Amortization Expense		-	-	-	-	-	-
15	Worker's Compensation Expense		-	-	-	-	-	-
16	Directors' Deferred Compensation Exp.		-	-	-	-	-	-
17	Storm Damage Expense		-	-	-	-	-	-
18	Transition Cost Expense		-	-	-	-	-	-
19	Restructuring Expense		-	-	-	-	-	-
20	Contingent Liabilities		-	-	-	-	-	-
21	Other O&M Expenses		-	-	-	-	-	-
22	Depreciation Expense:		-	-	-	-	-	-
23	Depreciation Expense		-	-	-	-	-	-
24	Amortization Expense		-	-	-	-	-	-
25	Amortization Expense		-	-	-	-	-	-
26	Amortization of Regulatory Assets		-	-	-	-	-	-
27	Federal Income Taxes:		-	-	-	-	-	-
28	Current		-	-	-	-	-	-
29	Deferred		-	-	-	-	-	-
30	DFIT on items excluded from Rate Base		-	-	-	-	-	-
31	Deferred ITC		-	-	-	-	-	-
32	State Income Tax Expense		-	-	-	-	-	-
33	Taxes Other Than Income:		-	-	-	-	-	-
34	Property Tax Expense		-	-	-	-	-	-
35	Valuation Tax Expense		-	-	-	-	-	-
36	Business and Occupation Tax Expense		-	-	-	-	-	-
37	Payroll Tax Expense		-	-	-	-	-	-
38	Other Taxes		-	-	-	-	-	-
39	AFUDC		-	-	-	-	-	-
40	Gain/Loss of Disposition of Property		-	-	-	-	-	-
41	Charitable Donations		-	-	-	-	-	-
42	Interest on Customer Deposits		-	-	-	-	-	-
43	Other Expense/Income (A-I)		-	-	-	-	-	-
44	Other Income/Expense (B-I)		-	-	-	-	-	-
45	Interest Expense		-	-	-	-	-	-
46	Preferred Dividends		-	-	-	-	-	-
47	JDC Expense		-	-	-	-	-	-
48	Income Available for Common Equity		-	-	-	-	-	-
49	Totals		-	-	-	-	-	-
50								
51	Plus: Customer Utility Taxes							
52								
53	BALANCE SHEET ITEMS							
54								
55	TOTAL CASH WORKING CAPITAL							

Exhibit No.: _____
Witness: ---
Schedule 18

250750065

AQUA VIRGINIA, INC. - Total Company
RATE OF RETURN STATEMENT - FULLY ADJUSTED - PER BOOKS & REFLECTING RATEMAKING ADJUSTMENTS
FOR THE TEST YEAR ENDED 03/31/2025

Exhibit No.: _____
Witness: RH
Schedule 19 & 21

Line No.	(1) Virginia Jurisdictional Cost of Service Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Current Ratemaking Adj.	(5) Pro Forma Ratemaking Adj.	(6) Total Ratemaking Adjustments (4)+(5)	(7) See Sch25 Adjnt Nos.	(8) Virginia Jurisdictional Cost of Service after Adjustments (3)+(6)	(9) Revenue Requirement Incrs for a 10.7% ROE	(10) VA Amounts After Revenue Requirement (8)+(9)
Operating Revenues										
1 Sales Revenues	27,304,133	-	27,304,133	798,022	-	798,022		28,102,154	8,369,499	36,471,654
2 Availability Revenues	506,999	-	506,999	(32,229)	-	(32,229)		474,770	(474,770)	-
3 Other Operating Revenues	246,839	-	246,839	17,298	-	17,298		264,137	31,884	296,021
4 Total Operating Revenues	28,057,971	-	28,057,971	783,091	-	783,091		28,841,062	7,928,613	36,767,675
Operating Revenue Deductions										
5 Operation & Maintenance Expense	11,359,707	(22,419)	11,337,288	1,410,283	1,382,495	2,792,779		14,130,067	80,250	14,210,316
6 Depreciation	7,268,318	-	7,268,318	-	365,946	365,946		7,634,265	-	7,634,265
7 Amortization	(929,076)	-	(929,076)	-	(57,667)	(57,667)		(986,744)	-	(986,744)
8 Federal Income Taxes	1,418,810	-	1,418,810	-	(833,851)	(833,851)		584,959	1,610,782	2,195,741
9 State Income Taxes	-	-	-	-	-	0		-	-	-
10 Payroll Taxes	246,988	-	246,988	-	63,672	63,672		310,660	-	310,660
11 Property Taxes	590,842	-	590,842	-	184,427	184,427		775,269	-	775,269
12 Gross Receipts Taxes & Reg'y Assmnt Fees	629,012	-	629,012	11,260	-	11,260		640,272	175,971	816,242
13 (Gain)/Loss On Disposition Of Property	-	-	-	-	-	0		-	-	-
14 Total Operating Revenue Deductions	20,584,600	(22,419)	20,562,181	1,421,543	1,105,022	2,526,565		23,088,747	1,867,003	24,955,750
15 Operating Income	7,473,371	22,419	7,495,790	(638,452)	(1,105,022)	(1,743,475)		5,752,315	6,059,610	11,811,926
16 Plus: AFUDC	-	-	-	-	-	0		-	-	-
17 Less: Charitable Donations	-	-	-	-	-	0		-	-	-
18 Interest Expense On Customer Deposits	-	-	-	-	-	0		-	-	-
19 Interest On Supplier Refunds	-	-	-	-	-	0		-	-	-
20 Other Interest Expense/(Income)	-	-	-	-	-	0		-	-	-
21 Adjusted Operating Income	7,473,371	22,419	7,495,790	(638,452)	(1,105,022)	(1,743,475)		5,752,315	6,059,610	11,811,926
22 Plus: Other Income/(Expense)	36,923	(5,376)	31,548	(31,548)	-	(31,548)		-	-	-
23 Less: Interest Expense	2,410,555	-	2,410,555	-	802,810	802,810		3,213,365	-	3,213,365
24 Preferred Dividends	-	-	-	-	-	0		-	-	-
25 JDC Capital Expense	-	-	-	-	-	0		-	-	-
26 Income Available For Common Equity	5,099,739	17,043	5,116,783	(670,000)	(1,907,832)	(2,577,832)		2,538,950	6,059,610	8,598,561
27 Allowance For Working Capital	1,655,827	(2,491)	1,653,336	156,698	153,611	310,309		1,963,645	-	1,963,645
28 Plus: Net Utility Plant	137,354,375	-	137,354,375	-	25,563,365	26,563,365		162,917,740	-	162,917,740
29 Less: Other Rate Base Deductions	10,872,361	-	10,872,361	-	1,893,950	1,893,950		12,766,311	-	12,766,311
30 Total Rate Base	128,137,841	(2,491)	128,135,350	156,698	23,823,025	23,979,723		152,115,073	-	152,115,073
31 Plus: Other Rate Base Deductions	128,137,841	(2,491)	128,135,350	156,698	23,823,025	23,979,723		152,115,073	-	152,115,073
32 Less: Other Rate Base Deductions	128,137,841	(2,491)	128,135,350	156,698	23,823,025	23,979,723		152,115,073	-	152,115,073
33 Total Capital	67,693,524	(1,316)	67,692,208	82,762	12,585,388	12,668,170		80,360,379	-	80,360,379
34 Common Equity Capital	67,693,524	(1,316)	67,692,208	82,762	12,585,388	12,668,170		80,360,379	-	80,360,379
35 % Rate Of Return Earned On Rate Base	5.83%			5.85%				3.78%		7.77%
36 % Rate Of Return Earned On Common Equity	7.53%			7.56%				3.16%		10.70%
37 % Equity Return Authorized - 9.50%										
38										
39										
40										
41										
42										
43										
44										
45										
46										

**AQUA VIRGINIA, INC. - AVA Water
RATE OF RETURN STATEMENT - FULLY ADJUSTED - PER BOOKS & REFLECTING RATEMAKING ADJUSTMENTS
FOR THE TEST YEAR ENDED 03/31/2025**

AQUA VIRGINIA, INC. - AVA Sewer
RATE OF RETURN STATEMENT - FULLY ADJUSTED - PER BOOKS & REFLECTING RATEMAKING ADJUSTMENTS
FOR THE TEST YEAR ENDED 03/31/2025

Exhibit No.: _____
 Witness: RH
 Schedule 19 & 21

Line No.	(1) Virginia Jurisdictional Cost of Service Amount	(2) Current Ratemaking Adj.	(3) Pro Forma Ratemaking Adj.	(4) Total Ratemaking Adjustments (2)+(3)	(5) See Sch25 Adjmt Nos.	(6) Virginia Jurisdictional Cost of Service after Adjustments (1)+(4)	(7) Revenue Requirement 10.7% ROE	(8) VA Amounts After Revenue Requirement (6)+(7)
Operating Revenues								
1 Sales Revenues	7,766,079	689,063	-	689,063		8,455,142	2,798,629	11,253,772
2 Availability Revenues	205,502	(4,413)	-	(4,413)		201,090	(201,090)	-
3 Other Operating Revenues	51,369	769	-	769		52,138	10,883	63,021
4								
5 Total Operating Revenues (calculated)	8,022,951	685,419	-	685,419		8,708,370	2,608,423	11,316,793
6								
Operating Revenue Deductions								
7 Operation & Maintenance Expense	4,328,534	(1,284,988)	761,116	(523,872)		3,804,662	26,408	3,831,070
8 Depreciation	2,870,827	-	149,889	149,889		3,020,716	-	3,020,716
9 Amortization	(539,330)	-	56,711	56,711		(482,619)	-	(482,619)
10 Federal Income Taxes	-	-	132,690	132,690		132,690	530,063	662,753
11 State Income Taxes	-	-	-	0		-	-	-
12 Payroll Taxes	44,329	-	50,046	50,046		94,375	-	94,375
13 Property Taxes	135,055	-	127,457	127,457		262,512	57,907	262,512
14 Gross Receipts Taxes & Reg'y Assmnt Fees	178,211	15,114	-	15,114		193,326	-	251,233
15 (Gain)/Loss On Disposition Of Property	-	-	-	0		-	-	-
16 Total Operating Revenue Deductions	7,017,626	(1,269,873)	1,277,910	8,036		7,025,662	614,378	7,640,040
17								
18 Operating Income	1,005,325	1,955,293	(1,277,910)	677,383		1,682,708	1,994,045	3,676,753
19								
20 Plus: AFUDC	-	-	-	0		-	-	-
21 Less: Charitable Donations	-	-	-	0		-	-	-
22 Interest Expense On Customer Deposits	-	-	-	0		-	-	-
23 Interest On Supplier Refunds	-	-	-	0		-	-	-
24 Other Interest Expense/(Income)	-	-	-	0		-	-	-
25 Adjusted Operating Income	1,005,325	1,955,293	(1,277,910)	677,383		1,682,708	1,994,045	3,676,753
26								
27 Plus: Other Income/(Expense)	25,848	(25,848)	-	(25,848)		-	-	-
28 Less: Interest Expense	13	-	1,000,226	1,000,226		1,000,239	-	1,000,239
29 Preferred Dividends	-	-	-	0		-	-	-
30 JDC Capital Expense	-	-	-	0		-	-	-
31								
32 Income Available For Common Equity	1,031,159	1,929,445	(2,278,136)	(348,691)		682,469	1,994,045	2,676,514
33								
34 Allowance For Working Capital	480,948	(142,776)	84,568	(58,208)		422,740	-	422,740
35 Plus: Net Utility Plant	44,953,259	346,561	5,356,094	5,702,656		50,655,915	-	50,655,915
36 Less: Other Rate Base Deductions	1,765,942	-	1,963,144	1,963,144		3,729,086	-	3,729,086
37 Total Rate Base	43,668,265	203,785	3,477,519	3,681,304		47,349,569	-	47,349,569
38								
39 Total Capital	43,668,265	203,785	3,477,519	3,681,304		47,349,569	-	47,349,569
40								
41 Common Equity Capital	23,069,366	107,657	1,837,127	1,944,784		25,014,150	-	25,014,150
42								
43 % Rate Of Return Earned On Rate Base	2.30%					3.55%		7.77%
44 % Rate Of Return Earned On Common Equity	4.47%					2.73%		10.70%
45 % Equity Return Authorized - 9.50%								
46								

AQUA VIRGINIA, INC. - TOTAL COMPANY
RATE BASE STATEMENT - FULLY ADJUSTED - PER BOOKS & REFLECTING RATEMAKING ADJUSTMENTS
AS OF 03/31/2025
and Projected through 2026 Rate Year

Exhibit No.:
Preparer: RH
Schedule 22 & 24

Line No.	(1) Virginia Jurisdictional Cost of Service Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Current Ratemaking Adj.	(5) Pro Forma Ratemaking Adj.	(6) Total Ratemaking Adjustments (4)+(5)	(7) See Sch25 Adjmt Nos.	(8) Virginia Jurisdictional Cost of Service after Adjustments (3)+(6)
1	Allowance For Working Capital							
2	Material And Supplies	0	0	0	0	0	0	0
3	Cash Working Capital (Lead Lag Study)	0	0	0	0	0	0	0
4	Deferred Fuel/Deferred Gas Net Of FIT	0	0	0	0	0	0	0
5	Other Working Capital (1/9 O&M)	1,655,827	(2,491)	1,653,336	156,698	153,611	310,309	1,963,645
6								
7	Total Allowance For Working Capital	1,655,827	(2,491)	1,653,336	156,698	153,611	310,309	1,963,645
8								
9								
10	Net Utility Plant							
11	Utility Plant In Service	226,943,618	0	226,943,618	0	39,328,989	39,328,989	266,272,606
12	Acquisition Adjustments	(768,875)	0	(768,875)	0	1	1	(768,875)
13	Construction Work In Progress	9,711,455	0	9,711,455	0	(7,717,339)	(7,717,339)	1,994,116
14	Property Held for Future Use	100,000	0	100,000	0	0	0	100,000
15	Less: Accumulated Depreciation	(75,173,398)	0	(75,173,398)	0	(6,909,929)	(6,909,929)	(82,083,327)
16	Less: Accumulated Amort. of Acquisition Adjustments	2,130,877	0	2,130,877	0	(187,217)	(187,217)	1,943,660
17	Less: CIAC	(42,652,986)	0	(42,652,986)	0	(321,302)	(321,302)	(42,974,288)
18	Accumulated Amortization of CIAC	17,734,675	0	17,734,675	0	1,420,663	1,420,663	19,155,338
19	Less: Customer Advances for Construction	(670,990)	0	(670,990)	0	(50,500)	(50,500)	(721,490)
20	Total Net Utility Plant	137,354,375	0	137,354,375	0	25,563,365	25,563,365	162,917,740
21								
22								
23	Rate Base Deductions							
24	Customer Deposits	42,542	0	42,542	0	0	0	42,542
25	Supplier Refunds	0	0	0	0	0	0	0
26	Accumulated Deferred Income Taxes	10,829,819	0	10,829,819	0	1,893,950	1,893,950	12,723,769
27	Other Cost Free Capital	0	0	0	0	0	0	0
28								
29	Total Rate Base Deductions	10,872,361	0	10,872,361	0	1,893,950	1,893,950	12,766,311
30								
31								
32	Total Rate Base	128,137,841	(2,491)	128,135,350	156,698	23,823,025	23,979,723	152,115,073

AQUA VIRGINIA, INC. - AVA Water
RATE BASE STATEMENT - FULLY ADJUSTED - PER BOOKS & REFLECTING RATEMAKING ADJUSTMENTS
AS OF 03/31/2025
and Projected through 2026 Rate Year

Exhibit No.: _____
 Witness: RH
 Schedule 22 & 24

Line No.	(1) Virginia Jurisdictional Cost of Service Amount	(2) Virginia Jurisdictional Revisions	(3) Revised Virginia Jurisdictional (1)+(2)	(4) Current Ratemaking Adj.	(5) Pro Forma Ratemaking Adj.	(6) Total Ratemaking Adjustments (4)+(5)	(7) See Sch25 Adjmt Nos.	(8) Virginia Jurisdictional Cost of Service after Adjustments (3)+(6)
1	Allowance For Working Capital							
2	Material And Supplies	0	0			0		0
3	Cash Working Capital (Lead Lag Study)	0	0			0		0
4	Deferred Fuel/Deferred Gas Net Of FIT	0	0			0		0
5	Other Working Capital (1/9 O&M)	1,174,879	(2,491)	1,172,388	299,475	69,042		1,540,905
6								
7	Total Allowance For Working Capital	1,174,879	(2,491)	1,172,388	299,475	69,042		1,540,905
8								
9								
10	Net Utility Plant							
11	Utility Plant In Service	143,883,438	0	143,883,438	(423,667)	27,132,421		170,592,191
12	Acquisition Adjustments	1,788,321		1,788,321	0	0		1,788,321
13	Construction Work In Progress	5,463,850	0	5,463,850	(116,095)	(3,958,854)		1,388,902
14								
15	Less: Accumulated Depreciation	(43,385,314)		(43,385,314)	190,243	(3,494,656)		(46,689,728)
16	Less: Accumulated Amort. of Acquisition Adjustments	(72,768)		(72,768)	0	(209,493)		(282,261)
17	Less: CIAC	(25,141,280)		(25,141,280)	2,958	(91,802)		(25,230,124)
18	Accumulated Amortization of CIAC	10,055,442		10,055,442	0	839,654		10,895,096
19	Less: Customer Advances for Construction	(190,573)		(190,573)	0	(10,000)		(200,573)
20	Total Net Utility Plant	92,401,116	0	92,401,116	(346,561)	20,207,270		112,261,825
21								
22								
23	Rate Base Deductions							
24	Customer Deposits	42,342		42,342		0		42,342
25	Supplier Refunds	0				0		0
26	Accumulated Deferred Income Taxes	9,064,077		9,064,077	0	(69,194)		8,994,883
27	Other Cost Free Capital	0				0		0
28								
29	Total Rate Base Deductions	9,106,419	0	9,106,419	0	(69,194)		9,037,225
30								
31								
32	Total Rate Base	84,469,576	(2,491)	84,467,085	(47,087)	20,345,506		104,765,504

AQUA VIRGINIA, INC. - AVA Sewer
RATE BASE STATEMENT - FULLY ADJUSTED - PER BOOKS & REFLECTING RATEMAKING ADJUSTMENTS
AS OF 03/31/2025
and Projected through 2026 Rate Year

Exhibit No.:

Witness: RH

Schedule 22 & 24

Line No.	(1) Virginia Jurisdictional Cost of Service Amount	(2) Current Ratemaking Adj.	(3) Pro Forma Ratemaking Adj.	(4) Total Ratemaking Adjustments (2)+(3)	(5) See Sch25 Adjmt Nos.	(6) Virginia Jurisdictional Cost of Service after Adjustments (1)+(4)
1	<u>Allowance For Working Capital</u>					
2	Material And Supplies	0		0		0
3	Cash Working Capital (Lead Lag Study)	0		0		0
4	Deferred Fuel/Deferred Gas Net Of FIT	0		0		0
5	Other Working Capital (1/9 O&M)	480,948	84,568	(58,208)		422,740
6						
7	<u>Total Allowance For Working Capital</u>	480,948	84,568	(58,208)		422,740
8						
9						
10	<u>Net Utility Plant</u>					
11	Utility Plant In Service	83,060,180	12,196,568	12,620,235		95,680,415
12	Acquisition Adjustments	(2,557,196)	0	0		(2,557,196)
13	Construction Work In Progress	4,247,605	(3,758,486)	(3,642,391)		605,214
14	Property Held for Future Use	100,000	0	0		100,000
15	Less: Accumulated Depreciation	(31,788,084)	(3,415,273)	(3,605,516)		(35,393,599)
16	Less: Accumulated Amort. of Acquisition Adjustments	2,203,645	22,276	22,276		2,225,921
17	Less: CIAC	(17,511,706)	(2,958)	(232,458)		(17,744,164)
18	Accumulated Amortization of CIAC	7,679,233	0	581,009		8,260,242
19	Less: Customer Advances for Construction	(480,417)	0	(40,500)		(520,917)
20	<u>Total Net Utility Plant</u>	44,953,259	5,356,094	5,702,656		50,655,915
21						
22						
23	<u>Rate Base Deductions</u>					
24	Customer Deposits	200		0		200
25	Supplier Refunds	0		0		0
26	Accumulated Deferred Income Taxes	1,765,742	0	1,963,144		3,728,886
27	Other Cost Free Capital	0		0		0
28						
29	<u>Total Rate Base Deductions</u>	1,765,942	0	1,963,144		3,729,086
30						
31						
32	<u>Total Rate Base</u>	43,668,265	203,785	3,477,519		47,349,569

AQUA VIRGINIA, INC. - AVA Water
DETAIL OF RATEMAKING ADJUSTMENTS
REFLECTED IN SCHEDULES 19&21 AND 22&24

Exhibit No.: _____
Witness: RH
Schedule 25

Please see also Schedule 29 Index

		(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Adj. No.	<u>Adjustment</u>		<u>Other</u>	<u>Current Adj.</u>	<u>Pro Forma Adj.</u>	<u>Rev Rqmnt Adj.</u>
1		<u>RATEMAKING REVISIONS TO SCH 19&21 COL. 2</u>					
2		Please see Revision Work paper					
3							
4							
5		OPERATING EXPENSE REVISIONS					
6							
7	FAR-1	Revision - Operation & Maintenance Expense			(22,419)		
8							
9							
10							
11							
12		OTHER INCOME / EXPENSE REVISIONS					
13							
14	FAR-2	Revision - Other Income / Expense			(5,376)		
15							
16							
17							
18		<u>RATEMAKING REVISIONS TO SCH 22&24 COL. 2 - None</u>					
19							
20							
21							
22		<u>INCOME ADJUSTMENTS</u>					
23							
24		Operating Revenue Adjustments					
25		Base Rate Revenues					
26		Adjust to Billing Analysis, Normalized					
27		Calcs: Bill Analysis Sales Rev, Normalized - please see revenue WP			19,647,012		
28		Booked Sales Rev			19,538,054		
29	FA-1	Sales Adjustment			108,958		
30					-	-	
31	FA-2	Base Revenue Increase Required					5,318,190
32		Total Adjmnts for Base Rate Revenues			108,958	-	5,318,190
33							
34		Availability Revenues					
35		Adjust to Billing Analysis, Normalized					
36		Calcs: Bill Analysis Avail Rev, Normalized - please see revenue WP			273,680	-	
37	FA-3a	& Booked Avail Rev			301,497	-	
38	FA-3b	Availability Fee Adjustment			(27,816)	(273,680)	
39							
40		Other Operating Revenues					
41							
42	FA-4	Move Going Forward Antenna Revenue above the line - see WP			15,000		
43		Other Operating Revenues - please see revenue workpaper			196,999		
44		Booked Other Revenue			195,470		
45	FA-5a	Balance of Other Operating Revenues adjustment			1,529		
46	FA-5b	Total Adjmnts for Other Operating Revenues			16,529	21,001	
47		Total Operating Revenue Adjustments			97,671	(252,679)	5,318,190
48							
49		<u>EXPENSE ADJUSTMENTS</u>					
50		Operation And Maintenance Expense Adjustments					
51		Salaries & Wages - Employees					
52		Please see Labor Work Paper			-	170,932	
53							

AQUA VIRGINIA, INC. - AVA Water
DETAIL OF RATEMAKING ADJUSTMENTS
REFLECTED IN SCHEDULES 19&21 AND 22&24

Exhibit No.: _____
Witness: RH
Schedule 25

Please see also Schedule 29 Index

(1)		(2)	(3)	(4)	(5)	(6)
Line No.	Adj. No.	Adjustment	Other	Current Adj.	Pro Forma Adj.	Rev Rqmnt Adj.
54	FA-6	Total Adjmnts for Salaries & Wages - Employees		-	170,932	-
55						
56		Employee Pensions & Benefits				
57		Please see Benefits Work Paper		-	34,364	
58						
59	FA-7	Total Adjmnts for Employee Pensions & Benefits		-	34,364	-
60						
61		Purchased Water				
62		Please see Purchased W & WW Work Paper		-	6,866	
63	FA-8	Total Adjmnts for Purchased Water		-	6,866	-
64						
65		Purchased Power				
66		Power Rate Increases		-	28,563	
67		Please see Power Work Paper				
68	FA-9	Total Adjmnts for Purchased Power		-	28,563	-
69						
70		Sludge Removal				
71		Sludge Hauling and Disposal Increase - Sewer Only			-	
72						
73	FA-10	Total Adjmnts for Sludge Removal		-	-	-
74						
75						
76						
77		Cont Serv-Mgt Fees				
78		Admin Intracompany Allocations - See Work Paper		22,319		
79						
80				-		
81				-		
82				-		
83	FA-11	Total Adjmnts for Admin Intracompany Allocations - See Work Paper		22,319	-	-
84						
85	FA-12a &	Parent Management Fees - Please see Work Paper		1,503,763		
86	FA-12b				86,157	
87	FA-13	IT Assets - Please see Work Paper		1,193,541		
88	FA-14	To remove costs - prior base case refunds		(9,584)		
89		Total Adjmnts for Management Fees		2,687,719	86,157	-
90						
91		Total Adjmnts for Cont Serv-Mgt Fees		2,710,039	86,157	-
92						
93		Contractual Services - Testing				
94						
95	FA-15a	Lab Testing Cost Increase- Please see Work Paper		-	13,377	
96	FA-15b	PFAS Amortization Please see Work Paper			139,456	
97	FA-15	Total Adjmnts for Contractual Services - Testing		-	152,832	-
98						
99		Contractual Services - Other - ACO & Other				
100	FA-16a	To remove costs - prior base case refunds		(1,342)		
101	FA-16b	ACO - Please see Work Paper		-	43,360	
102						
103	FA-16	Total Adjmnts for Contractual Services - Other - ACO & Other		(1,342)	43,360	-
104						
105						
106		Contractual Services - Other - Lead Service Lines			180,000	
107		See Work Paper				

AQUA VIRGINIA, INC. - AVA Water
DETAIL OF RATEMAKING ADJUSTMENTS
REFLECTED IN SCHEDULES 19&21 AND 22&24

Exhibit No.: _____
Witness: RH
Schedule 25

Please see also Schedule 29 Index

(1)	(2)	(3)	(4)	(5)	(6)	
Line No.	Adj. No.	Adjustment	Other	Current Adj.	Pro Forma Adj.	Rev Rqmnt Adj.
108	FA-17	Total Adjmnts for Contractual Services - Other - Lead Service Lines			180,000	
109						
110						
111		Insurance				
112	FA-18	Pro Forma Non-WC Insurance Cost Changes			(88,761)	
113	FA-19	Pro Forma WC Insurance Cost Changes			40,274	
114		See Work Paper				
115		Total Adjmnts for Insurance			(48,486)	
116						
117		Reg. Comm. Exp. - Rate Case Normalization				
118				-	-	
119		Pro Forma Normalization Adj. of Regulatory Commission Expense			(34,101)	
120		See Work Paper				
121						
122	FA-20	Total Adjmnts for Reg. Comm. Exp. - Rate Case Normalization		-	(34,101)	-
123						
124		Bad Debt Expense				
125		Test Year Bad Debt Expense		214,139	-	
126		Calcs: Pro Forma Present Sales & Availability Revenues		19,920,693	-	
127		Bad Debt on Sales & Availability Revenues	1.01%	201,679	-	
128		Adjustment		(12,460)	-	
129						
130						
131		Proposed Base Revenue Increase - Bad Debt Adjmt				5,318,190
132		Bad Debt on Proposed Rev Incr @	1.01%			53,842
133	FA-21	&				
134	FA-22	Total Adjmnts for Bad Debt Expense		(12,460)	-	53,842
135						
136		Miscellaneous Expense				
137	FA-23a	Other Miscellaneous - remove advertising		(966)	-	
138	FA-23b	Other Miscellaneous - remove fines and penalties		-		
139	FA-23c	Other Miscellaneous - postage increase		-	893	
140					-	
141	FA-23	Total Adjmnts for Miscellaneous Expense		(966)	893	
142						
143						
144		Total Operation And Maintenance Expense Adjustments		2,695,271	621,379	53,842
145						
146						
147		Depreciation Expense				
148	FA-24	Pro Forma Depreciation Expense			4,503,907	
149		Less: Test Year			(4,397,491)	
150		See Work Paper				
151						
152	FA-25	Allocation of VA Admin. Depreciation Expense			109,642	
153						
154		Total Adjmnts for Depreciation Expense		-	216,058	
155						
156						
157		Amortization Expense				
158	FA-26	Pro Forma UPAA (please see WP)		-	\$167,599	
159				-	-	
160	FA-27	Pro Forma CIAC amortization		-	(671,723)	
161					-	

AQUA VIRGINIA, INC. - AVA Water
 DETAIL OF RATEMAKING ADJUSTMENTS
 REFLECTED IN SCHEDULES 19&21 AND 22&24

Exhibit No.:

Witness: RH
 Schedule 25

Please see also Schedule 29 Index

(1)	(2)	(3)	(4)	(5)	(6)	
Line No.	Adj. No.	Adjustment	Other	Current Adj.	Pro Forma Adj.	Rev Rqmnt Adj.
162		Less: Test Year			389,746	
163		See Work Paper				
164		Total Adjmnts for Amortization Expense		-	(114,378)	
165						
166						
167		Federal Income Tax Adjustments				
168		Adjustment to FIT - please see Work paper			(966,541)	1,080,720
169	FA-28	&				
170	FA-29	Total Federal Income Tax Adjustments		-	(966,541)	1,080,720
171		Payroll Taxes				
172		Payroll Tax on Salary Adjustment				
173		Please see Work Paper		-	13,625	
174						
175	FA-30	Total Adjmnts for Payroll Taxes		-	13,625	
176						
177						
178		Property Taxes				
179						
180		Property Taxes (See Work Paper)			56,969	
181						
182						
183						
184	FA-31	Total Adjmnts for Property Taxes		-	56,969	-
185						
186						
187		Gross Receipts Taxes & Reg'y Assmnt Fees				
188		Reconcile Per Books to Calculated Amounts				
189		Operating Revenue (from Schedule 19&21, Line 5)		20,132,692	-	
190				-		
191		Taxable Revenue		20,132,692	-	
192		Gross Rcpts Tax & Reg Fees @ 2.22%		446,946	-	
193		Gross Rcpts Tax & Reg Fees Per Books		450,801	-	
194		Adjustment (Calculated - Booked)		(3,855)	-	
195		GR Taxes & Fees on Revenue Adjustments				
196		Calcs: Operating Revenue Adjustments (from above)		-	-	5,318,190
197		Gross Rcpts Tax & Reg Fees on Rev Adjustments @ 2.22%		-	-	118,064
198	FA-32	&				
199	FA-33	Total Adjmnts for Gross Receipts Taxes & Reg'y Assmnt Fees		(3,855)	-	118,064
200						
201						
202		Other Income/(Expense)				
203		To Remove Non-Utility Income and Expense				
204		Calcs: Non-utility Income and Expense		5,700		
205		Adjustment		(5,700)		
206						
207	FA-34	Total Adjmnts for Other Income/(Expense)		(5,700)	-	
208						
209						
210		Interest Expense				
211		Adjustment to Interest Expense - please see Work paper			(197,416)	
212	FA-35	Total Adjmnts for Interest Expense		-	(197,416)	
213						
214						
215						

AQUA VIRGINIA, INC. - AVA Water
DETAIL OF RATEMAKING ADJUSTMENTS
REFLECTED IN SCHEDULES 19&21 AND 22&24

Exhibit No.: _____
Witness: RH
Schedule 25

Please see also Schedule 29 Index

(1)		(2)	(3)	(4)	(5)	(6)
Line No.	Adj. No.	Adjustment	Other	Current Adj.	Pro Forma Adj.	Rev Rqmnt Adj.
216		<u>RATE BASE ADJUSTMENTS</u>				
217						
218		Allowance For Working Capital				
219		Calcs: Total O&M adjustments (from above)		2,695,271	621,379	
220	FA-36	& Working Capital Allowance @ 1/9	11.11%			
221	FA-37	Total Adjmnts for Allowance For Working Capital		<u>299,475</u>	<u>69,042</u>	
222						
223						
224		Net Utility Plant				
225						
226		Utility Plant In Service				
227	FA-38	To remove non-water portion of 3/31/25 Admin.		(423,667)	-	
228	FA-39	To add water portion of post - 3/31/25 Admin. Activity			605,022	
229	FA-40	To reflect post - 3/31/25 Water Activity		-	26,527,399	
230				-	-	
231		Total Adjmnts for Utility Plant In Service		<u>(423,667)</u>	<u>27,132,421</u>	
232						
233						
234		Construction Work In Progress				
235	FA-41	To remove non-water portion of 3/31/25 Admin.		(116,095)		
236	FA-42	To add water portion of post - 3/31/25 Admin. Activity			(460,540)	
237	FA-43	To reflect post - 3/31/25 Water Activity			(3,498,314)	
238						
239					-	
240		Total Adjmnts for Construction Work In Progress		<u>(116,095)</u>	<u>(3,958,854)</u>	
241						
242						
243						
244		Accumulated Depreciation				
245	FA-44	To remove non-water portion of 3/31/25 Admin.		190,243		
246	FA-45	To add water portion of post - 3/31/25 Admin. Activity			(115,225)	
247	FA-46	To reflect post - 3/31/25 Accumulated Depreciation (see Depreciation WP)		-	(3,379,431)	
248				-		
249		Total Adjmnts for Accumulated Depreciation		<u>190,243</u>	<u>(3,494,656)</u>	
250						
251						
252		Accumulated Amort. of Acquisition Adjustments				
253		Accumulated Amort. of Acquisition Adj. Per UPAA workpapers		-	(209,493)	
254				-	-	
255				-		
256	FA-47	Total Adjmnts for Accumulated Amort. of Acquisition Adjustments		<u>-</u>	<u>(209,493)</u>	
257						
258						
259		CIAC				
260	FA-48a	To remove non-water portion of 3/31/25 Admin.		2,958		
261	FA-48b	To reflect post - 3/31/25 CIAC Activity			(91,802)	
262		Total Adjmnts for CIAC		<u>2,958</u>	<u>(91,802)</u>	
263						
264						
265		Accumulated Amortization of CIAC		-		
266		To add post - 3/31/25 Pro Forma CIAC Accum. Amort.(see CIAC WP)			839,654	
267	FA-49	Total Adjmnts for Accumulated Amortization of CIAC		<u>-</u>	<u>839,654</u>	
268						
269						

AQUA VIRGINIA, INC. - AVA Water
DETAIL OF RATEMAKING ADJUSTMENTS
REFLECTED IN SCHEDULES 19&21 AND 22&24

Exhibit No.: _____
Witness: RH
Schedule 25

Please see also Schedule 29 Index

(1)		(2)	(3)	(4)	(5)	(6)
Line No.	Adj. No.	Adjustment	Other	Current Adj.	Pro Forma Adj.	Rev Rqmnt Adj.
270		Customer Advances for Construction				
271		To reflect post - 3/31/25 CAC Activity			(10,000)	
272	FA-50	Total Adjmnts for Customer Advances for Construction		-	(10,000)	
273						
274						
275		Total Adjmnts for Net Utility Plant		(346,561)	20,207,270	
276		Other Rate Base Deductions				
277						
278						
279		Accumulated Deferred Income Taxes				
280		Accumulated Deferred Income Tax Adjustments (see ADIT Work Paper)		-	(69,194)	
281						
282						
283	FA-51	Total Adjmnts for Accumulated Deferred Income Taxes		-	(69,194)	
284						
285		Total Adjmnts for Other Rate Base Deductions		-	(69,194)	-
286						
287		TOTAL RATE BASE ADJUSTMENTS		(47,087)	20,345,506	-

