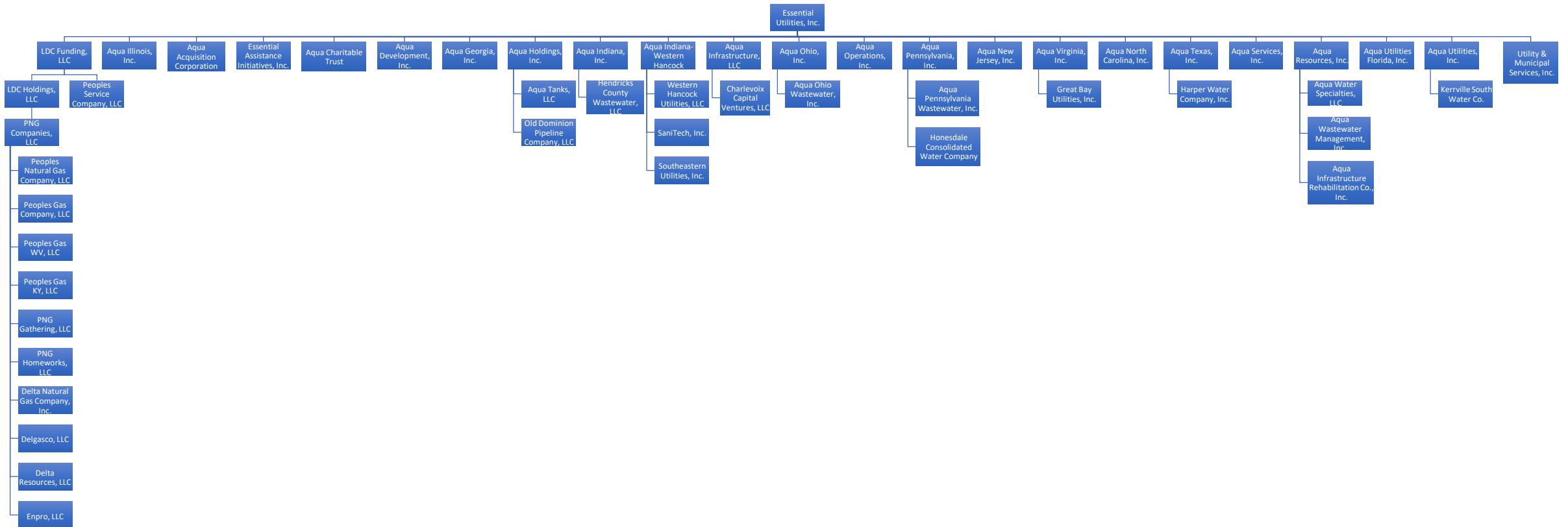


# **EXHIBIT A**

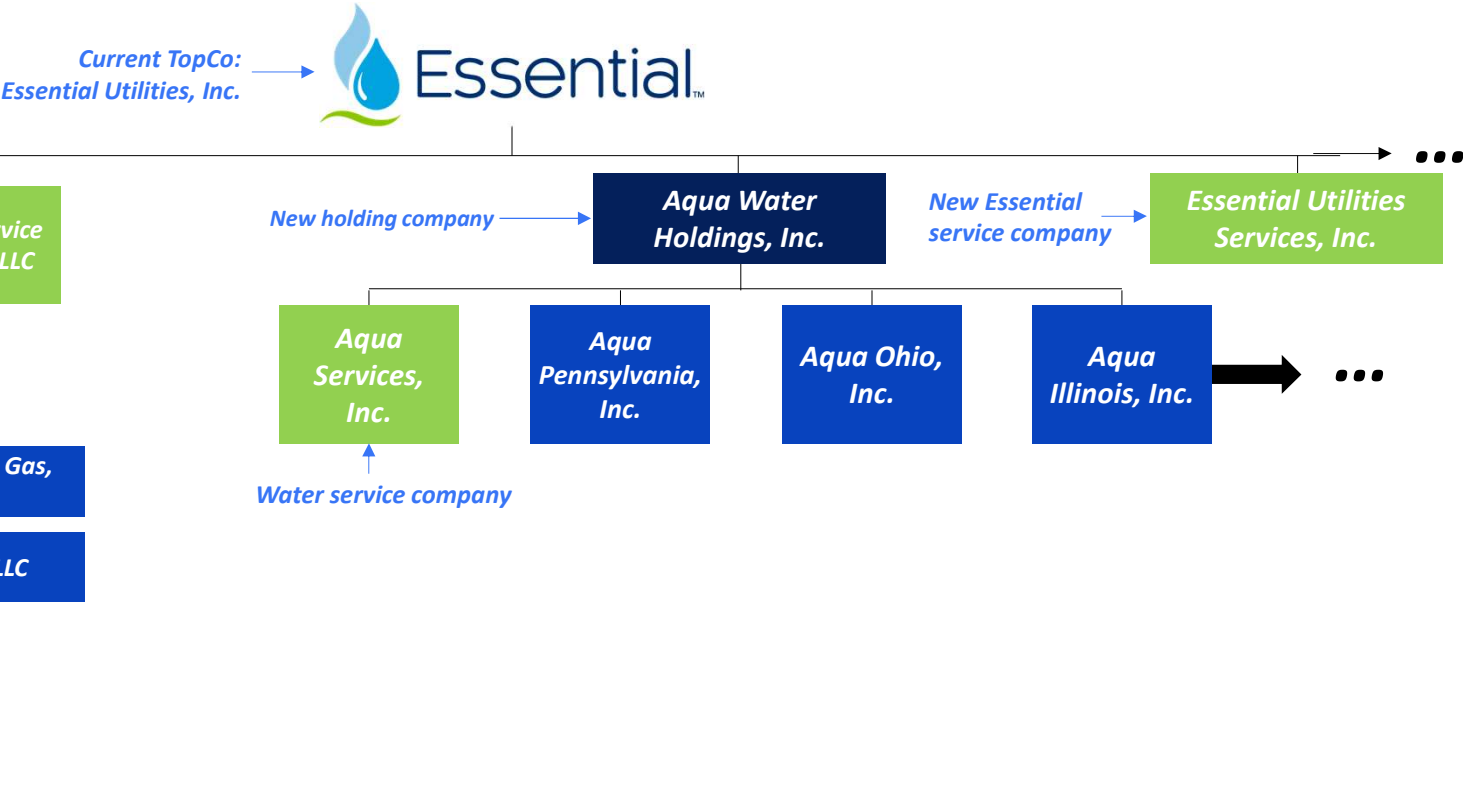
# Essential Utilities, Inc. Corporate Structure



# **EXHIBIT B**

# Basic Proposed Structure (not comprehensive)

*Finished*



# **EXHIBIT C**

**RESOLUTIONS**  
**OF**  
**THE BOARD OF DIRECTORS**  
**OF**  
**ESSENTIAL UTILITIES, INC.**  
**August 4, 2021**

The Board was updated on the ongoing plan to reorganize the Company and its subsidiaries in a tax efficient manner to (1) provide for delineation and simplification of the natural gas and water and wastewater operating entities of the Company, (2) to simplify the corporate structure by dissolving or combining inactive or duplicative entities, (3) to centralize the services and employee management functions in fewer entities, and (4) to create a holding company for the water and wastewater entities. After discussion, upon motion duly made and seconded, it was:

RESOLVED, that the reorganization plan for the Company and its subsidiaries, in the form described and discussed during the meeting is hereby approved.

RESOLVED, that the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, President, any Executive Vice President and any Senior Vice President of the Company and their respective designees (each an “Authorized Officer” and, collectively, the “Authorized Officers”) are authorized to form such additional direct or indirect subsidiaries of the Company, in the form of entity as recommended by counsel and other advisors to effect the corporate reorganization transactions.

RESOLVED, that the Company, as the sole direct or indirect member, shareholder or stockholder of each of the subsidiaries of the Company authorizes the directors or managers of such subsidiaries to enter into such agreements, instruments and other documents, including, without limitation, merger agreements, contribution agreements, distribution agreements determined to be necessary or advisable to effect the reorganization transactions.

RESOLVED, that the terms of the Distribution Agreement between the Company and its newly formed the necessary, Aqua Water Holdings, Inc., a Pennsylvania corporation (“Aqua Holdings”), in the form presented to the Board at this meeting, pursuant to which the Company will distribute all of the capital stock or member interests of the subsidiaries identified in such Distribution Agreement to Aqua Holdings is hereby approved and adopted.

RESOLVED, that the Authorized Officers of the Company be, and each of them hereby is, authorized, empowered and directed to prepare, execute, acknowledge and deliver from time to time, in the name and on behalf of the Company, any and all documents, instruments, agreements and certificates and to do or to cause to be

done any and all such other actions or things that such officers, or any of them, may in their discretion determine to be necessary or desirable in connection with or in furtherance of the carrying out of the intents and purposes of the preceding resolutions, such determination and the approval thereof by this Board of Directors to be conclusively evidenced by the preparation, execution, acknowledgment or delivery of such documents, instruments, agreements or certificates, or the taking of such actions or the doing of such things.

RESOLVED, that any action heretofore or hereafter taken by any Authorized Officer of the Company within the authority of the foregoing resolutions be, and hereby is, in all respects authorized, approved, ratified and confirmed.

RESOLVED, that the signature of any officer on the aforementioned documents may be manual, electronic (including by pdf) or facsimile signatures of individuals who were at the time officers of the Company, such signature shall bind the Company notwithstanding that such individuals or any of them cease to hold such offices prior to the authentication or delivery of such documents.

RESOLVED, that in connection with the reorganization transactions contemplated in the preceding resolutions, the Secretary of the Company be, and hereby is, authorized in the name and on behalf of the Company, to certify any more formal or detailed resolutions as such officer may deem necessary or appropriate to effectuate the purposes and intent of the foregoing resolutions; and that thereupon, such resolutions shall be deemed adopted as and for the resolutions of the Board as if set forth at length herein.

# **EXHIBIT D**



# AQUA NEW JERSEY, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)

<u>Assets</u>	<u>Jun 30,</u> <u>2021</u>
Utility plant, net of accumulated depreciation	288,977
Construction work-in-progress	7,448
Utility plant acquisition adjustment	(1,162)
Net utility plant	<u>\$295,263</u>
Investment in nonutility property, net of accumulated depreciation	0
Current Assets:	
Cash	217
Accounts receivable, less allowance for doubtful accounts of \$4721 and \$619	3,840
Accounts receivable - affiliates	1,120
Unbilled revenues	2,864
Inventories, materials and supplies	1,443
Prepayments and other current assets	774
Total current assets	<u>\$10,258</u>
Regulatory Assets	5,448
Deferred Charges:	
Debt issuance expense, net of amortization	0
Other deferred items, net	518
Funds restricted for construction activity	0
Total deferred charges	<u>518</u>
	<u>\$311,487</u>

## Liabilities and Stockholder's Equity

	<u>Jun 30,</u> <u>2021</u>
Common stockholder's equity:	
Common stock, \$5 par value, 800,000 shares authorized, 720,625 shares issued and outstanding	(3,603)
Capital surplus in excess of par value	(27,815)
Retained earnings	(88,101)
Total common stockholder's equity	<u>(\$119,519)</u>
Long-term debt, includes unamortized debt issue costs	(97,218)
Short term debt	
Current liabilities:	
Current portion of long-term debt	(408)
Loans payable	
Accounts payable	(718)
Accrued interest	(328)
Income taxes payable	(4,402)
Other current liabilities	(1,325)
Total current liabilities	<u>(\$7,181)</u>
Deferred credits and other non-current liabilities:	
Customers' advances for construction	(31,852)
Deferred income taxes	(8,762)
Investment tax credits	(423)
Other	(17,985)
Total deferred credits and other non-current liabilities	<u>(\$59,022)</u>
Contributions in aid of construction	(28,547)
	<u>(\$311,487)</u>

# AQUA NEW JERSEY, INC.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

(In thousands of dollars)

	<b>Jun 30, <u>2021</u></b>
OPERATING REVENUE	\$24,314
OPERATING EXPENSES:	
Operating, maintenance and administrative expenses	7,941
Depreciation	4,805
Amortization	324
Taxes, other than income taxes	3,299
Provision for income taxes	<u>1,098</u>
Total operating expenses	<u>17,467</u>
 OPERATING INCOME	 <u>6,847</u>
 OTHER (INCOME) DEDUCTIONS:	
Interest on long-term debt	2,028
Other interest expense, net	54
Allowance for funds used during construction	(211)
Amortization of debt expense	-
Gain on sale of other assets	(35)
Other (income) expense, net	<u>(40)</u>
Total other (income) deductions	<u>1,796</u>
 NET INCOME	 <u><u>\$5,051</u></u>
 RETAINED EARNINGS:	
Retained earnings at beginning of period	\$83,050
Net income	5,051
Dividends on common stock paid to parent	-
RETAINED EARNINGS AT END OF PERIOD	<u><u>\$88,101</u></u>

# **AQUA NEW JERSEY, INC.**

(A wholly-owned subsidiary of Essential Utilities, Inc.)

## **Financial Statements**

As of and for the years ended

December 31, 2020 and 2019



## **Report of Independent Auditors**

To the Board of Directors and Stockholder of Aqua New Jersey, Inc.

We have audited the accompanying financial statements of Aqua New Jersey, Inc. (the "Company," a wholly-owned subsidiary of Essential Utilities, Inc.) which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, of cash flows and common stockholder's equity for the years then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aqua New Jersey, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a light blue horizontal line.

March 31, 2021

AQUA NEW JERSEY, INC.  
Balance Sheets  
(In thousands of dollars, except for share amounts)  
December 31, 2020 and 2019

Assets	2020	2019	Liabilities and Common Stockholder's Equity	2020	2019
Utility plant, net of accumulated depreciation	\$ 288,024	\$ 280,315	Common stockholder's equity:		
Construction work-in-progress	5,721	3,479	Common stock, \$5 par value, 800,000		
Utility plant acquisition adjustment, net of			shares authorized, 720,625 shares		
accumulated amortization	<u>(1,217)</u>	<u>(1,361)</u>	issued and outstanding, respectively	\$ 3,603	\$ 3,603
Net utility plant	<u>292,528</u>	<u>282,433</u>	Capital in excess of par value	22,486	46,045
			Retained earnings	83,050	72,476
			Total common stockholder's equity	<u>109,139</u>	<u>122,124</u>
			Long-term debt, excluding current portion	12,646	13,057
			Long-term debt- affiliate	85,885	60,885
Current assets:			Total long-term debt, excluding current portion	<u>98,531</u>	<u>73,942</u>
Cash and cash equivalents	114	102	Debt issuance expense, net of amortization	(1,327)	(723)
Accounts receivable, less allowance for			Total long-term debt, excluding current portion,	<u>97,204</u>	<u>73,219</u>
doubtful accounts of \$620 and \$194	4,102	3,319	Current liabilities:		
Unbilled revenues	2,390	2,254	Current portion of long-term debt	410	593
Materials and supplies	1,262	1,358	Accounts payable	1,185	1,255
Prepayments and other current assets	<u>356</u>	<u>1,733</u>	Accounts payable-affiliates	8,548	11,725
Total current assets	<u>8,224</u>	<u>8,766</u>	Accrued interest	30	41
			Other current liabilities	2,446	1,680
			Total current liabilities	<u>12,619</u>	<u>15,294</u>
Deferred charges and other non-current assets:			Deferred credits and other non-current liabilities:		
Regulatory assets	5,847	5,159	Customers' advances for construction	31,085	30,788
Goodwill	211	3,020	Deferred income taxes	9,814	10,294
Operating lease right-of-use assets	7	15	Regulatory liabilities	17,770	16,991
Other non-current assets	<u>176</u>	<u>85</u>	Operating lease liabilities	1	7
Total deferred charges and other			Other non-current liabilities	84	161
non-current assets	<u>6,241</u>	<u>8,279</u>	Total deferred credits and other		
			non-current liabilities	58,754	58,241
			Contributions in aid of construction	<u>29,277</u>	<u>30,600</u>
	<u>\$ 306,993</u>	<u>\$ 299,478</u>		<u>\$ 306,993</u>	<u>\$ 299,478</u>

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

AQUA NEW JERSEY, INC.  
 Statements of Income  
 (In thousands of dollars, except for share amounts)  
 Years ended December 31, 2020 and 2019

	2020	2019
Operating revenues	\$ 49,261	\$ 45,891
Operating expenses:		
Operations and maintenance expenses	16,264	16,140
Depreciation	9,349	8,717
Amortization	580	413
Taxes other than income taxes	6,735	6,244
Other expense (income)	(207)	(1,367)
	32,721	30,147
Total operating expenses		
Operating income	16,540	15,744
Other expense (income):		
Interest on long-term debt	3,800	3,621
Allowance for funds used during construction	(239)	(1,219)
Gains from sale of property	(68)	-
Other net periodic benefit costs	125	198
	12,922	13,144
Income before income taxes		
Provision for income taxes	2,348	2,399
	10,574	10,745
Net income	\$ 10,574	\$ 10,745

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

AQUA NEW JERSEY, INC.  
Statements of Cash Flow  
(In thousands of dollars, except for share amounts)  
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net income	\$ 10,574	\$ 10,745
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,929	9,130
Deferred income taxes and investment tax credits	(912)	(1,796)
Provision for doubtful accounts	99	199
Gain on sale of other assets	(68)	-
Stock based compensation	18	(25)
Allowance for equity funds used during construction	(178)	(905)
Change in current assets and current liabilities:		
Receivables, unbilled revenues, materials and supplies and prepayments	454	(2,366)
Accounts payable and other current liabilities	(3,053)	21,949
Accrued interest	(11)	(8)
Other	(410)	(23)
Net cash provided by operating activities	16,442	36,900
Cash flows from investing activities:		
Construction expenditures	(15,408)	(30,273)
Net proceeds from sale (purchases) of other assets	68	-
Allowance for borrowed funds used during construction	(61)	(313)
Net cash used in investing activities	(15,401)	(30,586)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	222	282
Repayments of customers' advances	(658)	(696)
Transfer of capital with parent	-	-
Proceeds from long-term debt - affiliated	-	59,385
Repayments of long-term debt - affiliated	-	(59,385)
Repayments of long-term debt - non-affiliated	(593)	(5,595)
Dividends paid - common stock	-	(425)
Net cash used in financing activities	(1,029)	(6,434)
Net change in cash and cash equivalents	12	(120)
Cash and cash equivalents beginning of year	102	222
Cash and cash equivalents end of year	\$ 114	\$ 102
Cash paid during the year for:		
Interest, net of capitalized amounts	\$ 622	\$ 656

See Note 1 - Summary of Significant Accounting Policies - Customers' Advances for Construction and Contributions in Aid of Construction, Note 10 - Employee Stock and Incentive Plan and Note 14 - Affiliate Company transactions for a description of non-cash activities.