**AQUA VIRGINIA, INC. - AVA Sewer
DETAIL OF RATEMAKING ADJUSTMENTS
REFLECTED IN SCHEDULES 19&21 AND 22&24**

Exhibit No.: _____
Witness: RH
Schedule 25

Please see also Schedule 29 Index

		(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Adj. No.	<u>Adjustment</u>		<u>Other</u>	<u>Current Adj.</u>	<u>Pro Forma Adj.</u>	<u>Rev Rqmnt Adj.</u>
1		<u>INCOME ADJUSTMENTS</u>					
2							
3		Operating Revenue Adjustments					
4		Base Rate Revenues					
5		Adjust to Billing Analysis, Normalized					
6		Calcs: Bill Analysis Sales Rev, Normalized				8,455,142	
7		Booked Sales Rev				7,766,079	
8	FA-1	Sales Adjustment				689,063	
9							
10	FA-2	Base Revenue Increase Required					2,608,423
11		Total Adjmnts for Base Rate Revenues				689,063	2,608,423
12							
13		Availability Revenues					
14		Adjust to Billing Analysis, Normalized					
15		Calcs: Bill Analysis Avail Rev, Normalized				201,090	
16	FA-3a	& Booked Avail Rev				205,502	
17	FA-3b	Availability Fee Adjustment				(4,413)	(201,090)
18	FA-4	<i>Water Only</i>					
19		Other Operating Revenues					
20		Adjust to Billing Analysis, Normalized					
21		Other Operating Revenues - please see revenue workpaper				52,138	
22		Booked Other Rev				51,369	
23							
24	FA-5a	Total Adjmnts for Other Operating Revenues				769	10,883
25	FA-5b						
26		Total Operating Revenue Adjustments				685,419	(190,207) 2,608,423
27							
28		<u>EXPENSE ADJUSTMENTS</u>					
29		Operation And Maintenance Expense Adjustments					
30		Salaries & Wages - Employees					
31		Please see Labor Work Paper				-	438,476
32							
33	FA-6	Total Adjmnts for Salaries & Wages - Employees				-	438,476 -
34							
35		Employee Pensions & Benefits					
36		Please see Benefits Work Paper				-	162,404
37							
38	FA-7	Total Adjmnts for Employee Pensions & Benefits				-	162,404 -
39							
40		Purchased Wastewater					
41		Please see Purchased W & WW Work Paper				-	6,068
42	FA-8	Total Adjmnts for Purchased Wastewater				-	6,068 -
43							
44		Purchased Power					
45		Power Rate Increases				-	15,037
46		Please see Power Work Paper				-	
47	FA-9	Total Adjmnts for Purchased Power				-	15,037 -
48							
49		Sludge Removal					
50		Sludge Hauling and Disposal Increase				-	6,190
51							
52	FA-10	Total Adjmnts for Sludge Removal				-	6,190 -

53	Cont Serv-Mgt Fees			
54	Admin Intracompany Allocations - See Work Paper	(22,320)		
55		-		
56				
57				
58	FA-11 Total Adjmnts for Admin Intracompany Allocations - See Work Paper	<u>(22,320)</u>	<u>-</u>	<u>-</u>
59				
60	FA-12a & Parent Management Fees - Please see Work Paper	(1,503,763)		
61	FA-12b		21,719	
62	FA-13 IT Assets - Please see Work Paper	300,873		
63	FA-14 To remove costs - prior base case refunds	(2,416)		
64	Total Adjmnts for Management Fees	<u>(1,205,305)</u>	<u>21,719</u>	<u>-</u>
65				
66	Total Adjmnts for Cont Serv-Mgt Fees	<u>(1,227,625)</u>	<u>21,719</u>	<u>-</u>
67	Contractual Services - Testing			
68				
69	FA-15a Lab Testing Cost Increase- Please see Work Paper	-	11,739	
70	FA-15b <i>Water Only</i>		-	
71	FA-15 Total Adjmnts for Contractual Services - Testing	<u>-</u>	<u>11,739</u>	<u>-</u>
72				
73	Contractual Services - Other - ACO & Other			
74	FA-16a To remove costs - prior base case refunds	(338)		
75	FA-16b ACO - Please see Work Paper	-	10,930	
76				
77	FA-16 Total Adjmnts for Contractual Services - Other - ACO & Other	<u>(338)</u>	<u>10,930</u>	<u>-</u>
78				
79				
80	Contractual Services - Other - Lead Service Lines		-	
81	<i>Water Only</i>			
82	FA-17 Total Adjmnts for Contractual Services - Other - Lead Service Lines		<u>-</u>	
83				
84				
85	Insurance			
86	FA-18 Pro Forma Non-WC Insurance Cost Changes		69,821	
87	FA-19 Pro Forma WC Insurance Cost Changes		26,485	
88	See Work Paper			
89	Total Adjmnts for Insurance		<u>96,306</u>	
90				
91	Reg. Comm. Exp. - Rate Case Normalization			
92				
93	Pro Forma Normalization Adj. of Regulatory Commission Expense		(7,979)	
94	See Work Paper			
95				
96	FA-20 Total Adjmnts for Reg. Comm. Exp. - Rate Case Normalization	<u>-</u>	<u>(7,979)</u>	<u>-</u>
97				
98	Bad Debt Expense			
99	Test Year Bad Debt Expense	111,654	-	
100	Calcs: Pro Forma Present Sales & Availability Revenues	8,656,232	-	
101	Bad Debt on Sales & Availability Revenues	1.01% 87,636	-	
102	Adjustment	(24,018)	-	
103				
104	Revenue Requirement related adjustment			
105	Calc: Proposed Sales Revenue Increase - Bad Debt Adjmt			2,608,423
106	Bad Debt on Proposed Rev Incr @	1.01%		26,408
107	FA-21 &			
108	FA-22 Total Adjmnts for Bad Debt Expense	<u>(24,018)</u>	<u>-</u>	<u>26,408</u>
109				
110				
111	Miscellaneous Expense			
112	FA-23a Other Miscellaneous - remove advertising	(243)	-	
113	FA-23b Other Miscellaneous - remove fines and penalties	(32,763)		
114	FA-23c Other Miscellaneous - postage increase	-	225	

115					
116	FA-23	Total Adjmnts for Miscellaneous Expense	(33,007)	225	
117					
118					
119		Total Operation And Maintenance Expense Adjustments	(1,284,988)	761,116	26,408
120					
121					
122		Depreciation Expense			
123	FA-24	Pro Forma Depreciation Expense		2,993,077	
124		Less: Test Year		(2,870,827)	
125		See Work Paper			
126					
127	FA-25	Allocation of VA Admin. Depreciation Expense		\$27,639	
128		Total Adjmnts for Depreciation Expense	-	149,889	
129		Amortization Expense			
130	FA-26	Pro Forma UPAA (please see WP)	-	(\$17,812)	
131			-	-	
132	FA-27	Pro Forma CIAC amortization	-	(464,807)	
133				-	
134		Less: Test Year		539,330	
135		See Work Paper			
136		Total Adjmnts for Amortization Expense	-	56,711	
137					
138					
139		Federal Income Tax Adjustments			
140		Adjustment to FIT - please see Work paper		132,690	530,063
141	FA-28	&			
142	FA-29	Total Federal Income Tax Adjustments	-	132,690	530,063
143					
144					
145					
146		Payroll Taxes			
147		Payroll Tax on Salary Adjustment			
148		Please see Work Paper	-	50,046	
149					
150	FA-30	Total Adjmnts for Payroll Taxes	-	50,046	
151					
152					
153		Property Taxes			
154					
155		Property Taxes (See Work Paper)		127,457	
156					
157					
158					
159	FA-31	Total Adjmnts for Property Taxes	-	127,457	-
160					
161					
162		Gross Receipts Taxes & Reg'y Assmnt Fees			
163		Reconcile Per Books to Calculated Amounts			
164		Operating Revenue (from Schedule 19&21, Line 5)	8,708,370	-	
165			-		
166		Taxable Revenue	8,708,370	-	
167		Gross Rcpts Tax & Reg Fees @ 2.22%	193,326	-	
168		Gross Rcpts Tax & Reg Fees Per Books	178,211	-	
169		Adjustment (Calculated - Booked)	15,114	-	
170		GR Taxes & Fees on Revenue Adjustments			
171		Calcs: Operating Revenue Adjustments (from above)	-	-	2,608,423
172		Gross Rcpts Tax & Reg Fees on Rev Adjustments @ 2.22%	-	-	57,907
173	FA-32	&			
174	FA-33	& Total Adjmnts for Gross Receipts Taxes & Reg'y Assmnt Fees	15,114	-	57,907
175					
176					
177		Other Income/(Expense)			

178	Remove Non-utility Other Inc (Exp) for ratemaking purposes		
179	Per Books Non-utility Other Income/(Expense)	25,848	
180	Adjustment	(25,848)	
181			
182	FA-34 Total Adjmnts for Other Income/(Expense)	(25,848)	-
183			
184			
185	Interest Expense		
186	Adjustment to Interest Expense - please see Work paper	-	1,000,226
187			
188	FA-35 Total Adjmnts for Interest Expense	-	1,000,226
189			
190			
191	<u>RATE BASE ADJUSTMENTS</u>		
192			
193	Allowance For Working Capital		
194	Calcs: Total O&M adjustments (from above)	(1,284,988)	761,116
195	FA-36 Working Capital Allowance @ 1/9	11.11%	
196	FA-37 Total Adjmnts for Allowance For Working Capital	(142,776)	84,568
197			
198			
199			
200			
201	Net Utility Plant		
202	Utility Plant In Service		
203			
204			
205			
206	FA-38 To add sewer portion of 3/31/25 Admin.	423,667	-
207	FA-39 To add sewer portion of post - 3/31/25 Admin. Activity		152,517
208	FA-40 To reflect post - 3/31/25 Sewer Activity	-	12,044,051
209			
210			
211	Total Adjmnts for Utility Plant In Service	423,667	12,196,568
212			
213			
214			
215	Construction Work In Progress		
216	FA-41 To add sewer portion of 3/31/25 Admin.	116,095	-
217	FA-42 To add sewer portion of post - 3/31/25 Admin. Activity		(116,095)
218	FA-43 To reflect post - 3/31/25 Sewer Activity		(3,642,391)
219			
220			
221	Total Adjmnts for Construction Work In Progress	116,095	(3,758,486)
222			
223			
224	Accumulated Depreciation		
225	FA-44 To add sewer portion of 3/31/25 Admin.	(190,243)	
226	FA-45 To add sewer portion of post - 3/31/25 Admin. Activity		(29,046)
227	FA-46 To add post - 3/31/25 Accumulated Depreciation (see Depreciation WP)	-	(3,386,226)
228			
229	Total Adjmnts for Accumulated Depreciation	(190,243)	(3,415,273)
230			
231			
232	Accumulated Amort. of Acquisition Adjustments		
233	Accumulated Amort. of Acquisition Adj. Per UPAA workpapers	-	\$22,276
234	Remove Accum Amort of Acquisition Adjustment per Books amount	-	-
235			
236	FA-47 Total Adjmnts for Accumulated Amort. of Acquisition Adjustments	-	22,276
237			
238			
239			
240			
241	CIAC		
242	FA-48a To add sewer portion of 3/31/25 Admin.	(2,958)	
243	FA-48b To reflect post - 3/31/25 CIAC Activity		(229,500)
244	Total Adjmnts for CIAC	(2,958)	(229,500)

235				
236				
237		Accumulated Amortization of CIAC	-	
238		To add post - 3/31/25 Pro Forma CIAC Accum. Amort.(see CIAC WP)		581,009
239	FA-49	Total Adjmnts for Accumulated Amortization of CIAC	-	581,009
240				
241				
242		Customer Advances for Construction		
243		To reflect post - 3/31/25 CAC Activity		(40,500)
244	FA-50	Total Adjmnts for Customer Advances for Construction	-	(40,500)
245				
246				
247				
248		Total Adjmnts for Net Utility Plant	346,561	5,356,094
249		Other Rate Base Deductions		
250				
251		Accumulated Deferred Income Taxes		
252		Accumulated Deferred Income Tax Adjustments (see ADIT Work Paper)	-	1,963,144
253				
254				
255	FA-51	Total Adjmnts for Accumulated Deferred Income Taxes	-	1,963,144
256				
257		Total Adjmnts for Other Rate Base Deductions	-	1,963,144
258				
259		TOTAL RATE BASE ADJUSTMENTS	203,785	3,477,519

AQUA VIRGINIA, INC. - AVA Water
REVENUE REQUIREMENT RECONCILIATION
FOR THE TEST YEAR ENDED 03/31/2025

Exhibit No.:

Witness: RH
Schedule 26

	(1)	(2)	(3)	(4)	(5)
Line No.		Test Year & Current Adj's	Pro Forma Adjustments	Rev Incrs & Adjtsmnts	Proposed Total
1	Total Operating Revenues				
2	Total Increase Calculated	20,132,692		5,318,190	25,450,882
3					
4	Cause for Increase:				
5	Test Year Net Oprtng Rev Deficit	68,510			68,510
6	Return on Additional Rate Base	(3,656)	1,579,854		1,576,198
7	Revenue Adjustments	(97,671)	-	-	(97,671)
8	O&M Expenses	2,695,271	621,379	53,842	3,370,492
9	Other Income/Gains / Losses	-	-	-	-
10	Interest on Customer Deposits	-	-	-	-
11	Property & Payroll Taxes	-	70,595	-	70,595
12	Gross Receipts & Reg Asmt Fees	(3,855)	-	118,064	114,209
13	Depreciation & Amortization	-	101,679	-	101,679
14	Additional Income taxes on Adjustments	-	(966,541)	-	(966,541)
15	Test Year Income Taxes	-			-
16	Add'l Inc Tax on Revenue Increase			1,080,720	1,080,720
17	Rounding Difference			(0)	(0)
18	Total			5,318,190	5,318,190

AQUA VIRGINIA, INC. - AVA Water
REVENUE REQUIREMENT RECONCILIATION
Supporting Schedule

Schedule 26
Supporting

Line No.	(1) Description	(2) Test Year & Current Adjtsmts	(3) Pro Forma Adjtsmts	(4) Rev Incrs Adjtsmts	(5) Total Adjtsmts	(6) Net of Tax Ovrll Cost of Capital 7.77%	(7) Required AOI
1	Test Year Net Optrng Rev Deficit						
2	Expected earnings on Rate Base:						
3	Test Year Rate Base	84,467,085					
4	Est ROR	7.77%					
5	Return on Rate Base	6,558,975					
6	Test Year Net Optrng Income	6,490,465					
7	Net Optrng Income Deficit	68,510			68,510		68,510
8							
9	Return on Additional Rate Base						
10	Allowance For Working Capital	299,475	69,042	-	368,517	7.77%	28,616
11	Net Utility Plant	(346,561)	20,207,270	-	19,860,709	7.77%	1,542,209
12	Other Rate Base Deductions	-	(69,194)	-	(69,194)	7.77%	(5,373)
13		(47,087)	20,345,506	-	20,298,419		1,576,198
14	Revenue Adjustments						
15	Base Rate Revenues	(108,958)	-	-	(108,958)	100.00%	(108,958)
16	Availability Revenues	27,816	-	-	27,816	100.00%	27,816
17	Other Operating Revenues	(16,529)	-	-	(16,529)	100.00%	(16,529)
18	Gains / Losses	-	-	-	-	100.00%	-
19		(97,671)	-	-	(97,671)		(97,671)
20	O&M Expenses						
21	Operation And Maintenance Expense	2,695,271	621,379	53,842	3,370,492	100.00%	3,370,492
22							
23	Interest Expense						
24	Interest Expense On Customer Deposits	-	-	-	-	100.00%	-
25	Interest Expense	-	-	-	-	100.00%	-
26							
27	Property & Payroll Taxes						
28	Payroll Taxes	-	13,625	-	13,625	100.00%	13,625
29	Property Taxes	-	56,969	-	56,969	100.00%	56,969
30		-	70,595	-	70,595		70,595
31	Gross Receipts & Reg Asmt Fees						
32	Gross Receipts Taxes & Reg'y Assmnt Fees	(3,855)	-	118,064	114,209	100.00%	114,209
33							
34	Depreciation & Amortization						
35	Depreciation Expense	-	216,058	-	216,058	100.00%	216,058
36	Amortization Expense	-	(114,378)	-	(114,378)	100.00%	(114,378)
37		-	101,679	-	101,679		101,679
38	Income Taxes						
39	Income Taxes	-	(966,541)	1,080,720	114,179	100.00%	114,179

Note: Further details for each adjustment line are in Schedule 25.

Gross-up calculations for Income and Other taxes are inherent in the Income Taxes and Gross Receipts & Reg Asmnt Fees adjustment lines.

**AQUA VIRGINIA, INC. - AVA Sewer
REVENUE REQUIREMENT RECONCILIATION
FOR THE TEST YEAR ENDED 03/31/2025**

Exhibit No.: _____
Witness: RH
Schedule 26

	(1)	(2)	(3)	(4)	(5)
Line No.		Test Year & Current Adj's	Pro Forma Adjustments	Rev Incrs & Adjustments	Proposed Total
1	Total Operating Revenues				
2	Total Increase Calculated	8,708,370		<u>2,608,423</u>	11,316,793
3					
4	Cause for Increase:				
5	Test Year Net Opring Rev Deficit	2,385,570			2,385,570
6	Return on Additional Rate Base		285,858		285,858
7	Revenue Adjustments	(685,419)	-	-	(685,419)
8	O&M Expenses	(1,284,988)	761,116	26,408	(497,464)
9	Other Income/(Expense)	-	-	-	-
10	Interest on Customer Deposits	-	-	-	-
11	Property & Payroll Taxes	-	177,504	-	177,504
12	Gross Receipts & Reg Asmt Fees	15,114	-	57,907	73,021
13	Depreciation & Amortization	-	206,600	-	206,600
14	Additional Income taxes on Adjustments	-	132,690	-	132,690
15	Test Year Income Taxes	-			-
16	Add'l Inc Tax on Revenue Increase			530,063	530,063
17	Rounding Difference				0
18	Total			<u>2,608,423</u>	<u>2,608,423</u>

AQUA VIRGINIA, INC. - AVA Sewer
REVENUE REQUIREMENT RECONCILIATION
Supporting Schedule

Schedule 26
Supporting

Line No.	(1) Description	(2) Test Year & Current Adjustments	(3) Pro Forma Adjustments	(4) Rev Incls Adjustments	(5) Total Adjustments	(6) Net of Tax Ovrl Cost of Capital 7.77%	(7) Required AOI
1	Test Year Net Opting Rev Deficit						-
2	Expected earnings on Rate Base:						
3	Test Year Rate Base	43,668,265					
4	Est ROR	7.77%					
5	Return on Rate Base	3,390,895					
6	Test Year Net Opting Income	1,005,325					
7	Net Opting Income Deficit	2,385,570			2,385,570		2,385,570
8							
9	Return on Additional Rate Base						
10	Allowance For Working Capital	(142,776)	84,568	-	(58,208)	7.77%	(4,520)
11	Net Utility Plant	346,561	5,356,094	-	5,702,656	7.77%	442,818
12	Other Rate Base Deductions	-	1,963,144	-	1,963,144	7.77%	152,441
13		203,785	3,477,519	-	3,681,304		285,858
14	Revenue Adjustments						
15	Base Rate Revenues	(689,063)	-	-	(689,063)	100.00%	(689,063)
16	Availability Revenues	4,413	-	-	4,413	100.00%	4,413
17	Other Operating Revenues	(769)	-	-	(769)	100.00%	(769)
18	Other Income/(Expense)	-	-	-	-	100.00%	-
19		(685,419)	-	-	(685,419)		(685,419)
20	O&M Expenses						
21	Operation And Maintenance Expense	(1,284,988)	761,116	26,408	(497,464)	100.00%	(497,464)
22							
23	Interest Expense						
24	Interest Expense On Customer Deposits	-	-	-	-	100.00%	-
25	Interest Expense	-	-	-	-	100.00%	-
26							
27	Property & Payroll Taxes						
28	Payroll Taxes	-	50,046	-	50,046	100.00%	50,046
29	Property Taxes	-	127,457	-	127,457	100.00%	127,457
30		-	177,504	-	177,504		177,504
31	Gross Receipts & Reg Asmt Fees						
32	Gross Receipts Taxes & Reg'y Assmnt Fees	15,114	-	57,907	73,021	100.00%	73,021
33							
34	Depreciation & Amortization						
35	Depreciation Expense	-	149,889	-	149,889	100.00%	149,889
36	Amortization Expense	-	56,711	-	56,711	100.00%	56,711
37		-	206,600	-	206,600		206,600
38	Income Taxes						
39	Income Taxes	-	132,690	530,063	662,753	100.00%	662,753

Note: Further details for each adjustment line are in Schedule 25.

Gross-up calculations for Income and Other taxes are inherent in the Income Taxes and Gross Receipts & Reg Asmnt Fees adjustment lines.

AQUA VIRGINIA, INC.
LEAD/LAG CASH WORKING CAPITAL CALCULATION - ADJUSTED
FOR THE TEST YEAR ENDED 03/31/2025

Exhibit No.: _____
 Witness: N/A
 Schedule 27

Line No.	(1) Virginia Juris. Per Books Amounts	(2) Ratemaking Adjustments	(3) Amounts After Adj.	(4) Average Daily Amount	(5) Expense (Lead)/Lag Days	(6) Revenue Lag	(7) Net (Lead)/Lag Days	(8) Working Capital (Provided)/ Required
OPERATING EXPENSES								
1	O&M Expenses:		Schedule Not Required					
2	Account # - Fuel Clause		-	-	-	-	-	-
3	Account # - Fuel Clause		-	-	-	-	-	-
4	Account # - Fuel Clause		-	-	-	-	-	-
5	Account # - Deferred Fuel		-	-	-	-	-	-
6	Payroll Expense		-	-	-	-	-	-
7	Benefits and Pension Expense		-	-	-	-	-	-
8	OPEB Expense		-	-	-	-	-	-
9	Regulatory Asset Amortization Expense		-	-	-	-	-	-
10	Uncollectible Expense		-	-	-	-	-	-
11	Stores Issues		-	-	-	-	-	-
12	Stored Undistributed		-	-	-	-	-	-
13	Accrued Vacation Expense		-	-	-	-	-	-
14	Prepaid Insurance Amortization Expense		-	-	-	-	-	-
15	Worker's Compensation Expense		-	-	-	-	-	-
16	Directors' Deferred Compensation Exp.		-	-	-	-	-	-
17	Storm Damage Expense		-	-	-	-	-	-
18	Transition Cost Expense		-	-	-	-	-	-
19	Restructuring Expense		-	-	-	-	-	-
20	Contingent Liabilities		-	-	-	-	-	-
21	Other O&M Expenses		-	-	-	-	-	-
22	Depreciation Expense:		-	-	-	-	-	-
23	Depreciation Expense		-	-	-	-	-	-
24	Amortization Expense		-	-	-	-	-	-
25	Amortization Expense		-	-	-	-	-	-
26	Amortization of Regulatory Assets		-	-	-	-	-	-
27	Federal Income Taxes:		-	-	-	-	-	-
28	Current		-	-	-	-	-	-
29	Deferred		-	-	-	-	-	-
30	DFIT on items excluded from Rate Base		-	-	-	-	-	-
31	Deferred ITC		-	-	-	-	-	-
32	State Income Tax Expense		-	-	-	-	-	-
33	Taxes Other Than Income:		-	-	-	-	-	-
34	Property Tax Expense		-	-	-	-	-	-
35	Valuation Tax Expense		-	-	-	-	-	-
36	Business and Occupation Tax Expense		-	-	-	-	-	-
37	Payroll Tax Expense		-	-	-	-	-	-
38	Other Taxes		-	-	-	-	-	-
39	AFUDC		-	-	-	-	-	-
40	Gain/Loss of Disposition of Property		-	-	-	-	-	-
41	Charitable Donations		-	-	-	-	-	-
42	Interest on Customer Deposits		-	-	-	-	-	-
43	Other Expense/Income (A-t-I)		-	-	-	-	-	-
44	Other Income/Expense (B-t-I)		-	-	-	-	-	-
45	Interest Expense		-	-	-	-	-	-
46	Preferred Dividends		-	-	-	-	-	-
47	JDC Expense		-	-	-	-	-	-
48	Income Available for Common Equity		-	-	-	-	-	-
49	Totals		-	-	-	-	-	-
50								
51	Plus: Customer Utility Taxes		-	-	-	-	-	-
52								
53	BALANCE SHEET ITEMS		-	-	-	-	-	-
54								
55	TOTAL CASH WORKING CAPITAL							-

AQUA VIRGINIA, INC.
BALANCE SHEET ANALYSIS - ADJUSTED
AS OF 03/31/2025

Exhibit No.:
Witness: N/A
Schedule 28

Line No.	Account Number	Account Title	(1) Mar-24	(2) Apr-24	(3) May-24	(4) Jun-24	(5) Jul-24	(6) Aug-24	(7) Sep-24	(8) Oct-24	(9) Nov-24	(10) Dec-24	(11) Jan-25	(12) Feb-25	(13) Mar-25	(14) Thirteen Month Average
1		Additional Uses of Cash Working Capital														
2		Individual Uses of Cash Working Capital														
3		Individual Uses of Cash Working Capital														
4		Individual Uses of Cash Working Capital														
5		Individual Uses of Cash Working Capital														
6		Total Additional Uses of Cash Working Capital														
7																
8																
9		Additional Sources of Cash Working Capital														
10		Individual Sources of Cash Working Capital														
11		Individual Sources of Cash Working Capital														
12		Individual Sources of Cash Working Capital														
13		Individual Sources of Cash Working Capital														
14		Individual Sources of Cash Working Capital														
15		Total Additional Sources of Cash Working Capital														
16																
17		Net (Source)/Use of Cash Working Capital														

THIS SCHEDULE IS NOT APPLICABLE - COMPANY PROPOSES FORMULA METHOD.

AQUA VIRGINIA, INC.
WORKPAPERS FOR EARNINGS TEST AND RATEMAKING ADJUSTMENTS
FOR THE TEST YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 29

Line

No.

- 1 Two copies have been filed with the Division of Public Utility Accounting and
- 2 one copy has been filed with the Clerk of the Commission.
- 3
- 4 See Schedule 29 Workpapers in Volume 2 of 3 of the Company's Application.

AQUA VIRGINIA, INC. - AVA Water
REVENUE AND EXPENSE VARIANCE ANALYSIS
FOR THE YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: RH
 Schedule 30

Line Includes ADMIN AUs- Please see ADMIN P&L W/P

No.	Account	Description	(1) 3/31/2025	(2) 3/31/2024	(3) Change	(4) % Change	(5) Explanation
1	Utility Operating Revenue						
2	460100	Unmetered Water Revenues - Res	228,648	202,214	26,434	13%	Interim rates effective 2/2024.
3	460200	Unmetered Water Revenues - Com	7,710	6,652	1,058	16%	Interim rates effective 2/2024.
4	460700	Unmetered Water Rev - Availability Lot	301,497	321,862	(20,365)	-6%	Organic growth - Customer connections reduced the fees.
5	461100	Metered Sales-Residential	18,228,496	14,228,192	4,000,304	28%	Interim rates effective 2/2024.
6	461200	Metered Sales-Commercial	1,054,428	792,976	261,451	33%	Interim rates effective 2/2024.
7	462200	Private Fire Protection	11,916	9,649	2,266	23%	Interim rates effective 2/2024.
8	465000	Sales - Irrigation Customers	6,857	4,314	2,543	59%	Interim rates effective 2/2024.
9	474040	Unbilled Revenues - Relate to Sales	-	-	-		
10	Subtotal	Sales & Avail Revenues	19,839,551	15,565,859	4,273,691		
11	471000	Misc Srv Rev	-	-	-		
12	471010	Misc Srv Rev-Reconnection Fee	22,275	22,965	(690)	-3%	Reduced amount of reconnections.
13	471050	Misc Srv Rev-Late Payment Fees	78,107	68,338	9,769	14%	More late fees as a result of no relief funds in 3/31/25 TY.
14	471080	Misc Srv Rev-Bad Check Fee	760	20,760	(20,000)	-96%	Emphasis on shutoffs for non payment.
15	471070	Misc Srv Rev-New Acct Fee	66,239	59,717	6,522	11%	Increased amount of new customers.
16	471080	Misc Srv Rev-Misc	-	-	-		
17	474000	Other Water Rev	28,090	30,476	(2,386)	-8%	Less bulk water purchases.
18	474020	Other Water Rev Spec Cont	-	-	-		
19	474040	Other Water Rev Accrued Unbilled	-	-	-		
20			-	-	-		
21	Subtotal	Other Revenues	195,470	202,255	(6,785)		
22	Total	Operating Revenue	20,035,021	15,768,114	4,266,906	27%	
23	Other Income						
24	421030	Nonutil Inc-Antennae	11,250	15,000	(3,750)	-25%	Antennae revenue recorded to operating revenue effective 1/1/25.
25	421900	Nonutil Inc-Other	-	88,181	(88,181)	-100%	There was no WWJSC revenue for TY 3/31/25.
26	Total	Other Income	11,250	103,181	(91,931)	-89%	
27	O&M Expense						
28	601	Salaries & Wages - Employees	2,654,772	2,362,419	292,353	12%	Additional four employees hired and merit increase.
29	603	Salaries & Wages - Officers, Exec.	(55,438)	48,377	(103,815)	-215%	Bonus now in benefits
30	604	Employee Pensions & Benefits	664,741	636,161	28,581	4%	Additional employees hired.
31	610	Purchased Water	426,197	443,109	(16,912)	-4%	Reduced non revenue loss 12% by doing capital repairs. Better utilization of mixed use wells.
32	611	Sludge Removal	7,344	725	6,619	913%	More sludge removal needed for water sludge.
33	615	Purchased Power	792,524	772,160	20,364	3%	Increased costs for power.
34	616	Fuel For Power Production	25,436	3,823	21,613	565%	Increased generator fuel needed because of power outages.
35	618	Chemicals	312,266	289,058	23,208	8%	Price increases for soda ash.
36	620	Materials & Supplies	143,887	(32,854)	176,741	-538%	Unreconciled P Card transactions were in misc supplies in 2023.
37	631	Contractual Services - Engineering	84	-	84		Decreased audit fees.
38	632	Contractual Services - Accounting	35,607	46,334	(10,727)	-23%	Legal fees for general matters.
39	633	Contractual Services - Legal	16,412	(2,190)	18,602	-849%	3% Combined W&S. See Admin Alloc. Adj.
40	634	Contractual Services - Mgmt. Fees	(375,987)	(277,162)	(98,825)	36%	The vendor started charging a disposal fee of \$3 per sample. The courier fees and lab prices increased.
41	635	Contractual Services - Testing	226,074	174,302	51,772	30%	
42	636	Contractual Services - Other	608,653	609,864	(1,211)	0%	

AQUA VIRGINIA, INC. - AVA Water
REVENUE AND EXPENSE VARIANCE ANALYSIS
FOR THE YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: RH
 Schedule 30

Line No.	Includes ADMIN AUs- Please see ADMIN P&L W/P	Description	(1) 3/31/2025	(2) 3/31/2024	(3) Change	(4) % Change	(5) Explanation
43	641	Rental Of Building/Real Prop.	63,320	72,055	(8,735)	-12%	Office rent was recorded to rental equipment.
44	642	Rental Of Equipment	4,617	474	4,143	874%	Office rent was recorded to rental equipment.
45	650	Transportation Expenses	226,563	243,300	(16,736)	-7%	
46	656	Insurance - Vehicle	-	-	-	-	
47	657	Insurance - General Liability	(81,511)	(73,905)	(7,606)	10%	Capitalization of all insurance accounts.
48	658	Insurance - Workman's Comp.	20,423	18,562	1,861	10%	Reasonable premium increase.
49	659	Insurance - Other	426,959	391,578	35,381	9%	Reasonable premium increase.
50	660	Advertising Expense	2,149	8,313	(6,164)	-74%	Less advertising dollars spent.
51	666	Reg. Comm. Exp. - Rate Case Amort.	296,131	200,131	96,000	48%	Increases in rate case expenses.
52	667	Reg. Comm. Exp. - Rate Case Other	-	-	-	-	
53	670	Bad Debt Expense	214,139	287,057	(72,918)	-25%	Lower bad debt due to emphasizing shut offs for non payment.
54	675	Miscellaneous Expense	375,811	434,799	(58,988)	-14%	Purchase cards were processed promptly resulting in a decrease of \$83K offset by increases in licensing fees \$15K & \$12K in communications for SCADA.
55		Total O&M Expenses	7,031,173	6,656,487	374,686	6%	
56		Other Expense					
57	403	Depreciation - Utility Plant	4,397,491	4,011,564	385,927	10%	Increased capital purchases.
58	406	Amort-Util. Plant Acqstn Adjustment	167,596	9,810	157,786	1608%	Aqua Source assets were fully amortized 7/2023.
59	407201	Amort - Tank Painting	-	-	-	-	
60	407301	Amort - CIAC	(557,342)	(516,779)	(40,563)	8%	Amortization increased due to more connection fees being charged & CIAC for Colonial Circle 9/2024.
61	408	Payroll Taxes	202,659	187,234	15,425	8%	Increase due to five more employees.
62	408	Property Taxes	455,787	362,922	92,865	26%	Increase in capital and tax rates.
63	408	Gross Repts Taxes & Reg Assmnt Fees	450,801	340,947	109,853	32%	Increase in sales revenue.
64	409	Income Taxes - Federal	1,418,810	873,040	545,769	63%	Increase in PBT due to rate case increase 2/24.
65	409	Income Taxes - State	-	-	-	-	N/A
66	414	Net (Gain) Loss Utility Prop	-	11,214	(11,214)	-100%	No sales of utility property for TYE 3/31/25.
67	426	Misc Nonutil Expense	174	139,969	(139,795)	-100%	Disallowed business development expenses.
68	427	Interest (Debt, Cust. Dep, Debt Iss.)	2,410,542	2,226,125	184,417	8%	Increase in pushdown debt for TYE 3/31/25.
69			-	-	-	-	
70		Total Other Expense	8,946,518	7,646,047	1,300,471	17%	
71							
72		Total Expenses	15,977,691	14,302,534	1,675,157	12%	
73							
74		Net Operating Income	4,068,580	1,568,761	2,499,819	159%	

**AQUA VIRGINIA, INC. - AVA Sewer
REVENUE AND EXPENSE VARIANCE ANALYSIS
FOR THE YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071**

Exhibit No.:
Witness: RH
Schedule 30

Line No.	Account	Description	(1) 3/31/2025	(2) 3/31/2024	(3) Change	(4) % Change	(5) Explanation
1	Utility Operating Revenue						
2	521100	SW-Flat Rate Rev-Residential	189,255	165,753	23,502	14%	Interim rates effective 2/2024.
3	521200	SW-Flat Rev-Commercial	3,324	3,324	-	0%	No changes in rates.
4	522100	SW-Measured Rev-Residential	8,221,004	7,552,011	668,992	9%	Interim rates effective 2/2024.
5	522200	SW-Measured Rev-Commercial	261,345	235,817	25,529	11%	Interim rates effective 2/2024.
6	521700	Unmetered Sewer Rev - Availability Lot	205,502	219,471	(13,969)	-6%	Organic growth - Customer connections reduced the fees.
7	536020	SW-Other WW Rev-Accrued Utility	(908,849)	-	(908,849)		
8	Subtotal	Sales & Avail Revenues	7,971,581	8,176,377	704,054		
9	Misc Srv Rev		0	-	-		
10	Misc Srv Rev-Reconnection Fee		0	-	-		
11	532000	Misc Srv Rev-Late Payment Fees	35,565	32,729	2,835	9%	More late fees as a result of no relief funds in 3/31/25 TY.
12	Misc Srv Rev-Bad Check Fee		-	20	(20)	-100%	
13	Misc Srv Rev-New Acct Fee		0	-	-		
14	Misc Srv Rev-Misc		0	-	-		
15	536000	SW-Other WW Revenues	15,804	15,804	-	0%	
16	524000	SW-Rev-Other Systems	0	-	-		
17			0	-	-		
18	Returned Check Charge		0	-	-		
19	Subtotal	Other Revenues	51,369	48,554	2,815		
20	Total Operating Revenue		8,022,951	8,224,930	706,870		
21	Other Income						
22							
23	421900	Nonutil Inc-Other	50,236	114,674	(64,438)	-56%	There was no WW/ISC revenue for TY 3/31/25.
24	Total Other Income		50,236	114,674	(64,438)	-56%	
25	O&M Expense						
26	701	Salaries & Wages - Employees	770,653	729,775	40,878	6%	Additional employees hired and merit increase.
27	703	Salaries & Wages - Officers, Exec.	(333)	-	(333)		Difference of allocation between water and ww employees.
28	704	Employee Pensions & Benefits	142,648	151,974	(9,326)	-6%	\$7K was recorded to the wrong account December 2024. Slight decrease in usage.
29	710	Purchased Wastewater	77,117	90,140	(13,023)	-14%	Decrease due to dewatering project at Manaakin Farms & aeration blowers installed at Lake Monticello.
30	711	Sludge	210,024	223,693	(13,669)	-6%	Decrease due to purchase of more efficient blowers at Lake Monticello.
31	715	Purchased Power	384,997	386,966	(1,970)	-1%	Fuel used for generators during outages.
32	716	Fuel For Power Production	4,102	(4,500)	8,602	-191%	Utilized more chemicals at Land Or & Lake Holiday. Increase in Lake Monticello chemicals caused a larger decrease in sludge hauling. Price increases in chemicals.
33	718	Chemicals	254,664	167,595	87,070	52%	A jetter was purchased which reduced the need for outside contractors.
34	720	Materials & Supplies					
35	731	Contractual Services - Engineering	35,736	44,369	(8,633)	-19%	
36	732	Contractual Services - Accounting	-	-	-		
37	733	Contractual Services - Legal	651	-	651		Legal fees for general matters.
38	734	Contractual Services - Mgmt. Fees	1,783,019	1,645,692	137,327	8%	3% Combined W&S. See Admin Alloc. Adj.