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

AQUA NEW JERSEY, INC.  
 Statements of Common Stockholder's Equity  
 (In thousands of dollars, except for share amounts)  
 Years ended December 31, 2020 and 2019

	Common Stock	Capital in excess of par value	Retained Earnings	Total Common Stockholder's Equity
Balance at December 31, 2018	\$ 3,603	\$ 30,343	\$ 62,156	\$ 96,102
Net income	-	-	10,745	10,745
Common stock dividends, \$0.59 per share	-	-	(425)	(425)
Stock based compensation	-	(25)	-	(25)
Return of capital contributions to Essential Utilities, Inc.	-	15,727	-	15,727
Balance at December 31, 2019	3,603	46,045	72,476	122,124
Net income	-	-	10,574	10,574
Stock based compensation	-	18	-	18
Capital contributions from Essential Utilities, Inc.	-	(23,577)	-	(23,577)
Balance at December 31, 2020	<u>\$ 3,603</u>	<u>\$ 22,486</u>	<u>\$ 83,050</u>	<u>\$ 109,139</u>

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



AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Operations

Aqua New Jersey, Inc. (the “Company”) is a regulated public utility that supplies water to residential, commercial and industrial customers. The Company is also engaged in providing wastewater services. All the Company's customers are located in New Jersey. No single customer accounted for more than one percent of the Company's operating revenues in 2020 or 2019. The Company is a wholly-owned subsidiary of Essential Utilities, Inc. (the “Parent”). On February 3, 2020, the Parent changed its name from Aqua America, Inc. to Essential Utilities, Inc. to align the name of the Parent with the business plan of the Parent following the March 16, 2020 completion of the Peoples Gas Acquisition and to reflect the combination of regulated water and wastewater utilities and natural gas utilities that offer essential utility services to customers.

Basis of Presentation

The Company's financial statements are presented in accordance with U.S. generally accepted accounting principles.

The Company has evaluated the period from December 31, 2020, the date of the financial statements, through March 31, 2021, the date the financial statements were available for issuance, for subsequent events and determined that no material subsequent events occurred that would affect the information presented in these financial statements or require additional disclosure.

Use of Estimates in Preparation of Financial Statements

The preparation of 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. Actual results could differ from those estimates.

The current novel coronavirus (“COVID-19”) pandemic has caused significant social and economic restrictions that have been imposed in the United States and abroad, which has resulted in significant volatility in the global economy and led to reduced economic activity in some industries. In the preparation of these financial statements and related disclosures, we have assessed the impact that the COVID-19 pandemic has had on our estimates, assumptions, forecasts, and accounting policies. Because of the essential nature of our business, we do not believe the COVID-19 pandemic had a material impact on our estimates, assumptions and forecasts used in the preparation of our financial statements, except for the change in the allowance for doubtful accounts, although we continue to monitor this closely. As the COVID-19 situation is unprecedented and ever evolving, future events and effects related to the COVID-19 pandemic cannot be determined with precision, and actual results could significantly differ from our estimates or forecasts.

Recognition of Revenues

The Company recognizes revenue as water and wastewater services are provided to our customers, which happens over time as the service is delivered and the performance obligation is satisfied. Operating revenues include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter read to the end of the accounting period. 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 is determined.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Recognition of Revenues (Continued)

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:

	Aqua New Jersey Year Ended December 31, 2020		
	Water Revenues	Wastewater Revenues	Other Revenues
Regulated:			
Residential	\$ 32,966	\$ 4,389	\$
Commercial	5,830	579	
Fire protection	3,662		
Industrial	527		
Other water	691		
Other wastewater		4	
Other utility			613
<b>Total Revenue</b>	<b>\$ 43,676</b>	<b>\$ 4,972</b>	<b>\$ 613</b>

	Aqua New Jersey Year Ended December 31, 2019		
	Water Revenues	Wastewater Revenues	Other Revenues
Regulated:			
Residential	\$ 29,019	\$ 4,144	\$
Commercial	5,919	485	
Fire protection	3,547		
Industrial	444	-	
Other water	1,618		
Other wastewater		77	
Other utility			638
<b>Total Revenue</b>	<b>\$ 40,547</b>	<b>\$ 4,706</b>	<b>\$ 638</b>

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Recognition of Revenues (Continued)

Revenues from Contracts with Customers – These revenues are composed of three main categories: water, wastewater, 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 water supply. Other revenues are associated fees that relate to the regulated business but are not water and wastewater revenues. See description below for a discussion on the performance obligation for each of these revenue streams:

- **Tariff Revenues** – These revenues are categorized by customer class: residential, commercial, fire protection, industrial, and 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. Other water and other wastewater revenues consist primarily of fines, penalties, surcharges, and availability lot fees. Our performance obligation for tariff revenues is to provide potable water or wastewater treatment service 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 represent 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, fees earned from developers for accessing our water mains and amounts remitted to the Company by developers to satisfy their tax obligation. The performance obligations vary for these revenues, but all are primarily recognized over time as the service is delivered.

Regulation

As a regulated public water utility, the Company is subject to regulation by the New Jersey Board of Public Utilities (“NJBPU”), which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters. 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. 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 the regulated operating companies no longer meet 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 – 5 *Regulatory Assets and Liabilities* for further information regarding the Company’s regulatory assets.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Regulation (Continued)

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.

Utility Plant and Depreciation

Utility plant is stated at cost which includes contracted cost, direct labor and fringe benefits, materials, overheads, and for certain utility plant, an allowance for the cost of funds used during construction. Water systems acquired are recorded at estimated original cost when first devoted to utility service and the applicable depreciation is recorded in accumulated depreciation.

Utility plant acquisition adjustments represent the difference between the estimated original cost, less applicable depreciation, and the purchase price of utility plant assets acquired through business acquisitions.

Utility plant included a negative acquisition adjustment balance of \$1,217 and \$1,361 in 2020 and 2019, respectively. The unamortized balances of the net negative utility plant acquisition adjustment were \$1,528 and \$1,735 in 2020 and 2019, respectively. The unamortized balances of the net positive utility plant acquisition adjustment were \$311 and \$326 in 2020 and 2019, respectively. The unamortized balances are being amortized over a range of 1 to 14 years. There was a positive acquisition adjustment balance of \$0 and \$48 in 2020 and 2019, respectively, not subject to amortization.

Expenditures for maintenance and repairs, including minor renewals and betterments, are charged to operating expenses in accordance with the uniform system of accounts prescribed by the NJBPU. The cost of new units of property and betterments are capitalized.

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. The Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates.

The cost of software upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Certain 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 the Company expects to recover these costs in future rates. If costs are not deferred, they are charged to operating expenses when incurred. As of December 31, 2020, \$1,094 of costs have been incurred and deferred, since the last rate proceeding, as a regulatory asset, and the deferral is reported as a component of net property, plant and equipment.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Utility Plant and Depreciation (Continued)

The straight-line remaining life method is used to compute depreciation on utility plant. The straight-line method is used with respect to transportation and mechanical equipment. Depreciation is recorded over the estimated useful lives of the assets which range from 5 to 80 years for utility plant.

Long-lived assets of the Company, which consist primarily of utility plant in service and regulatory assets, are reviewed for impairment when changes in circumstances or events occur. There has been no change in circumstances or events that have occurred that require adjustments to the carrying values of these assets.

As of December 31, 2020 and 2019, property, plant and equipment additions purchased at the period end, but not yet paid for are \$1,126 and \$1,147, respectively.

Allowance for Funds Used During Construction

The allowance for funds used during construction ("AFUDC") is a non-cash credit to income which represents the estimated cost of funds used to finance the construction of utility plant. 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 or contributions in aid of construction. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used, which is recovered through water rates as the utility plant is depreciated. The amount of AFUDC related to equity funds was \$178 and \$905 in 2020 and 2019, respectively.

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.

Accounts Receivable

Accounts receivable are recorded at the invoiced amounts. 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 and the aging of account balances. 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. During 2020, the Company increased its allowance for doubtful accounts as a result of its decline in its accounts receivable aging due to COVID-19 and recorded a regulatory asset in the amount of \$362 based upon guidance received from the NJBPU.

Deferred Charges

Deferred bond issuance expenses are amortized over the life of the related issuance and are included in interest expense.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

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, cost factors, overall financial performance, and entity specific events, to determine whether it's more likely than not that the fair value of our reporting unit is less than its carrying amount. Alternatively, based on our assessment of the qualitative factors previously noted, we may perform a quantitative goodwill impairment test by determining the fair value of a reporting unit based on a discounted cash flow analysis. If we perform a quantitative test and determine that the reporting unit's fair value 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 Company tested the goodwill attributable for its reporting unit for impairment as of July 31, 2020 and concluded that the reporting unit's estimated fair value exceeded its carrying amount, indicating that the Company's goodwill was not impaired.

During 2020, a regulatory order was received which provided for the one-time transfer of \$2,809 of goodwill, resulting in a decrease in the goodwill balance during this period. A portion of the goodwill, \$2,783 was transferred to utility plant in service and the remainder, \$25, was transferred to utility plant acquisition adjustment.

Income Taxes

The Company accounts for certain income and expense items in different time periods for financial reporting than for tax reporting purposes. Deferred income taxes are provided on the temporary differences between the tax basis of the assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse.

The Company's earnings are included with those of the Parent and affiliated companies for purposes of filing a consolidated Federal income tax return. The allocation of the Federal income tax to the Company is computed on a stand-alone basis. The liability for Federal income taxes is remitted to the Parent and \$2,153 and \$3,818 is included within Accounts Payable-affiliates in the accompanying balance sheet at December 31, 2020 and 2019, respectively.

Investment tax credits have been deferred and are amortized over the estimated useful lives of the related properties.

Judgment is required in evaluating the Company's federal tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company may establish reserves when it believes that certain tax positions are likely to be challenged and it may not fully prevail in these challenges. When reserves are established, the associated interest and penalties are recorded as a component of the Company's income tax provision.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Customers' Advances for Construction

Water mains or, in some instances, cash advances to reimburse the Company its costs to construct water mains, are contributed to the Company by customers, real estate developers and builders to extend water service to their properties. The value of these contributions is recorded as customers' advances for construction. The Company makes refunds on these advances over a specific period based on operating revenues related to the main or as new customers are connected to and take service from the main. After all refunds are made, any remaining balance is transferred to contributions in aid of construction. Customers' advances for construction non-cash property has been received, generally from developers, of \$1,325 in 2020 and \$9,849 in 2019.

Contributions in Aid of Construction

Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that have become non-refundable. 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. The Company depreciates contributed property and amortizes contributions in aid of construction at the composite rate of the related property. Contributions in aid of construction non-cash property has been received, generally from developers, of \$0 in 2020 and \$25 in 2019. During 2019, \$10,919 of accumulated amortization associated with contributions in aid of construction was reclassified from net property, plant and equipment to contributions in aid of construction in order to net against the associated liability account. The balance of contributions in aid of construction is net of accumulated amortization of \$13,071 and \$11,548 at December 31, 2020 and 2019, respectively. Amounts collected from developers for taxes and reported in other income were \$207 and \$1,367 in 2020 and 2019, respectively.

Materials and Supplies

Materials and supplies are stated at cost under the first-in, first-out method.

Other Comprehensive Income ("OCI")

For the periods presented, the Company does not have any OCI and therefore, comprehensive income equals net income. In addition, there is no accumulated comprehensive income.

Recent Accounting Pronouncements

Pronouncements to be adopted upon the effective date:

In August 2020, the FASB issued updated accounting guidance on accounting for convertible instruments and contracts in an entity's own equity. The updated guidance reduces the number of accounting models for convertible debt and convertible preferred stock instruments and makes certain disclosure amendments intended to improve the information provided to users. Additionally, the guidance also amends the derivative guidance for the "own stock" scope exception, which exempts qualifying instruments from being accounted for as derivatives if certain criteria are met. Further, the standard changes the way certain convertible instruments are treated when calculating earnings per share. The updated accounting guidance is effective for fiscal years beginning after December 15, 2021 with early adoption permitted beginning in 2021. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In March 2020, the FASB issued accounting guidance that provides companies with optional guidance, including expedients and exceptions for applying generally accepted accounting principles to contracts and other transactions affected by reference rate reform, such as the London Interbank Offered Rate (LIBOR). The accounting guidance was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. The Company is evaluating the impact of this accounting guidance.

In December 2019, the FASB issued updated accounting guidance that simplifies the accounting for income taxes. The updated guidance removes certain exceptions to the general principles of accounting for income taxes to reduce the cost and complexity of its application, including the accounting for intra period tax allocation when there is a loss from continuing operations and income or a gain from other items, deferred tax liabilities for equity method investments when a foreign subsidiary becomes an equity method investment or when a foreign equity method investment becomes a subsidiary, and calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. Additionally, the updated guidance clarifies and amends the existing guidance over accounting for franchise taxes and other taxes partially based on income, an entity's tax basis of goodwill, separate entity financial statements, interim recognition of enactment of tax laws or rate changes, and improvements to the Codification for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. The updated accounting guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years with early adoption permitted. The Company has evaluated the requirements of the updated guidance and has determined the impact of adoption will not be material to the Company's consolidated financial statements.

Pronouncements adopted during the fiscal year:

In August 2018, the FASB issued updated accounting guidance on accounting for cloud computing arrangements. The updated guidance requires entities that are customers in cloud computing arrangements to defer implementation costs if they would be capitalized by the entity in software licensing arrangements under the internal-use software guidance. The guidance may be applied retrospectively or prospectively to implementation costs incurred after the date of adoption. The updated accounting guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. On January 1, 2020, we adopted the new guidance prospectively, which did not have a material impact on our financial statements.

In August 2018, the FASB issued updated accounting guidance that modifies the disclosure requirements on fair value measurements. The modifications in this update eliminates, amends, and adds disclosure requirements for fair value measurements, which is expected to reduce costs for preparers while providing more decision-useful information for financial statement users. The updated accounting guidance is effective for fiscal years ending after December 15, 2019, with early adoption available. On January 1, 2020, we adopted the new guidance, which did not have an impact on our financial statements.



AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In June 2016, the FASB issued updated accounting guidance on accounting for impairments of financial instruments, including trade receivables, which requires companies to estimate expected credit losses on trade receivables over their contractual life. Historically, companies reserve for expected credit losses by applying historical loss percentages to respective aging categories. Under the updated accounting guidance, companies will use a forward-looking methodology that incorporates lifetime expected credit losses, which will result in an allowance for expected credit losses for receivables that are either current or not yet due, which historically have not been reserved for. The updated accounting guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption available. On January 1, 2020, we adopted the new guidance, which did not have a material impact on our financial statements.

2. Acquisitions

There were no acquisitions recorded on the books of the Company in either 2020 or 2019.

3. Utility Plant

Utility plant is composed of the following:

	December 31,		Approximate range
	2020	2019	of useful lives
Utility Plant in service			
Mains and accessories	\$ 159,175	\$ 156,547	56 years
Services, Hydrants, Treatment Plants and Reservoirs	121,116	113,305	24 to 80 years
Operations Structures and Water Tanks	14,225	14,227	36 to 68 years
Miscellaneous Pumping and Purification Equipment	32,670	31,157	33 to 67 years
Meters, data processing, transportation and operating equipment	56,243	53,133	5 to 41 years
Land, Intangible and other non-depreciable assets	3,817	3,833	-
Utility Plant in service	387,246	372,202	
Utility Construction Work in Progress	5,721	3,478	
Net utility plant acquisition adjustment	(1,217)	(1,361)	15 years
Total utility plant	391,750	374,319	
Accumulated depreciation	(99,222)	(91,886)	
Total Property, Plant And Equipment	\$ 292,528	\$ 282,433	

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

4. Federal Income Taxes

The provision for income taxes is composed of the following:

	Year ended December 31.	
	2020	2019
Current	\$ 3,260	\$ 4,195
Deferred	(912)	(1,796)
 Total federal income tax expense	 \$ 2,348	 \$ 2,399

The statutory Federal tax rate is 21% for both 2020 and 2019.

The primary components of the net deferred tax liability of \$9,814 at December 31, 2020 include basis differences in utility plant, partially offset by advances and contributions, and income taxes recoverable.