39	735	Contractual Services - Testing	191,896	153,144	38,752	25%	The vendor started charging a disposal fee of \$3 per sample. The courier fees and lab prices increased & there was additional testing needed.
40	736	Contractual Services - Other	102,899	93,547	9,352	10%	Cost increases.
41	741	Rental Of Building/Real Prop.	-	-	-		
42	742	Rental Of Equipment	-	-	-		
43	750	Transportation Expenses	65,487.33	77,591	(12,104)	-16%	Lower fuel costs & less repairs needed.
44	756	Insurance - Vehicle	-	-	-		
45	757	Insurance - General Liability	-	-	-		
46	758	Insurance - Workman's Comp.	-	-	-		
47	759	Insurance - Other	(5,114)	15,755	(20,869)	-132%	Insurance claim reimbursement for TYE 3/2025.
48	760	Advertising Expense	288	1,538	(1,250)	-81%	Less advertising dollars spent.
49	766	Reg. Comm. Exp. - Rate Case Amort.	74,033	50,033	24,000	48%	Increases in rate case expenses.
50	767	Reg. Comm. Exp. - Rate Case Other	-	-	-		
51	770	Bad Debt Expense	111,654.00	86,789	24,865	29%	Bad debt increased after COVID credits given in prior year.
52	775	Miscellaneous Expense	124,113.23	27,217	96,896	356%	Increases due to communications expense for SCADA \$14K, licensing fees due to purchasing WW permits \$28K, & fines \$32K.
53		Total O&M Expenses	4,328,534	3,941,318	387,215	10%	
54		Other Expense					
55	403	Depreciation - Utility Plant	2,870,827	2,548,563	322,264	13%	Increased due to capital purchases.
56	406	Amort-Util. Plant Acqstn Adjustment	(17,812)	(48,992)	31,179	-64%	Aqua Source assets were fully amortized 7/2023. Amortization increased due to more connection fees being charged & CIAC for Colonial Circle 9/2024.
57	407	Amort - CIAC	(521,518)	(478,664)	(42,853)	9%	
58	408	Payroll Taxes	44,329	44,493	(164)	0%	
59	408	Property Taxes	135,055	122,862	12,192	10%	
60	408	Gross Rpts Taxes & Reg Assmnt Fees	178,211	182,103	(3,892)	-2%	
61	409	Income Taxes - Federal	-	-	-		
62	410	Income Taxes - State	-	-	-		
63	414	Net (Gain) Loss Utility Prop	-	-	-		
64	426	Misc Nonutil Expense	24,388	63,659	(39,271)	-62%	Decrease of grinder pump replacements at Lake Holiday.
65	427	Interest (Debt, Cust. Dep, Debt Iss.)	13	(19,627)	19,640	-100%	Increase in pushdown debt
66							
67		Total Other Expense	2,713,493	2,414,397	299,096	12%	
68							
69		Total Expenses	7,042,027	6,355,716	686,312	11%	
70							
71		Net Operating Income	1,031,159	1,983,889	(952,729)	-48%	

AQUA VIRGINIA, INC.
ADVERTISING EXPENSE
CASE NO. PUR-2025-00071

Exhibit No.:

Witness: RH

Schedule 31

Line
No.

1 Total Advertising Expense during the test year categorized by 56-235.2 is as follows:

	Required by <u>Law, Rule etc.</u>	Public <u>Interest</u>	Conservation/ <u>Efficiency</u>	<u>Other (1)</u>	<u>Total</u>
2					
3					
4					
5					
6	\$ 1,000.00	\$ 1,000.00		\$ -	\$ 1,000.00
7	1,148.70	0		-	\$ 1,148.70
8	287.50	0		-	\$ 287.50
9	<u>1,209.38</u>	<u>0</u>	<u>0</u>	<u>1,209.38</u>	<u>\$ 1,209.38</u>
10	\$ 3,645.58	\$ 1,000.00	\$ -	\$ 1,209.38	\$ 3,645.58
11					
12					
13					
14					
15					

(1) Aqua has adjusted these costs out of Miscellaneous Expense.

(2) These costs are recorded in Account 634.

A META	\$ 1,000.00
W Lakeway Publishers - Westmorland News	286.20
W Courier Full Page Ad - Captains Cove Directory	862.50
S Courier Full Page Ad - Captains Cove Directory	287.50
A Facebook, Twitter, Google, or LinkedIn ads	<u>1,209.38</u>
	\$ 3,645.58

AQUA VIRGINIA, INC.
Miscellaneous Expense Detail - 2025 Rate Case

CASE NO. PUR-2025-00071

Exhibit No. _____
 Witness: RH
 Schedule 34

P1

	AVA Wtr	AVA Swr	Non-Op	Admin	Total
Dues - Included in Miscellaneous Expense	\$ 9,278.92	\$ 1,810.30	\$ 400.00	\$ 36,846.28	\$ 48,335.50

Civic Org. Contributions - Included in Misc. Expense

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
------	------	------	------	------	------

Other Contributions - Included in Misc. Expense

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
------	------	------	------	------	------

Dues Detail

Other Dues&Membership	\$ 48,335.50
ATLANTIC COAST LOCATORS L	\$ 2,850.00
BRUCE AND SON WATER HAULI	\$ 227.50
BRUNS DEL ESTATES HOA	\$ 470.00
EARLYSVILLE FOREST HOMEOW	\$ 559.00
HIGHLAND MANOR HOMEOWNERS	\$ 170.00
LAKE GASTON COLONY ASSOCI	\$ 125.00
RJ Amoritize 2021 NAWC Du	\$ 13,890.75
TANGLEWOOD SHORES ASSOCIA	\$ 700.00
TR1000005239	\$ 667.68
TR1000005250	\$ 2,234.88
TRICE'S LAKE INC	\$ 750.00
VUPS LLC	\$ 17,277.60
WINTERGREEN PROPERTY ASSO	\$ 2,880.00
RJ AWWA Annual Dues	\$ 2,090.02
Accr1VUPS	\$ 12.65
TRUE UP AWWA FEE	\$ 219.62
TR1000005271	\$ 1,023.80
TRUE UP PREPAID	\$ 2,187.00

Admin	AVA Swr	VA - Non R	AVA Wtr	Total
				TOTAL
				-
\$ 1,967.59	\$ 994.83	\$ -	\$ 50.00	\$ 3,012.42
-	-	-	-	-
-	-	-	-	-
36,846.28	1,810.30	400.00	9,278.92	48,335.50
38,813.87	2,805.13	400.00	9,328.92	51,347.92
-	-	-	-	-
11,794.59	43,470.50	-	154,655.87	209,920.96
-	-	-	-	-
11,794.59	43,470.50	-	154,655.87	209,920.96
-	-	-	-	-
-	-	-	-	-
22,097.60	1,532.12	980.96	10,223.63	34,834.31
838.61	257.99	-	254.21	1,350.81
-	-	-	-	-
2,155.97	-	-	-	2,155.97
10,743.21	134.49	13.62	3,296.09	14,187.41
-	-	-	-	-
35,835.39	1,924.60	994.58	13,773.93	52,528.50
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	32,763.38	-	-	32,763.38
-	32,763.38	-	-	32,763.38
29,891.33	4,255.98	-	2,315.60	36,562.91
7,918.90	519.05	-	3,341.63	11,779.58
-	844.03	-	-	844.03
-	-	1,019.53	-	1,019.53
5,796.14	3,780.57	-	748.06	10,324.77
43,708.37	9,399.63	1,019.53	6,405.29	60,530.82
-	-	-	-	-
-	-	-	-	-
53,988.22	41,963.26	-	31,104.76	127,056.24
-	-	-	915.76	915.76
53,988.22	41,963.26	-	32,020.52	127,972.00
3,570.00	10.17	18.10	293.05	3,891.32
221.69	-	-	-	221.69
(2,591.22)	-	-	-	(2,591.22)
-	-	-	-	-
-	-	-	-	-
917.45	-	-	-	917.45
-	(0.00)	-	0.00	(0.00)
2,117.92	10.17	18.10	293.05	2,439.24
(6,749.07)	(16,674.97)	-	(105,929.68)	(129,353.72)
-	1,371,000.00	-	2,272,900.00	3,643,900.00
-	(2,154,000.00)	-	(2,646,650.00)	(4,800,650.00)
-	-	-	-	-
40,593.31	41,501.53	-	361,861.63	443,956.47
-	(15,000.00)	-	6,000.00	(9,000.00)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(40,067.00)	-	-	-	(40,067.00)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(265.97)	(265.97)
(619.34)	(33,050.00)	-	(278,445.01)	(312,114.35)
-	783,000.00	-	373,750.00	1,156,750.00
-	15,000.00	-	(6,000.00)	9,000.00
1,313,353.21	(568,222.34)	-	(744,857.71)	273.18
(1,313,353.21)	568,222.34	-	745,123.71	(7.16)
(6,842.10)	(8,223.44)	-	(22,513.03)	(37,578.57)
\$ 179,414.26	\$ 124,113.23	\$2,432.21	\$ 193,964.55	\$ 499,924.25

**AQUA VIRGINIA, INC.
AFFILIATE SERVICES
FOR THE YEAR ENDED 3/31/25
CASE NO. PUR-2025-00071**

Exhibit No.: _____
Witness: RH
Schedule 35

Line No.	Expense Allocated by	Type	Virginia	Account Distribution
1	Aqua Services Inc.	Service	Apr-24	
2	Aqua Services Inc.	Service	May-24	
3	Aqua Services Inc.	Service	Jun-24	
4	Aqua Services Inc.	Service	Jul-24	
5	Aqua Services Inc.	Service	Aug-24	
6	Aqua Services Inc.	Service	Sep-24	
7	Aqua Services Inc.	Service	Oct-24	
8	Aqua Services Inc.	Service	Nov-24	
9	Aqua Services Inc.	Service	Dec-24	
10	Aqua Services Inc.	Service	Jan-25	
11	Aqua Services Inc.	Service	Feb-25	
12	Aqua Services Inc.	Service	Mar-25	
13			885,354.83	632800,634900,734900,186101 & 105
14				
15				
16	Aqua Services Inc.	Sundry	Apr-24	
17	Aqua Services Inc.	Sundry	May-24	
18	Aqua Services Inc.	Sundry	Jun-24	
19	Aqua Services Inc.	Sundry	Jul-24	
20	Aqua Services Inc.	Sundry	Aug-24	
21	Aqua Services Inc.	Sundry	Sep-24	
22	Aqua Services Inc.	Sundry	Oct-24	
23	Aqua Services Inc.	Sundry	Nov-24	
24	Aqua Services Inc.	Sundry	Dec-24	
25	Aqua Services Inc.	Sundry	Jan-25	
26	Aqua Services Inc.	Sundry	Feb-25	
27	Aqua Services Inc.	Sundry	Mar-25	
28			542,771.25	634900 and 734900
29				
30	Aqua Customer Operations	Service	Apr-24	
31	Aqua Customer Operations	Service	May-24	
32	Aqua Customer Operations	Service	Jun-24	
33	Aqua Customer Operations	Service	Jul-24	
34	Aqua Customer Operations	Service	Aug-24	
35	Aqua Customer Operations	Service	Sep-24	
36	Aqua Customer Operations	Service	Oct-24	
37	Aqua Customer Operations	Service	Nov-24	
38	Aqua Customer Operations	Service	Dec-24	
39	Aqua Customer Operations	Service	Jan-25	
40	Aqua Customer Operations	Service	Feb-25	
41	Aqua Customer Operations	Service	Mar-25	
42			351,112.54	636730 and 736730

AQUA VIRGINIA, INC.
AFFILIATE SERVICES
FOR THE YEAR ENDED 3/31/25
CASE NO. PUR-2025-00071

Exhibit No.:
Witness: RH
Schedule 35

Line	Expense Allocated by			Type	Account Distribution				
No.					Payroll \$	Sundry \$	Cust Srvc \$	Total \$	Hourly Payroll \$
43	Aqua Customer Operations	Sundry	Apr-24	3,688.51					100.60
44	Aqua Customer Operations	Sundry	May-24	4,406.01					52.23
45	Aqua Customer Operations	Sundry	Jun-24	3,499.60					41.99
46	Aqua Customer Operations	Sundry	Jul-24	3,111.81					37.74
47	Aqua Customer Operations	Sundry	Aug-24	3,749.26					45.00
48	Aqua Customer Operations	Sundry	Sep-24	3,285.01					39.75
49	Aqua Customer Operations	Sundry	Oct-24	3,531.99					42.50
50	Aqua Customer Operations	Sundry	Nov-24	1,975.38					23.74
51	Aqua Customer Operations	Sundry	Dec-24	3,055.43					36.67
52	Aqua Customer Operations	Sundry	Jan-25	2,467.88					29.63
53	Aqua Customer Operations	Sundry	Feb-25	3,381.16					40.57
54	Aqua Customer Operations	Sundry	Mar-25	2,696.80					32.36
55				38,848.84				1,818,087 636730 and 736730	

Line	No.	Year	Hours	Payroll \$	Sundry \$	Cust Srvc \$	Total \$	Hourly Payroll \$
1	Accounting		911	91,631				100.60
2	Administration		848	250,759				295.58
3	Communications		270	19,626				72.63
4	Engineering		48	4,337				90.02
5	Environmental Compliance		79	8,941				113.77
6	Fleet		18	1,666				91.29
7	Human Resources		354	32,534				91.92
8	Information Services		1,984	199,153				100.38
9	Legal		112	16,804				149.84
10	Meter Exchange Program		96	9,501				98.93

AQUA VIRGINIA, INC.
Schedule of Customer Count
FOR THE YEAR ENDED 3/31/25
CASE NO. PUR-2025-00071

Exhibit No.:
Witness:
Schedule RH
35

Line No.	Year	Hours	Payroll \$	Sundry \$	Cust Srvc \$	Total \$	Hourly Payroll \$
11	State SCADA Program	29	3,449				118.92
12	Purchasing	1,639	232,459				141.80
13	Shareholder	97	9,956				102.20
14	Pool	28	4,539				163.68
15	Aqua Customer Operations	7,046	351,113				49.83
16	TOTAL	13,561	1,236,467	542,771	351,113	2,130,351	91.18

Weighting for Affiliated Allocations at 1.5 per W+S Customer

Line No.	System	# Water Csts.	Modified Wtr	# Sewer Csts.	Modified Swr	Total # Csts.	Total Modified	% Modified
1	3/31/2025							
2	AVA	27,269	25,155	8,455	6,341	35,724	31,497	100.00%
3		-	-	-	-	-	-	
4		-	-	-	-	-	-	
5		-	-	-	-	-	-	0%
6								
7								
8								
9								
10								
11	Total all Systems	27,269	25,155	8,455	6,341	35,724	31,497	100%
12								
13								
14	Fully Adjusted AVA Water	27,269	25,155	-	-	27,269	25,155	79.87%
15	Fully Adjusted AVA Sewer	-	-	8,455	6,341	8,455	6,341	20.13%
16		-	-	-	-	-	-	0.00%
17		27,269	25,155	8,455	6,341	35,724	31,497	100.00%

Exhibit No.:
Witness: RH
Schedule 35

AQUA VIRGINIA, INC.
AFFILIATE SERVICES
FOR THE YEAR ENDED 3/31/25
CASE NO. PUR-2025-00071

Service Co Billing monthly invoices

Costs	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Total
Accounting	7,671.45	7,060.10	6,676.72	6,899.93	7,276.80	7,364.87	7,866.75	7,112.04	8,910.92	8,374.38	7,470.57	8,944.31	\$ 91,630.84
Administration	28,996.37	21,174.80	16,168.99	20,723.26	19,963.85	8,185.07	18,225.60	17,459.12	35,537.55	20,927.35	18,727.39	24,669.90	\$ 250,759.25
Communications	1,627.59	1,621.35	1,382.79	1,477.05	1,356.92	1,318.14	1,395.18	1,775.02	1,956.39	2,030.20	1,770.57	1,914.92	\$ 19,626.12
Engineering	368.65	302.80	267.81	363.40	391.26	235.62	271.01	449.65	376.14	627.19	407.25	278.25	\$ 4,337.03
Environmental Compliance	905.28	767.26	678.67	763.75	767.80	690.66	744.88	689.53	732.50	1,021.99	625.89	553.05	\$ 8,941.26
Fleet	137.27	142.61	127.38	141.13	142.02	132.35	141.85	131.68	140.49	149.54	131.15	148.53	\$ 1,666.00
Human Resources	2,736.91	2,710.43	2,449.32	2,899.29	2,773.76	2,736.20	2,637.99	2,443.59	3,062.38	2,750.11	2,432.84	2,900.77	\$ 32,533.59
Information Services	17,875.76	15,796.09	13,985.65	17,908.47	16,912.70	16,218.68	14,656.28	14,296.04	17,313.60	20,114.13	15,788.62	18,283.72	\$ 199,152.74
Legal	2,731.82	1,774.85	1,544.33	1,459.40	1,475.86	1,448.24	1,685.80	1,559.13	(1,015.93)	1,581.87	1,179.50	1,379.62	\$ 16,804.49
Meter Exchange Program	540.88	538.74	508.90	755.52	680.35	578.56	635.72	590.21	1,042.84	1,298.15	1,141.79	1,189.13	\$ 9,500.79
State SCADA Program	132.18	107.82	388.06	373.91	-	229.90	1,133.36	217.70	656.76	104.58	104.36	-	\$ 3,448.63
Purchasing	22,977.32	18,964.82	15,804.65	18,429.39	19,930.60	13,533.14	18,571.47	17,837.19	22,943.88	20,172.71	18,867.64	24,426.08	\$ 232,458.89
Shareholder	1,213.10	959.69	942.09	968.85	938.87	822.37	845.30	795.39	203.93	822.85	736.23	705.67	\$ 9,956.34
Pool	375.49	276.60	238.26	275.93	562.18	533.11	552.71	520.55	391.45	320.47	350.05	520.41	\$ 4,538.86
Aqua Customer Operations	29,775.76	30,579.78	27,065.55	28,343.78	29,050.00	27,075.16	29,053.23	28,461.12	31,209.47	32,047.14	28,442.93	29,408.62	\$ 351,112.54
Total	\$ 118,063.83	\$ 102,777.74	\$ 88,231.17	\$ 102,383.06	\$ 102,222.97	\$ 81,102.07	\$ 98,417.13	\$ 94,340.96	\$ 123,462.37	\$ 111,964.31	\$ 96,176.78	\$ 115,322.98	\$ 1,236,467.37
Hours	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Total
Accounting	72.76	72.30	63.85	74.55	76.94	75.63	87.25	68.73	67.21	83.93	80.86	86.84	910.85
Administration	83.40	80.74	67.88	79.80	72.49	71.17	74.62	60.46	55.39	68.34	66.07	68.01	848.37
Communications	22.25	21.63	17.99	19.89	20.07	18.62	24.19	21.13	23.04	27.84	26.27	27.31	270.23
Engineering	4.65	3.63	3.09	4.16	4.73	2.68	3.52	4.45	2.80	5.17	5.56	3.74	48.18
Environmental Compliance	7.76	7.89	6.26	6.66	7.72	7.18	7.49	6.45	6.39	6.18	3.66	4.95	78.59
Fleet	1.44	1.65	1.43	1.51	1.45	1.43	1.74	1.38	1.35	1.65	1.57	1.65	18.25
Human Resources	31.24	30.81	28.79	32.65	30.75	29.99	32.64	25.57	22.42	29.85	27.75	31.46	353.92
Information Services	174.03	166.49	142.82	185.87	181.10	168.49	166.44	135.06	132.47	195.99	163.47	171.71	1,983.94
Legal	11.19	11.10	7.88	8.45	8.84	8.68	11.48	8.93	8.79	9.59	8.59	8.63	112.15
Meter Exchange Program	4.96	5.19	4.72	8.26	8.11	4.72	5.19	4.01	7.79	15.35	13.34	14.40	96.04
State SCADA Program	1.00	1.00	4.00	3.00	-	2.00	10.00	2.00	4.00	1.00	1.00	-	29.00
Purchasing	130.04	131.36	119.95	132.58	143.79	132.77	154.67	124.83	119.46	145.93	146.78	157.23	1,639.39
Shareholder	9.76	8.87	10.88	10.01	9.38	7.17	8.20	5.76	6.05	7.66	7.15	6.53	97.42
Pool	1.85	2.05	1.37	2.34	4.19	3.80	4.28	3.41	1.37	-	0.99	2.08	27.73
Aqua Customer Operations	627.33	649.48	560.77	577.62	587.85	560.47	676.90	522.92	547.18	582.52	564.60	588.80	7,046.44
Total	1,183.66	1,194.19	1,041.68	1,147.35	1,157.41	1,094.80	1,258.61	995.09	1,005.71	1,181.00	1,117.66	1,173.34	13,560.50

AQUA VIRGINIA, INC.
INCOME TAXES
FOR THE YEAR ENDED 3/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: **RH**
 Schedule **36**

Line No.	(1)	(2) Test Year Amount	(3) Ratemaking Adjmt Amnt	(4) Test Year after Adjustments	(5) Pro Forma Adjmt Amnt	(6) Pro Forma after Adjustments
1	TOTAL					
2	Op Income Before Tax	6,518,549	(3,394,640)	3,123,909	7,670,393	10,794,302
3						
4	Permanent Differences:					
5	Meals & Entertainment	17,019	-	17,019	-	17,019
6	Dues & Lobbying	57,912	(57,912)	-	-	-
7	Stock Options	26,542	-	26,542	-	26,542
8	Parking Disallowance	20,940	-	20,940	-	20,940
9	Total Permanent Differences	122,412	(57,912)	64,500	-	64,500
10						
11	Timing Differences:					
12	Bad Debts	16,371	-	16,371	-	16,371
13	Depreciation - Related	(1,229,349)	-	(1,229,349)	-	(1,229,349)
14		-	-	-	-	-
15	Prepaid & All Other	(1,981,800)	-	(1,981,800)	-	(1,981,800)
16	Total Timing Differences	(3,194,779)	-	(3,194,779)	-	(3,194,779)
17						
18	Other:					
19	ARAM	(81,729)	81,729	-	-	-
20	Deferred tax on ARAM & RTP	131,107	(131,107)	-	-	-
21	RTP-Cur Inc Tax	(25,170)	25,170	-	-	-
22						
23	Total Inc Tax Exp [(Ln2+Ln9)*.21]+Ln19+Ln20+Ln21	1,418,810	(749,244)	669,566	1,610,782	2,280,348
24	Deferred tax on timing Differences	670,904	-	670,904	-	670,904
25	Deferred tax on ARAM & RTP	49,378	(49,378)	-	-	-
26	Current Income Tax Expense	698,528	(699,866)	(1,337)	1,610,782	1,609,445
27						
28	Accumulated Deferred Income Taxes					
29	Bad Debts	3,438	-	3,438	-	3,438
30	Depreciation - Related	(258,163)	-	(258,163)	-	(258,163)
31						
32	Prepaid & All Other (see p5)	(416,178)	-	(416,178)	-	(416,178)
33	Total Accum Deferred Income Taxes	(670,904)	-	(670,904)	-	(670,904)
34						

-The Company has not made any tax payments or received any refunds during the test period.
 -Essential Utilities, Inc. is the recipient / refunder for Aqua Virginia, Inc. income taxes payable / receivable.
 -There is no difference between the stand-alone and actual taxes booked.

AQUA VIRGINIA, INC.
INCOME TAXES
FOR THE YEAR ENDED 3/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: **RH**
 Schedule **36**

(1)					
Line No.	(2) Test Year Amount	(3) Ratemaking Adjmt Amnt	(4) Test Year after Adjustments	(5) Pro Forma Adjmt Amnt	(6) Pro Forma after Adjustments
1	WATER				
2	5,487,390	(3,178,640)	2,308,750	5,146,285	7,455,035
3					
4	Permanent Differences:				
5	14,327		14,327		14,327
6	48,751	(48,751)	-		-
7	22,343		22,343		22,343
8	17,627		17,627		17,627
9					
10	103,048	(48,751)	54,297	-	54,297
11					
12	Timing Differences:				
13	(2,546)	-	(2,546)	-	(2,546)
14	(2,121,564)	-	(2,121,564)	-	(2,121,564)
15					
16	(1,507,860)	-	(1,507,860)	-	(1,507,860)
17	(3,631,970)	-	(3,631,970)	-	(3,631,970)
18					
19	Other:				
20	(37,222)	37,222	-	-	-
21	115,374	(115,374)	-	-	-
22	(25,170)	25,170	-	-	-
23					
24	1,226,974	(730,734)	496,240	1,080,720	1,576,960
25	762,714	-	762,714	-	762,714
26	78,152	(78,152)	-	-	-
27	386,108	(652,582)	(266,474)	1,080,720	814,246
28					
29	Accumulated Deferred Income Taxes				
30	(535)	-	(535)	-	(535)
31	(445,528)	-	(445,528)	-	(445,528)
32					
33	(316,651)	-	(316,651)	-	(316,651)
34	(762,714)	-	(762,714)	-	(762,714)

-The Company has not made any tax payments or received any refunds during the test period.
 -Essential Utilities, Inc. is the recipient / refunder for Aqua Virginia, Inc. income taxes payable / receivable.
 -There is no difference between the stand-alone and actual taxes booked.

AQUA VIRGINIA, INC.
INCOME TAXES
FOR THE YEAR ENDED 3/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: **RH**
 Schedule **36**

Line No.	(1)	(2) Test Year Amount	(3) Ratemaking Adjmt Amnt	(4) Test Year after Adjustments	(5) Pro Forma Adjmt Amnt	(6) Pro Forma after Adjustments
1	SEWER					
2	Op Income Before Tax	1,031,159	(216,000)	815,159	2,524,108	3,339,267
3						
4	Permanent Differences:					
5	Meals & Entertainment	2,692		2,692		2,692
6	Dues & Lobbying	9,161	(9,161)	-		-
7	Stock Options	4,199		4,199		4,199
8	Parking Disallowance	3,312		3,312		3,312
9	Total Permanent Differences	19,364	(9,161)	10,203	-	10,203
10						
11	Timing Differences:					
12	Bad Debts	18,917	-	18,917	-	18,917
13	Depreciation - Related	892,215	-	892,215	-	892,215
14						
15	Prepaid & All Other	(473,940)	-	(473,940)	-	(473,940)
16	Total Timing Differences	437,191	-	437,191	-	437,191
17						
18	Other:					
19	ARAM	(44,507)	44,507	-	-	-
20	Deferred tax on ARAM & RTP	15,733	(15,733)	-	-	-
21	RTP-Cur Inc Tax	-	-	-	-	-
22						
23	Total Inc Tax Exp [(Ln2+Ln9)*.21]+Ln19+Ln20+Ln21	191,836	(18,510)	173,326	530,063	703,389
24	Deferred tax on timing Differences	(91,810)	-	(91,810)	-	(91,810)
25	Deferred tax on ARAM & RTP	(28,774)	28,774	-	-	-
26	Current Income Tax Expense	312,420	(47,284)	265,136	530,063	795,199
27						
28	Accumulated Deferred Income Taxes					
29	Bad Debts	3,972	-	3,972	-	3,972
30	Depreciation - Related	187,365	-	187,365	-	187,365
31						
32	Prepaid & All Other (see p5)	(99,527)	-	(99,527)	-	(99,527)
33	Total Accum Deferred Income Taxes	91,810	-	91,810	-	91,810
34						

-The Company has not made any tax payments or received any refunds during the test period.
 -Essential Utilities, Inc. is the recipient / refunder for Aqua Virginia, Inc. income taxes payable / receivable.
 -There is no difference between the stand-alone and actual taxes booked.

AQUA VIRGINIA, INC.
INCOME TAXES
FOR THE YEAR ENDED 3/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: RH
 Schedule 36

AVA Summarized ADIT

DEBIT / (CREDIT)

Name	AVA 3/31/2025 Rate Base - Related
Depreciation - related - Water	(8,187,416)
Depreciation - related - Sewer	(3,644,564)
Total	<u><u>(11,831,980)</u></u>

	<u>AVA Water</u>	<u>AVA Sewer</u>	<u>Other</u>	<u>AVA Admin</u>
AVA Water / Admin Alloc. %	98.3%	0.0%		1.7%
AVA Depreciation - related - Water	\$ (8,048,417)			\$ (138,998)
AVA Water / Admin Alloc. & Sewer Admin. Realloc.	\$ (8,048,417)	\$ (3,644,564)		\$ (138,998)
	<u>(111,013)</u>	<u>(27,985)</u>	\$ -	<u>\$ 138,998</u>
	\$ (8,159,431)	\$ (3,672,549)	\$ -	\$ -
	\$ (8,159,431)	\$ (3,672,549)	\$ -	\$ -

Assume 4% Tax > 3% book depreciation = 1%
 #REF!

\$ (881,980) \$ (111,970)

Apr 2025 - Ave. 2026 ARAM
 Pro Forma AVA (Sch 22 & 24)

\$ 46,527 \$ 55,633
 \$ (8,994,883) \$ (3,728,886)

AQUA VIRGINIA, INC.
INCOME TAXES
FOR THE YEAR ENDED 3/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____

Witness: RH

Schedule 36

	3/31/2024		3/31/2025			
Name	Beginning Balance	Current Year Activity	Ending Balance	Reclass	Adjusted Balance	Rate Base - Related
WATER						
AFUDC Debt	\$ (1,777)	\$ 36	\$ (1,741)		\$ (1,741)	\$ (1,741)
Book Depreciation	-	-	-		-	-
Tax Depreciation (including bonus)	(6,088,687)	(445,528)	(6,534,215)	-	(6,534,215)	(6,534,215)
Tax Gross Up EDIT	644,633	(14,783)	629,850		629,850	-
Book Gain/Loss on Asset Disposition	-	-	-		-	-
Amortization of Utility Plant Acquisition Adj.	-	-	-		-	-
Amort - Utility Plant Acq. Adj - Fed Only	-	-	-		-	-
CIAC Taxed as Income (2017 Tax Reform)	435,323	(13,158)	422,165		422,165	-
Conversion Differences	546,877	(20,255)	526,622		526,622	526,622
Goodwill Tax Amortization	-	-	-		-	-
Salvage	-	-	-		-	-
Retirements - Deductible From PowerTax	-	-	-		-	-
Cost of Removal	209,400	(18,044)	191,355		191,355	191,355
	<u>\$ (4,254,231)</u>	<u>\$ (511,732)</u>	<u>\$ (4,765,963)</u>	<u>\$ -</u>	<u>\$ (4,765,963)</u>	<u>\$ (5,617,978)</u>
FAS 109 Regulatory Liab - Excess ADIT	\$ (2,425,051)	\$ 55,613	(2,369,437)		(2,369,437)	(2,369,437)
FAS 109 Regulatory Liab - Excess ADIT Gross Up	\$ (644,633)	\$ 14,783	(629,850)	\$ -	\$ (629,850)	\$ -
OTHER MISC						
Rate Case Expense and Amort (186101)	\$ (14,909)	\$ 16,367	\$ 1,459		\$ 1,459	\$ -
Pension FAS87 (253250)	-	-	-		-	-
Postretirement Benefits FAS 106 (253200)	-	-	-		-	-
Bad Debt Reserve (143000)	37,365	(535)	36,831		36,831	-
Deferred Revenue	18,900	(18,900)	-		-	-
Loss on Debt Extinguishment	-	(189,896)	(189,896)		(189,896)	-
Accrued Bonus	264	(264)	-		-	-
Prepaid Expenses	(33,510)	(51,919)	(85,429)		(85,429)	-
Make Whole Payment (Bond Premium Amort)	80,859	(61,057)	19,802		19,802	-
Miscellaneous (history only)	124,925	28,634	153,558		153,558	-
RSU- Restricted Share Units	7,740	(991)	6,749		6,749	-
PSU-Performance Share Units	6,004	9,248	15,252		15,252	-
Stock Options (NQ/ISO)	(816)	3,781	2,965		2,965	-
Charitable Donation	-	-	-		-	-
Lease Asset/Liability	(210)	(0)	(210)		(210)	-
State Income Taxes (Deferred)	-	-	-		-	-
COVID Bad Debt Adj	(13,190)	-	(13,190)		(13,190)	-
COVID Relief Fund Adj	(168)	(235)	(403)		(403)	-
	<u>\$ 202,145</u>	<u>\$ (265,765)</u>	<u>\$ (63,620)</u>	<u>\$ -</u>	<u>\$ (63,620)</u>	<u>\$ -</u>
Total	<u>\$ (7,121,770)</u>	<u>\$ (707,100)</u>	<u>\$ (7,828,870)</u>	<u>\$ -</u>	<u>\$ (7,828,870)</u>	<u>\$ (8,187,416)</u>
SEWER						
Book Depreciation	\$ -	\$ -	\$ -		\$ -	\$ -
Tax Depreciation (including bonus)	(3,050,480)	187,365	(2,863,115)	-	(2,863,115)	(2,863,115)
Tax Gross Up EDIT	378,255	(11,831)	366,424		366,424	-
Book Gain/Loss on Asset Disposition	-	-	-		-	-
Amortization of Utility Plant Acquisition Adj.	-	-	-		-	-
Amort - Utility Plant Acq. Adj - Fed Only	-	-	-		-	-
CIAC Taxed as Income (2017 Tax Reform)	398,730	(14,079)	384,651		384,651	-
Conversion Differences	332,843	(12,328)	320,515		320,515	320,515
Goodwill Tax Amortization	-	-	-		-	-
Salvage	-	-	-		-	-
Retirements - Deductible From PowerTax	-	-	-		-	-
Cost of Removal	249,615	26,874	276,489		276,489	276,489
	<u>\$ (1,691,037)</u>	<u>\$ 176,002</u>	<u>\$ (1,515,034)</u>	<u>\$ -</u>	<u>\$ (1,515,034)</u>	<u>\$ (2,266,110)</u>
FAS 109 Regulatory Liab - Excess ADIT	\$ (1,422,961)	\$ 44,507	(1,378,454)		(1,378,454)	(1,378,454)
FAS 109 Regulatory Liab - Excess ADIT Gross Up	\$ (378,255)	\$ 11,831	(366,424)	\$ -	\$ (366,424)	\$ -
Rate Case Expense and Amort (186101)						
Bad Debt Reserve (143000)	\$ (29,739)	\$ 9,664	\$ (20,075)		\$ (20,075)	\$ -
Deferred Revenue	18,979	3,972	22,951		22,951	-
Loss on Debt Extinguishment	-	0	0		0	-
Prepaid Expenses	(3,989)	(3,496)	(7,485)		(7,485)	-
COVID Bad Debt Adj	(8,271)	5,954	(2,317)		(2,317)	-
	<u>\$ (23,020)</u>	<u>\$ (96,023)</u>	<u>\$ (119,043)</u>	<u>\$ -</u>	<u>\$ (119,043)</u>	<u>\$ -</u>
Total	<u>\$ (3,515,273)</u>	<u>\$ 136,317</u>	<u>\$ (3,378,956)</u>	<u>\$ -</u>	<u>\$ (3,378,956)</u>	<u>\$ (3,644,564)</u>
TOTAL	<u>\$ (10,637,043)</u>	<u>\$ (570,783)</u>	<u>\$ (11,207,826)</u>	<u>\$ -</u>	<u>\$ (11,207,826)</u>	<u>\$ (11,831,980)</u>
TOTAL / PER BOOKS	<u>(10,637,043)</u>	<u>(570,783)</u>	<u>(11,207,826)</u>			

**AQUA VIRGINIA, INC.
ORGANIZATION
FOR THE YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071**

Exhibit No.: _____
Witness: RH
Schedule 37

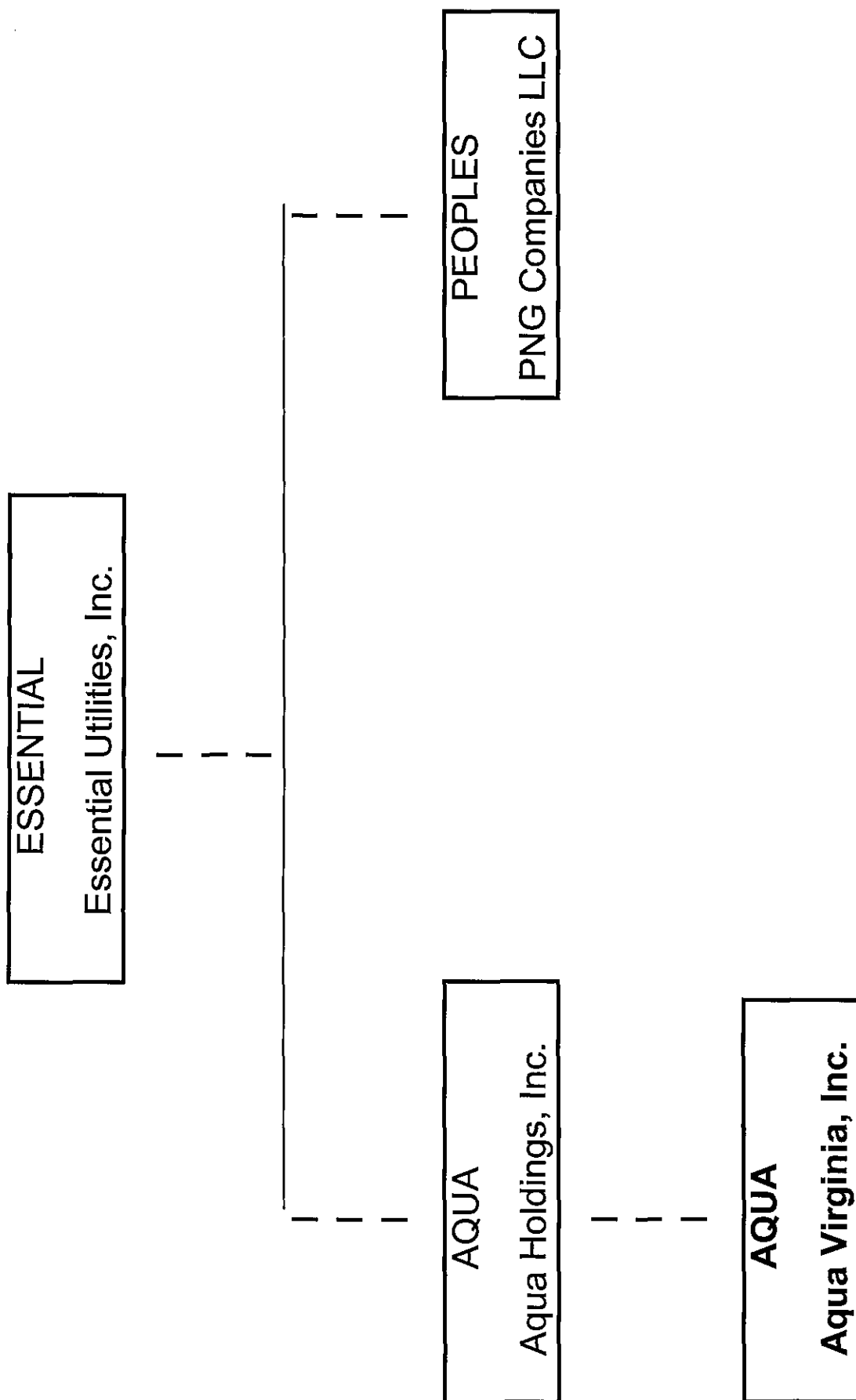
Line
No.

- 1 Organization charts of Essential Utilities, Inc. and Aqua Virginia, Inc. are attached.

Organizational Chart of Applicant's Parent Company - Essential Utilities, Inc.

Company Name			State of Inc.	Business Registration	EIN	Regulated or Non-Regulated	Type of Business	Date Acquired or Created
A.		Essential Utilities, Inc.	PA		23-1702594	Non-regulated	Parent Company	11/11/1968
1		Aqua Acquisition Corporation	PA		23-3872035	Non-regulated	Holding Company	8/2/2002
2		Essential Initiatives, Inc.	PA	IL, IN, NJ, NC, OH, VA	82-5049381	Non-regulated	Charitable Non profit	4/3/2018
3		The Essential Foundation	PA		23-29885234	Non-regulated	Non profit, non stock	12/21/1998
4		Aqua Development, Inc.	TX		76-0581965	Regulated	Regulated services	7/29/2003
5		Aqua Georgia, Inc.	GA		27-1466474	Non-regulated	Wastewater services	12/7/2009
6		Aqua Holdings, Inc.	PA		27-5245104	Non-regulated	Infrastructure Co.	2/15/2011
	a.	Aqua Tanks, LLC	PA		46-3128989	Non-regulated	Infrastructure Investment	6/4/2013
	b.	Old Dominion Pipeline Company, LL	PA				Infrastructure Investment	7/16/2013
7		Aqua Illinois, Inc.	IL		36-1304390	Regulated	Regulated utility	3/10/1999
8		Aqua Indiana, Inc.	IN		351864455	Regulated	Regulated utility	7/31/2003
	a.	Hendricks County Wastewater, LLC	IN		35-1934386	Non-Regulated	Wastewater services	7/31/2003
9		Aqua Indiana - Western Hancock	IN		26-1499420	Non-regulated	Holding Company	12/4/2007
	a.	Western Hancock Utilities, LLC	IN			Regulated	Wastewater services	12/4/2007
10		Aqua Infrastructure, LLC	PA	FLA, OH, TX	45-2993477	Non-regulated Joint Venture	Infrastructure Investment	7/22/2011
11		Aqua New Jersey, Inc.	NJ		22-1914760	Regulated	Regulated utility	7/31/2003
12		Aqua North Carolina, Inc.	NC		56-0854500	Regulated	Regulated utility	3/10/1999
13		Aqua Ohio, Inc.	OH		34-1121305	Regulated	Regulated utility	3/10/1999
	a.	Aqua Ohio Wastewater, Inc	OH		81-235500	Regulated	Regulated utility	4/22/2016
14		Aqua Operations, Inc.	DE		43-1979151	Non-regulated	Non-regulated services	7/31/2003
15		Aqua Pennsylvania	PA		23-2297407	Regulated	Regulated utility	5/7/1984
	a.	Aqua Pennsylvania Wastewater, Inc	PA		23-1999647	Regulated	Regulated utility	11/22/2000
	b.	Honesdale Consolidated Water Comp	PA		24-0614360	Regulated	Regulated utility	7/31/1989
16		Aqua Resources, Inc.	DE	PA, IN, OH, NC, IL, NJ	51-0324033	Non-regulated	Non-regulated services	3/18/2005
	a.	Aqua Water Specialties, LLC	PA					
	b.	Aqua Wastewater Management, Inc.	PA	NY, NJ DE, MD	20-2487690	Non-regulated	Non-regulated services	4/22/1996
	c.	Aqua Infrastructure Rehabilitatio	DE	IL, OH, PA	47-1181273	Non-regulated	Non-regulated services	6/25/2014
	d.	PFAS Guard LLC	PA	PA	99-3879229	Non-regulated	Non-regulated services	6/27/2024
17		Aqua Services, Inc.	PA	NC, OH, IL	23-2846342	Non-regulated	Intercompany support	7/31/2003
18		Aqua Texas, Inc.	TX		56-2527052	Regulated	Regulated utility	4/22/1996
	a.	Harper Water Company, Inc.	TX		74-2612492	Regulated	Regulated utility	7/31/2003
19		Aqua Utilities Florida	FL		20-1271689	Regulated	Regulated utility	6/27/2007
20		Aqua Utilities, Inc.	TX	IN, NY, NJ	76-0556391	Regulated	Regulated utility	7/2/2003
	a.	Kerrville South Water Co	TX	TX				
21		Aqua Virginia, Inc.	VA		54-0991637	Regulated	Regulated utility	7/31/2003
22		LDC Funding, LLC	DE	PA	26-334981	Non-regulated	Holding Company	9/9/2008
	i	PNG Companies LLC	DE	PA	26-3349543	Non-regulated	Holding Company	9/9/2008
	1	PNG Homeworks LLC	DE	PA	80-0948982	Non-Regulated	Competitive Warranty Servid	9/3/2013
	2	PNG Gathering LLC	DE	PA		Non-Regulated	Gathering Asset Holdings	9/30/2013
	3	Peoples Natural Gas Company I	PA	NY, WV	25-0720790	Regulated	Regulated services	1/29/2010
	4	Delta Natural Gas Company Inc	KY	KY, TN	61-0458329	Regulated		10/7/1949
	5	Delta Resources LLC	KY	KY	61-1056941	Non-regulated		4/12/1984
	6	Delgasco LLC	KY	KY	61-1103681	Non-regulated		5/23/1986
	7	Enpro LLC	KY	KY	61-1103680	Non-regulated		5/23/1986
23		Aqua Water Holdings, Inc.	PA	PA	87-4226646	Non-regulated	Holding Company	6/22/2021
24		Essential Utilities Services, Inc.	PA	PA	87-4170517	Non-regulated	Intercompany support	6/22/2021

Organizational Chart of Applicant - Aqua Virginia, Inc.



AQUA VIRGINIA, INC.
CHANGES IN ACCOUNTING PROCEDURES
FOR THE YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: RH
Schedule 38

Line
No.

1

NONE



**AQUA VIRGINIA, INC. - AVA Water
OUT-OF-PERIOD BOOK ENTRIES
FOR THE YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071**

Exhibit No.: _____
Witness: RH
Schedule 39

Line
No.

1

NONE

AQUA VIRGINIA, INC.
 JURISDICTIONAL COST OF SERVICE STUDY
 (METHODOLOGY) COST ALLOCATION STUDY
 CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: RH
 Schedule 40a,b

A Jurisdictional Cost of Service Study has been submitted as part of the testimony of Mr. Gregory R. Herbert.

Line No.	Description	(1) Total System	(2) Virginia Non-Juris.	(3) Per Books Amount (1)-(2)
10	Operating Revenues	-		-
20				
30	Operating and Maintenance Expense	-		-
40	Depreciation Expense	-		-
50	Amortization	-		-
60	Federal Income Taxes	-		-
70	State Income Taxes	-		-
80	Taxes Other than Income	-		-
90				
100	Total Operating and Maintenance Expense	-		-
110				
120	Net Operating Income	-		-
130				
140	Adjustments to Operating Income	-		-
150				
160	Add: AFUDC	-		-
170	Less: Charitable Donations	-		-
180	Interest Exp.- Customer Dep.	-		-
190				
200	Adjusted Net Operating Income	-		-
210				
220	Rate Base	-		-
230				
240	ROR Earned on Rate Base			

AQUA VIRGINIA, INC.
CLASS COST OF SERVICE STUDY
(METHODOLOGY) COST ALLOCATION STUDY
CASE NO. PUR-2025-00071

Exhibit No.: _____
Witness: GRH
Schedule 40c

Line No.	Description	(1) Virginia Juris.	(2) Class	(3) Class	(4) Class	(5) Class	(6) Class	(7) Allocation Basis
-------------	-------------	---------------------------	--------------	--------------	--------------	--------------	--------------	----------------------------

A Class Cost of Service Study has been submitted as part of the testimony of Mr. Gregory R. Herbert.

AQUA VIRGINIA, INC.

ROCKVILLE, VIRGINIA

COST OF SERVICE ALLOCATION STUDY

AS OF MARCH 31, 2025

WATER OPERATIONS

Prepared by:



GANNETT FLEMING

Excellence Delivered As Promised

AQUA VIRGINIA, INC.

Rockville, Virginia

COST OF SERVICE

ALLOCATION STUDY

AS OF MARCH 31, 2025

WATER OPERATIONS

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Mechanicsburg, Pennsylvania

Gannett Fleming
Valuation and Rate Consultants, LLC

300 Sterling Parkway, Suite 200
Mechanicsburg, PA 17050
717.763.7211

July 25, 2025

Aqua Virginia, Inc.
2414 Granite Ridge Road
Rockville, VA 23143

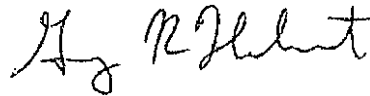
Attention: Mr. Rick Hale
Controller

Pursuant to your request, we have conducted a cost of service allocation study for water operations based on pro forma revenue requirements estimated for the adjusted test year ended March 31, 2025.

The attached report presents the results of the allocation study, as well as supporting schedules which set forth the detailed cost allocation calculations and the proposed schedule of rates. Schedule A presents a comparison of the cost of service by customer classification with the pro forma revenues by each classification under present and proposed rates.

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC



GREGORY R. HERBERT
Assistant Project Manager, Rate Studies

GRH:mle

074711.000

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PART I. INTRODUCTION

AQUA VIRGINIA, INC.
COST OF SERVICE ALLOCATION STUDY
AS OF MARCH 31, 2025
WATER OPERATIONS
PART I. INTRODUCTION

PLAN OF THE REPORT

The report sets forth the results of the cost of service allocation study based on pro forma costs for water operations as of the adjusted test year of March 31, 2025, for Aqua Virginia, Inc. Part I, Introduction, contains statements with respect to the basis of the study, the procedures employed, and a summary of the results of the study. Part II, Cost of Service by Customer Classification, presents detailed schedules of the allocation of costs to customer classifications, as well as the bases for the allocations. Schedule A in Part II summarizes the cost allocation and the revenues produced under present and proposed rates.

BASIS OF STUDY

The purpose of the cost allocation study was to determine the relative cost of service responsibilities of the several customer classifications based on considerations of quantity of water consumed, variability of rate of consumption, and costs associated with customer metering, billing and accounting. The allocation study incorporated generally-accepted principles and procedures for allocating the several categories of cost to customer classifications in proportion to each classification's use of facilities, commodities and services required in providing water service.

ALLOCATION PROCEDURES

The allocation study was based on the Base-Extra Capacity Method for allocating costs to customer classifications. The method is described in the 2017 and prior editions of the Water Rates Manual published by the American Water Works Association. The four basic categories of cost responsibility are base, extra capacity, customer, and fire protection costs. The following discussion presents a brief description of these costs and the manner in which they were allocated.

Base Costs are costs that tend to vary with the quantity of water used, plus costs associated with supplying, treating, pumping, and distributing water to customers under average load conditions, without the elements necessary to meet peak demands. Base costs were allocated to customer classifications on the basis of average daily usage.

Extra Capacity Costs are costs associated with meeting usage requirements in excess of the average. They include operating and capital costs for additional plant and system capacity beyond that required for average use. The extra capacity costs in this study are subdivided into costs necessary to meet maximum day extra demand and costs to meet maximum hour extra demand. The extra capacity costs were allocated to customer classifications on the bases of each classification's maximum day and hour usage in excess of average usage.

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. Customer costs include the operating and capital costs related to meters and services, meter reading costs, and billing and collecting costs. The customer costs were allocated on the bases of the relative cost of meters and services, and the number of customers.

Fire Protection Costs are costs associated with providing the facilities to meet the potential peak demand of fire protection service. Fire Protection costs are subdivided into costs to meet Public Fire Protection and Private Fire Protection demands. The extra capacity costs assigned to fire protection service were allocated to Public and Private Fire Protection on the basis of the total relative demands of the hydrants and fire service lines. Public fire costs were reallocated to the residential and commercial classes based on meter equivalents.

RESULTS OF STUDY

The results of the cost of service allocation study are set forth in Part II. The data summarized in Schedule A, Comparison of Cost of Service with Revenues Under Present and Proposed Rates for the Twelve Months Ended March 31, 2025, constitute the principal results of the cost allocation study and subsequent rate design.

The cost of service by customer classification shown in column 2 of Schedule A is developed in Schedule D, Cost of Service for the twelve months ended March 31, 2025, Allocated to Customer Classifications. The allocation of the total cost of service to the several customer classifications was performed by applying the allocation factors referenced in column 2 of Schedule D to the cost of service set forth in column 3. The bases for the allocation factors are presented in Schedule E.

PART II. COST OF SERVICE BY CUSTOMER CLASSIFICATION

AQUA VIRGINIA, INC.
WATER OPERATIONS
COMPARISON OF PRO FORMA COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE ADJUSTED TEST YEAR ENDED MARCH 31, 2025

Customer Classification (1)	Pro Forma Cost of Service, as of March 31, 2025		Pro Forma Revenues Under Present Rates		Pro Forma Revenues Under Proposed Rates		Proposed Increase	
	Cost of Service (2)	Percent of Total (3)	Amount (4)	Percent of Total (5)	Amount (6)	Percent of Total (7)	Amount (8)	Percent Increase (9)
Residential	\$ 23,907,777	94.8%	\$ 18,571,608	94.5%	\$ 23,817,315	94.4%	\$ 5,245,707	28.2%
Commercial	1,131,560	4.5%	1,063,698	5.4%	1,380,321	5.5%	316,624	29.8%
Private Fire Protection	178,544	0.7%	11,706	0.1%	19,437	0.1%	7,731	66.0%
Total Sales of Water	25,217,882	100.0%	19,647,012	100.0%	25,217,074	100.0%	5,570,061	28.4%
Other Water Revenues	233,000		211,999		233,000		21,001	9.9%
Total	\$ 25,450,882		\$ 19,859,011		\$ 25,450,074		\$ 5,591,062	28.2%

AQUA VIRGINIA, INC. - BASE WATER

DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER PRESENT RATES

ITEM (1)	COST OF SERVICE (2)	RESIDENTIAL (3)	COMMERCIAL (4)	FIRE PROTECTION	
				PRIVATE (5)	Public (6)
1. REVENUES FROM SALES	19,647,012	18,571,608	1,063,698	11,706	0
2. OTHER REVENUES	211,999	192,016	9,149	1,375	9,459
3. TOTAL OPERATING REVENUES	19,859,011	18,763,625	1,072,847	13,081	9,459
4. LESS: OPERATING EXPENSES (INCLUDES REALLOCATION OF FIRE)	15,623,276	15,109,078	710,779	87,605	-284,185
5. RETURN AND INCOME TAXES	4,235,735	3,654,547	362,068	(74,524)	293,644
6. LESS: TAXABLE EXCLUSIONS (FACTOR 18)	2,213,126	1,947,322	95,056	21,055	149,693
7. TAXABLE INCOME	2,022,609	1,707,225	267,012	(95,579)	143,951
8. LESS: INCOME TAXES (TAX. INC.)	452,268	381,747	59,706	(21,372)	32,188
9. NET RETURN (Line 5 - Line 8)	3,783,467	3,272,800	302,362	(53,152)	261,456
10. ORIGINAL COSTS MEASURE OF VALUE	104,765,504	92,182,793	4,499,773	996,717	7,086,221
11. RATE OF RETURN, PERCENT	3.61	3.55	6.72	(5.33)	3.69
12. RELATIVE RATE OF RETURN	1.00	0.98	1.86	(1.48)	1.02

AQUA VIRGINIA, INC. - BASE WATER

DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER PROPOSED RATES

ITEM (1)	COST OF SERVICE (2)	RESIDENTIAL (3)	COMMERCIAL (4)	FIRE PROTECTION	
				PRIVATE (5)	Public (6)
1. REVENUES FROM SALES	25,217,074	23,817,315	1,380,321	19,437	0
2. OTHER REVENUES	233,000	209,902	9,990	1,650	11,458
3. TOTAL OPERATING REVENUES	25,450,074	24,027,217	1,390,312	21,087	11,458
4. LESS: OPERATING EXPENSES (INCLUDES REALLOCATION OF FIRE)	15,782,721	15,610,683	726,685	88,176	(642,822)
5. RETURN AND INCOME TAXES	9,667,352	8,416,534	663,626	(67,089)	654,280
6. LESS: TAXABLE EXCLUSIONS (FACTOR 18)	2,213,126	1,947,325	94,966	21,064	149,770
7. TAXABLE INCOME	7,454,226	6,469,209	568,660	(88,152)	504,510
8. LESS: INCOME TAXES (TAX. INC.)	1,532,988	1,330,416	116,947	(18,129)	103,754
9. NET RETURN (Line 5 - Line 8)	8,134,364	7,086,119	546,679	(48,960)	550,526
10. ORIGINAL COSTS MEASURE OF VALUE	104,765,504	92,182,976	4,495,535	997,123	7,089,870
11. RATE OF RETURN, PERCENT	7.76	7.69	12.16	(4.91)	7.76
12. RELATIVE RATE OF RETURN	1.00	0.99	1.57	(0.63)	1.00

AQUA VIRGINIA, INC.
WATER OPERATIONS
COST OF SERVICE FOR THE ADJUSTED TEST YEAR ENDING MARCH 31, 2025 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Fire Protection	
					Private (6)	Public (7)
OPERATION AND MAINTENANCE EXPENSES						
SOURCE OF SUPPLY EXPENSE						
601.1 Salaries and Wages - Employees	2	277,454	261,212	15,823	52	367
610.1 Purchased Water	1	469,568	437,416	30,732	176	1,244
611.1 Sludge Removal	1	-	-	-	-	-
615.1 Purchased Power	1	856,762	798,099	56,073	320	2,270
620.1 Materials and Supplies	2	141,811	133,509	8,087	27	188
636.1 Contractual Services - Other	2	11,584	10,905	661	2	15
Total Source of Supply - Operations		1,757,179	1,641,142	111,376	577	4,084
601.2 Salaries and Wages - Employees	2	2,691	2,533	153	1	4
636.2 Contractual Services - Other	2	39,250	36,953	2,238	7	52
642.2 Rental of Equipment	2	-	-	-	-	-
650.2 Transportation	2	-	-	-	-	-
Total Source of Supply - Maintenance		41,941	39,486	2,392	8	56
TOTAL SS EXPENSE		1,799,120	1,680,628	113,767	584	4,140
WATER TREATMENT						
601.3 Salaries and Wages - Employees	2	353,050	332,382	20,134	66	468
616.3 Fuel for Power Purchased	2	7,088	6,673	404	1	9
618.3 Chemicals	1	316,657	294,975	20,724	118	839
635.3 Contractual Services - Testing	2	410,540	386,506	23,413	77	544
636.3 Contractual Services - Other	1	20,097	18,721	1,315	8	53
Total WT Expense - Operations		1,107,431	1,039,257	65,991	270	1,913
601.4 Salaries and Wages - Employees	2	41,549	39,117	2,370	8	55
636.4 Contractual Services - Other	2	3,316	3,122	189	1	4
Total WT Expense - Operations		44,865	42,239	2,559	8	59
TOTAL WT EXPENSE		1,152,297	1,081,496	68,550	278	1,972

AQUA VIRGINIA, INC.
WATER OPERATIONS
COST OF SERVICE FOR THE ADJUSTED TEST YEAR ENDING MARCH 31, 2025 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Private (6)	Public (7)
TRANSMISSION AND DISTRIBUTION EXPENSES						
601.5 Salaries and Wages - Employees	6	81,896	61,312	2,945	2,160	15,480
620.5 Materials and Supplies	6	-	-	-	-	-
636.5 Contractual Services - Other						
General	6	8,705	6,517	313	230	1,645
Services	8	180,000	174,686	4,250	1,064	-
650.5 Transportation Expenses	6	256,682	192,166	9,230	6,769	48,516
Total T&D Expense - Operations		527,284	434,681	16,738	10,223	65,641
601.6 Salaries and Wages - Employees	6	717	537	26	19	136
636.6 Contractual Services - Other	6	135,574	101,498	4,875	3,575	25,625
Total T&D Expense - Maintenance		136,291	102,035	4,901	3,594	25,761
TOTAL T&D EXPENSE		663,574	536,716	21,639	13,817	91,402
CUSTOMER ACCOUNTS						
601.7 Salaries and Wages - Meter Reading	10	116,473	113,852	2,621	-	-
636.7 Contractual Services - Other	9	410,373	401,045	9,254	74	-
670.7 Bad Debt Expense	19	259,110	258,896	214	-	-
TOTAL CUSTOMER ACCOUNTING		785,956	773,793	12,088	74	-
ADMINISTRATIVE AND GENERAL EXPENSES						
601.8 Salaries and Wages	11	2,049,012	1,888,524	80,229	10,577	69,682
603.8 Salaries and Wages - Officers	11	(60,691)	(55,937)	(2,376)	(313)	(2,064)
604.8 Employee Pensions and Benefits	13	713,064	658,404	30,167	3,185	21,308
620.8 Materials and Supplies	11	-	-	-	-	-
631.8 Engineering	11	90	83	4	0	3
632.8 Contractual Services - Acct.	11	42,329	39,014	1,657	219	1,440
633.8 Contractual Services - Legal	11	10,290	9,484	403	53	350

AQUA VIRGINIA, INC.
WATER OPERATIONS
COST OF SERVICE FOR THE ADJUSTED TEST YEAR ENDING MARCH 31, 2025 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Fire Protection	
					Private (6)	Public (7)
634.8 Contractual Services - Management Fees						
Administrative						
636.8 Contractual Services - Other	11	2,425,182	2,235,230	94,958	12,519	82,475
641.8 Rental of Building/Real Property	11	51,329	47,309	2,010	265	1,746
642.8 Rental of Equipment	11	76,317	70,340	2,988	394	2,595
650.8 Transportation	11	2,626	2,420	103	14	89
656.8 Insurance - Vehicle	11	-	-	-	-	-
657.8 Insurance - General Liability	11	9,931	9,153	389	51	338
658.8 Insurance - Workman's Comp	11	187,469	172,786	7,340	968	6,375
659.8 Insurance - Other	13	(26,929)	(24,865)	(1,139)	(120)	(805)
660.8 Advertising	11	164,660	151,763	6,447	850	5,600
666.8 Regulatory Commission Expense	11	(0)	(0)	(0)	(0)	(0)
675.8 Miscellaneous Expenses	16	(34,101)	(30,721)	(1,462)	(241)	(1,677)
676.8 Capital Overhead	11	398,840	367,601	15,617	2,059	13,564
TOTAL A&G EXPENSE	11	(31,118)	(28,681)	(1,218)	(161)	(1,058)
		5,978,300	5,511,908	236,115	30,317	199,960
TOTAL OPERATION AND MAINTENANCE EXPENSE		10,379,247	9,584,540	452,160	45,072	297,474
DEPRECIATION EXPENSE						
Source of Supply Plant						
Structures and Improvements	2	219,208	206,375	12,501	41	290
Collecting and Impounding Reservoirs	2	818	770	47	0	1
Lakes, Rivers and Springs	2	465	438	27	0	1
Wells and Springs	2	310,738	292,547	17,721	58	412
Infiltration Galleries & Tunnels	2	65	61	4	0	0
Supply Mains	2	104,370	98,260	5,952	20	138
Pumping Plant						
Power Generating Equipment	2	82,629	77,792	4,712	15	109
Electric Pumping Equipment	2	169,450	159,530	9,664	32	224
Water Treatment Plant						
Structures and Improvements	2	56,944	53,610	3,248	11	75
Pumping Equipment	2	21,777	20,502	1,242	4	29
Water Treatment Equipment	2	384,965	362,428	21,954	72	510

AQUA VIRGINIA, INC.
WATER OPERATIONS
COST OF SERVICE FOR THE ADJUSTED TEST YEAR ENDING MARCH 31, 2025 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)		Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Fire Protection	
						Private (6)	Public (7)
Transmission and Distribution Plant							
Structures and Improvements		2	8,523	8,024	486	2	11
Pumping Equipment		2	5,551	5,226	317	1	7
Dist. Reservoirs and Standpipes		5	259,000	241,161	11,428	759	5,652
T&D Mains Distribution		4	931,641	691,509	32,770	25,390	181,973
T&D Mains Transmission		3	88,799	79,902	4,840	498	3,559
Services		8	899,497	872,941	21,238	5,318	-
Meters		7	211,350	202,778	8,573	-	-
Hydrants		17	31,714	-	-	-	31,714
Backflow Prevention Devices		7	50	48	2	-	-
Other Plant and Misc. Equipment		18	2,603	2,188	90	40	284
General Plant							
Structures and Improvements		11	44,104	40,650	1,727	228	1,500
Office Furniture & Equipment		11	46,925	43,250	1,837	242	1,596
Transportation Equipment		11	219,850	202,631	8,608	1,135	7,477
Stores Equipment		11	15	14	1	0	1
Tools, Shop and Garage Equipment		11	4,107	3,785	161	21	140
Laboratory Equipment		2	4,680	4,406	267	1	6
Power Operating Equipment		11	15,574	14,354	610	80	530
Communication Equipment		11	115,891	106,814	4,538	598	3,941
Misc. Equipment		11	14,800	13,641	579	76	503
Other Tangible Plant		14	411	362	18	4	28
Over at Average Composite Rate		14	357,032	314,055	15,318	3,410	24,250
TOTAL DEPRECIATION EXPENSE			4,613,549	4,120,052	190,479	38,056	264,962
Amortizations		15	(504,124)	(443,578)	(21,632)	(4,798)	(34,116)
TAXES OTHER THAN INCOME							
Utility Reg Assessment Fee		16	565,010	508,999	24,226	4,000	27,784
Property Taxes		15	512,756	451,173	22,003	4,880	34,700
Payroll Taxes		13	216,285	199,705	9,150	966	6,463
TOTAL TAXES OTHER THAN INCOME			1,294,050	1,159,878	55,379	9,847	68,947
Income Taxes		15	1,532,988	1,348,874	65,781	14,590	103,743
Utility Income Available for Return		15	8,135,172	7,158,123	349,084	77,428	550,537
Total Cost of Service			25,450,882	22,927,890	1,091,251	180,194	1,251,548

AQUA VIRGINIA, INC.
WATER OPERATIONS
COST OF SERVICE FOR THE ADJUSTED TEST YEAR ENDING MARCH 31, 2025 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Fire Protection	
					Private (6)	Public (7)
Less Other Water Revenues						
Other Operating Revenues	16	233,000	209,902	9,990	1,650	11,458
Availability Revenues	16	-	-	-	-	-
Total Cost of Service Related to Sale of Water		25,217,882	22,717,987	1,081,260	178,544	1,240,090
Reallocation of Public Fire	7		1,189,790	50,300	-	(1,240,090)
Total		25,217,882	23,907,777	1,131,560	178,544	-

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Factors are based on the pro forma test year average daily consumption for each customer classification

Customer Classification	Average Daily Consumption 100 Gallons	Allocation Factor
(1)	(2)	(3)
Residential	29,890	0.93153
Commercial	2,100	0.06545
Private Fire	12	0.00037
Public Fire	85	0.00265
	32,087	1.00000

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND
MAXIMUM DAY EXTRA CAPACITY FUNCTIONS

Customer Classification	Average Daily Consumption		Maximum Day Extra Capacity		Allocation Factor
	Allocation Factor 1	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)=(2)X 0.50000	(4)	(5)=(4)X 0.50000	(6)=(3)+(5)
Residential	0.93153	0.46576	0.95139	0.47569	0.94146
Commercial	0.06545	0.03272	0.04861	0.02431	0.05703
Private Fire	0.00037	0.00019			0.00019
Public Fire	0.00265	0.00132			0.00132
Total	1.00000	0.50000	1.00000	0.50000	1.00000

The derivation of the maximum day extra capacity factors in column 4 and the basis for the column 3 and 5 weightings are presented on the following page.

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND
MAXIMUM DAY EXTRA CAPACITY FUNCTIONS, cont.

Customer Classification	Average Daily Consumption 100 Gallons	Maximum Day Extra Capacity		
		Factor *	Rate of Flow, 100 Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)X(3)	(5)
Residential	29,890	1.10	32,879	0.95139
Commercial	2,100	0.80	1,680	0.04861
	31,990		34,559	1.00000

The weighting of the factors based on the maximum day ratio of 2.0

	Maximum Day Ratio	Weight
Average Day	1.00	0.50
Maximum Day Extra Capacity	1.00	0.50
Total	2.00	1.00

*Ratio of maximum day to average day minus 1.

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification

Customer Classification (1)	Average Daily Consumption		Maximum Day Extra Capacity		Fire Protection		Allocation Factor (8)=(3)+(5)=(7)
	Allocation Factor 1 (2)	Weighted Factor (3)=(2)X 0.47788	Allocation Factor (4)	Weighted Factor (5)=(4)X 0.47788	Allocation Factor (6)	Weighted Factor (7)=(6)X 0.04424	
Residential	0.93153	0.44516	0.95139	0.45465			0.89980
Commercial	0.06545	0.03128	0.04861	0.02323			0.05451
Private Fire	0.00037	0.00018			0.1228	0.00544	0.00561
Public Fire	0.00265	0.00127			0.8772	0.03881	0.04008
Total	1.00000	0.47788	1.00000	0.47788	1.00000	0.04424	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION SERVICES , cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The basis for the potential demand of general service are the maximum day ratio of 2.0 and the average daily system send out for 2024 of 3.8 MGD. The system demand for fire protection is 2,000 gallons per minute for 3 hours.

	Ratio	Rate of Flow GPD	Weight
Average Day	1.00	3,888,335	0.47788
Maximum Day Extra Capacity	1.00	3,888,335	0.47788
Subtotal	2.00	7,776,670	0.95576
Fire Protection		360,000	0.04424
Total		8,136,670	1.00000

The public and private fire protection allocation factors in column 6 on the previous page are based on the relative potential demands (see Schedule D).

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification

Customer Classification (1)	100 Gallons (2)	Average Hourly Consumption		Maximum Hour Extra Capacity		Fire Protection		Allocation Factor (9)=(4)+(6)+(8)
		Allocatin Factor (3)	Weighted Factor (4)=(3)X 0.27791	Allocation Factor (5)	Weighted Factor (6)=(5)X 0.50024	Allocation Factor (7)	Weighted Factor (8)=(7)X 0.22185	
Residential	1,245.4	0.93191	0.25899	0.96606	0.48326			0.74225
Commercial	87.5	0.06547	0.01820	0.03394	0.01698			0.03517
Private Fire						0.12284	0.02725	0.02725
Public Fire	3.5	0.00262	0.00073			0.87716	0.19460	0.19533
Total	1,336.4	1.00000	0.27791	1.00000	0.50024	1.00000	0.22185	1.00000

The maximum hour extra capacity factors in column 5 are determined on the following page.

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND
MAXIMUM HOUR EXTRA CAPACITY , cont.

The weighting of the factors is based on the potential demand of general and fire protection service.
The basis for the potential demand of general service are the maximum day ratio of 2.8 and the
average daily system send out for 2024 of 3.8 MGD. The system demand for fire protection is 2,000
gallons per minute for 3 hours.

	Ratio	Rate of Flow GPM	Weight
Average Day	1.00	2,505	0.27791
Maximum Day Extra Capacity	1.80	4,510	0.50024
Subtotal	2.80	7,015	0.77815
Fire Protection		2,000	0.22185
Total		9,015	1.00000

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption 100 Gallons	Maximum Day Extra Capacity		
		Factor *	Rate of Flow, 100 Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)X(3)	(5)
Residential	1,245	2.00	2,491	0.96606
Commercial	88	1.00	88	0.03394
	1,333		2,578	1.00000

* Ratio of Maximum Hour to Average Hour minus 1.

The public and private fire protection allocation factors in column 7 on the previous page are based on
the relative potential demands (see Schedule D).

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification

Customer Classification (1)	100 Gallons (2)	Average Hourly Consumption		Maximum Hour Extra Capacity		Fire Protection		Allocation Factor (9)=(4)+(6)+(8)
		Allocation Factor (3)	Weighted Factor (4)=(3)X 0.34863	Allocation Factor (5)	Weighted Factor (6)=(5)X 0.62753	Allocation Factor (7)	Weighted Factor (8)=(7)X 0.02384	
Residential	1,245.4	0.93191	0.32489	0.96606	0.60623			0.93112
Commercial	87.5	0.06547	0.02282	0.03394	0.02130			0.04412
Private Fire	-	-	-			0.12284	0.00293	0.00293
Public Fire	3.5	0.00262	0.00091			0.87716	0.02091	0.02182
Total	1,336.4	1.00000	0.34863	1.00000	0.62753	1.00000	0.02384	1.00000

The maximum hour extra capacity factors in column 5 are determined on the following page.

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE, cont.