No valuation allowances were required on deferred tax assets at December 31, 2020 and 2019, as management believes it is more likely than not that deferred tax assets will be realized.

As of December 31, 2020, the Parent's federal income tax returns remain subject to examination by federal tax authorities for the 2017 through 2020 tax years.

5. Regulatory Assets and Liabilities

Regulatory assets represent costs that are expected to be fully recovered in future rates and revenues that are currently recognized in anticipation of future billings to customers. The portion of the regulatory asset related to rate case filing expenses represents the costs associated with filing for rate increases that are deferred and amortized over 36 months. The portion of the regulatory asset related to tank painting represents the costs that were incurred by the Company and are currently being recovered in rates at \$476 per year in 2020 and 2019. The AFUDC is the income tax gross up of the equity portion of AFUDC and is amortized over the life of the related capital asset.

The balance of the regulatory asset related to purchased wastewater treatment represents the under-recovery of sewer service in rates for the calendar year ending 2020 and 2019. As of December 31, 2020, a rate order has been approved by the BPU to spread the cost of purchased sewerage treatment across all of the Company's Wastewater divisions. Additionally, the under-recovery of sewer service for the calendar years ending 2020 and 2019 was taken into account in the rates approved in this rate order. Therefore, the regulatory asset has been reduced to zero. Rates are effective January 1, 2021. 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 COVID-19 recovery costs represent additional allowance for bad debt. The regulatory asset for the BPU Audit represents costs related to an audit of the affiliated transactions between Aqua New Jersey, Inc. and Essential Utilities and Affiliates as well as a comprehensive management audit of Aqua New Jersey, Inc.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

5. Regulatory Assets and Liabilities (Continued)

	December 31,	
	2020	2019
Rate case filing expenses	\$ 290	\$ 165
Tank painting	4,288	3,748
AFUDC	619	600
Purchased waste water treatment	-	229
Accrued vacation	72	50
COVID-19 Recovery costs	362	-
Deferred BPU Audit	216	367
Regulatory assets	\$ 5,847	\$ 5,159

Regulatory liabilities represent costs to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. Utility plant retirement costs represent amounts recovered through rates during the life of the associated asset and before costs are incurred. Items giving rise to a portion of deferred Federal income taxes related to certain differences between tax and book depreciation expense are recognized in the rate setting process on a cash or flow-through basis and will be refunded to customers as they reverse. The regulatory liability for customer refunds resulting from the TCJA, which was enacted on December 22, 2017, represents a revenue reserve for customer refunds associated with the reduction in the Federal corporate income tax rate from 35% to 21%. Reductions in accumulated deferred income tax balances due to reduction in the corporate income tax rate will result in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. The TCJA includes provisions that stipulate how these excess deferred taxes relating to certain accelerated tax depreciation benefits are to be passed back to customers. Since 2018 adjusted base rates or surcredits were added to customer bills to reflect the lower corporate income tax rate.

	December 31,	
	2020	2019
Income tax	\$ 11,491	\$ 11,922
Utility plant retirement costs	6,279	5,064
Purchased waste water treatment	-	5
Regulatory liabilities	\$ 17,770	\$ 16,991

AQUA NEW JERSEY, INC.

Notes to Financial Statements

(In thousands of dollars)

Years ended December 31, 2020 and 2019

6. Commitments and Contingencies

Purchased water was \$739 and \$840 in 2020 and 2019, respectively. The Company has commitments to purchase water with minimums of \$750 in 2021, \$761 in 2022.

In 2007, the Company entered into service agreements for a 20-year term for the removal of radium present in two wells in its water system. Additional service agreements were signed in 2008 and one in 2009 to commence treatment on two additional wells for 20-year terms each. The Company has a contractual obligation for the use of treatment equipment and media used to reduce radium concentrations from certain wells in its water system. Radium treatment was \$695 and \$682 in 2020 and 2019, respectively. The future contractual cash obligation related to this equipment is \$710 in 2021, \$731 in 2022, \$753 in 2023, \$775 in 2024, \$799 in 2025 and \$2,636 thereafter.

The Company is routinely involved in condemnation procedures and legal matters during the ordinary course of business. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which the Company 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.

7. Leases

The Company leases office equipment 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 2 years.

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. All other variable payments are expensed as incurred. Since the Company's lease agreements do not provide an implicit interest rate, the Company utilized the Parent's incremental borrowing rate to determine the discount rate used to present value the lease payments.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

7. Leases (Continued)

	Years Ended December 31,	
	2020	2019
Components of lease expense were as follows:		
Operating lease cost	\$ 9	\$ 13

	Years Ended December 31,	
	2020	2019
Supplemental cash flow information related to leases was as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 9	\$ 13

	December 31,	
	2020	2019
Supplemental balance sheet information related to leases was as follows:		
Operating leases:		
Operating lease right-of-use assets	\$ 7	\$ 15
Other accrued liabilities	\$ 6	\$ 8
Operating lease liabilities	1	7
Total operating lease liabilities	\$ 7	\$ 15

	December 31,	
	2020	2019
Weighted average remaining lease term:		
Operating leases	1.1 years	1.9 years
Weighted average discount rate:		
Operating leases	3.45%	3.45%

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

7. Leases (Continued)

Maturities of operating lease liabilities and a reconciliation of the operating lease liabilities reported on our Balance Sheet as of December 31, 2020 are as follows:

	<u>Operating Leases</u>
2021	\$ 6
2022	1
2023	-
2024	-
2025	-
Thereafter	-
Total operating lease payments	<u>\$ 7</u>
Total operating lease payments	\$ 7
Less operating lease liabilities	<u>7</u>
Present value adjustment	<u>\$ -</u>

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

8. Long-term Debt and Loans Payable

The long-term debt and loans outstanding as of December 31, 2020 and 2019 are summarized as follows:

Issuer Name	Series	Issue Date	Mature Date	Original Amount	% Rate	Long Term Debt Including Current Portion at December 31, 12/31/2020	% Rate	Long Term Debt Including Current Portion at December 31, 12/31/2019
New Jersey Environmental Infrastructure Trust	L	11/9/2000	11/1/2020	1,880	1.54%	-	1.54%	119
New Jersey Environmental Infrastructure Trust	L	11/9/2000	11/1/2020	1,594	0.00%	-	0.00%	85
New Jersey Environmental Infrastructure Trust	P	11/04/2004	8/01/2024	1,300	4.23%	370	3.74%	450
New Jersey Environmental Infrastructure Trust	Q	11/04/2004	8/01/2024	1,135	0.00%	241	0.00%	301
Mutual Of Omaha	S	12/15/2006	12/15/2036	6,000	6.23%	6,000	6.23%	6,000
United of Omaha Life Insurance	T	12/12/2007	12/12/2037	3,800	5.80%	3,800	5.80%	3,800
New Jersey Environmental Infrastructure Trust	U	11/6/2008	8/1/2028	985	4.22%	478	4.47%	524
New Jersey Environmental Infrastructure Trust	V	11/6/2008	8/1/2028	971	0.00%	284	0.00%	333
New Jersey Environmental Infrastructure Trust	W	12/2/2009	8/1/2029	295	3.77%	161	3.78%	175
New Jersey Environmental Infrastructure Trust	X	12/2/2009	8/1/2029	294	0.00%	135	0.00%	149
New Jersey Environmental Infrastructure Trust	Y	3/1/2010	8/1/2029	230	3.78%	123	3.80%	133
New Jersey Environmental Infrastructure Trust	Z	3/1/2010	8/1/2029	236	0.00%	108	0.00%	120
New Jersey Environmental Infrastructure Trust	AA	12/1/2010	8/1/2030	430	3.38%	245	3.28%	260
New Jersey Environmental Infrastructure Trust	BB	10/1/2010	8/1/2030	213	0.00%	108	0.00%	119
New Jersey Environmental Infrastructure Trust	DD	3/28/2012	8/1/2031	855	0.00%	463	0.00%	507
New Jersey Environmental Infrastructure Trust	CC	5/3/2012	8/1/2031	780	4.69%	540	4.71%	575
Aqua America, Inc		11/3/2016	11/3/2041	1,500	3.57%	1,500	3.57%	1,500
Aqua America, Inc		4/26/2019	5/1/2029	37,504	3.566%	37,504	3.566%	26,393
Aqua America, Inc		4/26/2019	5/1/2049	46,881	4.276%	46,881	4.276%	32,992
Total				<u>106,883</u>		<u>\$ 98,941</u>		<u>\$ 74,535</u>

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

8. Long-term Debt and Loans Payable (Continued)

Annual sinking fund payments are required for issues of First Mortgage Bonds. During the next five years, the following debt maturities, including sinking funds, are due:

First Mortgage Bonds secured by utility plant:	2021	2022	2023	2024	2025	Thereafter
Non-interest bearing	\$ 191	\$ 191	\$ 189	\$ 191	\$ 131	\$ 446
3.00% to 3.99% Series due 2029 to 2030	44	53	60	60	60	252
4.00% to 4.99% Series, due 2024 to 2031	175	184	194	203	107	525
5.00% to 5.99% Series, due 2037	-	-	-	-	-	3,800
6.00% to 6.99% Series, due 2036	-	-	-	-	-	6,000
<b>Total First Mortgage Bonds</b>	<b>410</b>	<b>428</b>	<b>443</b>	<b>454</b>	<b>298</b>	<b>11,023</b>
Unsecured affiliate debt:						
3.566% Series due 2029	-	-	-	-	-	37,504
3.57% Series due 2041	-	-	-	-	-	1,500
4.276% Series due 2049	-	-	-	-	-	46,881
<b>Total Unsecured Affiliate debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,885</b>
<b>Total</b>	<b>\$ 410</b>	<b>\$ 428</b>	<b>\$ 443</b>	<b>\$ 454</b>	<b>\$ 298</b>	<b>\$ 96,908</b>

The mortgage indenture as supplemented restricts the ability of the Company to declare dividends with respect to certain issues of the First Mortgage Bonds. As of December 31, 2020, approximately \$81,386 of reinvested earnings was free of such restrictions. The Company's loan agreements contain restrictions on minimum net assets. As of December 31, 2020, there were restrictions on \$72,825 in net assets of the total net assets \$109,139. The Company was in compliance with all applicable covenants as of December 31, 2020.

At December 31, 2020 and 2019, the Company had uncollateralized short-term lines of credit available totaling \$6,500 in both years. Funds borrowed under these lines are classified as loans payable and are used primarily for temporary financing of utility plant additions. As of December 31, 2020, and 2019, funds borrowed under these short-term lines of credit were \$0. The average borrowing under the lines was \$0 during 2020 and 2019. The maximum amount outstanding at the end of any one month was \$0 for 2020 and 2019.

In May 2020, the Company entered into a debt agreement with the Parent to borrow \$11,111 at an interest rate of 3.566%. The debt obligation is uncollateralized and matures in 2029.

In May 2020, the Company entered into a debt agreement with the Parent to borrow \$13,889 at an interest rate of 4.276%. The debt obligation is uncollateralized and matures in 2049.



AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

9. Fair Value of Financial Instruments

The carrying amount of current assets and liabilities that are considered financial instruments approximates their fair values as of the dates presented. The carrying amount of the Company's long-term debt, including current portion, as of December 31, 2020 and 2019 is \$98,941 and \$74,535, respectively. The estimated fair value of the Company's long-term debt as of December 31, 2020 and 2019 is \$123,221 and \$78,136, respectively. 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.

10. Employee Stock and Incentive Plan

The Company's employees participate in an Equity Compensation Plan sponsored by the Parent. Under the Essential Utilities, Inc. 2009 Omnibus Equity Compensation Plan, as approved by the Parent's shareholders 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 the Company's employees, non-employee directors, and consultants and advisors.

During 2019, the Parent granted stock options, which are based upon the common stock of the Parent. Options are exercisable in installments of 33% annually, starting one year from the date of the grant and expire 10 years from the date of the grant. The Parent determines the grant date fair value per stock option using the Black-Scholes option-pricing model.

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 Parent assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. Compensation expense recognized by the Parent is allocated to its subsidiaries based on actual employee costs. Since the Company is not obligated to reimburse Parent for stock-based compensation costs incurred, the Company records these liabilities resulting from compensation costs to paid-in capital.

For the year ended December 31, 2020, the Company's stock-based compensation related to stock options resulted in a benefit to operations and maintenance expense of \$1 and an income tax expense of \$0. For the year ended December 31, 2019, the Company's stock-based compensation related to stock options resulted in the following: operations and maintenance expense of \$3 and recorded an income tax benefit of \$1.

During 2020, the Parent granted performance share units ("PSU"). A PSU represents the right to receive a share of the Parent'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. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis through the respective vesting period, which is generally three years. The Parent assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. Compensation expense recognized by the Parent is allocated to its subsidiaries based on actual employee costs. During the year ended December 31, 2020, the Company recorded stock-based compensation related to PSUs as a component of operations and maintenance expense of \$12 and recorded an income tax benefit of \$3. During the year ended December 31, 2019, the Company recorded a benefit of stock-based compensation related to forfeiture of PSUs as a component of operations and maintenance expense of \$27 and recorded an income tax expense of \$6.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

10. Employee Stock and Incentive Plan (Continued)

During 2020 and 2019, the Parent granted restricted share units (“RSU”). A RSU represents the right to receive a share of the Parent’s common stock and are valued based on the fair market value of the Parent’s stock on the date of grant. RSUs are eligible to be earned at the end of a specified restriction 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 Parent assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. Compensation expense recognized by the Parent is allocated to its subsidiaries based on actual employee costs. During the year ended December 31, 2020, the Company recorded stock-based compensation related to awards of RSUs as a component of operations and maintenance expense of \$7 and recorded an income tax benefit of \$2. During the year ended December 31, 2019, the Company recorded a benefit of stock-based compensation related to forfeiture of RSUs as a component of operations and maintenance expense of \$2 and recorded an income tax expense of \$0.

11. Pension Benefits

The Company participates in a noncontributory qualified defined benefit pension plan sponsored by the Parent covering non-union employees hired prior to April 1, 2003 and select union employees. The eligibility of union employees is determined by the collective bargaining agreements covering those employees. Benefits under the plan are based on the participant's average compensation, defined as the beginning-of-year base rate of pay of the five consecutive years producing the highest average pay multiplied by the years of credited service not to exceed 35 years.

In August 2014, the Parent announced changes to the way it will provide future retirement benefits to employees acquired through a prior acquisition. Effective January 1, 2015, the Parent will provide future retirement benefits for these employees through its defined contribution plan. As a result, no further service will be considered in future accruals in the qualified defined benefit pension plan after December 31, 2014.

The funding amount for the Essential Utilities, Inc. Retirement Income Plan is determined each year based on the recommendation of management and subject to approval by the Parent’s Retirement and Employee Benefits Committee. The funding amount will be an amount greater than or equal to the minimum required contribution and less than or equal to the maximum tax-deductible contribution. The Company made cash contributions to the Parent’s plan of \$202 in 2020 and \$62 in 2019.

The Company’s policy is to recognize net periodic pension cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company recorded pension expense of \$135 and \$202 for 2020 and 2019, respectively.

12. Postretirement Benefits Other Than Pensions

The Company participates in a postretirement benefit plan sponsored by the Parent that provides medical and prescription drug benefits, or a cash contribution towards such benefits, and life insurance benefits. Employees may become eligible for these benefits after age 55 if they have completed at least twenty years of service or attaining age 62 with five years of service or age plus service greater than or equal to 95. Pre-65 plan benefits are self-insured by the Parent. Post-65 retirees who are eligible for Medicare receive Company contributions in the form of a premium reimbursement account.

The Company’s funding policy is to contribute the lower of the other postretirement benefits cost or the maximum amount allowed by the Internal Revenue Code. The Company recorded postretirement benefits other than pension credits of \$9 and \$4 for 2020 and 2019, respectively. The Company funded postretirement benefits other than pensions of \$0 in 2020 and \$0 in 2019. The Company’s policy is to recognize other postretirement benefit cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level.

AQUA NEW JERSEY, INC.  
Notes to Financial Statements  
(In thousands of dollars)  
Years ended December 31, 2020 and 2019

12. Postretirement Benefits Other Than Pensions (Continued)

The Parent has 401(k) savings plans, which are defined contribution plans and cover 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 certain other Company 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 \$220 and \$229 for 2020 and 2019, respectively.

13. Water and Wastewater Rates

In December 2018, the Company filed an application with the NJBPU requesting a \$7,202 or 18.7% increase in annual water revenues. Effective June 1, 2019, the NJBPU approved the rate filing designed to increase the Company's annual water revenues by \$5,000 or 13%.

In January 2020, the Company filed an application with the NJBPU requesting a \$1,089 or 22.2% increase in annual wastewater revenues. On December 2, 2020, the NJBPU approved the rate filing designed to increase the Company's annual wastewater revenues by \$500 or 10.2%. Rates are effective January 1, 2021.

14. Affiliated Company Transactions

The Company has service agreements with the Parent and subsidiaries of the Parent ("other affiliates"). The types of services rendered between these entities relate to general supervision and administrative functions, long-range planning, tax, accounting, financing, engineering, legal and other specialized support. Expenditures recorded for these services by the Parent amounted to \$5,525 and \$4,865 for 2020 and 2019, respectively. Of the \$5,525 recorded in 2020, \$2,550 have been recorded within Operations and maintenance expense and the remainder was recorded to capital. Of the \$4,865 recorded in 2019, \$3,058 have been recorded within Operations and maintenance expense and the remainder was recorded to capital.