The weighting of the factors is based on the ratio of the capacity required for a 3 hour demand of fire flow as related to total storage capacity

Fire Protection Weight=	$\frac{2,000 \text{ GPM} \times 60 \text{ Min.} \times 3 \text{ hours}}{15,100,000 \text{ Gallons}}$		=	0.02384
General Service Weight	1.00000	-	0.02384	0.97616

The weighting of the average hourly consumption and maximum hour consumption extra demand for general service is based on the maximum hour ratio as follows:

	Maximum Hour Ratio	Weight
Average Day	1.00	0.34863
Maximum Day		
Extra Capacity	1.80	0.62753
Total	2.80	0.97616

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption 100 Gallons	Maximum Day Extra Capacity		
		Factor *	Rate of Flow, 100 Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)X(3)	(5)
Residential	1,245.4	2.00	2,491	0.96606
Commercial	87.5	1.00	88	0.03394
	1,332.9		2,578	1.00000

* Ratio of Maximum Hour to Average Hour minus 1.

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification

Customer Classification (1)	Maximum Daily Consumption with Fire		Maximum Hourly Consumption		Allocation Factor (6)=(3)+(5)
	Allocation Factor 3 (2)	Weighted Factor (3)=(2)X 0.04066	Allocation Factor 4 (4)	Weighted Factor (5)=(4)X 0.95934	
Residential	0.89980	0.03658	0.74225	0.71207	0.74865
Commercial	0.05451	0.00222	0.03517	0.03374	0.03596
Private Fire	0.00561	0.00023	0.02725	0.02614	0.02637
Public Fire	0.04008	0.00163	0.19533	0.18738	0.18901
Total	1.00000	0.04066	1.00000	0.95934	1.00000

The weighting of the factors is based on the total feet of mains, designated as either transmission mains or distribution mains as follows:

	Total Feet Of Mains	Weight
Transmission Mains (large than 8")	124,334	0.04066
Distribution Mains (8" and smaller)	2,933,769	0.95934
Total	3,058,103	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative 5/8-inch equivalents of meters by size and customer classification as developed on the following page and summarized below.

Customer Classification (1)	5/8-Inch Equivalents (2)	Allocation Factor (3)
Residential	26,658	0.95944
Commercial	1,127	0.04056
	27,785	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size (1)	5/8-Inch Equivalent (2)	Residential		Commercial		Total	
		Number of Meters (3)	Weighting (4)=(2)X(3)	Number of Meters (5)	Weighting (6)=(2)X(5)	Number of Meters (7)	Weighting (8)
5/8	1.0	26,561	26,561	477	477	27,038	27,038
1	2.5	21	53	74	185	95	238
1 1/2	5.0	4	20	25	125	29	145
2	8.0	3	24	30	240	33	264
3	15.0	-	-	5	75	5	75
4	25.0	-	-	1	25	1	25
6	50.0	-	-	-	-	-	-
Total		26,589	26,658	612	1,127	27,201	27,785

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative cost of services by size and customer classification as developed on the following page and summarized below.

Customer Classification (1)	3/4-Inch Equivalents (2)	Allocation Factor (3)
Residential	26,593	0.97048
Commercial	647	0.02361
Private Fire	162	0.00591
	27,402	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size (1)	3/4-Inch Equivalent (2)	Residential		Commercial		Private Fire		Total	
		Number of Services (3)	Weighting (4)=(2)x(3)	Number of Services (5)	Weighting (6)=(2)x(5)	Number of Services (7)	Weighting (8)=(2)x(7)	Number of Services (9)	Weighting (10)
3/4	1.0	26,561	26,561	477	477			27,038	27,038
1	1.1	21	22	74	78			95	100
1 1/2	1.3	4	5	25	32			29	37
2	1.5	3	5	30	45			33	50
3	2.4	-	-	5	12	12	28	17	40
4	2.5	-	-	1	3	-	-	1	3
6	2.8	-	-	-	-	48	134	48	134
Total		26,589	26,593	612	647	60	162	27,261	27,402

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 9. ALLOCATION OF BILLING AND COLLECTION COSTS

Factors are based on the total number of customers.

Customer Classification (1)	Total Customers (2)	Allocation Factor (3)
Residential	26,964	0.97727
Commercial	622	0.02255
Private Fire	5	0.00018
	27,591	1.00000

FACTOR 10. ALLOCATION OF METER READING COSTS

Factors are based on the total number of metered customers.

Customer Classification (1)	Total Customers (2)	Allocation Factor (3)
Residential	26,589	0.97750
Commercial	612	0.02250
	27,201	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 11. ALLOCATION OF ADMINSTRATIVE AND GENERAL COSTS

Factors are based on the allocation of all other operation and maintenance expenses excluding purchased water, power, chemicals and waste disposal.

Customer Classification (1)	Operation and Maintenance Expenses (2)	Allocation Factor (3)
Residential	2,523,421	0.92168
Commercial	107,201	0.03915
Private Fire	14,133	0.00516
Public Fire	93,108	0.03401
	2,737,863	1.00000

FACTOR 12. ALLOCATION OF CASH WORKING CAPITAL

Factors are based on the allocation of all other operation and maintenance expenses excluding regulatory expense.

Customer Classification (1)	Operation and Maintenance Expenses (2)	Allocation Factor (3)
Residential	9,615,261	0.92336
Commercial	453,623	0.04356
Private Fire	45,313	0.00435
Public Fire	299,151	0.02873
	10,413,348	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 13. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS

Factors are based on the allocation of direct labor expense.

Customer Classification (1)	Direct Labor Expense (2)	Allocation Factor (3)
Residential	2,657,283	0.92335
Commercial	121,752	0.04231
Private Fire	12,855	0.00447
Public Fire	85,997	0.02988
	2,877,886	1.00000

FACTOR 14. ALLOCATION OF ORGANIZATIONS, FRANCHISES, AND CONSENTS
MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS

Factors are based on the allocation of the original costs less depreciation other than those items being allocated

Customer Classification (1)	Original Cost Less Depreciation (2)	Allocation Factor (3)
Residential	85,111,255	0.87963
Commercial	4,151,194	0.04290
Private Fire	924,065	0.00955
Public Fire	6,572,033	0.06792
	96,758,546	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 15. ALLOCATION OF INCOME TAXES AND INCOME AVAILABLE FOR RETURN

Factors are based on the allocation of the original cost measure of value rate base as shown on the following pages and summarized below.

Customer Classification (1)	Original Cost Measure Of Value (2)	Allocation Factor (3)
Residential	92,182,976	0.87990
Commercial	4,495,535	0.04291
Private Fire	997,123	0.00952
Public Fire	7,089,870	0.06767
	104,765,504	1.00000

FACTOR 16. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER WATER REVENUES

Factors are based on the allocation of the total cost of service, excluding those items being allocated.

Customer Classification (1)	Total Cost of Service (2)	Allocation Factor (3)
Residential	22,449,611	0.90087
Commercial	1,068,487	0.04288
Private Fire	176,435	0.00708
Public Fire	1,225,440	0.04918
	24,919,974	1.00000

AQUA VIRGINIA, INC.
WATER OPERATIONS
RATE BASE FOR THE ADJUSTED TEST YEAR ENDING MARCH 31, 2025 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Fire Protection	
					Private (6)	Public (7)
Non-Depreciable Plant	14	(466,602)	(410,435)	(20,018)	(4,456)	(31,693)
Source of Supply Plant						
Structures and Improvements	2	6,453,895	6,076,075	368,064	1,207	8,548
Collecting and Impounding Reservoirs	2	35,062	33,010	2,000	7	46
Lease Rivers and Other Intakes	2	17,534	16,507	1,000	3	23
Wells and Springs	2	7,590,951	7,146,566	432,910	1,419	10,054
Infiltration Galleries & Tunnels	2	2,004	1,887	114	0	3
Supply Mains	2	3,089,629	2,908,758	176,201	578	4,092
Pumping Plant						
Power Generating Equipment	3	1,831,038	1,647,576	99,804	10,279	73,379
Electric Pumping Equipment	3	4,793,288	4,313,023	261,266	26,908	192,091
Water Treatment Plant						
Structures and Improvements	2	2,468,790	2,324,264	140,795	462	3,270
Pumping Equipment	2	586,597	552,257	33,453	110	777
Water Treatment Equipment	2	8,303,133	7,817,057	473,526	1,553	10,998
Transmission and Distribution Plant						
Structures and Improvements	18	253,966	213,545	8,804	3,889	27,729
Pumping Equipment	3	153,356	137,991	8,359	861	6,146
Dist. Reservoirs and Standpipes	5	8,648,895	8,053,174	381,631	25,341	188,748
T&D Mains Distribution	4	26,623,597	19,761,312	936,462	725,561	5,200,262
T&D Mains Transmission	3	2,537,631	2,283,372	138,318	14,246	101,696
Services	8	13,510,566	13,111,688	319,004	79,874	-
Meters	7	3,231,076	3,100,019	131,057	-	-
Hydrants	17	534,620	-	-	-	534,620
Backflow Prevention Devices	7	803	770	33	-	-
Other Plant and Misc. Equipment	18	31,540	26,520	1,093	483	3,444

AQUA VIRGINIA, INC.
WATER OPERATIONS
RATE BASE FOR THE ADJUSTED TEST YEAR ENDING MARCH 31, 2025 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Fire Protection	
					Private (6)	Public (7)
General Plant						
Structures and Improvements	11	1,304,623	1,202,439	51,083	6,734	44,367
Office Furniture & Equipment	11	623,307	574,487	24,406	3,217	21,197
Transportation Equipment	11	1,865,938	1,719,789	73,061	9,632	63,456
Stores Equipment	11	(38)	(35)	(2)	(0)	(1)
Tools, Shop and Garage Equipment	11	35,613	32,823	1,394	184	1,211
Laboratory Equipment	11	31,092	28,657	1,217	160	1,057
Power Operating Equipment	11	311,935	287,503	12,214	1,610	10,608
Communication Equipment	11	1,608,571	1,482,581	62,984	8,303	54,704
Misc. Equipment	11	279,535	257,641	10,945	1,443	9,506
Other Tangible Plant	14	249	219	11	2	17
Other at Ave. Composite Rate	14	13,300,276	11,699,258	570,617	127,020	903,381
Unclassified	14	(25,034)	(22,020)	(1,074)	(239)	(1,700)
Great Bay Non-Util	14	-	-	-	-	-
Total Net UPIS		109,567,435	96,378,277	4,700,729	1,046,392	7,442,038
OTHER RATE BASE ITEMS						
Acquisition Adjustments	14	1,506,060	1,324,769	64,614	14,383	102,295
CWIP	14	1,388,902	1,221,713	59,588	13,264	94,337
Customer Deposits	9	(42,342)	(41,380)	(955)	(8)	-
Customer Advances	14	(200,573)	(176,429)	(8,605)	(1,916)	(13,623)
Allowance for Working Capital	16	1,540,905	1,388,152	66,069	10,910	75,774
Accumulated Deferred Taxes	14	(8,994,883)	(7,912,126)	(385,904)	(85,903)	(610,950)
TOTAL OTHER RATE BASE ITEMS		(4,801,931)	(4,195,301)	(205,193)	(49,269)	(352,168)
TOTAL ORIGINAL COST MEASURE OF VALUE						
		104,765,504	92,182,976	4,495,535	997,123	7,089,870

AQUA VIRGINIA, INC
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 17. ALLOCATION OF HYDRANT COSTS

All costs are directly allocated to Public Fire.

Customer Classification (1)	Allocation Factor (2)
Public Fire	1.00000
	1.00000

FACTOR 18. ALLOCATION OF OTHER TRANSMISSION AND DISTRIBUTION RATE BASE
AND DEPRECIATION EXPENSE

Factors are based on the allocation of the original cost measure of value of transmission and distribution rate base excluding those items being allocated.

Customer Classification (1)	Original Cost Measure Of Value (2)	Allocation Factor (3)
Residential	46,448,326	0.84084
Commercial	1,914,863	0.03466
Private Fire	845,883	0.01531
Public Fire	6,031,471	0.10919
	55,240,543	1.00000

FACTOR 19. ALLOCATION OF BAD DEBT EXPENSE

Factors are based on the net write offs by class

Customer Classification (1)	Net Write Offs (2)	Allocation Factor (3)
Residential	260,078	0.99917
Commercial	215	0.00083
Private Fire	-	0.00000
Public Fire	-	0.00000
	260,293	1.00000

AQUA VIRGINIA, INC
WATER OPERATIONS

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE
TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

<u>Description</u>	<u>Restrictive Diameter Squared</u>	<u>Quantity</u>	<u>Relative Demand</u>	<u>Allocation Factor</u>
PRIVATE FIRE PROTECTION				
<u>Fire Lines</u>				
3-Inch	9.00	12	108	
6-Inch	36.00	48	1,728	
Total Private Fire Protection		<u>60</u>	<u>1,836</u>	0.122842
PUBLIC FIRE PROTECTION				
<u>Hydrant</u>	<u>Nozzle Sizes</u>			
6"	2-2.5" & 1-4"	460	13,110	
Total Public Fire Protection		<u>460</u>	<u>13,110</u>	0.877158
Total Fire Protection		520	14,946	1.00000

AQUA VIRGINIA, INC.

ROCKVILLE, VIRGINIA

COST OF SERVICE ALLOCATION STUDY

AS OF MARCH 31, 2025

SEWER OPERATIONS

Prepared by:



GANNETT FLEMING

Excellence Delivered As Promised

AQUA VIRGINIA, INC.

Rockville, Virginia

COST OF SERVICE

ALLOCATION STUDY

AS OF MARCH 31, 2025

SEWER OPERATIONS

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Mechanicsburg, Pennsylvania

Gannett Fleming
Valuation and Rate Consultants, LLC

300 Sterling Parkway, Suite 200
Mechanicsburg, PA 17050
717.763.7211

July 25, 2025

Aqua Virginia, Inc.
2414 Granite Ridge Road
Rockville, VA 23143

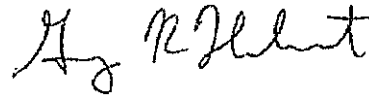
Attention: Rick Hale
Controller

Pursuant to your request, we have conducted a cost of service allocation study for sewer operations based on pro forma revenue requirements estimated for the adjusted test year ended March 31, 2025.

The attached report presents the results of the allocation study, as well as supporting schedules which set forth the detailed cost allocation calculations and the proposed schedule of rates. Schedule A presents a comparison of the cost of service by customer classification with the pro forma revenues by each classification under present and proposed rates.

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC



GREGORY R. HERBERT
Assistant Project Manager, Rate Studies

GRH:mle

074711.000

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PART I. INTRODUCTION

AQUA VIRGINIA, INC.
COST OF SERVICE ALLOCATION STUDY
AS OF MARCH 31, 2025
SEWER OPERATIONS
PART I. INTRODUCTION

PLAN OF THE REPORT

The report sets forth the results of the cost of service allocation study based on pro forma costs for sewer operations as of the adjusted test year ended March 31, 2025, for Aqua Virginia, Inc. Part I, Introduction, contains statements with respect to the basis of the study, the procedures employed, and a summary of the results of the study. Part II, Cost of Service by Customer Classification, presents detailed schedules of the allocation of costs to customer classifications, as well as the bases for the allocations. Schedule A in Part II summarizes the cost allocation and the revenues produced under present and proposed rates.

BASIS OF STUDY

The purpose of the cost allocation study was to determine the relative cost of service responsibilities of the several customer classifications based on considerations of quantity of water consumed and costs associated with customer metering, billing and accounting. The allocation study incorporated generally-accepted principles and procedures for allocating the several categories of cost to customer classifications in proportion to each classification's use of facilities, commodities and services required in providing sewer service.

ALLOCATION PROCEDURES

The allocation study was based on the methodology in accordance with guidelines published by the Water Environment Federation. The four basic categories of cost responsibility are collection, treatment and customer costs. The following discussion presents a brief description of these costs and the manner in which they were allocated.

Collection Costs are costs that relate to the cost of collecting and transmitting sewage and are associated with collection mains and pumping facilities. Collection costs were allocated to customer classifications on the basis of both average daily usage and number of customers.

Treatment Costs are costs associated with treatment facilities. These costs include sewage treatment and disposal. The treatment costs were allocated to customer classifications on the bases of each classification's average daily usage.

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. Customer costs include customer facilities such as customer service lines and customer accounting cost such as billing and collecting costs. The customer costs were allocated on the bases of the number of customers, and the number of bills.

RESULTS OF STUDY

The results of the cost of service allocation study are set forth in Part II. The data summarized in Schedule A, Comparison of Cost of Service with Revenues Under Present and Proposed Rates for the Adjusted Test Year Ended March 31, 2025, constitute the principal results of the cost allocation study and subsequent rate design.

The cost of service by customer classification shown in Column 2 of Schedule A is developed in Schedule D, Allocation Cost of Service by Function to Customer Classifications.

PART II. COST OF SERVICE BY CUSTOMER CLASSIFICATION

AQUA VIRGINIA, INC
SEWER OPERATIONS
COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE ADJUSTED TEST YEAR ENDED MARCH 31, 2025

Customer Classification (1)	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount (Schedule 2) (2)	Percent (3)	Amount (4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Percent Increase (9)
Residential	\$ 10,999,300	97.7%	\$ 8,195,399	96.9%	10,924,075	97.1%	\$ 2,728,676	33.3%
Commercial	254,471	2.3%	259,743	3.1%	328,982	2.9%	69,239	26.7%
Total Sales	\$ 11,253,772	100.0%	\$ 8,455,142	100.0%	\$ 11,253,058	100.0%	\$ 2,797,915	
Other Revenues	63,021		253,228		63,021		(190,207)	
Total	\$ 11,316,793		\$ 8,708,370		\$ 11,316,079		\$ 2,607,709	29.9%

AQUA PENNSYLVANIA, INC. - BASE WATER

DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER PRESENT RATES

ITEM (1)	COST OF SERVICE (2)	RESIDENTIAL (3)	COMMERCIAL (4)
1. REVENUES FROM SALES	8,455,142	8,195,399	259,743
2. OTHER REVENUES	253,228	247,464	5,764
3. TOTAL OPERATING REVENUES	8,708,370	8,442,863	265,507
4. LESS: OPERATING EXPENSES	6,892,972	6,736,080	156,892
5. RETURN AND INCOME TAXES	1,815,398	1,706,783	108,615
6. LESS: TAXABLE EXCLUSIONS (FACTOR 18)	1,000,239	977,473	22,767
7. TAXABLE INCOME	815,159	729,310	85,849
8. LESS: INCOME TAXES (TAX. INC.)	132,690	118,716	13,974
9. NET RETURN (Line 5 - Line 8)	1,682,708	1,588,067	94,641
10. ORIGINAL COSTS MEASURE OF VALUE	47,349,569	46,271,841	1,077,728
11. RATE OF RETURN, PERCENT	3.55	3.43	8.78
12. RELATIVE RATE OF RETURN	1.00	0.97	2.47

AQUA PENNSYLVANIA, INC. - BASE WATER

DEVELOPMENT OF RATE OF RETURN BY CUSTOMER CLASSIFICATION
UNDER PROPOSED RATES

ITEM (1)	COST OF SERVICE (2)	RESIDENTIAL (3)		COMMERCIAL (4)	
1. REVENUES FROM SALES	11,253,058	10,924,075		328,982	
2. OTHER REVENUES	63,021	61,596		1,425	
3. TOTAL OPERATING REVENUES	11,316,079	10,985,672		330,407	
4. LESS: OPERATING EXPENSES	6,977,287	6,819,516		157,771	
5. RETURN AND INCOME TAXES	4,338,792	4,166,156		172,636	
6. LESS: TAXABLE EXCLUSIONS (FACTOR 18)	1,000,239	977,622		22,617	
7. TAXABLE INCOME	3,338,553	3,188,534		150,019	
8. LESS: INCOME TAXES (TAX. INC.)	662,753	632,972		29,781	
9. NET RETURN (Line 5 - Line 8)	3,676,039	3,533,184		142,855	
10. ORIGINAL COSTS MEASURE OF VALUE	47,349,569	46,278,896		1,070,673	
11. RATE OF RETURN, PERCENT	7.76	7.63		13.34	
12. RELATIVE RATE OF RETURN	1.00	0.98		1.72	

AQUA VIRGINIA, INC
SEWER OPERATIONS
ALLOCATION OF COST SERVICE BY FUNCTION TO CUSTOMER CLASSIFICATIONS

Description (1)	Collection (2)	Treatment (3)	Customer Facilities (4)	Customer Accounting (5)	Total (6)
Total Cost of Service	\$ 5,753,136	\$ 4,872,970	\$129,503	\$ 498,163	\$11,253,772
Factor Reference	A	B	C	D	
Residential					
Factor	0.982174472	0.970347851	0.988087	0.98819304	
Cost of Service	\$ 5,650,583	\$ 4,728,476	\$127,960	\$ 492,281	\$10,999,300
Commercial					
Factor	0.017825528	0.029652149	0.011913	0.01180696	
Cost of Service	<u>\$ 102,553</u>	<u>\$ 144,494</u>	<u>\$ 1,543</u>	<u>\$ 5,882</u>	<u>\$ 254,471</u>
Total	<u>\$ 5,753,136</u>	<u>\$ 4,872,970</u>	<u>\$129,503</u>	<u>\$ 498,163</u>	<u>\$11,253,772</u>

AQUA VIRGINIA, INC
SEWER OPERATIONS
FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR A. ALLOCATION OF COLLECTION COSTS.

Factors are based on the pro forma test year average dail consumption and number of customers for each customer class

Classification (1)	Average Daily Consumption			Number of Customers			Allocation Factor (8)=(7)+(4)
	100 Gallons (2)	Allocation Factor (3)	Weighted Factor (4)=(3) X 0.3333	Customers (5)	Allocation Factor (6)	Weighted Factor (7)=(5) X 0.6667	
Residential	8,933	0.9703	0.3234	8,460	0.9881	0.6588	0.9822
Commercial	273	0.0297	0.0099	102	0.0119	0.0079	0.0178
Total	9,206	1.0000	0.3333	8,562	1.0000	0.6667	1.0000

FACTOR B. ALLOCATION OF TREATMENT COSTS.

Factors are based on the pro forma test year average dail consumption and number of customers for each customer class

Customer Classification (1)	Average Daily Consumption, 100 Gallons (2)	Allocation Factor (3)
Residential	8,933	0.9703
Commercial	273	0.0297
Total	9,206	1.0000

AQUA VIRGINIA, INC
SEWER OPERATIONS
FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR C. ALLOCATION OF COSTS ASSOCIATED WITH CUSTOMER FACILITIES

Factors are based on the number of customers, as follows:

Customer Classification	Number Of Customers	Allocation Factor
(1)	(2)	(3)
Residential	8,460	0.9881
Commercial	102	0.0119
Total	<u>8,562</u>	<u>1.0000</u>

FACTOR D. ALLOCATION OF COSTS ASSOCIATED WITH BILLING AND COLLECTING

Factors are based on the number of customers, as follows:

Customer Classification	Number Of Bills	Allocation Factor
(1)	(2)	(3)
Residential	103,448	0.9882
Commercial	1,236	0.0118
Total	<u>104,684</u>	<u>1.0000</u>

AQUA VIRGINIA, INC.
SEWER OPERATIONS
COST OF SERVICE FOR THE TEST YEAR ENDED MARCH 31, 2025, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Collection (4)	Treatment (5)	Customer Facilities (6)	Customer Accounting (7)
OPERATION AND MAINTENANCE EXPENSES						
COLLECTION						
Salaries and Wages - Employees	1	\$ 70,283	\$ 70,283	\$ -	\$ -	\$ -
Purchased Power	1	403,581	403,581	-	-	-
Chemicals	2	13,085	-	13,085	-	-
Material and Supplies	1	35,958	35,958	-	-	-
Contractual Services - Other	1	284	284	-	-	-
TOTAL COLLECTION EXPENSE - OPERATION		523,192	510,107	13,085	-	-
Salaries and Wages	1	1,531	1,531	-	-	-
Chemicals	2	97,525	-	97,525	-	-
Contractual Services - Other	1	3,985	3,985	-	-	-
TOTAL COLLECTION EXPENSE - MAINTENANCE		103,041	5,516	97,525	-	-
TOTAL COLLECTION EXPENSE		\$ 626,233	\$ 515,623	\$ 110,610	\$ -	\$ -
POWER AND PUMPING EXPENSES						
Salaries and Wages - Employees	1	\$ 124,907	\$ 124,907	\$ -	\$ -	\$ -
Fuel for Power Purchased	1	409	409	-	-	-
Chemicals	2	92,129	-	92,129	-	-
Contractual Services - Other	1	-	-	-	-	-
TOTAL PUMPING EXPENSE - OPERATION		\$ 217,445	\$ 125,316	\$ 92,129	\$ -	\$ -
Salaries and Wages - Employees	1	13,539	13,539	-	-	-
Chemicals	2	3,946	-	3,946	-	-
Contractual Services - Other	1	924	924	-	-	-
TOTAL PUMPING EXPENSE - MAINTENANCE		\$ 18,408	\$ 14,463	\$ 3,946	\$ -	\$ -
TOTAL POWER AND PUMPING EXPENSE		\$ 235,853	\$ 139,779	\$ 96,075	\$ -	\$ -
SEWAGE TREATMENT AND DISPOSAL						
Salaries and Wages - Employees	2	\$ 555,356	\$ -	\$ 555,356	\$ -	\$ -
Purchased Sewage Treatment	2	84,751	-	84,751	-	-
Sludge Removal Expense	2	223,417	-	223,417	-	-
Chemicals	2	45,267	-	45,267	-	-
Materials and Supplies	2	-	-	-	-	-
Contractual Services - Testing	2	207,093	-	207,093	-	-
Transportation Expense	2	-	-	-	-	-
TOTAL TREATMENT EXPENSE - OPERATION		\$ 1,115,884	\$ -	\$ 1,115,884	\$ -	\$ -
Salaries and Wages - Employees	2	16,983	-	16,983	-	-
Materials and Supplies	2	-	-	-	-	-
Contractual Services - Other	2	28,559	-	28,559	-	-
TOTAL TREATMENT EXPENSE - MAINTENANCE		\$ 45,542	\$ -	\$ 45,542	\$ -	\$ -
TOTAL SEWAGE TREATMENT AND DISPOSAL EXPENSE		\$ 1,161,426	\$ -	\$ 1,161,426	\$ -	\$ -

AQUA VIRGINIA, INC.
SEWER OPERATIONS
COST OF SERVICE FOR THE TEST YEAR ENDED MARCH 31, 2025, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Collection (4)	Treatment (5)	Customer Facilities (6)	Customer Accounting (7)
CUSTOMER ACCOUNTS						
Salaries and Wages - Employees	5	\$ 3,787	\$ -	\$ -	\$ -	\$ 3,787
Contractual Services - Other	5	82,772	-	-	-	82,772
Bad Debt Expense	5	113,793	-	-	-	113,793
TOTAL CUSTOMER ACCOUNTING EXPENSE		\$ 200,352	\$ -	\$ -	\$ -	\$ 200,352
ADMINISTRATIVE AND GENERAL EXPENSES						
Salaries and Wages - Employees	6	\$ 459,928	\$ 74,483	\$ 325,186	\$ -	\$ 59,260
Salaries and Wages - Officers	6	-	-	-	-	-
Employee Pension and Benefits	7	320,050	72,876	230,951	-	16,223
Materials and Supplies	6	-	-	-	-	-
Contractual Services - Accounting	6	-	-	-	-	-
Legal	6	665	108	471	-	86
Contractual Services - Management Fees	6	-	-	-	-	-
Administrative	6	545,314	88,503	386,397	-	70,414
Human Resources	7	-	-	-	-	-
Contractual Services - Other	6	12,737	2,067	9,025	-	1,845
Rental of Equipment	6	-	-	-	-	-
Transportation Expense	6	79,887	12,965	56,606	-	10,316
Insurance - Vehicle	6	-	-	-	-	-
Insurance - General Liability	6	-	-	-	-	-
Insurance - Workman's Comp	7	26,485	6,031	19,112	-	1,343
Insurance - Other	6	70,276	11,406	49,796	-	9,075
Advertising Expense	6	-	-	-	-	-
Regulatory Commission Expense	10	(7,979)	(4,106)	(3,434)	(93)	(347)
Miscellaneous Expense	6	108,130	17,549	76,618	-	13,962
Capital Overhead Credit-Other	6	(7,288)	(1,183)	(5,164)	-	(941)
TOTAL A&G EXPENSE		\$ 1,607,205	\$ 280,699	\$ 1,145,564	\$ (93)	\$ 181,035
TOTAL OPERATION & MAINTENANCE EXPENSE		\$ 3,831,070	\$ 936,100	\$ 2,513,675	\$ (93)	\$ 381,388

AQUA VIRGINIA, INC.
SEWER OPERATIONS
COST OF SERVICE FOR THE TEST YEAR ENDED MARCH 31, 2025, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Collection (4)	Treatment (5)	Customer Facilities (6)	Customer Accounting (7)
DEPRECIATION EXPENSE						
Collection Plant						
Structures and Improvements	1	\$ 325,536	\$ 325,536	\$ -	\$ -	\$ -
Collection Sewers - Force	1	116,707	116,707	-	-	-
Collection Sewers - Gravity	1	753,059	753,059	-	-	-
Special Collecting Structures	1	4,348	4,348	-	-	-
Service to Customers	4	112,667	-	-	112,667	-
Flow Measuring Devices	4	13,338	-	-	13,338	-
Flow Measuring Installations	4	543	-	-	543	-
Pumping Plant						
Structures and Improvements	1	77,253	77,253	-	-	-
Receiving Wells	1	7,919	7,919	-	-	-
Pumping Equipment	1	454,749	454,749	-	-	-
Treatment Plant						
Structures and Improvements	2	72,316	-	72,316	-	-
Pumping Equipment	2	29,188	-	29,188	-	-
Treatment & Disposal Equip.	2	413,339	-	413,339	-	-
Plant Sewers	2	69,930	-	69,930	-	-
Other Plant & Misc. Equip.	2	1,854	-	1,854	-	-
Power Generation Equipment	2	81,602	-	81,602	-	-
Outfall Sewers	2	5,107	-	5,107	-	-
General Plant						
Structures and Improvements	6	56,603	9,186	40,107	-	7,309
Laboratory Equipment	2	13,129	-	13,129	-	-
Office Furniture & Equipment	6	11,385	1,848	8,067	-	1,470
Stores Equipment	6	9	1	6	-	1
Power Operated Equipment	6	28,838	4,680	20,434	-	3,724
Communication Equipment	6	89,625	14,546	63,506	-	11,573
Miscellaneous Equipment	6	5,814	944	4,120	-	751
Transportation Equipment	6	55,456	9,000	39,295	-	7,161
Tools, Shop and Garage Equip.	6	14,245	2,312	10,094	-	1,839
Other Tangible Plant	8	-	-	-	-	-
Other at Ave. Composite Rate	6	206,156	33,459	146,078	-	26,620
Total		\$ 3,020,716	\$ 1,815,547	\$ 1,018,172	\$ 126,549	\$ 60,448

AQUA VIRGINIA, INC.
SEWER OPERATIONS
COST OF SERVICE FOR THE TEST YEAR ENDED MARCH 31, 2025, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Collection (4)	Treatment (5)	Customer Facilities (6)	Customer Accounting (7)
AMORTIZATION EXPENSE						
Utility Plant Acquisition Adjustment	9	\$ (482,619)	\$ (337,783)	\$ (139,655)	\$ (101)	\$ (5,081)
TAXES OTHER THAN INCOME						
Property Taxes	9	\$ 262,512	\$ 183,731	\$ 75,963	\$ 55	\$ 2,764
Payroll Taxes	7	94,375	21,489	68,102	-	4,784
Gross Receipts Tax	10	251,233	129,285	108,114	2,919	10,914
TOTAL TAXES, OTHER THAN INCOME		\$ 608,120	\$ 334,506	\$ 252,179	\$ 2,974	\$ 18,462
INCOME TAXES	9	\$ 662,753	\$ 463,857	\$ 191,780	\$ 138	\$ 6,977
UTILITY INCOME FOR RETURN	9	\$ 3,676,753	\$ 2,573,340	\$ 1,063,939	\$ 768	\$ 38,707
TOTAL COST OF SERVICE		\$ 11,316,793	\$ 5,785,557	\$ 4,900,090	\$ 130,235	\$ 500,900
LESS:						
Availability Revenue	10	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Revenue	10	63,021	32,431	27,120	732	2,738
OTHER OPERATING REVENUES		\$ 63,021	\$ 32,431	\$ 27,120	\$ 732	\$ 2,738
TOTAL COST OF SERVICE RELATED TO SALES OF SEWER SERVICES		\$ 11,253,772	\$ 5,753,136	\$ 4,872,970	\$ 129,503	\$ 498,163

AQUA VIRGINIA, INC
SEWER OPERATIONS
ALLOCATION FACTORS BY FUNCTION

Reference (1)	Collection (2)	Treatment (3)	Customer Facilities (4)	Customer Accounting (5)	Total (6)
Factor 1 - Collection	1.0000	0.0000	0.0000	0.0000	1.0000
Factor 2 - Treatment	0.0000	1.0000	0.0000	0.0000	1.0000
Factor 3 - Collection and Treatment	0.5000	0.5000	0.0000	0.0000	1.0000
Factor 4 - Customer Facilities	0.0000	0.0000	1.0000	0.0000	1.0000
Factor 5 - Customer Accounting	0.0000	0.0000	0.0000	1.0000	1.0000
Factor 6 - O&M Exp Less Power and Chemicals					
Cost	\$ 251,820	\$ 1,099,427	\$ -	\$ 200,352	\$ 1,551,599
Factor	0.1623	0.7086	-	0.1291	1.0000
Factor 6A - O&M Exp					
Cost	\$ 922,657	\$ 2,440,490	\$ -	\$ 367,772	\$ 3,730,919
Factor	0.2473	0.6541	-	0.0986	1.0000
Factor 7 - Labor Expense					
Cost	\$ 283,212	\$ 897,524	\$ -	\$ 63,047	\$ 1,243,782
Factor	0.2277	0.7216	-	0.0507	1.0000
Factor 8 - Utility Plant In Service					
Cost	\$ 30,212,558	\$ 12,491,291	\$ 9,012	\$ 454,440	\$ 43,167,301
Factor	0.6999	0.2894	0.0002	0.0105	1.0000
Factor 9 - Rate Base					
Cost	\$ 35,556,668	\$ 14,700,797	\$ 10,606	\$ 534,823	\$ 50,802,894
Factor	0.6999	0.2894	0.0002	0.0105	1.0000
Factor 10 - Cost of Service					
Cost	\$ 5,642,838	\$ 4,718,792	\$ 127,409	\$ 476,370	\$ 10,965,410
Factor	0.5146	0.4303	0.0116	0.0434	1.0000

AQUA VIRGINIA, INC.
SEWER OPERATIONS
COST OF SERVICE FOR THE TEST YEAR ENDED MARCH 31, 2025, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Collection (4)	Treatment (5)	Customer Facilities (6)	Customer Accounting (7)
RATE BASE						
Land and Land Rights	8	\$ -	\$ -	\$ -	\$ -	\$ -
Collection Plant						
Structures and Improvements	1	\$ 10,349,539	\$ 10,349,539	\$ -	\$ -	\$ -
Collection Sewers - Force	1	3,820,829	3,820,829	-	-	-
Collection Sewers - Gravity	1	8,201,803	8,201,803	-	-	-
Special Collecting Structures	1	21,800	21,800	-	-	-
Service to Customers	4	104	-	-	104	-
Flow Measuring Devices	4	3,923	-	-	3,923	-
Flow Measuring Installations	4	4,985	-	-	4,985	-
Pumping Plant						
Structures and Improvements	1	1,228,723	1,228,723	-	-	-
Receiving Wells	1	107,450	107,450	-	-	-
Pumping Equipment	1	5,911,234	5,911,234	-	-	-
Treatment Plant						
Structures and Improvements	2	1,859,081	-	1,859,081	-	-
Pumping Equipment	2	327,507	-	327,507	-	-
Treatment & Disposal Equip.	2	5,534,579	-	5,534,579	-	-
Plant Sewers	2	1,230,734	-	1,230,734	-	-
Other Plant & Misc. Equip.	2	(7,992)	-	(7,992)	-	-
Power Generation Equipment	2	989,879	-	989,879	-	-
Outfall Sewers	2	(37,097)	-	(37,097)	-	-
General Plant						
Structures and Improvements	6	802,517	130,246	568,644	-	103,626
Laboratory Equipment	2	100,879	-	100,879	-	-
Office Furniture & Equipment	6	208,072	33,769	147,435	-	26,868
Stores Equipment	6	1	0	1	-	0
Power Operated Equipment	6	375,322	60,914	265,944	-	48,464
Communication Equipment	6	1,089,762	176,865	772,179	-	140,717
Miscellaneous Equipment	6	101,303	16,441	71,781	-	13,081
Transportation Equipment	6	708,986	115,066	502,371	-	91,549
Tools, Shop and Garage Equip.	6	233,379	37,877	165,367	-	30,135
Other Tangible Plant	8	10,421	7,293	3,015	2	110
Unclassified/Ave. Composite Rate	8	7,625,172	5,336,817	2,206,491	1,592	80,273
Property Held for Future Use	8	-	-	-	-	-
TOTAL SEWER UTILITY PLANT IN SERVICE		\$ 50,802,894	\$ 35,556,668	\$ 14,700,797	\$ 10,606	\$ 534,823

AQUA VIRGINIA, INC.
SEWER OPERATIONS
COST OF SERVICE FOR THE TEST YEAR ENDED MARCH 31, 2025, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Collection (4)	Treatment (5)	Customer Facilities (6)	Customer Accounting (7)
Other Rate Base Items:						
Acquisition Adjustments	9	\$ (331,275)	\$ (231,858)	\$ (95,861)	\$ (69)	\$ (3,487)
Customer Deposits	5	100,000	-	-	-	100,000
CWIP	8	605,214	423,586	175,130	126	6,371
Other Working Capital	10	422,740	217,544	181,920	4,912	18,365
Customer Advances	9	(520,917)	(364,587)	(150,737)	(109)	(5,484)
Customer Deposits	9	(200)	(140)	(58)	(0)	(2)
Accumulated Deferred Income Taxes	9	(3,728,886)	(2,609,827)	(1,079,025)	(778)	(39,256)
Total Other Rate Base Items		\$ (3,453,325)	\$ (2,565,282)	\$ (988,631)	\$ 4,082	\$ 76,507
TOTAL ORIGINAL COST MEASURE OF VALUE		\$ 47,349,569	\$ 32,991,386	\$ 13,732,166	\$ 14,688	\$ 611,330



**AQUA VIRGINIA, INC.
PROPOSED RATES AND TARIFFS
FOR THE YEAR ENDED 03/31/2025
CASE NO. PUR-2025-00071**

**Exhibit No.: _____
Witness: JJA / RH
Schedule 41**

Line
No.