The Company participates in the Parent's centralized treasury function. Under this arrangement, available cash is used to fund accounts payable due from the Company, and to pay-down accounts payable-affiliate, or would be reflected as amounts due from the Parent and other affiliates to the Company. The Company also has borrowing arrangements on long-term debt with the Parent, which is also reflected on the accompanying balance sheet as long-term debt-affiliate. Interest expense on long-term debt from Parent was \$3,025 and \$2,506 in 2020 and 2019, respectively.


Amounts owed to the Parent and other affiliates by the Company amounted to \$8,548 and \$11,725 at December 31, 2020 and 2019, respectively, which are reflected in the accompanying balance sheet.

In 2020, the Company recorded a return of capital to the Parent of \$25,000 related to the push down of affiliated long-term debt, which was partially offset by a non-cash capital contribution from the Parent of \$1,423. The Company received a non-cash capital contribution from the Parent of \$15,727 in 2019. These transactions are reported on the Statement of Common Stockholder's Equity. The non-cash capital contributions relate to the settlement of certain net inter-company payables due to the Parent or subsidiary of the Parent.

# **EXHIBIT E**

**PENNSYLVANIA DEPARTMENT OF STATE  
BUREAU OF CORPORATIONS AND CHARITABLE ORGANIZATIONS**

Return document by mail to:  
Esquire Assist, Ltd.  
Name  
Address  
City State Zip Code  
 Return document by email to: assist@esquireassist.com

Articles of Amendment  
Domestic Corporation  
DSCB:15-1915/5915 (rev. 7/2015)  
  
TCO200513JF0190

Read all instructions prior to completing. This form may be subm

Fee: \$70

Check one:  Business Corporation (§ 1915)     Nonprofit Corporation (§ 5915)

In compliance with the requirements of the applicable provisions (relating to articles of amendment), the undersigned, desiring to amend its articles, hereby states that:

1. The name of the corporation is:  
Essential Utilities, Inc.

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is:  
*(Complete only (a) or (b), not both)*

(a) Number and Street	City	State	Zip	County
<u>762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19087, Montgomery County</u>				
(b) Name of Commercial Registered Office Provider				County
<u>c/o:</u>				

3. The statute by or under which it was incorporated: Pennsylvania Business Corporation Law of 1933

4. The date of its incorporation: 11/14/1968  
(MM/DD/YYYY)

5. Check, and if appropriate complete, one of the following:  
 The amendment shall be effective upon filing these Articles of Amendment in the Department of State.  
 The amendment shall be effective on: \_\_\_\_\_ at \_\_\_\_\_  
Date (MM/DD/YYYY) Hour (if any)

PA DEPT. OF STATE

MAY 12 2020

6. Check one of the following:

The amendment was adopted by the shareholders or members pursuant to 15 Pa.C.S. § 1914(a) and (b) or § 5914(a).

The amendment was adopted by the board of directors pursuant to 15 Pa. C.S. § 1914(c) or § 5914(b).

7. Check, and if appropriate complete, one of the following:

The amendment adopted by the corporation, set forth in full, is as follows

\_\_\_\_\_

\_\_\_\_\_

The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

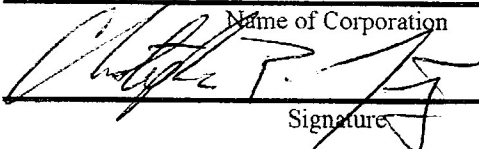
8. Check if the amendment restates the Articles:

The restated Articles of Incorporation supersede the original articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this

12<sup>th</sup> day of May, 2020

Essential Utilities, Inc.  
Name of Corporation

  
Signature

Christopher Luning, Executive Vice President, General  
Title Counsel and Secretary

**ESSENTIAL UTILITIES, INC.**

**AMENDED AND RESTATED ARTICLES OF INCORPORATION  
(as of May 12, 2020)**

**ARTICLE I  
NAME**

The name of the Corporation is Essential Utilities, Inc.

**ARTICLE II  
ADDRESS OF REGISTERED OFFICE**

The location and address of the registered office of the Corporation in this Commonwealth is 762 West Lancaster Avenue, Bryn Mawr, Montgomery County, Pennsylvania, 19010.

**ARTICLE III  
PURPOSE**

The purpose or purposes for which the Corporation is incorporated under the Pennsylvania Business Corporation Law of 1933, as amended, are to engage in, and to do any lawful act concerning, any or all lawful business for which corporations may be incorporated under said Business Corporation Law, including but not limited to, manufacturing, processing, owning, using and dealing in personal property of every class and description, engaging in research and development, furnishing services, and acquiring, owning, using and disposing of real property of any nature whatsoever.

**ARTICLE IV  
CAPITAL STOCK**

**4.01** The aggregate number of shares which the Corporation shall have authority to issue is 601,770,819 shares, divided into 600,000,000 shares of Common Stock, par value \$.50 per share, and 1,770,819 shares of Series Preferred Stock, par value \$1.00 per share. The Board of Directors shall have the full authority permitted by law to fix by resolution full, limited, multiple or fractional, or no voting rights, and such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights, and other special or relative rights of any class or any series of any class that may be desired. Any or all classes and series of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby until the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates. The rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

**4.02 Series A Preferred Shares.** The first series of the Series Preferred Stock, par value \$1.00 per share, shall consist of 100,000 shares and shall be designated as Series A Junior Participating Preferred Shares (the "Series A Preferred Shares").

**4.02 (a) Dividends and Distributions.**

(1) The rate of dividends payable per share of Series A Preferred Shares on the first day of January, April, July and October in each year or such other quarterly payment date as shall be specified by the Board of Directors (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of the Series A Preferred Shares, shall be (rounded to the nearest cent) equal to the greater of (i) \$10.00 or (ii) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in cash, based upon the fair market value at the time the non-cash dividend or other distribution is declared or paid as determined in good faith by the Board of Directors) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, \$.50 par value, of the Corporation since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of the Series A Preferred Shares. Dividends on the Series A Preferred Shares shall be paid out of funds legally available for such purpose. In the event the Corporation shall at any time after February 19, 1988 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amounts to which holders of Series A Preferred Shares were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(2) Dividends shall begin to accrue and be cumulative on outstanding Series A Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series A Preferred Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.



**4.02 (b) Voting Rights.** In addition to any other voting rights required by law, the holders of Series A Preferred Shares shall have the following voting rights:

(1) Subject to the provision for adjustment hereinafter set forth, each Series A Preferred Share shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of Series A Preferred Shares were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(2) Except as otherwise provided herein, in the articles of the Corporation or by law, the holders of Series A Preferred Shares and the holders of Common Stock (and the holders of shares of any other series or class entitled to vote thereon) shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

**4.02(c) Reacquired Shares.** Any Series A Preferred Shares purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Series Preferred Stock and may be reissued as part of a new series of Series Preferred Stock to be created by resolution or resolutions of the Board of Directors.

**4.02(d) Liquidation, Dissolution or Winding Up.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series A Preferred Shares shall be entitled to receive the greater of (a) \$100.00 per share, plus accrued dividends to the date of distribution, whether or not earned or declared, or (b) an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount to which holders of Series A Preferred Shares were entitled immediately prior to such event pursuant to clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

**4.02(e) Consolidation, Merger, etc.** In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the Series A Preferred Shares shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind),

as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Shares shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

**4.02(f) No Redemption.** The Series A Preferred Shares shall not be redeemable.

**4.02(g) Ranking.** The Series A Preferred Shares shall rank junior to all other series of the Corporation's Series Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

**4.02(h) Fractional Shares.** Series A Preferred Shares may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Shares.

**4.03 Series B Preferred Shares.** The second series of the Series Preferred Stock, par value \$1.00 per share, shall consist of 32,200 shares and shall be designated as the Series B Preferred Stock.

**4.03(a) Designation.** The shares of such series of Preferred Stock shall be designated as "Series B Preferred Stock."

**4.03(b) Authorized Number.** The number of shares constituting the Series B Preferred Stock shall be 32,200 shares.

**4.03(c) Dividends.** Beginning on March 1, 1997, and on each June 1, September 1, December 1 and March 1 thereafter, the holders of shares of Series B Preferred Stock shall be entitled to receive a quarterly dividend in arrears equal to \$1.5125 per share of Series B Preferred Stock (as adjusted for any stock dividends, combinations or splits with respect to such shares) out of funds legally available for such purchase. Such dividends shall be payable only when, as and if declared by the Board of Directors, provided that quarterly dividends that are not so paid shall be cumulative, and accumulations of dividends shall bear interest at the rate of 6.05% per annum. No dividend or other distribution shall be declared or paid (other than dividends payable in shares of common stock of the Corporation, par value \$.50 per share (the "Common Stock") or options to purchase or rights to subscribe for Common Stock, or securities by their terms convertible into or exchangeable for Common Stock, or options to purchase or rights to subscribe for such convertible or exchangeable securities, provided that such securities rank junior to the Series B Preferred Stock with respect to the payment of dividends and liquidation proceeds) on any shares of the Corporation's capital stock ranking junior to the Series B Preferred Stock as to payment of dividends unless all dividends on the Series B Preferred Stock

accrued for all past quarterly dividend periods shall have been paid and the full dividend thereon for the current dividend period shall be paid or declared and set apart for payment. The Corporation's Series B Preferred Stock shall rank senior to its Series A Preferred Stock and its Common Stock with respect to the right to receive dividends and other distributions.

**4.03(d) Rights on Liquidation, Dissolution, Winding-Up.**

(1) In the event of any liquidation, dissolution or winding-up of the affairs of the Corporation (collectively, a "Liquidation"), whether voluntary or involuntary, before any payment of cash or distribution of other property is made to the holders of the Common Stock or any other class or series of shares ranking on Liquidation junior to the Series B Preferred Stock, the holders of Series B Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available for distribution to its shareholders, an amount per share (rounded to the nearest \$0.01 equal to the Liquidation Preference (as defined below), plus an amount equal to any accrued but unpaid cumulative dividends and any interest accrued thereon. The Liquidation Preference shall be equal to \$100.00 per share (as adjusted for any stock dividends, combinations or splits with respect to such shares).

(2) If upon the occurrence of any Liquidation, whether voluntary or involuntary, the assets and funds to be distributed among holders of Series B Preferred Stock and any other class or series of stock ranking equal to the Series B Preferred Stock as to distribution of assets upon Liquidation shall be insufficient to permit the payment to the holders of the preferential amounts described in Section 4.03 (d)(1), then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among holders of Series B Preferred Stock and any other class or series of stock ranking equal to the Series B Preferred Stock as to distribution of assets upon Liquidation in accordance with the sums that would be payable on such distribution if all sums payable thereon to holders of all shares of such classes or series were paid in full.

(3) If upon the occurrence of any liquidation, the assets and funds thus distributed among holders of Series B Preferred Stock shall be sufficient to permit the payment to such holders of the preferential amounts described in 4.03(d)(1), then the holders of shares of Series B Preferred Stock shall be entitled to no further participation in the distribution of the assets of the Corporation and any remaining net assets of the Corporation may be distributed to the holders of Common Stock and any other class or series of stock ranking junior to the Series B Preferred Stock as to the distribution of assets upon Liquidation in accordance with their relative liquidation preferences. Written notice of such liquidation, dissolution or winding up, stating a payment date, the amount of the Liquidation payments and the place where said Liquidation payments shall be payable, shall be given by mail, postage prepaid, not less than 30 days prior to the payment date stated therein, to the holders of record of Series B Preferred Stock, such notice to be addressed to each such holder at his post office address as shown by the records of the Corporation.

(4) Except as provided in 4.03(e), a consolidation or merger of the Corporation into or with any other corporation or corporations shall not be deemed to be a liquidation, dissolution or winding up of the Corporation within the meanings of the provisions of 4.03(d).

(5) The Company's Series B Preferred Stock shall rank senior to its Series A Preferred Stock with respect to the right to the distribution of the Company's assets upon liquidation.

**4.03(e) Merger, Consolidation, etc.** The Corporation shall give notice to each holder of Series B Preferred Stock at least 20 days prior to the effective date of (i) any consolidation or merger of the Corporation with or into any other corporation or corporations (other than a merger or consolidation in which the holders of Series B Preferred Stock receive securities of the surviving corporation having substantially similar rights to the Series B Preferred Stock and in which the shareholders of the Corporation immediately prior to the transaction will be the holders of at least a majority of the voting securities of the surviving corporation immediately after the transaction); (ii) a sale, conveyance or disposition of all or substantially all of the assets of the Corporation; or (iii) the effectuation by the Corporation of a transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of. The holders of a majority of the Series B Preferred Stock shall be entitled, by electing prior to the effective date of any of the foregoing types of transactions, to require the Corporation to treat any such transaction as if it were a Liquidation and to cause the proceeds of such transaction, or any property deliverable from such transaction to be distributed among the shareholders as if such transaction were a Liquidation.

**4.03(f) Protective Provisions.** So long as any shares of Series B Preferred Stock shall remain outstanding, the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of Series B Preferred Stock at the time outstanding adopt any amendment to its Articles of Incorporation which would adversely affect in any material respect the rights or preferences of shares of the Series B Preferred Stock as set forth in this Statement of Designation.

**4.03(g) Conversion.** The Series B Preferred Stock shall not be convertible into any other class or series of capital stock of the Corporation.

**4.03(h) Redemption.**

(1) The Series B Preferred Stock shall not be redeemable by the Corporation prior to November 30, 2001. Thereafter, up to 20% of the number of the number of shares of Series B Preferred Stock originally issued may be called for redemption by the Corporation, in whole or in part, each year starting on December 1, 2001 (the "Redemption Date"), upon 30 days prior written notice, by the payment therefor of an amount per share (rounded to the nearest \$0.01) equal to the sum of (i) the Liquidation Preference and (ii) all accumulations of accrued and unpaid dividends on such outstanding shares of Series B Preferred Stock (together with any accrued interest thereon) through the date of redemption (such amount, the "Redemption Price"). The Corporation's right to redeem shall be cumulative, such that any shares the Corporation has a right to redeem in one year that are not so redeemed, may be redeemed by the Corporation in a subsequent year. At the election of the holders of the Series B Preferred Stock called for redemption by the Corporation, the Redemption Price may be paid in cash or by the delivery of a promissory note of the Corporation in substantially the form approved by the Board of Directors (the "Note"). The election by the holders of the shares being redeemed shall be made by written

notice to the Corporation no less than 15 days prior to the Redemption Date, otherwise the Corporation may elect to pay the Redemption Price in cash.

(2) The Series B Preferred Stock shall not be called for redemption by the holders prior to December 1, 1998. Thereafter, the Series B Preferred Stock may be called for redemption, in whole or in part, by such holders, and thereupon shall be redeemed for cash by the Corporation, upon 30 days prior written notice, from such holders at a per share price equal to the Redemption Price.

(3) Shares of Series B Preferred Stock are not subject to or entitled to the benefit of a sinking fund.

(4) Shares of Series B Preferred Stock that are redeemed shall be canceled and shall not be reissuable by the Corporation and the Articles of Incorporation of the Corporation shall be appropriately amended to effect a corresponding reduction in the Corporation's authorized capital stock.

(5) If notice of redemption as provided in Section 4.03 (h) (1) above shall have been duly given or if the Corporation shall have given to the bank or trust company hereinafter referred to irrevocable authorization promptly to give such notice, and if on or before the Redemption Date specified therein the Corporation shall have either deposited the funds necessary for such redemption with, or delivered a Note in the amount of the applicable Redemption to, such bank or trust company in trust for the benefit of the holders of the shares called for redemption, then, notwithstanding that any certificates for shares so called for redemption shall not have been surrendered for cancellation, from and after the Redemption Date, all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest. Any interest accrued on such funds shall be paid to the Corporation from time to time. The aforesaid bank or trust company shall be organized and in good standing under the laws of the United States of America, or the Commonwealth of Pennsylvania, shall be doing business in Pennsylvania, and shall be identified in the notice of redemption. Any funds so set aside or deposited, as the case may be, and unclaimed at the end of two years from such Redemption Date shall, to the extent permitted by law, be released or repaid to the Corporation, after which repayment the holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

## ARTICLE V MANAGEMENT

### 5.01 Board of Directors

5.01(a) (1) Number; Term. The Board of Directors of the Corporation shall consist of such number of directors as shall be fixed from time to time by resolution of the Board adopted by a vote of three-quarters of the entire Board of Directors. Cumulative voting for directors shall not be permitted. Directors shall be elected at each annual meeting of shareholders, each elected director to serve for a term of one-year and until his or her successor is duly elected and

qualified, in the manner provided in the Bylaws or, in order to fill any vacancy on the Board of Directors, in the manner provided in the Bylaws.

(2) Election of Directors.

(i) In an election of directors that is not a contested election, each director shall be elected by the vote of the majority of the votes cast with respect to that director. For the purposes of this Article V, a majority of the votes cast means that the number of votes cast “for” a nominee must exceed the number of votes cast “against” that nominee.

(ii) In a contested election of directors, the candidates receiving the highest number of votes, up to the number of directors to be elected in such election, shall be elected. Shareholders shall not have the right to vote against a nominee in a contested election of directors.

(iii) For purposes of this Article V, a contested election is one in which the number of candidates exceeds the number of directors to be elected. The number of candidates for an election shall be determined in accordance with these Articles of Incorporation, the Bylaws, including any advance notice provisions of each, and applicable law.

(iv) If an incumbent director who is a candidate for re-election is not elected, the director shall be deemed to have tendered his or her resignation to the Board.

**5.01(b) Qualifications.** Directors of the Corporation need not be residents of Pennsylvania or Shareholders. No person shall be appointed or elected a director of the Corporation unless:

(1) such person is elected to fill a vacancy in the Board of Directors (including any vacancy resulting from any increase in the authorized number of directors) by a vote of a majority of the entire Board of Directors, and any director so elected shall hold office until the next election of directors and until a successor shall have been elected and qualified; or

(2) the name of such person, together with such consents and information concerning present and prior occupations, transactions with the Corporation or its subsidiaries and other matters as may at the time be required by or pursuant to the Bylaws, shall have been filed with the Secretary of the Corporation no later than a time fixed by or pursuant to the Bylaws immediately preceding the annual or special meeting at which such person intends to be a candidate for director.

**5.01(c) Removal of Directors.** Directors of the Corporation may be removed without cause by vote of the shareholders only if authorized in the manner provided in Section 5.05 (b). No decrease or increase in the size of the Board shall shorten or otherwise affect the term of any incumbent director.

**5.02 Bylaws.** Bylaws may be adopted, amended or repealed by the Board of Directors to the full extent permitted by law.

**5.03 Special Meetings.** A special meeting of shareholders may be called by the President, the Board of Directors, or shareholders entitled to cast a majority of the votes, which all shareholders

are entitled to cast at the particular meeting or by such other officers or persons as may be provided in the Bylaws.

**5.04** Amendment of Articles. Any amendment of the Articles of Incorporation may be proposed by either the Board of Directors or by the shareholders. An amendment initiated by the shareholders shall be proposed only by a petition of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast thereon, setting forth the proposed amendment, which petition shall be directed to and filed with the Board of Directors.

**5.05** Fundamental and Other Transactions.

**5.05(a)** Shareholder Authorization of Corporate Action Recommended by Management. Whenever any corporate action, other than the election of directors, is to be taken by vote of the Shareholders on recommendation of a vote of a majority of the entire Board of Directors, the proposed corporate action, including a Fundamental Transaction (as defined in Section 5.06), shall be authorized upon receiving the minimum vote required for the authorization of such action by statute, after taking into account the express terms of any class or any series of any class of shares of the Corporation with respect to such vote.

**5.05(b)** Shareholder Authorization of Other Corporate Action. Except as provided in Section 5.05 (a), whenever any corporate action, other than the election of directors, is to be taken by vote of the shareholder, the proposed corporate action, including a Fundamental Transaction (as defined in Section 5.06), shall be authorized only upon receiving at least three-quarters of the vote which all voting shareholders, voting as a single class, are entitled to cast thereon and, in addition, the affirmative vote of the number or proportion of shares of any class or any series of any class of shares of the Corporation, if any, as shall at the time be required by the express terms of any such class or series of shares of the Corporation.

**5.06** Fundamental Transactions Defined. For the purposes of this Article V, the term “Fundamental Transaction” shall mean:

**5.06(a)** Any of the following, if such action is effected by vote of the shareholders: amendment of the Articles of Incorporation; adoption, amendment or repeal of the Bylaws; a change in the number of directors constituting the entire Board of Directors; or removal of one or more directors; or

**5.06(b)** Any of the following, if any such transaction requires the approval of the shareholders under the Articles of Incorporation of the Corporation as then in effect or the Business Corporation Law as then in effect with respect to the Corporation: the sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation; the issuance in a single or one or more related transactions of voting shares of the Corporation sufficient to elect a majority of the directors of the Corporation; or the merger, consolidation, division, reorganization, recapitalization, dissolution, liquidation or winding up of the Corporation.


**5.07** Series Preferred Stock Provisions. The provisions of Sections 5.01, 5.03 and 5.04 shall be subject to the express terms of any class or series of any class of the Corporation.

**ARTICLE VI  
MISCELLANEOUS**

**6.01** Reservation of Right to Amend. Subject to the provisions of Article V hereof, the Corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by the statute, and all rights conferred upon Shareholders herein are granted subject to this reservation.



**PENNSYLVANIA DEPARTMENT OF STATE  
BUREAU OF CORPORATIONS AND CHARITABLE ORGANIZATIONS**

<p>Esquire Assist, Ltd. Return document by email to: assist@esquireassist.com</p>	<p>Articles of Incorporation - For Profit DSCB 15-1306/2102/2303/2702/2903/3101/3303/7102 (rev 2/2017)</p>  <p>TML210701JD1687</p>
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Read all instructions prior to completing. This form may be sul

Fee: \$125  I qualify for a veteran/reservist-owned small business fee exemption (see instructions)

Check only one:  Business-stock (§ 1306)  Management (§ 2703)  Benefit (§ 3303)  
 Business-nonstock (§ 2102)  Professional (§ 2903)  Cooperative (§ 7102)  
 Business-statutory close (§ 2303)  Insurance (§ 3101)

In compliance with the requirements of the applicable provisions (relating to corporations and unincorporated associations), the undersigned, desiring to incorporate a corporation for profit, hereby states that:

1. The name of the corporation (*corporate designator required, i.e., "corporation," "incorporated," "limited," "company," or any abbreviation thereof. "Professional corporation" or "P.C." permitted for professional corporations*):  
 Aqua Water Holdings, Inc.

2. Complete part (a) or (b) – not both:

(a) The address of this corporation’s proposed registered office in this Commonwealth is:  
*(post office box alone is not acceptable)*  
 762 W. LANCASTER AVE., BRYN MAWR, PA, 19010 DELAWARE COUNTY

Number and Street	City	State	Zip	County
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(b) The name of this corporation’s commercial registered office provider and the county of venue is:  
 c/o:  
 Name of Commercial Registered Office Provider County

3. The corporation is incorporated under the provisions of the Business Corporation Law of 1988.

4. Check and complete one:  
 The corporation is organized on a nonstock basis.  
 The corporation is organized on a stock share basis and the aggregate number of shares authorized is:  
 1,000, par value \$0.01

**PA DEPT OF STATE**

**JUN 22 2021**

DSCB:15-1306/2102/2303/2702/2903/3101/3303/7102 - 2

5. The name and address, including number and street, if any, of each incorporator (*all incorporators must sign below*):

Name	Address
Christopher P. Luning	762 W. LANCASTER AVE., BRYN MAWR, PA, 19010

6. The specified future effective date, if any: \_\_\_\_\_  
month/day/year hour, if any

7. Additional provisions of the articles, if any, attach an 8½ by 11 sheet.

SEE ATTACHED

8. *Statutory close corporation only*: Neither the corporation nor any shareholder shall make an offering of any of its shares of any class that would constitute a "public offering" within the meaning of the Securities Act of 1933 (15 U.S.C. § 77a et seq.)

9. *For Cooperative Corporation Only*.  
*Check and complete one:*

The corporation is a cooperative corporation and the common bond of membership among its members is: \_\_\_\_\_.

The corporation is a cooperative corporation and the common bond of membership among its shareholders is: \_\_\_\_\_.

10. *Benefit corporations only*: This corporation shall have the purpose of creating general public benefit.

Strike out if inapplicable: This corporation shall have the purpose of creating the enumerated specific public benefit(s): \_\_\_\_\_

IN TESTIMONY WHEREOF, the incorporator(s) has/ have signed these Articles of Incorporation this

22nd day of June, 2021.

DocuSigned by:  
*Christopher P. Luning*  
Christopher P. Luning

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

**ATTACHMENT TO**  
**ARTICLES OF INCORPORATION**  
**OF**  
**AQUA WATER HOLDINGS, INC.**

Additional provisions are as follows:

**ARTICLE VI**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Pennsylvania Business Corporation Law of 1988, as amended, the ("PABCL") and its existence shall be perpetual.

**ARTICLE VII**

A. The management of the business and the conduct of the affairs of the Corporation shall be vested in its board of directors (the "Board"). The number of directors that shall constitute the whole Board shall be fixed by the Board in the manner provided in the Bylaws.

B. Directors shall be elected at each annual meeting of shareholders to hold office until the next annual meeting. Each director shall hold office either until the expiration of the term for which elected or appointed and until a successor has been elected and qualified, or until such director's death, resignation or removal.

C. Subject to any limitations imposed by applicable law, the Board or any director may be removed from office at any time, with or without cause, by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors.

D. The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the corporation. The shareholders shall also have power to adopt, amend or repeal the Bylaws of the corporation; *provided, however*, that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by these Articles of Incorporation, such action by shareholders shall require the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

E. Unless and except to the extent that the bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

**ARTICLE VIII**

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law. If the PABCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the PABCL, as so amended.

B. To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Corporation (and any other persons to which applicable law permits the Company to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of shareholders or disinterested directors or otherwise in excess of the indemnification and advancement otherwise permitted by such applicable law.

C. Any repeal or modification of this Article VIII shall only be prospective and shall not affect the rights or protections or increase the liability of any officer or director under this Article VIII in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

#### ARTICLE IX

The Corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation, in the manner now or hereinafter prescribed by statute, as limited herein, and all rights conferred upon shareholders herein are granted subject to this reservation.

# **EXHIBIT F**

## **Service Company Agreement**

# Agreement

Agreement dated as of January 1, 2014, between Aqua Services, Inc. a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 762 W. Lancaster Avenue, Bryn Mawr, PA 19010 (hereinafter “Service Company”), and Aqua New Jersey, Inc. located at 10 Black Forest Road, Hamilton, New Jersey 08691 (hereinafter referred to individually as “Aqua New Jersey”), and collectively hereinafter referred to jointly as the “Parties” or individually as a “Party”.

## RECITALS

1. WHEREAS, both Service Company and Aqua New Jersey are direct or indirect subsidiaries of Aqua America, Inc., a Pennsylvania corporation (hereinafter “Aqua America”); and
2. WHEREAS, Aqua New Jersey has been organized for and is presently engaged in the business of providing potable water and/or wastewater services as a public utility in the State of New Jersey; and
3. WHEREAS, Service Company maintains an organization whose officers and employees are familiar with the water and wastewater utility business, including the business and operations Aqua New Jersey, and have experience and expertise in management, financing, accounting, customer services, legal affairs, engineering, rates and regulatory matters and the operation of water and wastewater utilities. The officers and employees of Service Company are qualified to aid, assist and advise Aqua New Jersey in its business operations through the services to be performed under this Agreement; and
4. WHEREAS, Aqua New Jersey is entering in to this Agreement with Service Company to specifically define the types of services available to it as set forth in Exhibit A hereto and made a part hereof; and

5. WHEREAS, Service Company has entered or proposes to enter to enter into agreements similar to this agreement with other affiliated water companies that are direct or indirect subsidiaries of Aqua America (hereinafter collectively “Water Companies”); and
6. WHEREAS, Service Company may engage or subcontract with other companies or persons, including their affiliated companies, to provide portions of the services hereunder; and
7. WHEREAS, the services to be rendered under this Agreement are to be rendered by Service Company to Aqua New Jersey at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, Service Company and Aqua New Jersey agree as follows:

**ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED**

1.1 During the term of this agreement as set forth in Article V and upon the terms and conditions hereinafter set forth, Service Company will provide corporate management services for Aqua New Jersey. In addition to the management services provided by the officers and employees of Service Company, the officers and employees of Service Company shall furnish to Aqua New Jersey the Accounting, Administration, Communication, Corporate Secretarial, Customer Services, Engineering, Financial, Human Resources, Information Services, Operation, Rates and Regulatory, Risk Management, Water Quality, Legal, Purchasing and Fleet Services as set forth on Exhibit A attached hereto, together with such other services as Aqua New Jersey and Service Company may agree; provided, however, that Aqua New Jersey may perform any such services with its own personnel or engage another company or person to provide those services on its behalf. Service Company may engage or subcontract with another company or person to provide such services on its behalf. If Service Company engages other affiliates of Aqua America to provide any of the services hereunder, such services shall be charged to Aqua New Jersey on the same basis as the services provided by the Service



Company.

1.2 Service Company shall employ qualified officers and employees to provide the services hereunder and those persons shall be available to serve as officers of Aqua New Jersey.

## **ARTICLE II. PAYMENT FOR SERVICES**

2.1 In consideration for the services to be rendered by Service Company as herein provided, Aqua New Jersey agrees to pay to Service Company the cost of the services provided to it, determined as provided in this Article II and in Article III.

2.2 The costs for service rendered by Service Company personnel directly for Aqua New Jersey shall be charged to Aqua New Jersey based on such personnel's time sheets. The costs of services to Aqua New Jersey that are rendered in common with similar services to other Water Companies which cannot be identified and related exclusively to services rendered to a particular New Jersey Water Company, shall be allocated among all Water Companies so served, or, in the case of costs with respect to services rendered to a particular group of Water Companies (including New Jersey Water Companies), among the members of such group, based on the ratio of the number of customers served at the immediately preceding year end by Aqua New Jersey to the total number of customers served at the immediately preceding calendar year end by such Water Companies or group of Water Companies. For purposes of this calculation, any customer of Aqua New Jersey that receive both water and wastewater service from Aqua New Jersey, shall be counted as 1.5 customers.

2.3 The amount for a Service Company employee's costs to be billed shall be computed on the employee's total labor rate, including base pay and other compensation, payroll taxes and fringe benefits (calculated on a per hour basis), plus a general overhead factor as set forth in Article III.

2.4 All direct expenses of Service Company incurred in connection with services rendered by Service Company which can reasonably be identified and related exclusively to Aqua New Jersey, shall be charged directly to Aqua New Jersey.

### **ARTICLE III. ALLOWANCE FOR OVERHEAD**

3.1 In determining the cost for services rendered by the Service Company to Aqua New Jersey as herein provided, there shall be added to the base pay rate of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the overhead of Service Company, as defined below, allocable to each such officer or employee. The overhead shall be calculated each year and shall be based on the ratio of the total overhead of the Service Company for the year to the total salaries of the employees for whose service charges are to be made to the Water Companies, including Aqua New Jersey. No general overhead or other markups by the Service Company shall be added to costs incurred for services of consultants or other third parties employed by Service Company.

3.2 The term “overhead” shall include, but not limited to:

- (a) building costs, lease costs, depreciation, utilities, and other costs associated with office space and equipment, and
- (b) taxes other than payroll taxes.

### **ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS**

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Aqua New Jersey for all amounts due from Aqua New Jersey for services and expenses for such month, computed pursuant to Article II and Article III. Alternatively, Service Company may require any other affiliated company from which it procures services for Aqua New Jersey to bill Aqua New Jersey for such services and related expenses on the same basis as set forth in Articles II and Articles III. Such bills shall be in sufficient detail to show the charge for each service rendered. All amounts shall be paid by Aqua New Jersey within thirty (30) days after the Water Company’s receipt of the bill.

4.2 Service Company agrees to keep its book and records, and to require any other affiliated company providing services to Aqua New Jersey hereunder to keep their books and records, available at

all times for inspection by representatives of Aqua New Jersey or by regulatory bodies having jurisdiction over Aqua New Jersey during normal business hours and upon reasonable advance notice.

4.3 Service Company shall at any time, upon request of Aqua New Jersey, furnish any and all information required by Aqua New Jersey with respect to the services rendered by Service Company or any affiliated companies hereunder, the costs thereof, and the allocation of such costs among the Water Companies.

#### **ARTICLE V. TERM OF AGREEMENT**

5.1 This Agreement shall become effective as of the later of (a) the date first set forth above or (b) the date the parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction over this agreement. Upon becoming effective, this Agreement shall supersede all prior agreements, written or oral, or shall terminate on the date this Agreement becomes effective. This Agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto thirty (30) day's notice in writing; provided, however, that this Agreement shall terminate as of the date Aqua New Jersey or Service Company ceases to be an affiliate of Aqua America.

5.2 Upon termination of the Agreement without cause by Aqua New Jersey, Service Company shall continue to provide services to Aqua New Jersey at Aqua New Jersey's request for a period of no more than sixty (60) days from and after the effective date of the termination to facilitate Aqua New Jersey's transition to another service provider. Such transition shall be provided on the same terms and conditions as set forth in this Agreement, including compensation.

#### **ARTICLE VI. BREACH**

6.1 Either Party to the Agreement may terminate this Agreement upon material breach by the other Party. The non-breaching Party shall provide written notice of such breach to the other Party by certified mail, setting forth in detail the alleged failure and/or deficiency. If such breach is not corrected

by the breaching Party within thirty (30) days from receipt of written notice by certified mail, this Agreement shall thereupon terminate.

#### **ARTICLE VII. OTHER AGREEMENTS**

7.1 It is understood by Aqua New Jersey that Service Company has entered or may enter into similar agreements with other Water Companies that are affiliated with Aqua America to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

#### **ARTICLE VIII. INFORMATION EXCHANGE**

8.1 Aqua New Jersey shall provide such information as required by Service Company for Service Company to perform its obligations hereunder. Service Company agrees on behalf of it and its employees and contractors that it will maintain such information as confidential and not disclose such information third parties. Service Company's obligation of confidentiality will not apply to information which (a) is or becomes available to the public other than as a result of a disclosure by Service Company or its employees or contractors, (b) was in Service Company's possession and obtained on a non-confidential basis prior to its disclosure by Aqua New Jersey or (c) becomes available to the Service Company on a non-confidential basis from a person or entity other than Aqua New Jersey who Service Company does not know or have reason to know is under an obligation of confidentiality to Aqua New Jersey.