1

The proposed rates and tariffs follow.



Aqua Virginia, Inc.

Tariff

PUR-[20232025-](#)
[0007300071](#)

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Commented [JA1]: Need to update the listing here to reflect the deletions in Appendix A

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I. GENERAL NATURE OF SERVICE TO BE PROVIDED

The primary purpose of Aqua Virginia, Inc. ("Company") is to provide water and/or wastewater service to the areas in Virginia listed in Section IV (System Listing). These areas consist of year-round residences, vacation homes, community facilities, and non-residential areas.

1. The utility office is located at: Aqua Virginia, Inc.
2414 Granite Ridge Road
Rockville, Virginia 23146
2. The telephone number for billing and service questions is 877.WTR.AQUA (877.987.2782).
3. Utility emergencies after hours or on weekends and holidays should be reported to the same number (877.987.2782).

II. SCHEDULE OF RATES & FEES **MISCELLANEOUS FEES & CHARGES APPLICABLE TO ALL GROUPS**

ACTIVATION SERVICE FEES

When a customer applies to initiate service, a charge of thirty (\$30.00) dollars will be assessed to cover the cost of activating the service.

See also Rule No. 11 - Activation Service Fee.

CONNECTION FEES

Water Service Connection Fees:

Single family dwelling	\$2,500.00
Water connection fees for larger meter settings will conform to <u>Rule No.5</u>	

Wastewater Service Connection Fees:

Single family dwelling	\$4,500.00
Wastewater connection fees for non-residential customers will be a matter of contract and in no event less than \$4,500.00.	

In the event such water or wastewater connection fees are, or have been, paid by a customer prior to actual connection to the water and/or wastewater system either pursuant to written contract or other proof provided, such contributions shall be in lieu of any connection charge.

Additional Service Connection Fee for Irrigation/Outdoor Water Service

\$ 750.00

Customers receiving both water and wastewater service from the Company may request a second service connection for measuring irrigation/outdoor water usage.

Water connection fees for larger meter settings will conform to Rule No.5

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II. SCHEDULE OF RATES & FEES (continued)
MISCELLANEOUS FEES & CHARGES APPLICABLE TO ALL GROUPS

DISCONNECT / RECONNECT FEES

Reconnection charges during normal scheduled working hours associated with customer requests for temporary or seasonal water service disconnection as well as non-payment and rules violation situations will be \$50.00.

Reconnections scheduled after 4:00 p.m. on weekdays or during nonscheduled working hours will be paid by the customer at a cost of \$100.00.

See also Rule No. 12 - Disconnect / Reconnect Fee.

NEW DEVELOPMENT CHARGES

Charges for new developments and expanded areas are subject to specific agreement.

RETURNED CHECK FEE

An additional charge of \$20.00 will be made for all returned checks tendered.

PRIVATE FIRE SERVICE FEES

The monthly fee charged for each private fire service connection and/or private fire hydrant shall be as follows for W0, W1, and W2:

Connection Size	Monthly Minimum Charge	
1 inch	\$11.29	\$ 18.75
1.5 inch	\$22.58	\$ 37.49
2 inch	\$36.13	\$ 59.99
3 inch	\$72.26	\$119.98
4 inch	\$112.90	\$187.46
6 inch	\$225.82	\$374.95

Connection fees for fire and sprinkler connections shall be the actual cost to Company, including overheads.

CONNECTION FEES, AVAILABILITY FEES, AND OTHER SYSTEM SPECIFIC RULES See

Appendix A – Connection Fees specific to Chesapeake Cove, Highbank, Milburn, Shirland Shores, Sloope Point and Western Branch Water Systems that were pre-paid prior to the acquisition require proof of payment upon application for water connection.

See Appendix A – Availability Fees for detail of these fees specific to Captain's Cove, Lake Caroline, Lake Holiday, Lake Land'Or, Lake Monticello, Shawnee Land and Wintergreen.

II. SCHEDULE OF RATES & FEES (continued)
MISCELLANEOUS FEES & CHARGES APPLICABLE TO ALL GROUPS

WATER SERVICE RATE SCHEDULE BY GROUP - Water 0 (W0), Water 1 (W1) and Water 2 (W2).

(See Section IV for water system listing by Group)

METERED ACCOUNTS Metered connections shall be charged the monthly base facility charge plus the gallonage charge for all gallons used as set forth below:

Base Facilities Charge Water Group 0: (Residential and Non-residential) - No bill will be rendered for less than the minimum charge set forth below:

Monthly Water Base Facility Charge - Water Group 0 (W0)

Meter Size	<u>W0</u>	Gallons Included in W0 Allowance
Less than 1"	33.8 \$ 33.00	3,0001,500
1"	81.48\$ 79.50	7,5003,750
1.5"	162.94\$ 158.99	15,0007,500
2"	260.73\$ 254.41	24,00012,000
3"	521.44\$ 508.80	48,00024,000
4"	814.75\$ 795.00	75,00037,500
6"	1,629.52\$1,590.01	7150,0005,000

Gallonage Charge: (Residential and Non-residential)
 Per 1,000 gallons used over allowance listed above:

W0
~~\$13.22~~\$13.33

AQUA VIRGINIA INC

RATES, RULES AND REGULATIONS

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II. SCHEDULE OF RATES & FEES (continued)
MISCELLANEOUS FEES & CHARGES APPLICABLE TO ALL GROUPS

Base Facilities Charge Water Group 1 and Water Group 2: (Residential and Non-residential) - No bill will be rendered for less than the minimum charge set forth below:

Monthly Water Base Facility Charge - Water Group 1 (W1) and Water Group 2 (W2)

Meter Size	W1	W2
Less than 1"	\$ 29.22	\$ 2229.22
1"	\$ 5166.02	
1.5"	\$ 403.71 132.81	
2"	\$ 165.96 212.50	
3"	\$ 331.91 425.00	
4"	\$ 548.60 664.04	
6"	\$ 1,037.21 1,328.10	

Gallonge Charge: (Residential and Non-residential)
 Per 1,000 gallons used for all meter sizes by Water Group:

	W1	W2
	\$ 9.44 13.33	\$ 3.51
Powhatan Irrigation	\$ 5. 7.99	

UNMETERED ACCOUNTS Unmetered connections shall be charged as set forth below:

Flat Rate (Unmetered) Water Service

	W0	W1	W2
Residential	\$ 46.10 70.50	\$ 59.14 74.01	\$ 59.14 74.01
Non-residential	\$ 48.50 70.50	\$ 114.34 132.67	\$ 114.34 132.67

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II. SCHEDULE OF RATES & FEES (continued)
MISCELLANEOUS FEES & CHARGES APPLICABLE TO ALL GROUPS

WASTEWATER SERVICE RATE SCHEDULE BY GROUP - Sewer 0 (S0), and Sewer 1 (S1),
&

Sewer 2 (S2)

(See Section IV for wastewater system list by Group)

METERED ACCOUNTS Metered connections shall be charged the monthly base facility charge plus the gallonage charge for all gallons used as set forth below:

Base Facility Charge: (Residential and Non-residential) - No bill will be rendered for less than the minimum charges set forth below:

Monthly Wastewater Base Facility Charge - Sewer Group 0 (S0)

Meter Size	<u>S0</u>	Gallons Included in Allowance
Residential Any Size	\$47.90 <u>43.50</u>	3,000 <u>1,500</u>

Gallonage Charge: (Residential)

Per 1,000 gallons used over allowance listed above:

<u>S0</u>
\$17.38 <u>23.14</u> Monthly usage charges are limited to 6,000 gallons

Non-Residential Meter Size	<u>S0</u>	Gallons Included in Allowance
<1"	\$47.90 <u>43.50</u>	3,000 <u>1,500</u>
1"	\$119.108.75	7,500 <u>3,750</u>
1.5"	\$239.5217.50	15,000 <u>7,500</u>
2"	\$383.2348.00	24,000 <u>12,000</u>
3"	\$766.4696.00	48,000 <u>24,000</u>
4"	\$1,197.51,087.50	75,000 <u>37,500</u>
6"	\$2,395.002,175.00	150,000 <u>75,000</u>

Gallonage Charge: (Non-residential)

Per 1,000 gallons used over allowance listed above:

<u>S0</u>
\$20.85 <u>24.30</u>

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II. SCHEDULE OF RATES & FEES (continued)
MISCELLANEOUS FEES & CHARGES APPLICABLE TO ALL GROUPS

Monthly Wastewater Base Facility Charge Sewer Group 1 (S1) and Sewer Group 2 (S2)

Meter Size	S1	S2
Residential		
Any Size	\$41.83	\$31.00
Non-Residential		
Meter Size	S1	S2
<1"	\$31.00	\$41.83
1"	\$70.95	\$81.66
1.5"	\$141.90	\$163.32
2"	\$225.45	\$255.98
3"	\$450.91	\$511.96
4"	\$704.54	\$767.94
6"	\$1,409.08	\$1,535.88

Gallage Charge: (Residential and Non-residential)

	S1	S2	
Residential	\$15.57	\$23.14	Monthly residential usage charges are limited to 6,000 gallons
Non-Residential	\$47.44	\$24.30	\$19.67

UNMETERED ACCOUNTS Unmetered connections shall be charged as set forth below:

Flat Rate (Unmetered) Service:

	S0	S1	S2
Residential	\$91.77	\$121.64	\$91.77
Non-residential	\$277.01	\$277.01	\$277.01

AQUA VIRGINIA INC

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III. RULES AND REGULATIONS

The Rules and Regulations as herein set forth, or as they may hereafter be revised with approval of the Virginia State Corporation Commission ("Commission"), shall govern the rendering of water and/or wastewater services, including the extension of mains and the making of connections thereto, and every customer upon making application for any service rendered by the Company, or upon the taking of water service and/or wastewater service, shall be bound thereby.

RULE NO. 1 - DEFINITIONS

- (a) **Clean Out** as used herein shall mean the access point to the customer's gravity wastewater line.
- (b) **Code of Federal Regulations (CFR)** as used herein is the codification of the general and permanent rules and regulations published in the Federal Register by the executive departments and agencies of the federal government of the United States.
- (c) **Commercial Usage** as used herein shall mean all non-residential uses.
- (d) **Company** as used herein is Aqua Virginia, Inc.
- (e) **Customer** as used herein is any party contracting for and receiving water and/or wastewater service through a connection.
- (f) **Domestic Wastes** as used herein shall mean a combination of water-carried wastes, consisting of wash water, culinary wastes and liquid wastes containing only human excreta and similar matter flowing in or from a building drainage system or sewer originating from residences, business buildings, institutions, and non-residential establishments.
- (g) An **Equivalent Residential Connection (ERC)** is defined as 400 gallons per day of usage which may be served by a $\frac{5}{8}$ " x $\frac{3}{4}$ " meter with a nominal peak flow of 20 GPM. The number of equivalent units shall be determined as follows:
- | | | | | |
|---------------------------------|-----------------|---|-----------------|------|
| $\frac{5}{8}$ x $\frac{3}{4}$ " | Metered Service | = | 1 | ERC |
| $\frac{3}{4}$ " | Metered Service | = | 1.5 | ERCs |
| 1" | Metered Service | = | 2 $\frac{1}{2}$ | ERCs |
| 1 $\frac{1}{2}$ " | Metered Service | = | 5 | ERCs |
| 2" | Metered Service | = | 8 | ERCs |
| 3" | Metered Service | = | 16 | ERCs |
| 4" | Metered Service | = | 25 | ERCs |
| 6" | Metered Service | = | 50 | ERCs |
- (h) **Garbage** as used herein is the solid waste from domestic cooking and dispensing of food, and from the handling or storage of produce.
- (i) **Inactive Connection** as used herein is any service connection which is not being used by the customer to provide service regardless of the reason.
- (j) **Non-Residential Usage** as used herein shall mean all commercial uses.
- (k) **Normal Household Requirements** as used herein shall mean indoor water usage for normal cooking and sanitary purposes only.
- (l) **Owner** as used herein is any party who is the legal owner of the premises for which the Company is providing water or wastewater service.

III. RULES AND REGULATIONS (continued)

~~(k)~~(m) **Premises** as used herein shall mean:

1. a single lot; and/or

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II. RULES AND REGULATIONS (continued)

2. a building under one roof, owned or leased by one party and occupied as one residence or business; or
 3. a combination of buildings, owned or leased by one party in one common enclosure, occupied by one family or business, exclusive of apartment houses; or
 4. the one side of a double house, having a solid vertical partition wall; or
 5. a building owned or leased by one party, of more than one apartment, and using in common one hall and one entrance; or
 6. a building owned or leased by one party, having a number of apartments or offices and using in common one hall and one or more means of entrance; or
 7. a building owned or leased by one party, having a number of apartments, offices or lofts which are rented to tenants; or
 8. a combination of contiguous apartment buildings owned or leased by one party having a number of apartments which are rented to tenants; or
 9. a public building such as a town hall, school house, fire engine house, etc.; or
 10. a single lot or park or playground; or
 11. each building in a row having common walls.
- (n) **Service Connection** is a pipe used to supply single premises only and no premises shall be supplied by more than one service connection unless agreed upon between the owners and the Company.
1. A water service connection is the water service line and the service outlet connecting the Company's water main or lateral to an owner's service line to their premises.
 2. A wastewater service connection is the wastewater lateral connecting the Company wastewater lateral to an owner's wastewater service; the Company's wastewater lateral shall end at the property line.
- (o) **Service Outlet** as used herein shall mean the yoke, yoke valve (including the meter) or curb stop as provided by the Company. Where a yoke, yoke valve or curb stop is not provided, then it shall mean the corporation stop at the main.
- (p) **Termination of Service** as used herein shall mean the disconnection and permanent loss of service to a premise.
- (p) **Unapproved Source** shall mean any water source or storage facility which is not approved by the Virginia Department of Health.
- (q) **User or Discharger** as used herein shall mean any person that discharges, causes or permits the discharge of wastewater into a public sewer.
- (r) **Person** as used herein shall mean any individual, firm, company, association, society, corporation, institution, group, or any other legal entity.
- (s) **Waste** as used herein shall mean rejected, unutilized or superfluous substances in liquid, gaseous, or solid form resulting from domestic and nondomestic activities.
- (t) **Wastewater** as used herein shall mean a combination of the water-carried waste from residences, businesses, buildings, institutions, and industrial establishments, together with any ground, surface, and stormwater that may be present, whether treated or untreated, discharged into or permitted to enter a public sewer.

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RULE NO. 2 – SERVICE CONNECTIONS

- (a) Before a water or wastewater service connection is provided, the owner of the premises to be supplied, or his duly authorized representative, shall make application for water and/or wastewater service upon forms prescribed by the Company. Upon approval of the application, payment of the connection charges and the providing of any necessary easements or right-of-ways, the Company will install the appropriate residential size $\frac{5}{8}$ " x $\frac{3}{4}$ " service connection from the main to the service outlet and/or wastewater tap from the main to the customer's property line provided additional water connections are allowed on the system by the Virginia Department of Health and wastewater connections are allowed by the Virginia Department of Environmental Quality. All other connections larger than $\frac{5}{8}$ " x $\frac{3}{4}$ " may be constructed by the Company or the customer as a matter of agreement in accordance with the terms of the Connection Fee Schedule.
- (b) The corporation cock, yoke valve, yoke, meter, meter box and service pipe from the water main to the service outlet shall remain the property of the Company and under its sole jurisdiction. Meters will be installed in a utility easement, provided by the customer, which is adjacent to and parallel to the water main or highway right-of-way; or in a public right-of-way. The Company reserves the right to determine the location of the meter and service connection and characteristics of any easements if required.
- (c) The service connection from the main, to and including the service outlet, will be maintained by the Company at its expense.
- (d) Any damage done to the service connection by the customer or his agents will be repaired by the Company at the expense of the customer.
- (e) These rules and regulations shall not apply to special connections for fire service and services of a temporary nature. Such special connections for fire service and services of a temporary nature shall be installed, maintained, replaced and removed at the expense of the owner, but such installation shall be subject to approval by the Company.
- (f) Customers receiving both water and wastewater service from the Company may request a second service connection ("irrigation service") for measuring irrigation water that does not enter the wastewater system from an outdoor irrigation system installed on a customer premises ("irrigation system").
 - 1. The Company will, upon approved application and subject to payment of the current tariff rate for a water connection fee as identified in the Schedule of Rates and Fees, install a separate service connection from the main that is to be used solely for irrigation purposes. The Company will supply and install a water meter and remote reading device to measure the irrigation usage at the premises, which will not be included in usage to calculate wastewater gallonage charges for billing purposes.
 - 2. The monthly rate for such irrigation service shall consist of the monthly gallonage charge according to the applicable Water Service Rate Schedule for the applicable Group located in the Schedule of Rates and Fees. No base facility charge will apply for this irrigation service.
 - 3. Customers with irrigation service are subject to the terms in Rule No. 2, paragraphs (a) through (e), Rule No. 4, Rule No. 5, and Rule No. 6.

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III. RULES AND REGULATIONS (continued)

RULE NO. 3 – CUSTOMER'S SERVICE PIPES

- (a) The Company will specify the size, kind and quality of the materials which shall be laid between the service outlet and the structures on the premises to be supplied.
- (b) The service pipe from the service outlet to the place of consumption shall be furnished and installed by the customer at his expense and risk.
- (c) The customer's service pipes and all connections and fixtures attached thereto may be subject to the inspection and approval of the Company before the water will be turned on.
- (d) The customer's service pipe shall be laid at all points at least three feet (3') below the final surface grade of the ground and shall be installed in a trench at least ten feet (10') in a horizontal direction from any wastewater trench and two feet (2') from any other trench unless otherwise specifically authorized or approved by the Company. In backfilling the trench, rock or ashes shall not be permitted within one foot (1') of the service pipe and clean soil shall be filled into a depth of at least one foot (1') over the service pipe. All installations shall conform to Commonwealth of Virginia Waterworks Regulations.
- (e) The water customer shall install a stop and waste cock for their use of a type approved by the Company on the service pipe immediately inside the foundation wall of the building supplied, or immediately outside the foundation in a suitable tile or vault, and so located as to be easily accessible to the occupants and to provide proper drainage for all of the pipe lines in the building and the meter if installed in the building.
- (f) The wastewater customer shall provide a clean-out of a type approved by the Company on the wastewater service pipe near the foundation of the premise.
- (e)(g) No fixture shall be attached to or any branch made in the service pipe between the meter and the street main.
- (f)(h) In the event additional equipment is necessary in order to transmit, transfer or otherwise move waste generated by the premises to the transmission main in the street, the customer shall be responsible for the installation, according to Company specifications, and shall own all such equipment. The Company reserves the right to determine the location of the wastewater service connection, grinder pump locations and characteristics of any easements, if required. The Company will make all connections to its mains and will specify the size, kind and quality of all materials entering into the water service connection.
- (i) Any repairs, maintenance, replacement or relocation necessary on the customer's service pipes or fixtures in or upon the customer's premises shall be performed by the customer at his expense and risk.
In the event of blockage or line backup, the Company shall check the Company's main line to determine whether there is a stoppage in the Company's main line. If the Company determines that the Company's main line is flowing freely, the Company shall so inform the Customer, and the Customer shall be responsible for clearing the portion of the Wastewater Service Connection from the Customer's house to the connection with the Company's main line, except that in the event the Company determines that there is a defect (such as settlement, tree roots or breaks) in the portion of the Wastewater Service Connection from the main line to the Customer's property line, the Company shall be responsible for correcting the defect.

III. RULES AND REGULATIONS (continued)

- (j) All service lines, connections and fixtures furnished by the customer shall be maintained by the Customer in good working order and enable the Company to perform routine operations and maintenance work without being damaged or causing leaks.
- (k) All valves, meters and appliances furnished by the Company and on property owned or leased by the Customer shall be protected properly by the customer.
- (l) All leaks in the Customer service line or any pipe or fixture in or upon the Customer's premises must be repaired immediately by the Customer as determined solely by the Company.

(g)

RULE NO. 4 – CROSS-CONNECTIONS AND BACK SIPHONAGE

- (a) The plumbing on all premises supplied from the Company's water system shall conform to the Commonwealth of Virginia Sanitary Code, and any county or city sanitary code that may be applicable.
- (b) The Company will operate a continuing cross-connection control and backflow prevention program as required by the Commonwealth of Virginia Waterworks Regulations. Upon request, the customer shall furnish the Company pertinent information regarding the piping system on the premises. If this information indicates a possible source of contamination, the customer shall have installed, at his expense the,

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- (f)(b) proper cross-connection and backflow prevention assemblies. The customer shall submit proof satisfactory to the Company that this has been done. Failure to install appropriate cross-connection and backflow prevention assemblies may result in termination of water service.
- (g)(c) Each customer who has installed a backflow prevention device or low pressure cut-off device shall submit proof annually or as requested by the Company that the device has been thoroughly inspected and tested for proper operation in accordance with approved methods. Failure to provide satisfactory proof may result in termination of water service.
- (h)(d) No water service will be provided to premises to which an unapproved water source is or may be connected. If reasonable cause exists that an unapproved source is connected to an existing customer's water service, then upon notification by the Company to the customer water service shall be terminated to the premises unless the customer certifies to the satisfaction of the Company that there is no unapproved source or the unapproved source has been disconnected. The Company may request that the owner or customer allow company personnel to inspect the premises to determine that appropriate action has been taken. Refusal by the customer or owner to allow an inspection will result in termination of water service.
- (i)(e) Where the customer is not the owner of the premises, then documentation may also be required from the owner in addition to the customer.

III. RULES AND REGULATIONS (continued)**RULE NO. 5 - METERS & METER INSTALLATIONS**

- (a) The Company shall approve the type and size of any meter to be installed.
- (b) Meters, except those installed on private fire connections, will be furnished, installed and removed by the Company and shall remain Company property.
- (c) Where meters are installed within the building, the customer shall provide, at his expense, a readily accessible and protected location for the installation of the meter at such a point as will control the entire supply to the premises, which location must be accessible to the Company as most convenient for its service. The customer must maintain the area around the meter location for ready access by the Company.
- (d) Meters will be maintained by the Company at its expense, except damage to any meter due to causes arising out of or caused by negligence or carelessness of the customer or his agent shall be paid for by the customer.
- (e) The customer shall promptly notify the Company of any defect in or damage to the meter or its connection.
- (f) If the customer requests a larger size meter than would ordinarily be installed, the Company will comply, provided the customer pays the additional cost of installing the larger meter plus the incremental connection fee cost between the requested size and the ordinary sizes as determined by maximum theoretical meter flow rates (ERC).

RULE NO. 6 - METER TESTS AND TEST FEES

- (a) All meters are accurately tested before installation. Meters shall also be periodically tested in accordance with the Commission's Regulations. The Company may, at any time, remove any meter for routine tests, repairs or replacement.
- (b) The Company shall, upon written request of the customer, and if he desires in his presence or that of his authorized representative, make without a charge, a test of the accuracy of the meter in use at his premises, provided that the meter has not been tested by the Company or by the Commission within a period of one year previous to such request, and that the customer will agree to abide by the results of such test in the adjustment of disputed charges. A written report of the results of the test shall be furnished to the customer.
- (c) Whenever a test of a meter reveals it to have an average error of more than two percent (2%), the Company shall bill or refund to the customer, as the case may be, such percentage of the amount of bills, covering the consumption indicated by the meter for the previous six (6) months, as the meter was found to be in error at the time of the test.

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RULE NO. 7 – PRIVATE FIRE SERVICE CONNECTIONS

- (a) All applications for private fire service connections and private fire hydrants shall be made in writing on application forms provided by the Company.
- (b) The size and location of the private fire service connection must be approved by the Company as well as all backflow prevention equipment.
- (c) The entire private fire service system shall be subject to the review and approval of the Company and satisfactory inspections and tests before service is made effective. The Company shall have the right to enter the premises at any reasonable time for the purpose of making an inspection of the entire fire service system. Any irregularities disclosed shall be cause for discontinuing service unless corrected by the customer within ten (10) days after written notice is given by the Company.
- (d) No water shall be taken or used for any purpose other than for extinguishing fires, except for the purpose of testing firefighting equipment. Such test as mentioned above may be made only under special permit from the Company, and the Company may require that its representative be present at such test.
- (e) Hydrants and other fixtures connected with a private fire service connection may be sealed by the Company and such seals shall be broken only in the case of fire or as specially permitted by the Company, and the customer must immediately notify the Company of the breaking of the seal.
- ~~(e)~~ The Company shall not in any way or under any circumstances, be held liable or responsible to any party for any losses or damage resulting from fire or water or other agency that may occur due to the installation or presence of a private fire service connection, or any pipe or fixture connected therewith; or for any losses or damage resulting from any leakage or other flow of water from said private fire service connection or any of the pipes or fixtures connected therewith; or for any losses or **Filed: July 27, 2023 Effective: September 12, 2024** State Corporation Commission
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- ~~(f)~~ damage resulting from any excess or deficiency in pressure or supply of water due to any cause whatsoever.
- ~~(g)~~ The Company may require metering of the fire line and/or a detector check valve with by-pass, including a meter installed on such by-pass, to be installed by the customer just inside the building wall or other approved location on the customer's premises.
- ~~(k)~~~~(h)~~ The entire cost and expense of installing a private fire service connection or a private fire hydrant shall be paid for by the customer, and any work done by the Company in connection therewith shall be at the expense and risk of the customer. The customer shall deposit with the Company, in advance, the appropriate fire service capacity fee in accordance with the terms outlined in schedule of rates and fees. The Company may, at the expense of the customer, make the tap at the main for its actual costs plus overheads.

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RULE NO. 8 – CUSTOMER DEPOSITS

- (a) The Company may at any time require of any customer a cash deposit or other suitable guarantee to secure the performance by the customer of the terms and conditions of the Company under which service is supplied. The amount of the deposit shall be determined in the following manner:
- An amount equal to the estimated bill for one regular billing period.
- (b) The deposit will be refunded after final settlement of the customer's account and interest on the deposit will be paid as determined by the Commission annually from the date of the deposit receipt to the date the customer discontinues the use of service.
- (c) Whenever the Company has determined that a customer's credit has been satisfactorily established for a one-year period, it shall apply the deposit to the customer's account with interest.
- (d) If the customer fails to maintain satisfactory credit with the Company, it may require a deposit from the customer which will be held until the customer has established satisfactory credit for a period of not less than one year.

RULE NO. 9 – AVAILABILITY FEESRESERVED

~~Where water service is available to lots serviced within the communities as designated in Appendix A for the particular system name, each of the owners is obligated to pay a service availability fee. Accordingly, the owner shall pay a service availability fee to the Company for each parcel (as determined by the recorded subdivision plat). Service shall be deemed to be available from the date mains operating or ready for operation are located adjacent to or in the immediate vicinity of a premises, whether or not any connection has been made.~~

~~As soon as wastewater service is actually available to a parcel of real estate within areas where the owner of which is obligated by contract, deed restriction or otherwise pay a service availability fee, the owner shall pay a service availability fee to the Company as designated in~~

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Appendix A for the particular system name. The period of time covered by these bills will be determined by the Company and shall be no less than one month.

RULE NO. 10 - DISCONTINUANCE OF SERVICE

- (a) Service may be discontinued (turned off) by the Company after ten (10) days written or printed notice for any of the following reasons:
 1. For abusing or tampering by the customer, or others with the knowledge of the customer, with any meters, connection, service pipe, meter cock, seal, or any other appliance of the Company controlling or regulating the customer's service.
 - i. If meter removal occurs due to tampering, the customer will be assessed the applicable reconnection charge per the Schedule of Rates & Fees at the time of service restoration, plus applicable costs incurred, including labor and overhead, for any required repairs to the utility's property. Service restoration will occur when the account is paid in full.
 - ii. Meter tampering is also a criminal offense and violators will be prosecuted.
 2. For failure to provide the Company's employees free and reasonable access to the premises supplied, or for obstructing the way of ingress to the meter or other appliances controlling or regulating the customer's water supply.
 3. For non-payment of any account ten (10) days past due for water supplied, or for any fee or charge accruing under these Rules and Regulations and the effective Schedule of Rates.
 4. For violation of any rule or regulation of the Company.
 5. For failure to comply in any way with the Company's cross-connection and backflow prevention control program.
- (b) Water service may be discontinued immediately and without notice at the sole discretion of the state or local health department or the Company if there is a potential or existing health risk to the system's customers.
- (c) Discontinuing the supply of water to a premises for any reason shall not prevent the Company from pursuing any lawful remedy by action of law or otherwise for the collection of moneys due from the customer.

III. RULES AND REGULATIONS (continued)

- (d) When service to a premises has been discontinued for any of the above stated reasons, it will be renewed only after the conditions, circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon payment of all charges against the premises due and payable in accordance with these Rules and Regulations and the effective Schedule of Rates. Disconnected premises are not to be connected to any other Customer premise or service connection to circumvent the disconnection and reestablish water supply service.
- (e) The customer shall notify the Company when the premises are vacant and to schedule discontinuance of service.

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(f) Upon discontinuance, the Base Facility Charge plus all usage based charges incurred, or the Flat Fee in accordance with the Schedule of Rates & Fees, will continue to be charged and are the responsibility of the current owner.

(g) Minimum charges to retain water service as outlined in (f) above will continue unless owner requests Discontinuance of Service. ~~An availability fee in~~ accordance with Rule

III. RULES AND REGULATIONS (continued)

(g)(h) ~~No. 9 will immediately apply~~ Re-establishing a future connection to the system upon termination will require adherence to Rule No. 2 and incur applicable connection fees in accordance with Appendix A.

RULE NO. 11 – ACTIVATION SERVICE FEE

- (a) The Activation Service Fee as stated in the Schedule of Rates & Fees will be charged per meter to all customers establishing service in their name for utility services (to include new service transfer of service, account ownership change, etc.) to cover administrative costs.
- (b) Activation of an account for a customer who receives both water and wastewater service at the same premises through a single meter will incur only one activation fee at the time of application.
- (c) An activation fee is not applicable to establish accounts for transferred active customers located on a system acquired by Aqua Virginia, Inc.

RULE NO. 12 – DISCONNECT / RECONNECT FEE

- (a) When it has been necessary to discontinue service to premises because of a violation of these Rules and Regulations, or because of non-payment of any bill, or when water service has been discontinued at the request of the customer, the charge(s) stated in the Schedule of Rates & fees, will be required and this charge(s), together with all other amounts due the Company by the customer, must be paid before the service will be restored.
- (b) If, at the time of such discontinuance of service for nonpayment of bill, the customer does not have a deposit with the Company, the Company may require a deposit as a guarantee of the payment of future bills, as set forth in Rule No. 8, before the service will be turned on.
- (c) Disconnection and reconnection services will be performed during normal scheduled working hours and will incur a fee in accordance with the Schedule of Rates & Fees.
- (d) Customer requests to disconnect or reconnect service after 4:00 p.m. on weekdays, or during nonscheduled working hours will be at the discretion of the Company and, will incur a fee in accordance with the Schedule of Rates & Fees.

III. RULES AND REGULATIONS (continued)

RULE NO. 13 – BILLS FOR WATER SERVICE

- (a) Customers are responsible for furnishing the Company with their correct address. Failure to receive bills will not be considered an excuse for non-payment nor permit an extension of the date when the account will be considered delinquent.
- (b) If bills are to be sent to an address other than the premises served, the Company should be notified in writing by the customer of any change of address.

III. RULES AND REGULATIONS (continued)

- (c) If requested in writing by the owner (in a form acceptable to the Company), the Company may send bills to, and may receive payments from, agent or tenants. However, this accommodation will in no way relieve the customer of the liability for all charges, and the Company shall not be obligated to notify the customer of the non-payment of bills by such agents or tenants.
- (d) Payment shall be made by mail or through other Company authorized payment locations.
- (e) The Company reserves the right to correct any bills rendered in error as to service supplied.
- (f) Each "Premises" as described in Rule No. 1 shall be billed separately for service. Under no circumstance may two or more individual premises be connected to a single meter without prior approval by the Company and then only when each premise, building, and business is owned by a single entity.
- (g) If the meter should fail to register for any reason, or if the meter reader should be unable to gain admittance to the premises at the time the meter is due to be read, an estimated bill will be submitted.
- (h) Meters will be read and bills issued in arrears of water usage. The period of time covered by these bills will be determined by the Company and shall be no less than one month.
- (i) Water for building purposes will be furnished by meter measurements only, and all water for building purposes must pass through one and the same meter. A suitable deposit, the amount to be determined by the Company, may be required.

RULE NO. 14 – TERMS OF PAYMENT

- (a) Bills for service shall be due and payable 20 days from the date on which bills are mailed or hand delivered.
- (b) If a bill is not paid within 10 days after written or printed notice properly given by the Company to the customer of record, the account will be delinquent, service may be discontinued and the meter removed by the Company, and the deposit, if any, may be applied against such bill and any other arrears due by the customer.

III. RULES AND REGULATIONS (continued)**RULE NO. 15 – RETURNED CHECK FEE**

Whenever a check tendered by a customer in payment of his bill is returned by the bank on which it is drawn unpaid, for any reason, the additional charge stated in the Schedule of Rates & Fees shall be added to the customer's bill.

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If a bill is not paid by the due date as indicated on the water bill, the Company will charge one and one-half percent (1-1/2%) per month late payment charge on the unpaid balance. Appropriate calculation of this late payment charge shall be made at the time of each successive, usual billing date, and the amount of such charge included as a separately

III. RULES AND REGULATIONS (continued)

identified item upon the current bill. The charge for late payment shall be calculated from the billing date. Payments will be applied to late payment charges first.

RULE NO. 17 – ABATEMENTS AND REFUNDS

There shall be no abatement of the minimum water or wastewater rates, in whole or in part, by reason of the extended absence of the customer, unless the customer has requested a termination of service, ~~in which case an availability fee may then be applied as applicable for those systems designated in Appendix A.~~ No abatement shall be made for leaks or for water wasted by improper or damaged service pipes or fixtures belonging to the customer; except for the following cases:

- (a) In the residential and non-residential classifications, a onetime adjustment will be considered for an underground leak. This adjustment will be based upon fifty percent (50%) of the excess in billed amounts as calculated from the previous three (3) consecutive billing periods. Adjustments will not be considered for new construction where the permanent resident has occupied the property for less than one (1) year.
- (b) In the residential classification, a onetime per five (5) year period adjustment will be considered for a leaking toilet fixture. This adjustment will be based upon fifty percent (50%) of the excess in billed amounts as calculated from the previous three (3) consecutive billing periods. Adjustments will not be considered for new construction where the permanent resident has occupied the property for less than one (1) year.