#### **ARTICLE IX. GENERAL PROVISIONS**

9.1 JOINT OBLIGATIONS OF THE PARTIES. Service Company and Aqua New Jersey agree to cooperate in all matters that are the subject of this Agreement.

9.2 ARBITRATION. It is the stated purpose and goal of both Parties at all times to resolve any disputes and reach agreements by good faith negotiation between the Parties, without recourse to arbitration or other legal actions. In the event, however, than any such dispute cannot be settled through

negotiation, either Party may request that the matter(s) in dispute be referred to arbitration. The demand for arbitration must be submitted to the American Arbitration Association within sixty (60) calendar days after the date of such request, in which case the arbitration shall be conducted at a mutually agreed upon location, in accordance with the rules and procedures then existing under the Commercial Arbitration rules of the American Arbitration Association, provided that notwithstanding anything to the contrary contained in such Rules the following shall apply: The arbitration board shall consist of a single arbitrator. The Parties shall endeavor to agree upon the single arbitrator. If the Parties fail to agree on a single arbitrator within twenty (20) business days, the arbitrator shall be selected by the American Arbitration Association or otherwise in accordance with such Rules. After the appointment of the arbitrator, the arbitrator shall meet as necessary for the purpose of reaching a determination in the dispute, and the decision of the arbitrator, submitted in writing, to the Parties shall be final and binding upon both Parties. Judgment upon any decision rendered by arbitrator may be entered in any court having jurisdiction. Each Party shall bear the expense of its own witnesses, and the expenses of the arbitrator and any general expenses of the arbitration shall be borne equally by the Parties.

9.3 FORCE MAJEURE. Neither Party will be in default or otherwise liable for any delay in or failure of its performance hereunder due to any act of God, adverse weather condition, fire, flood, riot, strike, terrorism, accident, war, governmental requirement, inability to secure materials, labor or transportation, cable cut or other cause beyond the reasonable control of the affected party.

9.4 STANDARD OF CARE. Service Company shall perform its services with that degree of care, diligence and professional skill and judgment which is normally exercised by professionals in its industry. Except as otherwise expressly set forth in this Agreement, Service Company makes no warranties, representations or other agreements, expressed or implied with respect to this Agreement and the services provided hereunder. Service Company's entire liability to Aqua New Jersey for any claim, loss, expense or damage under this Agreement, including any claims for special, incidental,

consequential, indirect or punitive damages shall in no event exceed the sums actually paid by Aqua New Jersey to Service Company during the most recent calendar year.

9.5 ASSIGNMENT. Neither party may assign this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld.

9.6 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

9.7 INDEMNIFICATION.

9.7.1 To the extent allowed by law, Service Company shall defend, indemnify and hold harmless Aqua New Jersey, its officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suite and actions (including reasonable attorney's fees), for personal injury, including death, property damage or other injury, to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Service Company or its officers, employees, agents, contractors, and subcontractors in connection with services provided pursuant to the terms of this Agreement.

9.7.2 To the extent allowed by law, Aqua New Jersey shall defend, indemnify and hold harmless Service Company, is officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suit and actions (including reasonable attorney's fees), for personal injury, including death, property damage or other injury, to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Aqua New Jersey or its officers, employees, agents, contractors, and subcontractors in connection with services provided pursuant to the terms of this Agreement.

9.8 SEVERABILITY. Each provision of the Agreement is severable from the whole, and if one

provision is declared invalid, the other provisions shall remain in effect.

9.9 NO WAIVER. Failure by a party to enforce any provision of this Agreement, or the waiver thereof in any instance, shall not be construed as a general waiver of rights.

9.10 NOTICES. Any notice given or made pursuant to this Agreement will be effective only if in writing and delivered in person, by messenger, by overnight delivery, or by certified mail, return receipt to a Party at the address first written above.

9.11 COMPLETE AGREEMENT. The terms of this Agreement constitute the entire agreement between the Parties concerning the subject matter hereof, and this Agreement may be modified only in a writing signed by both Parties.

9.12 TITLES AND HEADINGS. Titles and headings to sections or paragraphs herein are inserted merely for convenience of reference and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

9.13 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Service Company and Aqua New Jersey have caused this Agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, as of the day and year first above written.

AQUA NEW JERSEY, INC.

By: Nicholas Conditto

Title: PRESIDENT

AQUA SERVICES, INC.

By: Christy P. J.

Title: Sr. Vice President, General Counsel



## EXHIBIT A

To

### SERVICE AGREEMENT

Without limitation, services to be provided by the Service Company will include the following:

A. Accounting and Financial Services: Service Company will assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulation of governmental authorities having jurisdiction over Aqua New Jersey and will review Aqua New Jersey's monthly financial reports, annual reports and other reports, including those to any governmental authorities. The Service Company will advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. The Service Company will assist in the maintenance of accounting records as required by Aqua New Jersey. When appropriate, Service Company will cooperate and consult with Aqua New Jersey's independent certified public accountants. Service Company will provide assistance to Aqua New Jersey in the preparation of all financial reports. The Service Company will also provide services related to accounts payable, payroll, consolidation, SEC reporting/filing, budgeting and long-range planning.

Service Company will assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company will prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Aqua New Jersey.

B. Administration: Service Company will make qualified employees available to perform or assist in the performance of Aqua New Jersey's corporate activities. Those employees will keep

themselves informed on Aqua New Jersey's operations. They will make recommendations to Aqua New Jersey for operating expenditures and for additions to and improvements of property, plant and equipment. They will keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Aqua New Jersey and advise Aqua New Jersey of such developments and conditions to the extent that they may be important to Aqua New Jersey. Service Company will provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Aqua New Jersey and submit reports thereon.

C. Communications: Service Company will recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials (including press releases, brochures, audio visual presentations and speeches), plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial: Service Company will maintain, in such places and manner as may be required by applicable law, documents of Aqua New Jersey, such as minute books, charters, by-laws, contracts, deeds and other corporate records. It will maintain, or arrange for the maintenance of, records of stockholders of Aqua New Jersey and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company will review and may assist in the preparation of documents and reports required by Aqua New Jersey such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Customer Service and Billing: Service Company may provide customer service and billing services to Aqua New Jersey, including live and automated telephone service to customers, the rendering of periodic bills to customers based on Aqua New Jersey's tariffs, collections, assisting customers with water service changes, resolving customer disputes and remittance processing.

F. Engineering: Service Company may provide engineering consulting regarding, and provide

engineering services in connection with, the design, permitting and constructing of Aqua New Jersey's facilities.

Service Company may conduct facility planning, hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data, as needed to support these engineering services. It may assist Aqua New Jersey in the protection of Aqua New Jersey's properties by periodic inspection of their structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company may also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Aqua New Jersey's sources of supply, treatment plants, pumping stations, distribution systems, and such other facilities as Aqua New Jersey may request. Service Company may provide a materials management program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Aqua New Jersey and assist in the evaluation of new and existing products and application procedures.

G. Financial: Service Company will assist in the development and implementation of financing programs for Aqua New Jersey, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advice concerning arrangements for the sale of securities; and assistance in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. Service Company will prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company will assist Aqua New Jersey in treasury and cash management functions, including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

H. Fleet Services: Service Company may provide various fleet management services, including

assistance with vehicle ordering and leasing, fuel card management, vehicle maintenance support and oversight, vehicle signage, vehicle titles and driver training.

I. Human Resources: Service Company will assist in obtaining qualified personnel for Aqua New Jersey; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units, if any, representing Aqua New Jersey's employees. Service Company will recommend and/or carry out training programs for the development of personnel and advise and assist Aqua New Jersey regarding personnel. It will also advise and assist Aqua New Jersey in regard to group employee insurance, pension and benefit plans and in drafting or revising of those plans when required. It will provide advice regarding employment laws and procedures and controls to for compliance with such laws.

J. Information Systems: Service Company shall make available to Aqua New Jersey electronic data processing systems, networks, applications and services. The Service Company will design, implement and maintain a computer network, data communication system, database and applications services, desktop and laptop computers, and peripheral equipment along with periodic upgrades, data backups and recovery procedures for the benefit of Aqua New Jersey.

K. Operation: Service Company may develop and assist in the implementation of operating procedures to promote the efficiencies and economic operation of Aqua New Jersey. Periodic operational reviews may be performed by Service Company personnel and recommendations for improvements will be reported to Aqua New Jersey.

L. Rates and Regulatory: Service Company personnel will make recommendations for changes in rates, tariffs, rules and regulations and will assist Aqua New Jersey in the conduct of proceedings before, and in their compliance with the rulings of, regulatory bodies having jurisdiction over Aqua New Jersey's operation. These personnel will keep abreast of economic and regulatory developments and conditions that may affect Aqua New Jersey and advise Aqua New Jersey of developments and

conditions to the extent that they may be important to Aqua New Jersey. Service Company Rates and Regulatory personnel will assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by Aqua New Jersey and their respective regulatory commissions. Service Company will also provide qualified personnel to testify on behalf of Aqua New Jersey as required during any regulatory proceedings.

M. Risk Management: Service Company will provide a risk management program to review the exposure to accidental loss, recommend methods of protection, either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. Service Company will also supervise investigation procedures, review claims and negotiation and assist in, and evaluate proposals for, settlement at the request of Aqua New Jersey. It will assist in the establishment of safety and security programs for Aqua New Jersey.

N. Water Quality: Service Company will provide advice and consulting to assist Aqua New Jersey in complying with water quality standards of governmental agencies. It will assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing technical assistance and general direction for Aqua New Jersey's personnel.

It will also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by Aqua New Jersey.

O. Legal: Service Company will provide legal services, including legal advice and representation on legal matters. The Service Company will also provide oversight of outside council retained to represent Aqua New Jersey.

P. Purchasing, Contracts and Sales: Service Company will (a) act as purchasing agent for Aqua New Jersey, so far as it is feasible in the purchase of supplies, materials and equipment for which Aqua New Jersey may take a requisition; (b) endeavor to secure prompt shipment and deliver thereof; (c) give

Aqua New Jersey the full benefit of all cash, trade and quantity discounts obtained with respect to items ordered for Aqua New Jersey; (d) keep in touch with market conditions and endeavor to recommend purchases at advantageous times; (e) negotiate purchases and sales of real estate and the terms of leases; and (f) analyze quotations or competitive bids of suppliers or contractors submitted to Aqua New Jersey and make recommendations relative thereto.

# **EXHIBIT G**

## AFFILIATED INTEREST AGREEMENT

This Affiliated Interest Agreement (“AIA”) dated as of May \_\_\_, 2021 between Aqua Services, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 762 West Lancaster Avenue, Bryn Mawr, PA 19010 (hereinafter “Service Company”), and Aqua New Jersey, Inc., located at 10 Black Forest Road, Hamilton, NJ 08691 (hereinafter “Aqua NJ”), collectively hereinafter referred to jointly as the “Parties” or individually as a “Party.”

### RECITALS

1. WHEREAS, Service Company and Aqua NJ are direct or indirect subsidiaries of Essential Utilities, Inc., a Pennsylvania corporation (hereinafter “Essential”); and
2. WHEREAS, Aqua NJ has been organized for and is presently engaged in the business of providing water and/or wastewater services as a public utility in the State of New Jersey (hereinafter Aqua NJ and any of its affiliates that are also engaged in the business of providing water and/or wastewater services as a public utility in the same state are collectively referred to in this Agreement as Aqua NJ); and
3. WHEREAS, Service Company maintains an organization whose officers and employees are familiar with the utility business, including the business and operations of Aqua NJ, and have experience and expertise in accounting and financial services, administration, communications, corporate secretarial, customer service and billing, engineering, financial, fleet services, human resources, information systems, operation, rates and regulatory, risk management, water quality, legal, and purchasing, contracts and sales of real estate of water and wastewater utilities. The officers and employees of Service Company are qualified to aid, assist and advise Aqua NJ in their business operations through the services to be performed under this AIA; and
4. WHEREAS, Aqua NJ is entering into this AIA with Service Company to specifically define the types of services available to it, as set forth in Exhibit A attached hereto and made a part hereof; and



5. WHEREAS, Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated companies that are direct or indirect subsidiaries of Essential (hereinafter individually a “Subsidiary” or collectively the “Subsidiaries”), including those Subsidiaries that are regulated public utilities (hereinafter individually a “Utility Company” or collectively the “Utility Companies”) and those Subsidiaries that are other non-regulated businesses (hereinafter individually a “Non-Regulated Company” or collectively the “Non-Regulated Companies”), including, but not limited to, Essential Utilities Services, Inc., a service company affiliate; and
6. WHEREAS, Service Company may engage or subcontract with other companies or persons, including other Subsidiaries, to provide portions of the services hereunder; and
7. WHEREAS, Service Company and Aqua NJ acknowledge that Aqua NJ’s rates are regulated by the New Jersey Board of Public Utilities (“NJBPU”), and as such the charges for services provided pursuant to this AIA are subject to approval by the NJBPU); and
8. WHEREAS, the services to be rendered under this AIA are to be rendered by Service Company to Aqua NJ at the lower of their cost or market to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, Service Company and Aqua NJ agree as follows:

**ARTICLE I. PERSONNEL AND SERVICES TO BE PROVIDED**

1.1 During the term of this AIA as set forth in Article V and upon the terms and conditions hereinafter set forth, Service Company may provide to Aqua NJ the Accounting and Financial Services, Administration, Communication, Corporate Secretarial, Customer Service and Billing, Engineering, Financial, Fleet Services, Human Resources, Information Systems, Operation, Rates and Regulatory, Risk Management, Water Quality, Legal, and Purchasing as set forth on Exhibit A attached hereto, provided, however, that Aqua NJ may perform any such services with its own personnel or engage or subcontract with another company or person to provide those services on its behalf. All such services provided by Service Company (or its designees) are integral to Aqua NJ’s provision of safe, adequate and proper

utility service to its customers and are performed in an effort to capture economies of scale and to otherwise ensure efficiencies in the cost of providing service to Aqua NJ's customers.

1.2 Service Company may engage or subcontract with another Subsidiary, company or person to provide the services hereunder on its behalf, including but not limited to affiliated service company Essential Utilities Services, Inc. If Service Company engages a Subsidiary of Essential to provide any of the services hereunder, such services shall be charged to Aqua NJ on the same basis as the services provided by the Service Company.

1.3 Service Company shall employ qualified officers and employees to provide the services hereunder and those persons shall be available to serve as officers of Aqua NJ.

## **ARTICLE II. PAYMENT FOR SERVICES**

2.1 In consideration for the services to be rendered by Service Company as herein provided, Aqua NJ agrees to pay to Service Company the cost of the services provided to them at the lower of cost or market as determined as provided in this Article II and in Article III.

2.2 Directly Charged Services. The costs for service rendered by Service Company personnel directly for Aqua NJ shall be charged based on such personnel's time sheets.

2.3 Indirectly Charged Essential Utilities Services, Inc. Personnel Services. For services that are made available by Essential Utilities Services, Inc. to Service Company, the cost for such services will be further and finally allocated as set forth below in Articles 2.4 and 2.5.

2.3.1 The Modified Massachusetts Formula ("MMF") is a four-factor formula, which allocates costs to subsidiaries giving equal weight to customer count; rate base; number of employees; and non-labor operations and maintenance expenses ("O&M") and taxes other than income ("TOTP"), as adjusted. In the event of changes due to acquisitions, mergers or asset sales, this allocation will be adjusted quarterly. Essential Utilities Services, Inc. separates costs by utility function, *i.e.*, between gas and water/wastewater Subsidiaries, by allocating a percentage of the cost centers under which it provides such services to Service Company using the MMF.

2.4 Indirectly Charged Services. For services that are (i) made available by Service Company in common to other Essential Subsidiaries, including Aqua NJ, which cannot be identified and are not related exclusively to a particular Subsidiary (“Indirect Services”), or (ii) provided to Service Company by Essential Utilities Services, Inc., (together with Indirect Services, the “Common Services”), the cost for such Common Services will be first allocated between the Utility Companies and the Non-Regulated Companies based on the relative proportion of the total Utility Companies assets and the Non-Regulated Companies assets at the most recent fiscal year end to the total assets of all the Utility and Non-Regulated Companies assets combined. The portion of the costs for Common Services allocated to the Utility Companies or a group of Utility Companies, will be further allocated as set forth below in Article 2.5. The Indirect Services provided may include any services as are listed on Exhibit A.

2.5 The portion of the costs for Common Services allocated to the Utility Companies or a group of Utility Companies will be further and finally allocated to each Utility Company or group of Utility Companies, including Aqua NJ, based on the ratio of the number of customers served by each Utility Company or the group of Utility Companies at the most recent fiscal year end to the number of customers served by all Utility Companies, subject to adjustment during any year for a substantial change in the number of customers at any Utility Company or among the Utility Companies since the previous year-end in accordance with Service Company’s accounting policies.

2.5.1 For purposes of this calculation, customers of the Utility Companies who receive both water and wastewater services from a Utility Company will be counted as 1.5 customers.

2.6 Indirectly Charged Customer Service and Billing Services. For Customer Service and Billing Services provided to the Utility Companies, including Aqua NJ, and to non-affiliated entities (“Third Party Clients”) utilizing the Customer Service Billing System employed by the Service Company to provide these Services, which Services cannot be identified and are not related exclusively to a particular Utility Company or Third Party Client, the cost for such Customer Service and Billing Services will first be allocated between the Third Party Clients and the Utility Companies based on the relative proportion of Third Party Clients and Utility Companies revenues budgeted to be generated from the

Customer Service Billing System for the current year to the total budgeted revenues to be generated from the Customer Service Billing System for the current year for all Third Party Clients and Utility Companies combined.

2.6.1 The portion of the costs for such common Customer Service and Billing Services allocated to the Utility Companies or a group of Utility Companies will be further allocated to each Utility Company or group of Utility Companies, including Aqua NJ, based on the ratio of the number of customers served by each Utility Company or the group of Utility Companies at the most recent fiscal year end to the number of customers served by all Utility Companies, subject to adjustment during any year for a substantial change in the number of customers at any Utility Company or among the Utility Companies since the previous year-end in accordance with the Service Company's accounting policies. For purposes of this calculation, customers of the Utility Companies who receive both water and wastewater services from a Utility Company will be counted as 1.5 customers.

2.7 The amount for a Service Company employee's costs to be billed shall be computed on the employee's total labor rate, including base pay and other compensation, payroll taxes and fringe benefits (calculated on a per hour basis), plus a general overhead factor as set forth in Article III.

2.8 All direct expenses of Service Company incurred in connection with services rendered by Service Company which can reasonably be identified and related exclusively to a particular utility, such as Aqua NJ, shall be charged directly to that utility.

### **ARTICLE III. ALLOWANCE FOR OVERHEAD**

3.1 In determining the cost for services rendered by the Service Company to Aqua NJ as herein provided, there shall be added to the base pay rate of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the overhead of Service Company, as defined below, allocable to each such officer or employee. The overhead shall be calculated each year and shall be based on the ratio of the total overhead of the Service Company for the year to the total salaries of the Service Company officers and employees for whose services charges are to be made to the Subsidiaries,

including Aqua NJ. No general overhead or other markups by the Service Company shall be added to costs incurred for services of consultants or other third parties employed by Service Company.

3.2 The term “overhead” shall include, but not be limited to:

3.2.1 building costs, lease costs, utilities, and other costs associated with office space and equipment; and

3.2.2 taxes other than payroll taxes.

#### **ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS**

4.1 As soon as practicable after the last day of each month, Service Company shall render bills to Aqua NJ for all amounts due from Aqua NJ for services and expenses for such month, computed pursuant to Article II and Article III. Notwithstanding the foregoing, no services provided by Essential Utilities Services, Inc. to Service Company may be directly billed to Aqua NJ. Such bills shall be in sufficient detail to show the charge for each service rendered. All amounts shall be paid by Aqua NJ within thirty (30) days after receipt of the bill.

4.2 Service Company agrees to keep its books and records, and to require any other affiliated company providing services to Aqua NJ hereunder to keep their books and records, available at all times for inspection by representatives of Aqua NJ or by regulatory bodies having jurisdiction over Aqua NJ during normal business hours and upon reasonable advance notice.

4.3 Service Company shall at any time, upon request of Aqua NJ, furnish any and all information required by Aqua NJ with respect to the services rendered by Service Company or any affiliated companies hereunder, the costs thereof, and the allocation of such costs among the Subsidiaries.

#### **ARTICLE V. TERM OF AGREEMENT**

5.1 This AIA shall become effective as of the later of (a) the date first set forth above or (b) the date the Parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction over this AIA. Upon becoming effective, this AIA shall supersede all prior agreements, written or oral, which shall terminate on the date this AIA becomes effective. This AIA shall continue in full force and effect until terminated by either of the parties hereto giving the other party

hereto thirty days' notice in writing; provided, however, that this AIA shall terminate as of the date Aqua NJ or Service Company ceases to be an affiliate of Essential.

5.2 Upon termination of the AIA without cause by Aqua NJ, Service Company shall continue to provide services to the terminating Party at the terminating Party's request for a period of no more than sixty (60) days from and after the effective date of the termination to facilitate the terminating Party's transition to another service provider. Such transition shall be provided on the same terms and conditions as set forth in this AIA, including compensation.

#### **ARTICLE VI. BREACH**

6.1 Any Party to the AIA may terminate this AIA upon material breach by the other Party. The non-breaching Party shall provide written notice of such breach to the other Party by certified mail, setting forth in detail the alleged failure and/or deficiency. If such breach is not corrected by the breaching Party within thirty (30) days from receipt of written notice by certified mail, this Agreement shall thereupon terminate as to that Party.

#### **ARTICLE VII. OTHER AGREEMENTS**

7.1 It is understood by Aqua NJ that Service Company has entered or may enter into similar agreements with other Subsidiaries to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

#### **ARTICLE VIII. INFORMATION EXCHANGE**

8.1 Aqua NJ shall provide such information as required by Service Company for Service Company to perform its obligations hereunder. Service Company agrees on behalf of it and its employees and contractors that it will maintain such information as confidential and not disclose such information to third parties unless required by law and applicable regulatory agencies (including the NJBPU). Service Company's obligation of confidentiality will not apply to information which (a) is or becomes available to the public other than as a result of a disclosure by Service Company or its employees or contractors, (b) was in Service Company's possession and obtained on a non-confidential basis prior to its disclosure

by Aqua NJ, or (c) becomes available to Service Company on a non-confidential basis from a person or entity other than Aqua NJ who Service Company does not know or have reason to know is under an obligation of confidentiality to Aqua NJ.

**ARTICLE IX. GENERAL PROVISIONS**

9.1 JOINT OBLIGATIONS OF THE PARTIES. Service Company and Aqua NJ agree to cooperate in all matters that are the subject of this AIA.

9.2 ARBITRATION. It is the stated purpose and goal of the Parties at all times to resolve any disputes and reach agreement by good faith negotiation between the Parties, without recourse to arbitration or other legal actions. In the event, however, that any such dispute cannot be settled through negotiation, either Party may request that the matter(s) in dispute be referred to arbitration. The demand for arbitration must be submitted to the American Arbitration Association within sixty (60) calendar days after the date of such request, in which case the arbitration shall be conducted at a mutually agreed upon location, in accordance with the rules and procedures then existing under the Commercial Arbitration rules of the American Arbitration Association (the "Rules"), provided that notwithstanding anything to the contrary contained in such Rules the following shall apply: The arbitration board shall consist of a single arbitrator. The Parties shall endeavor to agree upon the single arbitrator. If the Parties fail to agree on a single arbitrator within twenty (20) business days, the arbitrator shall be selected by the American Arbitration Association or otherwise in accordance with such Rules. The decision of the arbitrator, submitted in writing to the Parties shall be final and binding upon both Parties. Judgment upon any decision rendered by the arbitrator may be entered in any court having jurisdiction. Each Party shall bear the expense of its own witnesses, and the expenses of the arbitrator and any general expenses of the arbitration shall be borne equally by the Parties.

9.3 FORCE MAJEURE. No Party will be in default or otherwise liable for any delay in or failure of its performance hereunder due to any act of God, epidemic or pandemic, adverse weather condition, fire, flood, riot, strike, terrorism, accident, war, governmental requirement, inability to secure

materials, labor or transportation, cable cut or other cause beyond the reasonable control of the affected party.

9.4 STANDARD OF CARE. Service Company shall perform its services with that degree of care, diligence and professional skill and judgment which is normally exercised by professionals in its industry, and consistent with its duties as agent. Except as otherwise expressly set forth in this AIA, Service Company makes no warranties, representations or other agreements, expressed or implied, with respect to this AIA and the services provided hereunder.

9.5 LIMITATION OF LIABILITY. Service Company's entire liability to Aqua NJ for any claim, loss, expense or damage arising under this AIA, including any claims for special, incidental, consequential, indirect or punitive damages, shall in no event exceed the sums actually paid by Aqua NJ to Service Company during the most recent calendar year.

9.6 ASSIGNMENT. No Party may assign this AIA without the prior written consent of the other Parties, which consent shall not be unreasonably withheld.

9.7 GOVERNING LAW. This AIA shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

9.8 INDEMNIFICATION.

9.8.1 To the extent allowed by law, Service Company shall defend, indemnify and hold harmless Aqua NJ, its officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, other injury, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suits and actions (including reasonable attorney's fees), to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Service Company or its officers, employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this AIA.

9.8.2 To the extent allowed by law, Aqua NJ shall defend, indemnify and hold harmless Service Company, its officers, directors, employees and agents from and against any and all liability, including liability to third parties for personal injury, including death, property damage, other



injury, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suits and actions (including reasonable attorney's fees), to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Aqua NJ or its officers, employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this AIA.

9.9 TAXES. To the extent that the services provided by Service Company, as enumerated herein, are subject to any state or local gross receipts tax, Service Company shall have the right to reimbursement of such taxes from Aqua NJ.

9.10 SEVERABILITY. Each provision of this AIA is severable from the whole, and if one provision is declared invalid, the other provisions shall remain in effect.

9.11 NO WAIVER. Failure by a Party to enforce any provision of this AIA, or the waiver thereof in any instance, shall not be construed as a general waiver of rights.

9.12 NOTICES. Any notice given or made pursuant to this AIA will be effective only if in writing and delivered in person, by messenger, by overnight delivery, or by certified mail, return receipt to a Party at the address first written above.

9.13 COMPLETE AGREEMENT. The terms of this AIA constitute the entire agreement between the Parties concerning the subject matter hereof, and this AIA may be modified only in a writing signed by the Parties. This AIA and the exhibits incorporated herein shall be modified and/or amended only by writing signed by the Parties and shall not be effective until filed with and approved by applicable regulatory agencies, including the NJBPU.

9.14 TITLES AND HEADINGS. Titles and headings to sections or paragraphs herein are inserted merely for convenience of reference and are not intended to be a part of or to affect the meaning or interpretation of this AIA.

9.15 COUNTERPARTS. This AIA may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Service Company and Aqua NJ have caused this AIA to be signed in their respective corporate names by their respective Presidents or Vice Presidents, as of the day and year first above written.

AQUA NEW JERSEY, INC.

AQUA SERVICES, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## **EXHIBIT A**

Without limitation, services to be provided by Service Company will include the following<sup>1</sup>:

A. Accounting and Financial Services. Service Company will oversee and assist in the preparation and implementation of accounting methods and procedures and will oversee and assist in the preparation of monthly financial reports, annual reports and other reports. Service Company will oversee and assist in the establishment and maintenance of current record keeping techniques and accounting records; review accounting procedures, methods and forms; and evaluate systems of internal controls for receipt and disbursement of funds, materials and supplies, and other assets. Service Company will oversee the work of and cooperate and consult with any independent certified public accountant. Service Company will also provide services related to accounts payable, payroll, utility plant accounting, consolidation, SEC reporting/filing, ratemaking, regulatory relations, cash management, capital structure management, capital budgeting and allocation, operating budgeting and long-range planning.

Service Company will assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company will prepare or assist in the preparation of federal, state and local tax returns.

B. Administration. Service Company will assist in the performance of corporate activities. Service Company's employees will keep themselves informed on the Subsidiaries' operations and will make recommendations for operating expenditures and for additions to and improvements of property, plant and equipment. They will keep abreast of economic, regulatory, governmental and operational developments and conditions and advise of such developments and conditions to the extent that they may be important.

Service Company will provide an internal audit staff for periodic audits of accounts, records, policies and procedures and submit reports thereon.

C. Communications. Service Company will recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of

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<sup>1</sup> The definitions used herein are consistent with those used in the AIA to which this Exhibit is a part.

communication materials, (including press releases, brochures, audio visual presentations and speeches) plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial. Service Company will maintain, in such places and manner as may be required by applicable law, corporate documents, such as minute books, charters, bylaws, contracts, deeds and other corporate records. It will maintain, or arrange for the maintenance of, records of stockholders and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company will review and may assist in the preparation of documents and reports as required such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Customer Service and Billing. Service Company may provide customer service and billing services, including live and automated telephone service to customers, non-telephonic services (including regular mail, facsimile, e-mail and Internet based), rendering of periodic bills and notices to customers, collections, assisting customers with water service changes, resolving customer disputes, work order distribution, remittance processing and data input to the customer information system.

F. Engineering. Service Company may provide engineering consulting and engineering services in connection with, the design, permitting and constructing of facilities.

Service Company may conduct facility planning, hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data, as needed to support these engineering services. It may assist in the protection of property by periodic inspection of structures, including, as applicable, tanks reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company may also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of sources of supply, treatment plants, pumping stations, collection and distribution systems, and such other facilities . Service Company may provide a materials management

program to arrange for the purchase of equipment, materials, and supplies in volume and assist in the evaluation of new and existing products and application procedures.

G. Financial. Service Company will assist in the development and implementation of financing programs, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advice concerning arrangements for the sale of securities; and assistance in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. Service Company will prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company will assist in treasury and cash management functions, including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

H. Fleet Services. Service Company may provide various fleet management services, including assistance with vehicle ordering and leasing, fuel card management, vehicle maintenance support and oversight, vehicle signage, vehicle tires and driver training.

I. Human Resources. Service Company will assist in obtaining qualified personnel, in establishing appropriate rates of pay for those employees, and in negotiating with bargaining units, if any. Service Company will recommend and/or carry out training programs for the development of personnel and advise and assist regarding personnel issues and human resource policies and procedures. It will also advise and assist in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will provide advice regarding employment and benefit laws and procedures and assist in implementing controls for compliance with such laws.

J. Information Systems. Service Company will make available electronic data processing systems, networks, applications and services. Service Company will design, implement and maintain a computer network, data communications system, database and applications services, desktop and laptop computers, and peripheral equipment along with periodic upgrades, data backups and recovery procedures. Service Company may also provide cybersecurity services.

K. Operations. Service Company may develop and assist in the implementation of operating procedures to promote efficient and economic operations. Periodic operational reviews may be performed by Service Company personnel and recommendations for improvements reported.

L. Rates and Regulatory. Service Company personnel will make recommendations for changes in rates, tariffs, rules and regulations and will assist in the conduct of proceedings before (including providing testimony from its personnel), and in ensuring compliance with the rulings of, regulatory bodies having jurisdiction over the Subsidiaries' operations. These personnel will keep abreast of economic and regulatory developments and conditions and advise of developments and conditions to the extent that they may be important. Service Company personnel will assist in the preparation of rate filing, or applications and the supporting documents and exhibits as requested.

M. Risk Management. Service Company will provide risk management services to review exposures to accidental loss; recommend methods of protection, either through the purchase of insurance, self-insurance or other risk management techniques; and arrange for the purchase of insurance coverage. Service Company will also supervise the investigation of claims and assist in the negotiation and settlement of such claims as requested. It will also assist in the establishment of safety and security programs.

N. Water Quality. Service Company will provide information on relevant current or pending water quality, drinking water, and other environmental regulations. It will review water quality data and provide advice and consultation to assist in complying with current and proposed water quality standards set by federal or state agencies. It will provide technical assistance and general direction on water quality issues, assist in selecting compliance strategies and evaluating alternatives for capital projects driven by environmental compliance or water quality, and assist in providing responses to and coordination with public agencies to maintain or achieve compliance.

Service Company will also provide laboratory testing services for compliance testing for which it or its affiliated lab is certified in a particular state, or for non-compliance testing where special testing services or a check on a local lab might be needed. Service Company will help evaluate pricing of local

and regional laboratory services, provide competitive pricing where appropriate in negotiating pricing with contract laboratories, and will provide inspection and/or audits of contract labs where appropriate.

Service Company will provide services for the generation and distribution of Annual Water Quality Reports (CCR's) in compliance with state and federal requirements, and will post and maintain these documents. Service Company will also assist in drafting and/or editing required public notices and public education material related to water quality.

O. Environmental Matters. Service Company may provide information on relevant current or pending environmental regulations. It will provide advice and consultation to assist in complying with current and proposed environmental standards set by federal or state agencies. It will provide technical assistance and general direction in selecting compliance strategies and evaluating alternatives for capital projects driven by environmental compliance and assist in providing responses to and coordination with public agencies to maintain or achieve compliance.

P. Legal. Service Company will provide legal services, including legal advice and representation on legal matters. Service Company will also provide oversight of outside counsel.

Q. Purchasing, Contracts and Sales of Real Estate. Service Company may (a) act as a purchasing agent, so far as it is feasible, in the purchase of supplies, materials and equipment; (b) endeavor to secure prompt shipment and delivery of items ordered; (c) provide the benefit of cash, trade and quantity discounts obtained by Service Company with respect to items ordered; (d) keep in touch with market conditions and endeavor to recommend purchases at advantageous times; (e) negotiate purchases and sales of real estate and the terms of leases; (f) analyze quotations or competitive bids of suppliers or contractors and make recommendations relative thereto; and (g) establish and assist in the administration of purchasing card accounts.

# **EXHIBIT H**



## **AFFILIATED INTEREST AGREEMENT**

This Affiliated Interest Agreement (“AIA”), dated as of \_\_\_\_\_, 2021, between Essential Utilities Services, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 762 West Lancaster Avenue, Bryn Mawr, PA 19010 (hereinafter “Service Company”) and Aqua Services, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 762 West Lancaster Avenue, Bryn Mawr, PA 19010 (hereinafter “Aqua Services”), and collectively hereinafter referred to jointly as the “Parties” or individually as a “Party”.