In each case where an adjustment is considered, satisfactory proof of repairs must be provided by the customer prior to processing such adjustment.

RULE NO. 18 – PRESSURE & CONTINUITY OF SUPPLY

- (a) The Company does not guarantee a sufficient or uniform pressure, or an uninterrupted supply of water, and customers are cautioned to provide sufficient storage of water where an absolutely uninterrupted supply must be assured.
- (b) In high level sections where pressure is low the customer shall, if he desires a higher pressure than that furnished at the mains of the Company, install at his own expense a tank and/or booster pump, of a type and installation approved by the Company. This equipment shall be installed in such a manner that a negative pressure cannot be induced on the Company's facilities at any time.

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III. RULES AND REGULATIONS (continued)

- (c) Where the pressure to a customer's premises is greater than he wishes, it shall be his responsibility to install the proper regulating device to reduce the pressure to the extent desired.
- (d) The Company is not responsible for any damage caused by the customer's failure to protect his installation against the potential dangers of water under pressure.
- (e) The Company is not responsible for damage to the customer's property caused by freezing of water in the pipes.
- (e)(f) The Company will supply at a minimum pressure of 20 psi, under normal operating conditions.

RULE NO. 19 – INTERRUPTIONS IN WATER SUPPLY

- (a) The Company may at any time shut off the water in the mains in case of accident, or for the purpose of making connections, alterations, repairs, changes, or other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare may require it.
- (b) While it is the intention of the Company to give notice in advance of any work which must be done that will necessitate any prolonged interruption of the supply, such notice is to be considered an accommodation and not a requirement on the part of the Company. Owners must so regulate their installations connected with the water supply system that damage will not occur if water is shut off without notice.
- (c) The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.
- (d) The Company is not responsible for any damage to the customer's property caused by interruptions in the supply of water.
- (e) The Company is not responsible for any damage to the customer's premises or property due to emergency work or natural upset on the system which may result in discolored water or the transport of foreign matter into a customer's plumbing.

RULE NO. 20 – GRINDER PUMP INSTALLATION AND MAINTENANCE

- (a) Within Aqua Virginia's wastewater systems, ownership and maintenance responsibilities for grinder pumps are as follows:
 - 1) **Lake Monticello:** Aqua owns, maintains, repairs, and replaces grinder pumps as needed. With the exception of approximately 6 existing residential grinder pump units located on Sunset Court and any within the Colonial Circle development that by prior developer agreement were established to be the property of the premise owner. The Company will identify to new Customers when an account is established if the residential grinder pump serving their premise is Company or customer owned.
 - 2) **Lake Holiday:** The Company shall be entitled to charge a fee to each customer that owns a grinder pump and who wishes to have the Company repair or replace the grinder pump. This fee shall be the actual cost to the Company for the repair or replacement and shall include overheads. This fee may be added to the regular utility bills.
 - 3) **All others:** Unless otherwise specified by agreement, customers are fully responsible for installation, operation, maintenance, repairs, and replacement of their individual grinder pumps.

III. RULES AND REGULATIONS (continued)

(c) — (b)

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Where the pressure to a customer's premises is greater than he wishes, it shall be his The
nitial procurement, installation, and startup of the grinder pump systems will be the
responsibility of the customer. Where the Company is the owner of the wastewater
collection system, the Company shall review and approve the entire grinder pump
ystem from the grinder pump to the Company's wastewater valve box, main or **Filed:**

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manhole, including the location of any grinder pump to be installed. No grinder pump shall be located inside a building.

- (c) In the event a Company-owned/maintained grinder pump is not working properly (including overflow at the pump, a backup in the line, or the sounding of an alarm connected to the grinder pump system), the ~~owner(s)~~Customer shall advise the Company of that fact, in which case the Company will respond to grinder pump alarms or calls. The Company will then assess the situation and take actions to protect the area from contamination. The ~~owner-Customer is responsible to~~shall take reasonable and prompt action, such as limiting water consumption, to prevent contamination and wastewater overflow.
- (d) In the event a Customer owned/maintained grinder pump is not working properly (including overflow at the pump, a backup in the line, or the sounding of an alarm connected to the grinder pump system), the ~~owner(s)~~Customer shall take actions to protect the area from contamination and return the pump to a working condition. The ~~owner-Customer~~ is responsible to take reasonable and prompt action, such as limiting water consumption, to prevent contamination and wastewater overflow. The Company may terminate water service until the owner(s) have repaired the pump following a failure or overflow to avoid adverse impacts to the environment and local waterways.
- (e) The grinder pump system is intended to have the capability to pump into a shared low pressure forcemain, Company forcemain, or to pump directly into a gravity system for wastewater conveyance. The system equipment shall include a grinder pump system with adequate storage capacity to allow for typical residential use without overflow or excessive pump starting and all electrical, alarm and control systems required for normal operation.
- (f) The grinder pump system shall be designed to serve the existing connections as well as those reasonably foreseeable in the future. Operating conditions shall include a scouring velocity of two feet per second at all points in the system based on pipe diameters and projected flows, as well as operating pressures not to exceed the range of 40 to 60 psi for any appreciable time period. Cleanout connections shall be provided for routine maintenance.

III. RULES AND REGULATIONS (continued)

- (g) The Company requires all customer-owned grinder pumps connected to its wastewater collection system to meet or exceed the following requirements: 70 gallon wet well, automatically controlled, audible and/or visual alarm system, constructed of tough - corrosion resistant materials, no more than one (1) home per grinder pump station, pump capacity shall be approximately (within 10% when new): 15 gpm at 0 psig, 11 gpm at 40 psig, and 7.8 gpm at 80 psig, rated for at least 700 gallons per day, equipped with a stainless steel check valve, equipped with 1-1/4 inch discharge line, 16 gauge copper locating (tracing) wire installed with discharge pipe to the Company's valve box, installed in a professional manner in accordance with all regulatory codes, local requirements, the manufacturer's requirements, and anchored with ballast in areas subject to wet conditions or high groundwater/flooding. The unit must have a secure lid. The unit cannot pump substances in a manner which causes harm to the force main collection system or other customer's plumbing. Failure of the unit to meet any of these standards in the Company's sole and absolute discretion are grounds for interruption of wastewater and/or water service until the owner's unit is deemed worthy for service and meeting these requirements.
- (h) All maintenance tasks for the grinder pump station must be possible without entry into the grinder pump station (as per OSHA 1920.146, permit required confined spaces).

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- (i) The grinder pump station shall be installed to prevent runoff or groundwater from entering the unit. No gutters, down spouts, basement, crawlspace or wet area pumps may be discharged into the grinder pump system or the Company's wastewater collection system.

RULE NO. 21 – GENERAL

- (a) The service pipes, meter and fixtures on the customer's premises shall be accessible to the Company for observation or inspection at reasonable hours.
- (b) No person shall turn the water on or off at any street valve, corporation cock, meter cock or other connection, or disconnect or remove any meter or disturb any connection pipe or service line without the consent of the Company. Penalties provided by law for any such unauthorized action will be rigidly enforced. Charges for estimated water use, investigation costs and administrative charges may also be applied and required to be paid prior to water service being reinstated.
- (c) No person other than an employee of the Company or an authorized representative or contractor is authorized to remove any manhole cover.
- (d) Customers shall notify the Company of any planned large water uses such as, swimming pool filling, swimming pool seasonal startup operations that would include filter backwashing, and premise maintenance activities that would exceed the Customers' normal daily water usage. The Company shall be notified at least 2 business days in advance to ensure any water system operational adjustments may be considered.
- ~~(b)(e) Home based businesses such as bakeries, catering, and car wash/detailing operations using water booster pumps or pressure washers shall comply with RULE NO. 4 and RULE NO. 25. The Customer will notify the Company at least 5 business days prior to beginning their commercial operations.~~

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(e)(f) Employees of the Company are expressly forbidden to demand or accept any compensation for any service rendered to its customer except as covered by its Rules and Regulations and effective Schedule of Rates & Fees.

III. RULES AND REGULATIONS (continued)

- (d)(g) No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these Rules and Regulations.
- (e)(h) There shall be no wastewater billing credits or adjustments made for the use of water for purposes other than normal household requirements.
- (f)(i) Failure of the Company to enforce any provision of this tariff does not affect the enforcement or legal status of any other provisions of this tariff.
- (g)(j) Any complaint against the service or employees of the Company should be made at the office of the Company and preferably in writing.

RULE NO. 22 – EXTENSION OF MAINS

The Company will extend its water distribution ~~systems~~ system and wastewater collection system of mains and laterals to supply consumers, where application for service has been made and capacity exists as determined by the Company, under the following terms and conditions:

- (a) Where the cost of the extension does not exceed three and one-half times the estimated normal annual consumption revenue from bona fide applicants whose service pipes will be directly connected to the extension and from whom the Company has received applications for service upon forms provided by the Company for this purpose, the Company will install, at its own cost and expense, the necessary extension.
- (b) Where the cost of making an extension exceeds three and one-half times the estimated normal annual revenue, the applicant or applicants shall deposit with the Company the excess cost of the extension, that is, the difference between the estimated cost of the extension and three and one-half times the estimated normal annual revenue from the applicant or applicants and other persons whose applications are received on or before the work of making the extension has begun.

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- (c) Any deposit so made shall remain without interest, in the possession of the Company, subject to refunds as follows: After the completion of the extension when and as additional bona fide consumers are secured whose service lines are directly connected to such extension, the Company will refund to the original depositor or depositors an amount equal to three and one-half times the estimated annual revenue from such additional consumers. Refunds will be made for a period of ten years only from date of original deposit, and the total of such refunds will in no event exceed the amount of the original deposit. All or any part of the deposit not refunded within said ten year period shall remain the property of the Company.
- (d) The ownership of the extensions installed under this rule shall at all times be the Company, its successors and assignee.
- (e) The Company reserves the right to determine the design necessary in making such extension including future growth potential.
- (f) The costs for making such extensions shall include but not be limited to legal, administrative engineering, easement acquisition, taxes and construction costs including any assessments for facility upgrades.

III. RULES AND REGULATIONS (continued)**RULE NO. 23 – ADVANCES FOR CONSTRUCTION**

This rule applies in particular to new connections such as subdivisions, apartment buildings and large non-residential establishments, or extensions that will require a substantial increase in waterworks or wastewater infrastructure or capacity. The installation of the system upgrades and expansion shall be a matter of agreement between the Company and the customer. The Company may require a new customer to deposit with the Company an advance for construction in addition to payment of the connection fee. The size of the deposit and the details of repayment shall be a matter of agreement between the Company and the customer. The deposit shall remain without interest, in the possession of the Company, subject to refunds in accordance with the agreement between the Company and the customer. Unless otherwise specified in the agreement, refunds will be made for a period of three years only from the date of the original deposit, and the total of such refunds will in no event exceed the amount of the original deposit.

RULE NO. 24 – CUSTOMER COMPLAINT PROCEDURE

- (a) Customer service representatives are available to answer questions weekdays between 7:30 a.m. and 5 p.m. at 877.WTR.AQUA or 877.987.2782. For emergencies, after hours and holidays customers can reach the Company using the same number.
- (b) The Company will maintain a record of the types of complaints received in its Customer Information System (CIS). When an inquiry, service request, or complaint is received in verbal form the Company shall record the contact in CIS and retain all information for a minimum of two years.
- (c) If the customer is not satisfied and wishes to pursue the complaint further, they ~~shall~~ are be advised that they may to contact the State Corporation Commission via telephone (1-800-552-7945).

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RULE NO. 25 – CONTROLS ON SUBSTANCES DISPOSED OF INTO THE WASTEWATER SYSTEM

GENERAL REQUIREMENTS

- (a) It is agreed and understood that the company's facility is not a Publicly Owned Treatment Works (POTW), and that discharger is not entitled to, and may not claim or otherwise take advantage of, any statutory or regulatory exemptions that may apply to discharges into the sewage collection system of a Publicly Owned Treatment Works (POTW).
- (b) It is agreed and understood that user may not dispose of or permit disposal of waste generated offsite by the user, or any other party, by discharge through the user's sewer system connection. This includes but is not limited to boat holding tank waste, portable toilets, food trucks, septic tanks and septage haulers.
- (c) No user shall introduce or cause to be introduced into the Company's wastewater treatment plant any pollutant or wastewater which causes pass through or interference.

III. RULES AND REGULATIONS (continued)

- (d) Grease and oil traps shall be provided when necessary for the proper handling of liquid wastes containing grease or oil when required by the state plumbing codes. The exclusive use of enzymes, bacteria, grease solvents, and emulsifiers, is not considered acceptable grease trap maintenance practice. All traps and drains shall be located so as to be readily and easily accessible for cleaning and inspection. All grease and oil traps shall be maintained by the owner, at the owner's expense. Prior to installation, plans shall be submitted to the company for approval. The company and its respective authorized representatives shall have the right to enter the premises of Food Service Establishments (FSE's), such as restaurants, grocery or convenience stores with onsite food preparation, bakeries, home based baking or catering businesses to inspect oil and grease removal units during normal working hours. FSE's shall allow company personnel access to all parts of the FSE premises for the purpose of inspection, monitoring, and/or records examination.
- (d)(e) All new FSEs shall be required to construct an outside grease trap or interceptor for the retention of grease, fats, and oils generated by that business or establishment. Existing FSEs with a change in ownership will be evaluated for the need to install an outside grease trap or interceptor at the time of Customer account establishment.
- (f) FSE's whose operations cause or allow excessive oil and grease to discharge or accumulate in the Company's collection system may be liable to the Company for costs related to service calls for line blockages, obstructions, line cleanings, and line and/or pump repairs including all labor, materials, and equipment. If the any blockage or obstruction results in a Sanitary Sewer Overflow (SSO) and the Company is penalized for the SSO, the penalty may be passed along to the FSE Customer. Should this occur at an existing FSE the Company may require the addition of new or upgraded grease and oil traps installed outside the building in addition to any under-the-sink model units as determined by the Company. The FSE shall provide routine standard operating procedures to prevent the introduction of garbage and non-food waste in the wastewater system.
- (e)(g) A monitoring manhole, with a minimum opening of 24-inches, to allow for inspection, sampling and flow measurement shall be required for all new construction or renovations or modifications to existing FSEs where the discharge is associated with a grease trap or interceptor. This shall be installed at the expense of the FSE.
- (f)(h) If any measurement, test, inspection or analysis determines that a user has created a situation which is in violation of any statute, ordinance, rule or regulation, the user shall be required to pay all costs incurred to remedy the situation.
- (i) The Company reserves the right to refuse connection to its sanitary sewer connection or to compel the termination and discontinuance of the use of the sanitary sewer where the company deems the discharge of the waste harmful to the sewer system or have an adverse effect on the sewage treatment processes and for any provision of these regulations, subject to the rules and regulations.
- (i) Damages: In the event of any damage to the Company's wastewater system (including Company owned residential grinder pumps) caused by a Customer, or a Customer's representative, such damage shall be immediately reported to the Company and the Customer shall reimburse the Company for the costs of such repairs, replacement, testing, consulting, and all other costs associated with the damage.
- (g)(k) Any user violating any provisions of these Rules and Regulations shall become liable to the Company for all expenses, losses, or damages occasioned by the Company by reason of such violation, whether incidental or consequential.

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III. RULES AND REGULATIONS (continued)

PROHIBITED DISCHARGES

It is prohibited for any person to discharge or permit the discharge or infiltration into any public sewer any of the following:

- (a) Any liquid or vapor having a temperature higher than 150 degrees Fahrenheit or any substance which causes the temperature of the total wastewater treatment plant influent to exceed 104 degrees Fahrenheit.
- (b) Any liquid containing fats, wax, grease or oils of mineral or petroleum origin, whether emulsified or not, in excess of 100 mg/l, or of animal or vegetable origin in excess of 300 mg/l. Lower limits may be applied to mineral oils where necessary to prevent interference with treatment plant operations or pass through.
- (c) Wastes containing any substances which may affect the effluent or may cause violation of the Virginia Pollutant Discharge Elimination System (VPDES) permit or the ability to meet sludge standards or beneficial reuse of sludge.
- (d) Any wastewater which imparts color which may affect the effluent or may cause violation of the VPDES permit or the ability to meet sludge standards or beneficial reuse of sludge.
- (e) Any waste containing toxic substances in quantities sufficient to interfere with the biological processes of the sewage treatment plant, will pass through the treatment work, and/or cause the treatment works to exceed any state or federal standards.
- (f) Wastes containing a toxic or poisonous substance that could constitute a hazard to human or animals or create any hazard in the sewer system operation.
- (g) Pollutants, including oxygen-demanding pollutants, such as Biochemical Oxygen Demand (BOD), released in a discharge at a flow rate and/or pollutant concentration which, either singly or by interaction with other pollutants, will cause interference with the Company's wastewater treatment plant.
- (h) Any wastewater containing an average BOD and/or Total Suspended Solids (TSS) in excess of 250 mg/L. The Company may accept the discharge of wastewater with constituents in excess of such concentrations provided that the Company determines that such increased concentrations are compatible with the wastewater treatment process.
- (i) Any pollutants which create a fire or explosion hazard in the collection and treatment system including, but not limited to, waste streams with a closed cup flash point of less than 140 degrees Fahrenheit, using the test methods specified in 40 CFR 261.21.
- (j) Wastes containing any noxious or malodorous gas or substance that, in the opinion of the Company, may create a public nuisance or hazard to or prevent entry to sewers for maintenance or repair.
- (k) Wastewater having a pH less than 5.5 or more than 9.5, or otherwise causing corrosive structural damage to the Company's wastewater treatment plant or equipment. Wastes containing any solid or viscous material that may cause an obstruction to flow or interfere with proper operation of the system. Wastes containing other matter detrimental to the operation of the sanitary sewers, sewage treatment plant equipment or structures or facilities. Wastes containing material such as diapers, flushable wipes, smoking materials, rocks, metal, wood, ashes, mud, straw, shavings, glass, rags, feathers, tar, plastics, dairy products, hair, chemical or paint residues, greases, cotton, wool, plastic or other fibers, feminine hygiene products

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III. RULES AND REGULATIONS (continued)

- (l) Storm water, surface water, ground water, artesian well water, roof runoff, subsurface drainage, basement or crawlspace sump pumps, swimming pool drainage to include filter backwash waste flow, condensate, water softener or deionized water waste flows, noncontact cooling water, and unpolluted wastewater.
- (+)(m) The discharge of garbage is expressly prohibited. Properly shredded biodegradable garbage may be discharged with no particle greater than one-half inch in diameter.
- (m)(n) The Company reserves the right to set more stringent limitations if the Company determines that the limitations in this section may not be sufficient to protect the operation of the system or to comply with the water quality standards or effluent limitations of the Company's applicable permits.

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IV. SYSTEM LISTING

WATER GROUP W0

	Town/Subdivision	System Name	County
1	Venter Heights	Venter Heights	King William
2	Stoney Creek Village	Wintergreen	Nelson
3	Bells Cove	Bells Cove	Northumberland
4	Chesapeake Cove	Chesapeake Cove	Northumberland
5	Forest Hills	Forest Hills	Lancaster
6	General Parker Shores	General Parker Shores	Westmoreland
7	Grand Villa	Grand Villa	Lancaster
8	Highbank	Highbank	Lancaster
9	Holly Haven	Holly Haven	Lancaster
10	Horners Beach	Horners Beach	Westmoreland
11	Lewisetta	Lewisetta	Northumberland
12	Milburn	Milburn	Lancaster
13	Pine Harbor	Pine Harbor	Northumberland
14	Sandy Knoll	Sandy Knoll	Westmoreland
15	Sandy Point	Sandy Point	Westmoreland
16	Shirland Shores	Shirland Shores	Westmoreland
17	Sloope Point	Sloope Point	Lancaster
18	Springfield Beach	Springfield Beach	Westmoreland
19	Vineyard Grove	Vineyard Grove	Lancaster
20	Waverly	Waverly	Lancaster
21	Western Branch Preserve	Western Branch	Lancaster
22	White Sand Harbour	White Sand	Northumberland
23	Wrights Farm	Wrights Farm	Northumberland

WATER GROUP W1

	Town/Subdivision	System Name	County
1	Apple Tree Village	Mountain View / Apple Tree	Botetourt
2	Avondale	Avondale	Hanover
3	Bell Creek Estates	Spring Meadows	Hanover
4	Botetourt Forest	Botetourt Forest	Botetourt
5	British Woods	British Woods	Botetourt
6	Brookwood Manor	Brookwood Manor	New Kent
7	Cedar Grove	Manakin Farms	Goochland
8	Charleston Heights	Nelson Park	York
9	Cherrydale	Cherrydale	Hanover
10	Cherrydale West	Cherrydale	Hanover
11	Colonial Forest	Colonial Forest	Hanover
12	Columbia	Columbia	Fluvanna
13	Dutch Hollow	Dutch Hollow	Culpeper
14	Franklin Acres	Franklin Acres	Franklin

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15	Gwynnfield	Gwynnfield	Essex
16	Heatherstone	Heatherstone	Botetourt
17	Highland Manor	Mountain View / Apple Tree	Botetourt
18	Highpoint Farms	Highpoint Farms	Hanover
19	Hillside Estates	Manakin Farms	Goochland
20	Holly Ridge	Holly Ridge	Hanover
21	Hunters Green	Mountain View / Apple Tree	Botetourt
22	Lake Caroline	Lake Caroline	Caroline
23	Liberty Hall Hills	Cherrydale	Hanover
24	Lively Oaks	Lively	Lancaster
25	Lucy's Cove	Lucy's Cove	Middlesex
26	Mallard Bay	Mallard Bay	Northumberland
27	Manakin Farms	Manakin Farms	Goochland
28	Maryfield	Maryfield	Essex
29	Mill Quarter Plantation	Mill Quarter Plantation	Powhatan
30	Millers Square	Millers Square	Essex
31	Orchard Hill	Mountain View / Apple Tree	Botetourt
32	Pagebrook	Pagebrook	Goochland
33	Park at Manakin	Manakin Farms	Goochland
34	Parkway Estates	Queenslake	York
35	Powhatan Courthouse	Powhatan	Powhatan
36	Presidentials Lakes	Presidential	King George
37	Rainier Estates	Rainier Estates	Hanover
38	Rivers Bend Estates	Rivers Bend Estates	Northumberland
39	Robin Ridge	Avondale	Hanover
40	Rolling Acres	Rolling Acres	Greensville
41	Runaway Village	Mountain View / Apple Tree	Botetourt
42	Shawneeland	Shawneeland	Frederick
43	St Tammany Landing	St Tammany	Mecklenburg
44	Steeple Chase	Mountain View / Apple Tree	Botetourt
45	Studley Farms	Rainier Estates	Hanover
46	Swannanoa	Avondale	Hanover
47	Tinkerview	Mountain View / Apple Tree	Botetourt
48	Town of Lively	Lively	Lancaster
49	Twin Cedars	Twin Cedars	Caroline
50	Walnut Grove	Walnut Grove	Hanover

WATER GROUP W2

	Town/Subdivision	System Name	County/Town
51	Academy Road	Powhatan	Powhatan
52	Achsah Acres	Achsah Acres	Madison
53	Acres	Lake Monticello	Fluvanna
54	Alonzaville	Alonzaville	Shenandoah
55	Anchor Cove/Anchorage	Anchor Cove	Mecklenburg
56	Ashmore/Rixley	Ashmore Acres	Culpeper

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57	Back Road	Back Road	Shenandoah
58	Ball Point	Ball Point	Lancaster
59	Bell Acres	Bell Acres	Richmond Co
60	Bell Creek North	Spring Meadows	Hanover
61	Black Creek	Black Creek	King William
62	Black Stump	Black Stump	Lancaster
63	Blue Ridge Heights	Blue Ridge Heights	Botetourt
64	Bon Harbor	Bon Harbor	Northumberland
65	Breckenridge	Rural Point	Hanover
66	Bridlewood	Lake Land'Or	Caroline
67	Brown's Store	Brown's Store	Northumberland
68	Brunswick Estates	Brunswick Estates	Brunswick
69	Buckhead	Buckhead	Mecklenburg
70	Bunker Hill	Bunker Hill	Richmond Co
71	Burgess	Burgess	Northumberland
72	Burnside Farms	Mayfield Farms	Hanover
73	Bushfield	Bushfield	Westmoreland
74	Callao	Callao	Northumberland
75	Campbell's Creek	Campbell's Creek	Caroline
76	Captain's Cove	Captain's Cove	Accomack
77	Carver Gardens	Carver Gardens	York
78	Catalpa	Catalpa	Culpeper
79	Cedar Pointe	Cedar Pointe	Middlesex
80	Cedarbrooke	Cedarbrooke	Culpeper
81	Chesapeake Bay Estates	Chesapeake Bay Estates	Northumberland
82	Chesapeake Shores	Chesapeake Shores	Mathews
83	Chesdin Manor	Chesdin Manor	Dinwiddie
84	Churchfields	Churchfields	Lancaster
85	Churchill	Churchill	Culpeper
86	Clearview	Rainbow Forest	Botetourt
87	Cliffs on the Roanoke	Cliffs on the Roanoke	Mecklenburg
88	Cobblestone	Oakwood / Parkview	Botetourt
89	Cobbs Shores	Cobbs Shores	Mathews
90	Corbin Lewis	Corbin Lewis	Lancaster
91	Countryside Apartments	Lake Land'Or	Caroline
92	Cove Colony	Cove Colony	Lancaster
93	Crossroads	Crossroads	Orange
94	Crozier	Crozier	Goochland
95	Daingerfield	Daingerfield	Essex
96	Drysdale	Drysdale	Fauquier
97	Earlysville Forest	Earlysville Forest	Albemarle
98	Edinburg Extended	Edinburg Extended	Shenandoah
99	Ellerson Farms	Mayfield Farms	Hanover
100	Elsinore	Elsinore	Caroline
101	Five Lakes	Five Lakes	New Kent

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102	Forest View	Forest View	Culpeper
103	Fox Run/Champion Forest	Fox Run	Mecklenburg
104	Foxwells	Foxwells	Lancaster
105	Gibson Mills	Gibson Mills	Culpeper
106	Glebe Point	Glebe Point	Northumberland
107	Glendale Acres	Glendale Acres	Charles City
108	Granite Hall Shores	Granite Hall Shores	Mecklenburg
109	Gravel Town	Gravel Town	Shenandoah
110	Great Creek Lndg/Tudor Est	Great Creek Landing	Mecklenburg
111	Greywood	Rural Point	Hanover
112	Hanover Farms	Hanover Farms	Hanover
113	Hartford Oaks	Rural Point	Hanover
114	Hawks Nest Point	Hawks Nest Point	Mecklenburg
115	Hazel River	Hazel River	Culpeper
116	Heathsville	Heathsville	Northumberland
117	Heritage Estates	Heritage Estates	Culpeper
118	Hick Hill	Hick Hill	Mecklenburg
119	Holler	Holler	Shenandoah
120	Holly Grove/Brandon Cove	Joyceville	Mecklenburg
121	Indian Creek	Indian Creek	Northumberland
122	James River Estates	James River Estates	Goochland
123	Joyceville	Joyceville	Mecklenburg
124	Kennon House/Lake Gaston	Lake Gaston	Brunswick
125	Kingsland	Tartan	Lancaster
126	Kinsale	Kinsale	Westmoreland
127	Lake Heritage	Lake Land'Or	Caroline
128	Lake Holiday / Summit	Lake Holiday	Frederick
129	Lake Land'Or	Lake Land'Or	Caroline
130	Lake Monticello	Lake Monticello	Fluvanna
131	Lake Shawnee	Lake Shawnee	Powhatan
132	Lake Wilderness	Lake Wilderness	Spotsylvania
133	Lakeside Village	Lakeside Village	Cumberland
134	Lancaster Courthouse	Lancaster Courthouse	Lancaster
135	Lancaster Shores	Lancaster Shores	Lancaster
136	Lane View	Lane View	Brunswick
137	Lewis Mountain	Lewis Mountain	Culpeper
138	Liberty Grove	Liberty Grove	Brunswick
139	Long Branch Shores	Long Branch Shores	Mecklenburg
140	Lottsburg	Lottsburg	Northumberland
141	Luttreville	Luttreville	Richmond Co
142	Massanutten View	Massanutten View	Shenandoah
143	Mayfield Farms	Mayfield Farms	Hanover
144	McKenny Acres	McKenny Acres	Sussex
145	Meadowgate	Spring Meadows	Hanover
146	Merrimac South	Merrimac South	Culpeper

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147	Merrymount	Merrymount	Mecklenburg
148	Mountain View	Mountain View	Culpeper
149	Nahor Village	Lake Monticello	Fluvanna
150	Nelson Park	Nelson Park	York
151	Nomini Bay Farms	Nomini Bay Farms	Westmoreland
152	Norman Acres	Norman Acres	Culpeper
153	Northtown Village	Northtown Village	Culpeper
154	Nottoway Acres	Nottoway Acres	Brunswick
155	Oak Park/Leon	Oak Park	Madison
156	Oak Springs	Oak Springs	King William
157	Oakwood / Parkview	Oakwood / Parkview	Botetourt
158	Overlook Heights	Overlook Heights	Culpeper
159	Palmyra	Palmyra	Fluvanna
160	Parkwood Estates	Oak Springs	King William
161	Peete River	Peete River	Mecklenburg
162	Pelham Manor	Pelham Manor	Culpeper
163	Piedmont Village	Lake Monticello	Fluvanna
164	Pleasant grove	Pleasant Grove	Brunswick
165	Pleasant View Estates	Pleasant View	Richmond Co
166	Poplar Corners	Poplar Corners	Culpeper
167	Queenslake	Queenslake	York
168	Rainbow Forest	Rainbow Forest	Botetourt
169	Rivers Landing	Whitestone	Lancaster
170	Rose Garden Estates	Oak Springs	King William
171	Rosewood Estates	Oak Springs	King William
172	Ryan	Ryan	Shenandoah
173	Salem Woods	Salem Woods	Culpeper
174	School House Meadows	School House Meadows	Richmond Co
175	Shelton Point	Rural Point	Hanover
176	Siouan Shores	Siouan Shores	Brunswick
177	Smith Creek	Smith Creek	Shenandoah
178	Spring Meadows	Spring Meadows	Hanover
179	Springwood	Springwood	Culpeper
180	Stage Coach	Stage Coach	Fluvanna
181	Stoneburner	Stoneburner	Shenandoah
182	Stony Springs	Stony Springs	Dinwiddie
183	Stratford Place	White Oak	Botetourt
184	Sunnybrook	Sunnybrook	Brunswick
185	Swover Creek	Swover Creek	Shenandoah
186	Sycamore Square	Lake Monticello	Fluvanna
187	Tanglewood Shores - A	Tanglewood Shores - A	Mecklenburg
188	Tanglewood Shores - L	Tanglewood Shores - L	Mecklenburg
189	Tanglewood Shores - N	Tanglewood Shores - N	Mecklenburg

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190	Tanglewood Shores - U	Tanglewood Shores - U	Mecklenburg
191	Tartan	Tartan	Lancaster
192	The Greens	Tartan	Lancaster
193	Thornblade	White Oak	Botetourt
194	Timbuctu	Timbuctu	Mecklenburg
195	Town of Irvington	Irvington	Lancaster
196	Town of Reedville	Reedville	Northumberland
197	Town of Saluda	Saluda	Middlesex
198	Town of Whitestone	Whitestone	Lancaster
199	Valley View	Valley View	Madison
200	Weems	Weems	Lancaster
201	Westover	Westover	Culpeper
202	White Oak	White Oak	Botetourt
203	Whitestone Beach	Whitestone	Lancaster
204	Wicomico Church	Wicomico Church	Northumberland
205	Wicomico Ridge	Wicomico Ridge	Northumberland
206	Wildwood Forest	Wildwood Forest	Culpeper
207	Windsor Park	Windsor Park	New Kent
208	Windy Gap	Windy Gap	Franklin
209	Wolftrap	Wolftrap	Orange
210	Woodruff	Woodruff	King William
211	York Terrace	York Terrace	York

WATER GROUP W2

	Town/Subdivision	System Name	County
1	Brandywine	Brandywine	Carroll
2	Pinebrook	Pinebrook	Carroll

IV. SYSTEM LISTING (continued)**WASTEWATER SYSTEMS****SEWER GROUP S0**

	Town/Subdivision	System Name	County
1	Stoney Creek Village	Wintergreen	Nelson

SEWER GROUP S1

	Town/Subdivision	System Name	County
1	Blacksburg County Club	Blacksburg	Montgomery
2	Campbell's Creek	Campbell's Creek	Caroline
3	Captain's Cove	Captain's Cove	Accomack
4	Cedar Grove	Manakin	Goochland
5	Hillside Estates	Manakin	Goochland
6	Manakin Farms	Manakin	Goochland
7	Manakin Woods	Manakin	Goochland

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8	Lake Holiday (Summit)	Lake Holiday	Frederick
9	Bridlewood	Lake Land'Or	Caroline
10	Countryside Apartments	Lake Land'Or	Caroline
11	Lake Heritage	Lake Land'Or	Caroline
12	Acres	Lake Monticello	Fluvanna
13	Lake Monticello	Lake Monticello	Fluvanna
14	Nahor Village	Lake Monticello	Fluvanna
15	Piedmont Village	Lake Monticello	Fluvanna
16	Sycamore Square	Lake Monticello	Fluvanna
17	Presidential Lakes	Presidential	King George

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V. APPENDIX A**CONNECTION FEES ~~AVAILABILITY FEES~~, AND OTHER SYSTEM SPECIFIC RULES****CHESAPEAKE COVE**Connection Fees:

Chesapeake Cove connection fees that were pre-paid prior to the acquisition require proof of payment upon application for water connection.

HIGHBANKConnection Fees:

Highbank connection fees that were pre-paid prior to the acquisition require proof of payment upon application for water connection.

MILBURNConnection Fees:

Milburn connection fees that were pre-paid prior to the acquisition require proof of payment upon application for water connection.

SHIRLAND SHORESConnection Fees:

Shirland Shores connection fees that were pre-paid prior to the acquisition require proof of payment upon application for water connection.

SLOOPE POINTConnection Fees:

Sloope Point connection fees that were pre-paid prior to the acquisition require proof of payment upon application for water connection.

WESTERN BRANCH PRESERVEConnection Fees:

Western Branch connection fees that were pre-paid prior to the acquisition require proof of payment upon application for water connection.

CAPTAIN'S COVE SYSTEMAvailability Fees:

1. ~~A water availability fee of \$6.84 per month, or \$20.52 quarterly, applies to all owners of lots serviced by water with no connection yet established.~~
2. ~~A wastewater availability fee of \$23.11 per month, or \$69.33 quarterly, applies to all owners of lots serviced by wastewater with no connection yet established.~~

LAKE CAROLINE

~~Availability Fees—Owners with lots that have water service available, but no connection, shall be charged a water availability fee as set forth below~~

~~Residential—\$13.70 per month or \$41.10 per quarter~~

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VI. Appendix B**Water and Wastewater Infrastructure Service Charge Rider Component**

In addition to the net charges provided for in this Tariff, a Water & Wastewater Infrastructure Service Charge ("WWISC") of \$0 for each 1,000 gallons of water used and \$0 for each 1,000 gallons of wastewater billed will be applied to all bills rendered with an ending read date equal to or greater than the effective date of the tariff. In accordance with the Company's infrastructure replacement plan, customers shall be subject to a WWISC rider.

The service charges will be recomputed as approved by the Commission in its Final Order issued in Case No. PUR-2017- 00082.

1. GENERAL DESCRIPTION**Purpose:**

To recover the fixed costs (depreciation, property taxes, and pre-tax return) of eligible infrastructure: A water utility project or wastewater utility project that: (i) maintains and enhances safety, reliability, and efficiency; or (ii) reduces or has the potential to reduce unaccounted-for water; or mitigates negative environmental impacts. Eligible infrastructure shall not include the investment in water or wastewater infrastructure included in the utility's rate base in its most recent rate case or include projects that increase revenues by directly connecting the infrastructure to new customers.

Definitions:

"Investment" means costs incurred on eligible infrastructure projects net of retirements including planning, development, and construction costs and costs of infrastructure associated therewith.

"In-kind replacement" means replacement with new materials or equipment designed, constructed, and sized to meet current industry standards and federal, state, or local regulation.

"Water utility" means an investor-owned public service company engaged in the business of furnishing water service to the public.

"Wastewater utility" means an investor-owned public service company engaged in the business of furnishing wastewater service to the public.

"WWISC plan" means an infrastructure replacement plan filed in Case No. PUR-2017-00082 or subsequent proceedings and approved by the Commission that identifies proposed types of eligible infrastructure projects and a WWISC rider.

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VI. Appendix B (continued)**Water and Wastewater Infrastructure Service Charge Rider Component**

"WWISC rider" means a recovery mechanism that will allow for recovery of the eligible infrastructure costs through a separate mechanism from the customer rates established in a rate case.

Eligible infrastructure includes the following:

A Water Utility Project providing in-kind replacement of transmission and distribution system mains that were not previously planned capital expenditures.

A Wastewater Utility Project providing in-kind replacement and rehabilitation of infrastructure necessary to reduce inflow and infiltration to the collection system.

2. APPLICATION

- A. Each WWISC Rider (water and wastewater) shall be computed annually and comprised of a "Current Service Charge" as determined in 3.A. below and a "Reconciliation Charge/Credit" as determined in 3.B. below.
- B. The WWISC Riders shall be applied in addition to the total water and wastewater charges (service charge plus usage charge).

3. COMPUTATION**A. Current Service Charge:**

The Current Service Charge, effective February 5, 2024, shall be calculated to recover the fixed costs of eligible infrastructure investment that have not been previously reflected in the Company's rate base and investments to be placed in service between May 1, 2022 and January 31, 2024. Thereafter the WWISC will be updated on an annual basis to reflect eligible infrastructure to be placed in service during the annual rate period. Eligible changes in the WWISC rate will occur as follows:

Filing Date	Effective Date of Service Charge	Date to which WWISC Eligible Plant Additions Reflected
12/6/2019	4/6/2020	December 31, 2020
9/3/2021	1/3/2022	February 28, 2023
7/15/2022	11/12/2022	January 31, 2024

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VI. Appendix B (continued)**Water and Wastewater Infrastructure Service Charge Rider Component**

The Current Service Charge shall be computed and filed annually by dividing the respective revenue requirement allocated by rate schedule (as defined herein) by the estimated total water sales by rate schedule for the applicable period.

The Company will calculate the WWISC Rider for each year as follows:

- 1) The Company will determine the eligible infrastructure replacement costs by rate schedule as defined below for the annual period the WWISC rider will apply.
- 2) The Company will estimate the annual water and wastewater sales by rate schedule for that annual period.
- 3) The Company will divide the eligible infrastructure replacement costs by the estimated water and wastewater sales to arrive at the WWISC Rider that shall be allocated in conformance with the revenue allocation approved by the Commission in Case Nos. PUR-2017-00082 and PUR-2022-00113 by rate schedule.

Eligible infrastructure costs to be included in the WWISC Rider include:

- 1) Return on Investment - The Company's rate of return on rate base approved by the State Corporation Commission in the utility's most recent rate case (PUR-2020-00106) shall be used in WWISC Riders. Thereafter, if the beginning of the rate year is more than five years beyond the date on which the cost of equity became effective (i.e. with interim base rates) the commission may require the utility to file an updated weighted average cost of capital, or the utility may propose an updated weighted average cost of capital. The utility may recover the external costs associated with establishing its updated weighted average cost of capital through the WWISC rider. Such external costs shall include legal costs and consultant costs;
- 2) Revenue Conversion Factor - including income taxes and an allowance for bad debt expense, shall be applied to the required operating income resulting from the eligible infrastructure replacement costs;
- 3) Depreciation - In calculating depreciation the Company shall use its current depreciation rates;
- 4) Property Taxes - The property tax rate is based on the property tax rate reflected in the Company's latest base rates. (PUR-2020-00106);
- 5) Carrying Costs - Carrying costs on the over-or-under recovery of the "Eligible infrastructure replacement costs" will be calculated at the end of a twelve-month period. The calculation will determine the over-or-under recovered amount at the end of each month. Carrying costs will be based on a series of two -month averages of over-or under-recoveries for the year being reconciled multiplied by the cost of capital (including the revenue conversion factor) as described in numbers 1 and 2 above.

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VI. Appendix B (continued)
Water and Wastewater Infrastructure Service Charge Rider Component

B. Reconciliation Credit/Charge:

A Reconciliation Credit/Charge shall be computed at the conclusion of each annual period of the WWISC Rider based on the cumulative over-or under-recovery balance as of the end of the annual period being reconciled. The cumulative recovery balance shall be included in the WWISC Rider Reconciliation Credit/Charge in the following annual period.

4. FILING

The Company shall file, in a docketed proceeding with the Commission a copy of the computation of the WWISC Rider Current Service Charge and/or Reconciliation Credit/Charge at least one hundred twenty (120) days prior to application on customers' bills. The Company shall file all reasonably necessary schedules to permit the Commission Staff to verify all Current Service Charge and Reconciliation Credit/Charge. The Company will also file a list of all water or wastewater infrastructure projects completed during the applicable period for any Reconciliation Credit/Charge and anticipated in the upcoming period used in calculating the Current Service Charge.

The Company will provide the Commission detailed accounting information with the annual WWISC filings to include: a detailed project listing, reporting on the accounting for the WWISC, verification of WWISC recoveries by month, a reconciliation of the end-of-period book deferral with the WWISC over-or under-recovery balance, current and deferred income tax impacts, and reporting requirements in the event actual investment is materially more or less than authorized. The company will allow Commission Staff access to any internal analysis the Company performs in the evaluation of contractor bids for WWISC projects.

5. OTHER

The company will apply the following in its application of the WWISC Rider:

CAP: The WWISC Current Service Charge, as well as the WWISC Rider, will be based on a total allowed capital of \$0 for water and \$0 for wastewater infiltration and inflow reduction projects.

Audit/Reconciliation: The WWISC will be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending for each Rate Year. The WWISC Reconciliation Credit/Charge will be recouped or refunded, as appropriate, over the remaining portion of the rate year once Commission Staff has completed its review of the Company's reconciliation of the preceding WWISC. If WWISC revenues exceed WWISC-eligible costs, such over-collections will be refunded including a carrying cost. If WWISC eligible costs exceed WWISC revenues, **Filed: July 27, 2023 Effective: September 12, 2024**

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such under-collections will be charged. The true-up of prior year collections will be applied to the customer's bill as a Reconciliation Credit/Charge.

VI. Appendix B (continued)**Water and Wastewater Infrastructure Service Charge Rider Component**

New Base Rates: The WWISC Current Service Charge will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had theretofore been recovered under the WWISC. Thereafter, only the fixed costs of new eligible plant replacements that have not previously been reflected in the Company's rate base would be reflected in the annual WWISC Rider.

Earnings Test: WWISC collections shall be subject to review within annual earnings tests filed by the Company. To the extent annual WWISC collections result in annual earnings above the authorized return on equity, the lessor of (a) WWISC collections or (b) the revenue requirement effect of excess earnings shall be returned to ratepayers in the following WWISC Reconciliation Credit/Charge.

Customer Notice: Customers shall be notified of changes in the WWISC by including appropriate information with the first bill they receive following any change to the WWISC Rider Current Service Charge and/or Reconciliation Credit/Charge.

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Aqua Virginia, Inc.
Summary of Present and Proposed Rates
Water Operations

Residential & Non-Residential Meter Size:	Water Group 0 - (W0)					Water Group 1 - (W1)					Water Group 2 - (W2)					Pine Brook > (W3 Proposed)					Brandywine > (W3 Proposed)				
	Present Rates	Present Allowance	Proposed Rates	Proposed Allowance	Change	Present Rates	Present Allowance	Proposed Rates	Proposed Allowance	Change	Present Rates	Present Allowance	Proposed Rates	Proposed Allowance	Change	Present Rates	Present Allowance	Proposed Rates	Proposed Allowance	Change	Present Rates	Present Allowance	Proposed Rates	Proposed Allowance	Change
	Base Facilities (Minimum) Charges					Base Facilities (Minimum) Charges					Base Facilities (Minimum) Charges					Base Facilities (Minimum) Charges					Base Facilities (Minimum) Charges				
< 1"	\$ 33.82	3,000	\$ 33.00	1,500	-2.4%						\$ 22.82	25,222	\$ 23.22	28,070	28.0%	\$ 22.82	25,222	\$ 23.22	28,070	28.0%	\$ 10.30	29,222	\$ 29.22	141,390	141.3%
1"	81.48	7,500	79.50	3,750	-2.4%						51.56	66.02	66.02	66.02	28.0%	51.56	66.02	66.02	66.02	28.0%					
1-1/2"	162.94	15,000	158.99	7,500	-2.4%						103.72	132.81	132.81	132.81	28.0%	103.72	132.81	132.81	132.81	28.0%					
2"	260.73	24,000	254.41	12,000	-2.4%						165.96	212.50	212.50	212.50	28.0%	165.96	212.50	212.50	212.50	28.0%					
3"	521.44	48,000	508.80	24,000	-2.4%						331.91	425.00	425.00	425.00	28.0%	331.91	425.00	425.00	425.00	28.0%					
4"	814.75	75,000	795.00	37,500	-2.4%						518.60	664.04	664.04	664.04	28.0%	518.60	664.04	664.04	664.04	28.0%					
6"	1,629.52	150,000	1,590.01	75,000	-2.4%						1,037.21	1,328.10	1,328.10	1,328.10	28.0%	1,037.21	1,328.10	1,328.10	1,328.10	28.0%					
				(gals.)																					
Residential & Non-Residential Consumption Charges: All Usage Irrigation	\$ 13.2200		\$ 13.3300		0.8%						\$ 9.4400	\$ 13.3300	41.2%	\$ 10.5900	\$ 13.3300	25.5%	\$ 2.7400	\$ 3.5100	28.1%	\$ 3.5100	\$ 3.5100	0.0%			
											5.6600	7.9900	41.2%												
Flat Rate Customer Charges Residential Non-Residential Flat Rate - Great Bay NNN Flat Rate - Pool	\$ 46.10		\$ 70.50		52.9%						\$ 59.14	\$ 74.01	25.1%	\$ 59.14	\$ 74.01	25.1%	\$ -	\$ 74.01		\$ -	\$ 74.01				
	48.50		70.50		45.4%						114.34	132.67	16.0%												
	46.10		70.50		52.9%																				
Availability Lot AVA - ShwLo (W1) AVA - LndOr (W2) AVA - LndLo (W2) AVA - Lndy (W2) Captains Cove (W2) Lake Caroline (W1) Wintergreen Valley (W0)	Monthly Present Rates	Monthly Present Rates	Monthly Proposed Rates	Monthly Proposed Rates	Change																				
	\$ 1.50	\$ -	-100.0%	-100.0%																					
	10.00	-	-100.0%	-100.0%																					
	3.75	-	-100.0%	-100.0%																					
	10.00	-	-100.0%	-100.0%																					
	6.84	-	-100.0%	-100.0%																					
	13.70	-	-100.0%	-100.0%																					
	7.50	-	-100.0%	-100.0%																					
	All Water Rate Groups					All Water Rate Groups					All Water Rate Groups					All Water Rate Groups					All Water Rate Groups				
	Present Rates	Present Rates	Proposed Rates	Proposed Rates	Change																				
Fire Protection - (W0, W1, W2) Connection Size: 1" 1-1/2" 2" 3" 4" 6"	Minimum Monthly Charge					Minimum Monthly Charge					Minimum Monthly Charge					Minimum Monthly Charge					Minimum Monthly Charge				
	\$ 11.29	18.75	66.1%	66.1%																					
	22.58	37.49	66.0%	66.0%																					
	36.13	59.99	66.0%	66.0%																					
	72.26	119.98	66.0%	66.0%																					
	112.90	187.46	66.0%	66.0%																					
	225.82	374.95	66.0%	66.0%																					
	Consolidated					Consolidated					Consolidated					Consolidated					Consolidated				
	Avg. Month Usq.	Avg. Month Usq.	Meter Size	Meter Rate	Proposed Flat Rate																				
Flat Rate Calculation	(gals.)	(gals.)																							
Residential	3,360	3,360	<1"	\$ 29.22	\$ 13,3300	74.01																			
Commercial	5,000	5,000	5	\$ 66.02	\$ 13,3300	132.67																			
Great Bay	3,100	3,100	<1"	\$ 29.22	\$ 13,3300	70.50																			

Aqua Virginia, Inc.
 Summary of Present and Proposed Rates
 Wastewater Operations

Exhibit No.: _____
 Witness: GRH
 Schedule 41s

Sewer Group 0 - (S0)

	Present Rates	Present Allowance	Proposed Rates	Proposed Allowance	Change
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Residential					
Any Meter Size	1.2	\$ 47.90	3,000 \$ 43.50	1,500	-9.2%

Sewer Group 1 - (S1)

	Present Rates	Proposed Rates	Change
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	\$ 31.00	\$ 41.84	35.0%
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Sewer Group 2 - (S2)

	Present Rates	Proposed Rates	Change
--	------------------	-------------------	--------

	\$ 31.00	\$ 41.84	35.0%
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**Non-Residential
 Meter Size:**

	Present Rates	Present Allowance	Proposed Rates	Proposed Allowance	Change
Residential					
Any Meter Size	1.2	\$ 47.90	3,000 \$ 43.50	1,500	-9.2%
Non-Residential					
Meter Size:					
< 1"	1.2	\$ 47.90	3,000 \$ 43.50	1,500	-9.2%
1"	2.5	119.75	7,500 108.75	3,750	-9.2%
1-1/2"	5	239.50	15,000 217.50	7,500	-9.2%
2"	8	383.20	24,000 348.00	12,000	-9.2%
3"	16	766.40	48,000 696.00	24,000	-9.2%
4"	25	1,197.50	75,000 1,087.50	37,500	-9.2%
6"	50	2,395.00	150,000 2,175.00	75,000	-9.2%

Flat Rate Customer Charges

Residential	\$ 91.77	\$ 122.75	33.8%
Non-Residential	277.01	277.01	0.0%

Residential - Monthly Residential Usage Charges are limited to 6,000 Gallons for S1 and S2

Consumption Charges: (kgals.)			
All Usage	\$ 17.3800	\$ 23.4600	35.0%

**Non-Residential
 Consumption Charges: (kgals.)**

All Usage	\$ 20.8500	\$ 24.6300	18.1%
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Availability Lots

	Present Monthly Fee	Proposed Monthly Fee	Change
Captains Cove	\$ 23.11	\$ -	-100.0%
Lake Holiday	10.00	-	-100.0%
Lake Land 'Or	10.00	-	-100.0%
Lake Monticello	3.75	-	-100.0%
Wintergreen	7.50	-	-100.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

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	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

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	704.54	950.90	35.0%
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	704.54	950.90	35.0%
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	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

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Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
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	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
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	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

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	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

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	\$ 31.00	\$ 41.84	35.0%
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	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
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Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
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	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
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Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	Present Rates	Proposed Rates	Change
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
Base Facilities Charge			
	\$ 31.00	\$ 41.84	35.0%
	70.46	95.10	35.0%
	140.91	190.18	35.0%
	225.45	304.28	35.0%
	450.91	608.58	35.0%
	704.54	950.90	35.0%
	1,409.08	1,901.80	35.0%

	</		

Aqua VA - WATER - Rate Groups and Systems
PRESENT AND PROPOSED REVENUES
FOR THE TEST YEAR ENDED Mar 31, 2025
CASE NO. PUR-2025-00071

Exhibit No.:
Witness: GRH
Schedule 42w

Line No.	(1) Group Name	(2) Note	(3) Meter Sz	(4) Prsnt BFC Rate	(5) # TY Units	(6) TY Rev	(Includes growth)			(9) ProForma Prpsd Units	(10) Prpsd Grp	(11) Proposed BFC Rate	(12) PF Rev at Proposed
							(7) ProForma Prsnt Units	(8) PF Rev at Prsnt Rts	(9) ProForma Prpsd Units				
Billed Mons						Billed Mons			Billed Mons				
1	Billed-Months												
2	Residential												
3	AVA Water Group 0	Res	<1	\$ 33.82	9,411	\$ 318,281	10,128	\$ 342,529	10,128	W0	\$ 33.00	\$ 334,224	
4	AVA Water Group 0	Res	1	81.48	12	978	12	978	12	W0	79.50	954	
5	AVA Water Group 0	Res	FR,r	46.10	18	830	36	1,660	36	W0	70.50	2,538	
6	AVA Water Group 0	Res	FR-GB	46.10	4,276	197,102	4,018	185,230	4,018	W0	70.50	283,269	
7	AVA Water Group 0	Res	FR,rp	46.10	18	830	18	830	18	W0	70.50	1,269	
8	AVA Water Groups 1	Res	<1	22.82	71,679	1,635,709	72,392	1,651,985	72,392	W1	29.22	2,115,294	
9	AVA Water Groups 1	Res	1	51.56	48	2,475	48	2,475	48	W1	66.02	3,169	
10	AVA Water Groups 1	Res	1.5	103.72	6	646	12	1,245	12	W1	132.81	1,594	
11	AVA Water Groups 1	Res	2	165.96	12	1,992	12	1,992	12	W1	212.50	2,550	
12	AVA Water Groups 1	Res	FR,r	59.14	133	7,848	120	7,097	120	W1	74.01	8,881	
13	AVA Water Groups 2	Res	<1	22.82	232,286	5,300,760	235,882	5,382,827	235,882	W1	29.22	6,892,472	
14	AVA Water Groups 2	Res	1	51.56	201	10,348	192	9,900	192	W1	66.02	12,676	
15	AVA Water Groups 2	Res	1.5	103.72	36	3,734	36	3,734	36	W1	132.81	4,781	
16	AVA Water Groups 2	Res	2	165.96	5	907	24	3,983	24	W1	212.50	5,100	
17	AVA Water Groups 2	Res	FR,r	59.14	298	17,636	312	18,452	312	W1	74.01	23,091	
18	Other:												
19	Pinebrook	Res	<1	10.30	132	1,360	132	1,360	132	W2	29.22	3,857	
20	Brandywine	Res	<1	12.11	192	2,327	197	2,386	197	W2	29.22	5,756	
21	Subtotal Res				318,762	7,503,762	323,571	7,618,660	323,571			9,701,476	
22	Commercial												
23	AVA Water Group 0	Com	<1	33.82	24	\$ 812	36	\$ 1,218	36	W0	\$ 33.00	\$ 1,188	
24	AVA Water Group 0	Com	2	260.73	24	6,258	24	6,258	24	W0	254.41	6,106	
25	AVA Water Group 0	Com	FR,c	48.50	-	-	-	-	-	W0	70.50	-	
26	AVA Water Group 0	Com	FR-GB	46.10	108	4,979	96	4,426	96	W0	70.50	6,768	
27	AVA Water Group 0	Com	FR,cp	46.10	24	1,106	24	1,106	24	W0	70.50	1,692	
28	AVA Water Groups 1	Com	<1	22.82	1,143	26,073	1,156	26,380	1,156	W1	\$ 29.22	\$ 33,778	
29	AVA Water Groups 1	Com	1	51.56	302	15,557	307	15,829	307	W1	66.02	20,268	
30	AVA Water Groups 1	Com	1.5	103.72	60	6,223	60	6,223	60	W1	132.81	7,969	
31	AVA Water Groups 1	Com	2	165.96	136	22,642	144	23,898	144	W1	212.50	30,600	
32	AVA Water Groups 1	Com	3	331.91	12	3,983	12	3,983	12	W1	425.00	5,100	
33	AVA Water Groups 1	Com	FR,c	114.34	-	-	-	-	-	W1	132.67	-	
34	AVA Water Groups 2	Com	<1	22.82	4,494	102,543	4,528	103,329	4,528	W1	\$ 29.22	\$ 132,308	
35	AVA Water Groups 2	Com	1	51.56	574	29,599	580	29,905	580	W1	66.02	38,292	
36	AVA Water Groups 2	Com	1.5	103.72	240	24,910	240	24,893	240	W1	132.81	31,874	
37	AVA Water Groups 2	Com	2	165.96	202	33,563	192	31,864	192	W1	212.50	40,800	
38	AVA Water Groups 2	Com	3	331.91	36	11,949	43	14,272	43	W1	425.00	18,275	
39	AVA Water Groups 2	Com	4	518.60	12	6,223	12	6,223	12	W1	664.04	7,968	
40	AVA Water Groups 2	Com	FR,c	114.34	12	1,372	12	1,372	12	W1	132.67	1,592	
41	Subtotal Com				7,403	297,792	7,466	301,179	7,466			384,579	
42	Subtotal Base BDs & Charges				326,165	\$ 7,801,553	331,037	\$ 7,919,838	331,037			\$ 10,086,054	
43					-	-	-	-	-			41,794	

(FR=Flat rate)

Line No.	(1) Group Name	(2) Class	(3) Block*	(4) Prsnt Usage Rate	(5) # TY Units kGals	(6) TY Rev	(7) ProForma Prsnt Units kGals	(8) PF Rev at Prsnt Rts	(9) ProForma Prpsd Units kGals	(10) Prpsd Grp	(11) Proposed Usq Rate	(12) PF Rev at Proposed
1	Usage											
2	Residential											
3	AVA Water Group 0	Res	Allw	\$	18,829	\$	11,827	-	11,827	W0	\$	-
4	AVA Water Group 0	Res	Blk1	13.22	12,275	162,269	19,655	259,840	19,655	W0	13.33	262,002
5	AVA Water Group 1	Res	Blk1	9.44	276,272	2,608,011	272,720	2,574,476	272,720	W1	13.33	3,635,356
6	AVA Water Group 2	Res	Blk1	10.59	769,962	8,153,900	770,477	8,159,352	770,477	W1	13.33	10,270,460
7	Other:											
8	Pinebrook	Res	Blk1	2.74	445	1,220	438	1,199	438	W2	3.51	1,536
9	Brandywine	Res	Blk1	3.51	561	1,971	566	1,985	566	W2	3.51	1,985
10	Subtotal Res				1,078,345	10,927,371	1,075,683	10,996,853	1,075,683			14,171,340
11	Commercial											
12	AVA Water Group 0	Com	Allw		378	\$	146	-	146	W0	-	\$

13	AVA Water Group 0	Com	Blk1	13.22	623	8,231	860	11,367	860	W0	13.33	\$ 11,461
14	AVA Water Group 1	Com	Blk1	9.44	26,066	248,061	26,291	248,190	26,291	W1	13.33	350,463
15	AVA Water Group 1	Com	lrr	5.66	864	4,892	850	4,810	850	W1	7.99	6,791
16	AVA Water Group 2	Com	Blk1	10.59	48,344	511,960	47,277	500,659	47,277	W1	13.33	630,197
17	Subtotal Com				76,274	771,144	75,423	765,026	75,423			998,912
18	Subtotal Usage				1,154,619	11,698,515	1,151,106	11,761,879	1,151,106			15,170,252
19												68,258
20	Subtotal Service (Base & Usage)					19,500,068						25,256,306

Line No.	(1) Group Name	(2) Class	(3) Size	(4) Prsnt Mon Rate	(5) # TY Units	(6) TY Rev	(7) ProForma Prsnt Units	(8) PF Rev at Prsnt Rts	(9) ProForma Prsnt Units	(10) Prpsd Grp	(11) Proposed Mon Rate	(12) PF Rev at Proposed
1	Private Fire Protection				Billed Mons		Billed Mons					
2	AVA Water Groups	Fir	F3	72.26	12 \$	867	12	867	12		\$ 119.98	\$ 1,440
3	AVA Water Groups	Fir	F6	225.82	48	10,839	48	10,839	48		374.95	17,998
4	Subtotal Fire				60	11,706	60	11,706	60			19,437
5												
6	Subtotal Srvc & Fire					19,511,775		19,693,424				25,275,744
7												
8	Availability Lot											
9	AVA -ShwLd	Avl		\$ 1.50	6,641 \$	9,962	6,281	9,422	6,281		\$ -	\$ -
10	AVA -LndOr	Avl		10.00	1,920	19,196	1,728	17,280	1,728		-	-
11	AVA -LMclo	Avl		3.75	3,492	13,095	2,424	9,090	2,424		-	-
12	AVA -LHdy	Avl		10.00	2,088	20,880	1,896	18,960	1,896		-	-
13	Captains Cove	Avl		6.84	24,354	166,581	23,154	158,373	23,154		-	-
14	Lake Caroline	Avl		13.70	4,536	62,143	3,888	53,266	3,888		-	-
15	Wintergreen Valley	Avl		7.50	1,380	10,350	972	7,290	972		-	-
16	Subtotal Availability				44,411	302,207	40,343	273,680	40,343		(273,680)	-
17											FA-3b	
18	Subtotal Srvc, Fire, Avail					19,813,981		19,967,105				25,275,744
19	WWISC Eligible Usage & Charges at \$/kGal			\$ -	-		1,151,106	-				-
20	Subtotal w/ WWISC					19,813,981		19,967,105				25,275,744
21												
22	Other (Bulk sales)											
23	Misc	5130&4115100				-		-				-
24	REC N	4115105				28,090		28,090				28,090
25	PENL	4115115				22,375		22,375				22,375
26	RTNF	4115120				78,892		79,501				100,502
27	NEW	4115125				-		-				-
28	Antennae					67,033		67,033				67,033
29	Subtotal Other, Misc					15,000		15,000				15,000
30	Total before Abatements					211,999		211,999			21,001	233,000
31	Less Abatements	0.23% TY ABAT %				20,025,371		20,179,104			FA-5b	25,508,744
32	Total Calc'd Revenue					(46,927)		(46,412)				(58,670)
						19,978,444		20,132,692				25,450,074
										incrs->	5,317,382	

Aqua VA - SEWER - Rate Groups and Systems
PRESENT AND PROPOSED REVENUES
FOR THE TEST YEAR ENDED Mar 31, 2025
CASE NO. PUR-2025-00071

Exhibit No.: _____
 Witness: GRH
 Schedule 42s

Line No.	(1) Group Name	(2) Class	(3) Meter Sz	(4) Prsnt BFC Rate	(5) # TY Units	(6) TY Rev	(7) ProForma Prsnt Units	(8) PF Rev at Prsnt Rts	(9) ProForma Prpsd Units	(10) Prpsd Grp	(11) Proposed BFC Rate	(12) PF Rev at Proposed
1	Billed-Months				Billed Mons		Billed Mons		Billed Mons			
2	Residential											
3	AVA Sewer Group 0	Res	Any	\$ 47.90	2,435	\$ 116,613	2,520	\$ 120,708	2,520	S0	\$ 43.50	\$ 109,620
4	AVA Sewer Group 1	Res	Any	31.00	10,372	321,535	10,453	324,043	10,453	S1	41.83	\$ 437,249
5	AVA Sewer Group 1	Res	FR.r	91.77	1,894	173,788	1,920	176,198	1,920	S1	121.64	233,549
6	AVA Sewer Group 2	Res	Any	31.00	72,060	2,233,845	73,695	2,284,545	73,695	S2	41.83	\$ 3,082,662
7	AVA Sewer Group 2 (Grinder Pumps)	Res	<1.Gr	31.00	12,866	398,836	12,916	400,396	12,916	S2	41.83	\$ 540,276
8	AVA Sewer Group 2	Res	FR.r	91.77	17	1,533	12	1,101	12	S2	121.64	1,460
9	Subtotal Res				99,642	3,246,149	101,516	3,306,992	101,516			4,404,816
10	Commercial											
11	AVA Sewer Group 0	Com	<1	\$ 47.90	48	\$ 2,299	48	2,299	48	S0	43.50	2,088
12	AVA Sewer Group 0	Com	2	383.20	12	4,598	12	4,598	12	S0	348.00	4,176
13	AVA Sewer Group 1	Com	1.5	140.91	24	3,382	24	3,382	24	S1	190.14	4,563
14	AVA Sewer Group 1	Com	2	225.45	12	2,705	12	2,705	12	S1	304.21	3,651
15	AVA Sewer Group 1	Com	FR.c	277.01	12	3,324	12	3,324	12	S1	277.01	3,324
16	AVA Sewer Group 2	Com	<1	31.00	834	25,846	852	26,412	852	S2	41.83	35,639
17	AVA Sewer Group 2 (Grinder Pumps)	Com	<1.Gr	31.00	12	372	12	372	12	S2	41.83	502
18	AVA Sewer Group 2	Com	1	70.46	145	10,184	156	10,992	156	S2	95.08	14,832
19	AVA Sewer Group 2	Com	1.5	140.91	60	8,455	60	8,455	60	S2	190.14	11,408
20	AVA Sewer Group 2	Com	2	225.45	12	2,705	12	2,705	12	S2	304.21	3,651
21	AVA Sewer Group 2 (Grinder Pumps)	Com	2.Gr	225.45	12	2,705	12	2,705	12	S2	304.21	3,651
22	AVA Sewer Group 2	Com	3	450.91	12	5,411	12	5,411	12	S2	608.44	7,301
23	Subtotal Com				1,194	71,987	1,224	73,361	1,224			94,788
24	Subtotal BFC				100,836	3,318,135	102,740	3,380,353	102,740			4,499,602

(FR=Flat rate)

Line No.	Group Name	Class	Block*	Prsnt Usage Rate	# TY Units	TY Rev	ProForma Prsnt Units	PF Rev at Prsnt Rts	ProForma Prpsd Units	Prpsd Grp	Proposed Usq Rate	PF Rev at Proposed
1	Usage				kGals		kGals		kGals			
2	Residential		>Cap Pct				12.7%		At Cap of 6			
3	AVA Sewer Group 0	Res	Allow		5,029	\$ -	2,514	\$ -	2,514	S0	-	-
4	AVA Sewer Group 0	Res	Blk1	17.38	1,682	29,238	4,197	72,951	4,197	S0	23.14	97,128
5	AVA Sewer Group 0	Res	>Cap							S0	-	-
6	AVA Sewer Group 1	Res	Blk1	15.57	28,998	451,494	29,143	453,755	29,143	S1	\$ 23.14	\$ 674,367
7	AVA Sewer Group 1	Res	>Cap		6,873	-	6,908	-	6,908	S1	-	-
8	AVA Sewer Group 2	Res	Blk1	17.56	244,727	4,297,405	248,562	4,364,750	248,562	S2	23.14	5,751,727
9	AVA Sewer Group 2	Res	>Cap		26,472	-	26,868	-	26,868	S2	-	-
10	Subtotal Res				313,780	4,778,137	318,191	4,891,456	318,191			6,523,222
11	Commercial											
12	AVA Sewer Group 0	Com	Allow		379	-	216	-	216	S0	-	-
13	AVA Sewer Group 0	Com	Blk1	20.85	923	19,238	1,086	22,645	1,086	S0	24.30	26,392
14	AVA Sewer Group 1	Com	Blk1	17.44	2,006	34,981	2,006	34,981	2,006	S1	24.30	48,741
15	AVA Sewer Group 2	Com	Blk1	19.67	6,546	128,756	6,546	128,756	6,546	S2	24.30	159,063
16	Subtotal Com				9,854	182,975	9,854	186,382	9,854			234,196
17	Subtotal Usage				323,634	4,961,112	328,045	5,077,838	328,045			6,757,418
18	WWISG Eligible Usage & Charges at \$/kGal			\$ -	-	-	294,270	-	-			-
19	Subtotal Service (BFC & Usage)					8,279,248		8,458,191		incrs->	2,798,826	11,257,020
20											33.1%	

Line No.	Group Name	Class	Prsnt Mon Rate	# TY Units	TY Rev	ProForma Prsnt Units	PF Rev at Prsnt Rts	ProForma Prpsd Units	Prpsd Grp	Proposed Mon Rate	PF Rev at Proposed
1	Availability Lot		Rates per Billed-Month, not Bill	Billed Mons		Billed Mons		Billed Mons			
2	AVA-S2-LHdy	Avl	\$ 10.00	2,238	\$ 22,376	742	\$ 7,420	742		\$ -	\$ -
3	AVA-S2-LMclo	Avl	\$ 3.75	3,291	12,340	3,291	12,341	3,291		-	-
4	AVA-S2-LndOr	Avl	\$ 10.00	237	2,372	228	2,280	228		-	-
5	Captains Cove	Avl	\$ 23.11	-	-	-	-	-		-	-
6	Captains Cove	Avl	\$ 23.11	7,746	179,020	7,698	177,901	7,698		-	-
7	Wintergreen Valley	Avl	\$ 7.50	145	1,090	153	1,148	153		-	-
8	Subtotal Availability			13,657	217,198	12,112	201,090	12,112		(201,090)	-
9										FA-3b	
10	Subtotal Service & Availability				8,496,446		8,659,281				11,257,020
11											
12	Other Revenue				15,804		15,804				15,804
13	Misc. Charges										
14	PENL				35,565		36,334			10,883	47,217
15	Total before Abatements				\$ 8,547,815		\$ 8,711,419			FA-5b	\$ 11,320,041
16	Less Abatements		0.035% TY ABAT %		(2,977)		(3,049)				(3,962)
17	Total Cal'd Revenue				\$ 8,544,838		\$ 8,708,370		incrs->	2,607,709	\$ 11,316,079

Aqua VA - Regulated Rate Groups and Systems

SAMPLE BILLING

FOR THE TEST YEAR ENDED Mar 31, 2025

CASE NO. PUR-2025-00071

Residential <1"

Exhibit No.:

Witness: GRH

Schedule 43w

Line No.	(1) Rate Group or System	(2) Type	(3) Pro Forma Avg Usage (gals)	(4) Present Allowance (gals)	(5) Proposed Allowance (gals)	(6) Present Base \$	(7) Flat Rate?	(8) Present Usage \$ /kGal	(9) Present Rate Grp	(10) Proposed Rate Grp	(11) Proposed Base \$	(12) Flat Rate?	(13) Proposed Usage \$ /kGal	(14) Mon Bill @ Pres Rates \$	(15) Mon Bill @ Prop Rates \$	(16) Mon Bill Increase \$	(17) Percent Increase
1	WATER																
2	AVA Water Group 0	Water	3,104	3,000	1,500	\$ 33.82		\$ 13.22	W0	W0	\$ 33.00	-	\$ 13.33	\$ 35.20	\$ 54.39	\$ 19.19	55%
3	AVA Water Group 1	Water	3,761	-	-	22.82		9.44	W1	W1	29.22	-	13.33	58.32	79.35	21.03	36%
4	AVA Water Group 2	Water	3,251	-	-	22.82		10.59	W2	W1	29.22	-	13.33	57.25	72.55	15.31	27%
5	AVA Water Groups 1 & 2	Water		-	-	59.14	FR	na	W1,W2	W1	74.01	FR	na	59.14	74.01	14.87	25%
6	AVA Water Group 0	Water		-	-	46.10	FR	na	W0	W0	\$ 70.50	FR	na				
7	Other:																
8	AVA Water Group 3 - Pinebrook	Water	3,316	-	-	\$10.30		2.74	W3	W2	29.22	-	3.51	19.39	40.86	21.47	111%
9	AVA Water Group 3 - Brandywine	Water	2,871	-	-	\$12.11		3.51	W3	W2	29.22	-	3.51	22.19	39.30	17.11	77%

Aqua VA - Regulated Rate Groups and Systems
SAMPLE BILLING
FOR THE TEST YEAR ENDED Mar 31, 2025
CASE NO. PUR-2025-00071
Residential <1"

Exhibit No.: _____
Witness: GRH
Schedule 43s

Line No.	(1) Rate Group or System	(2) Type	(3) PF Prsnt Allow Avg Usage (gals)	(4) Prsnt Allow kGals	(5) Prsnt Cap kGals	(6) Present Base \$	(7) Flat Rate?	(8) Present Usage \$	(9) Present Rate Grp	(10) Proposed Rate Grp	(11) PF Prsnt Avg Usage (gals)	(12) Prsnt Allow kGals	(13) Prpsd Cap kGals	(14) Proposed Base \$	(15) Flat Rate?	(16) Proposed Usage \$	(17) Mon Bill @ Pres Rates	(18) Mon Bill @ Prop Rates	(19) Mon Bill Increase \$	(20) Percent Increase
1	SEWER																			
2	AVA Sewer Group 0	SW	2,657	3	na	\$ 47.90		\$ 17.38	S0	S0	2,657	1.5	na	\$ 43.50		\$ 23.14	47.90	\$ 70.27	\$ 22.37	47%
3	AVA Sewer Group 1	SW	3,449	-	6	31.00		15.57	S1	S1	3,449	-	6	41.83		23.14	84.70	121.64	36.94	44%
4	AVA Sewer Group 2	SW	3,734	-	6	31.00		17.56	S2	S1	3,734	-	6	41.83		23.14	96.56	128.22	31.66	33%
5	Flat Rate Customers	SW	-	-	-	91.77	FR	-	S1, S2	S1	-	-	-	121.64	FR	-	91.77	121.64	29.87	33%

*Metered Sewer systems have a Proposed Cap on Residential usage.