### **RECITALS**

1. WHEREAS, Service Company and Aqua Services are direct or indirect subsidiaries of Essential Utilities, Inc., a Pennsylvania corporation (hereinafter “Essential”); and
2. WHEREAS, Aqua Services maintains an organization whose officers and employees are familiar with the water and wastewater utility business, including the business and operations of Essential’s water and wastewater utilities, and have experience and expertise in accounting and financial services, administration, communications, corporate secretarial, customer service and billing, engineering, financial, fleet services, human resources, information systems, operation, rates and regulatory, risk management, water quality, legal, and purchasing, contracts and sales of real estate of water and wastewater utilities; and
3. WHEREAS, Service Company maintains an organization whose officers and employees are familiar with the gas, water and wastewater utility business, including the business and operations of Essential’s gas, water and wastewater utilities, and have experience and expertise in accounting and financial services, administration, communications, corporate secretarial, customer service and billing, engineering, financial, fleet services, human resources, information systems, operation, rates and regulatory, risk management, water quality, legal, and purchasing, contracts and sales of real estate of water, wastewater and gas utilities. The officers and employees of Service Company

are qualified to aid, assist and advise Aqua Services in its business operations through the services to be performed under this AIA; and

4. WHEREAS, Aqua Services is entering into this AIA with Service Company to specifically define the types of services available to it, as set forth in Exhibit A attached hereto and made a part hereof; and
5. WHEREAS, Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated service companies that are direct or indirect subsidiaries of Essential; and
6. WHEREAS, Service Company may engage or subcontract with other companies or persons to provide portions of the services hereunder; and
7. WHEREAS, the services to be rendered under this AIA are to be rendered by Service Company to Aqua Services at the lower of their cost or market to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, Service Company and Aqua Services agree as follows:

#### **ARTICLE I. PERSONNEL AND SERVICES TO BE PROVIDED**

1.1 During the term of this AIA as set forth in Article V and upon the terms and conditions hereinafter set forth, Service Company may provide to Aqua Services the Accounting and Financial Services, Administration, Communication, Corporate Secretarial, Customer Service and Billing, Engineering, Financial, Fleet Services, Human Resources, Information Systems, Operation, Rates and Regulatory, Risk Management, Water Quality, Legal, and Purchasing as set forth on Exhibit A attached hereto, provided, however, that Aqua Services may perform any such services with its own personnel or engage or subcontract with another company, including with other affiliated companies that are direct or indirect subsidiaries of Essential (hereinafter individually a “Subsidiary” or collectively the “Subsidiaries”), or person to provide those services on its behalf. All such services provided by Service Company (or its designees) are performed in an effort to capture economies of scale and to otherwise ensure efficiencies in the cost of providing service to Essential’s Subsidiaries.

1.2 Service Company may engage or subcontract with another company or person to provide the services hereunder on its behalf.

1.3 Service Company shall employ qualified officers and employees to provide the services hereunder and those persons shall be available to serve as officers of Aqua Services.

## **ARTICLE II. PAYMENT FOR SERVICES**

2.1 In consideration for the services to be rendered by Service Company as herein provided, Aqua Services agrees to pay to Service Company the cost of the services provided to it at the lower of cost or market as determined as provided in this Article II and in Article III.

2.2 Charged Services. For services that are made available by Service Company to Aqua Services (including those provided by senior-level personnel (hereinafter “Joint Management Personnel”)), the costs for such services will first be separated by utility function, *i.e.*, between gas and water/wastewater Subsidiaries, by allocating a percentage of the cost centers under which Service Company provides such services using the Modified Massachusetts Formula (“MMF”). The MMF is a four-factor formula, which allocates costs to subsidiaries giving equal weight to (i) customer count; (ii) rate base; (iii) number of employees; and (iv) non-labor operations and maintenance expenses (“O&M”) and taxes other than income (“TOTI”), as adjusted. In the event of changes due to acquisitions, mergers or asset sales, this allocation will be adjusted quarterly. Service Company’s cost centers to which the MMF applies will be analyzed at least annually by Service Company and Aqua Services to determine whether the list of services on Exhibit A is complete and appropriate. Once separated by utility function, the costs will be passed on to Aqua Services.

2.2.1 For services that are made available by Service Company to Aqua Services for water and/or wastewater subsidiaries only, the costs for such services shall be directly charged to Aqua Services, without first allocating those costs using the MMF as described in Section 2.2 above.

2.3 The amount for a Service Company employee’s costs to be billed shall be computed on the employee’s total labor rate, including base pay and other compensation, payroll taxes and fringe benefits (calculated on a per hour basis), plus a general overhead factor as set forth in Article III.

2.4 All expenses of Service Company incurred in connection with services rendered by Service Company shall be charged to Aqua Services, consistent with the MMF allocation set forth in Section 2.2, above.

**ARTICLE III. ALLOWANCE FOR OVERHEAD**

3.1 In determining the cost for services rendered by the Service Company to Aqua Services as herein provided, there shall be added to the base pay rate of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the overhead of Service Company, as defined below, allocable to each such officer or employee. The overhead shall be calculated each year and shall be based on the ratio of the total overhead of the Service Company for the year to the total salaries of the Service Company officers and employees for whose services charges are to be made to Aqua Services. No general overhead or other markups by the Service Company shall be added to costs incurred for services of consultants or other third parties employed by Service Company.

3.2 The term “overhead” shall include, but not be limited to:

3.2.1 building costs, lease costs, utilities, and other costs associated with office space and equipment; and

3.2.2 taxes other than payroll taxes.

**ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS**

4.1 As soon as practicable after the last day of each month, Service Company shall render bills to Aqua Services for all amounts due from Aqua Services for services and expenses for such month, computed pursuant to Article II and Article III. Alternatively, Service Company may require any other affiliated company from which it procures services for Aqua Services to bill Aqua Services for such services and related expenses on the same basis as set forth in Article II and Article III. Such bills shall be in sufficient detail to show the charge for each service rendered. All amounts shall be paid by Aqua Services within thirty (30) days after receipt of the bill.

4.2 Service Company agrees to keep its books and records, and to require any other affiliated company providing services to Aqua Services hereunder to keep their books and records, available at all

times for inspection by representatives of Aqua Services, or by regulatory bodies having jurisdiction over the utility company Subsidiaries, during normal business hours and upon reasonable advance notice.

4.3 Service Company shall at any time, upon request of Aqua Services, furnish any and all information required by Aqua Services with respect to the services rendered by Service Company, the costs thereof, and the allocation of such costs among the Subsidiaries.

#### **ARTICLE V. TERM OF AIA**

5.1 This AIA shall become effective as of the date first set forth above. Upon becoming effective, this AIA shall supersede all prior agreements, written or oral, which shall terminate on the date this AIA becomes effective. This AIA shall continue in full force and effect until terminated by either of the Parties hereto giving the other Party hereto thirty days' notice in writing; provided, however, that this AIA shall terminate as of the date Aqua Services or Service Company ceases to be an affiliate of Essential.

5.2 Upon termination of the AIA without cause by Aqua Services, Service Company shall continue to provide services to the terminating Party at the terminating Party's request for a period of no more than sixty (60) days from and after the effective date of the termination to facilitate the terminating Party's transition to another service provider. Such transition shall be provided on the same terms and conditions as set forth in this AIA, including compensation.

#### **ARTICLE VI. BREACH**

6.1 Any Party to the AIA may terminate this AIA upon material breach by the other Party. The non-breaching Party shall provide written notice of such breach to the other Party by certified mail, setting forth in detail the alleged failure and/or deficiency. If such breach is not corrected by the breaching Party within thirty (30) days from receipt of written notice by certified mail, this AIA shall thereupon terminate as to that Party.

#### **ARTICLE VII. OTHER AGREEMENTS**

7.1 It is understood by Aqua Services that Service Company has entered or may enter into similar agreements with other service company Subsidiaries to which similar services are to be furnished.

Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

### **ARTICLE VIII. INFORMATION EXCHANGE**

8.1 Aqua Services shall provide such information as required by Service Company for Service Company to perform its obligations hereunder. Service Company agrees on behalf of itself and its employees and contractors that it will maintain such information as confidential and not disclose such information to third parties unless required by law and applicable regulatory agencies. Service Company's obligation of confidentiality will not apply to information which (a) is or becomes available to the public other than as a result of a disclosure by Service Company or its employees or contractors, (b) was in Service Company's possession and obtained on a non-confidential basis prior to its disclosure by Aqua Services, or (c) becomes available to Service Company on a non-confidential basis from a person or entity other than Aqua Services who Service Company does not know or have reason to know is under an obligation of confidentiality to Aqua Services.

### **ARTICLE IX. GENERAL PROVISIONS**

9.1 JOINT OBLIGATIONS OF THE PARTIES. Service Company and Aqua Services agree to cooperate in all matters that are the subject of this AIA.

9.2 ARBITRATION. It is the stated purpose and goal of the Parties at all times to resolve any disputes and reach agreement by good faith negotiation between the Parties, without recourse to arbitration or other legal actions. In the event, however, that any such dispute cannot be settled through negotiation, either Party may request that the matter(s) in dispute be referred to arbitration. The demand for arbitration must be submitted to the American Arbitration Association within sixty (60) calendar days after the date of such request, in which case the arbitration shall be conducted at a mutually agreed upon location, in accordance with the rules and procedures then existing under the Commercial Arbitration rules of the American Arbitration Association (the "Rules"), provided that notwithstanding anything to the contrary contained in such Rules the following shall apply: The arbitration board shall consist of a single arbitrator. The Parties shall endeavor to agree upon the single arbitrator. If the Parties fail to agree on a single arbitrator

within twenty (20) business days, the arbitrator shall be selected by the American Arbitration Association or otherwise in accordance with such Rules. The decision of the arbitrator, submitted in writing to the Parties shall be final and binding upon both Parties. Judgment upon any decision rendered by the arbitrator may be entered in any court having jurisdiction. Each Party shall bear the expense of its own witnesses, and the expenses of the arbitrator and any general expenses of the arbitration shall be borne equally by the Parties.

9.3 FORCE MAJEURE. No Party will be in default or otherwise liable for any delay in or failure of its performance hereunder due to any act of God, epidemic or pandemic, adverse weather condition, fire, flood, riot, strike, terrorism, accident, war, governmental requirement, inability to secure materials, labor or transportation, cable cut or other cause beyond the reasonable control of the affected party.

9.4 STANDARD OF CARE. Service Company shall perform its services with that degree of care, diligence and professional skill and judgment which is normally exercised by professionals in its industry, and consistent with its duties as agent. Except as otherwise expressly set forth in this AIA, Service Company makes no warranties, representations or other agreements, expressed or implied, with respect to this AIA and the services provided hereunder.

9.5 LIMITATION OF LIABILITY. Service Company's entire liability to Aqua Services for any claim, loss, expense or damage arising under this AIA, including any claims for special, incidental, consequential, indirect or punitive damages, shall in no event exceed the sums actually paid by Aqua Services, as the case may be, to Service Company during the most recent calendar year.

9.6 ASSIGNMENT. No Party may assign this AIA without the prior written consent of the other Parties, which consent shall not be unreasonably withheld.

9.7 GOVERNING LAW. This AIA shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

9.8 INDEMNIFICATION.

9.8.1 To the extent allowed by law, Service Company shall defend, indemnify and hold harmless Aqua Services, its officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, other injury, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suits and actions (including reasonable attorney's fees), to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Service Company or its officers, employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this AIA.

9.8.2 To the extent allowed by law, Aqua Services shall defend, indemnify and hold harmless Service Company, its officers, directors, employees and agents from and against any and all liability, including liability to third parties for personal injury, including death, property damage, other injury, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suits and actions (including reasonable attorney's fees), to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Aqua Services or its officers, employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this AIA.

9.9 TAXES. To the extent that the services provided by Service Company, as enumerated herein, are subject to any state or local gross receipts tax, Service Company shall have the right to reimbursement of such taxes from Aqua Services, as may be appropriate.

9.10 SEVERABILITY. Each provision of this AIA is severable from the whole, and if one provision is declared invalid, the other provisions shall remain in effect.

9.11 NO WAIVER. Failure by a Party to enforce any provision of this AIA, or the waiver thereof in any instance, shall not be construed as a general waiver of rights.

9.12 NOTICES. Any notice given or made pursuant to this AIA will be effective only if in writing and delivered in person, by messenger, by overnight delivery, or by certified mail, return receipt to a Party at the address first written above.

9.13 COMPLETE AGREEMENT. The terms of this AIA constitute the entire agreement between the Parties concerning the subject matter hereof, and this AIA may be modified only in a writing



signed by the Parties. This AIA and the exhibits incorporated herein shall be modified and/or amended only by writing signed by the Parties.

9.14 TITLES AND HEADINGS. Titles and headings to sections or paragraphs herein are inserted merely for convenience of reference and are not intended to be a part of or to affect the meaning or interpretation of this AIA.

9.15 COUNTERPARTS. This AIA may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A facsimile or electronic copy of an executed counterpart or signature page shall be valid as an original counterpart or signature page.

IN WITNESS WHEREOF, Service Company and Aqua Services have caused this AIA to be signed in their respective corporate names by their respective Presidents or Vice Presidents, as of the day and year first above written.

AQUA SERVICES, INC.

ESSENTIAL UTILITIES SERVICES, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT A

Without limitation, services to be provided by Service Company will include the following<sup>1</sup>:

A. Accounting and Financial Services. Service Company will oversee and assist in the preparation and implementation of accounting methods and procedures and will oversee and assist in the preparation of monthly financial reports, annual reports and other reports. Service Company will oversee and assist in the establishment and maintenance of current record keeping techniques and accounting records; review accounting procedures, methods and forms; and evaluate systems of internal controls for receipt and disbursement of funds, materials and supplies, and other assets. Service Company will oversee the work of and cooperate and consult with any independent certified public accountant. Service Company will also provide services related to accounts payable, payroll, utility plant accounting, consolidation, SEC reporting/filing, ratemaking, regulatory relations, cash management, capital structure management, capital budgeting and allocation, operating budgeting and long-range planning.

Service Company will assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company will prepare or assist in the preparation of federal, state and local tax returns.

B. Administration. Service Company will assist in the performance of corporate activities. Service Company's employees will keep themselves informed on the Subsidiaries' operations and will make recommendations for operating expenditures and for additions to and improvements of property, plant and equipment. They will keep abreast of economic, regulatory, governmental and operational developments and conditions and advise of such developments and conditions to the extent that they may be important.

Service Company will provide an internal audit staff for periodic audits of accounts, records, policies and procedures and submit reports thereon.

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<sup>1</sup> The definitions used herein are consistent with those used in the AIA to which this Exhibit is a part.

C. Communications. Service Company will recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches) plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial. Service Company will maintain, in such places and manner as may be required by applicable law, corporate documents, such as minute books, charters, bylaws, contracts, deeds and other corporate records. It will maintain, or arrange for the maintenance of, records of stockholders and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company will review and may assist in the preparation of documents and reports as required such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Customer Service and Billing. Service Company may provide customer service and billing services, including live and automated telephone service to customers, non-telephonic services (including regular mail, facsimile, e-mail and Internet based), rendering of periodic bills and notices to customers, collections, assisting customers with water service changes, resolving customer disputes, work order distribution, remittance processing and data input to the customer information system.

F. Engineering. Service Company may provide engineering consulting and engineering services in connection with, the design, permitting and constructing of facilities.

Service Company may conduct facility planning, hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data, as needed to support these engineering services. It may assist in the protection of property by periodic inspection of structures, including, as applicable, tanks reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company may also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to

or improvements of sources of supply, treatment plants, pumping stations, collection and distribution systems, and such other facilities . Service Company may provide a materials management program to arrange for the purchase of equipment, materials, and supplies in volume and assist in the evaluation of new and existing products and application procedures.

G. Financial. Service Company will assist in the development and implementation of financing programs, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advice concerning arrangements for the sale of securities; and assistance in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. Service Company will prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company will assist in treasury and cash management functions, including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

H. Fleet Services. Service Company may provide various fleet management services, including assistance with vehicle ordering and leasing, fuel card management, vehicle maintenance support and oversight, vehicle signage, vehicle tides and driver training.

I. Human Resources. Service Company will assist in obtaining qualified personnel, in establishing appropriate rates of pay for those employees, and in negotiating with bargaining units, if any. Service Company will recommend and/or carry out training programs for the development of personnel and advise and assist regarding personnel issues and human resource policies and procedures. It will also advise and assist in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will provide advice regarding employment and benefit laws and procedures and assist in implementing controls for compliance with such laws.

J. Information Systems. Service Company will make available electronic data processing systems, networks, applications and services. Service Company will design, implement and maintain a computer network, data communications system, database and applications services, desktop and laptop

computers, and peripheral equipment along with periodic upgrades, data backups and recovery procedures. Service Company may also provide cybersecurity services.

K. Operations. Service Company may develop and assist in the implementation of operating procedures to promote efficient and economic operations. Periodic operational reviews may be performed by Service Company personnel and recommendations for improvements reported.

L. Rates and Regulatory. Service Company personnel will make recommendations for changes in rates, tariffs, rules and regulations and will assist in the conduct of proceedings before (including providing testimony from its personnel), and in ensuring compliance with the rulings of, regulatory bodies having jurisdiction over the Subsidiaries' operations. These personnel will keep abreast of economic and regulatory developments and conditions and advise of developments and conditions to the extent that they may be important. Service Company personnel will assist in the preparation of rate filing, or applications and the supporting documents and exhibits as requested.

M. Risk Management. Service Company will provide risk management services to review exposures to accidental loss; recommend methods of protection, either through the purchase of insurance, self-insurance or other risk management techniques; and arrange for the purchase of insurance coverage. Service Company will also supervise the investigation of claims and assist in the negotiation and settlement of such claims as requested. It will also assist in the establishment of safety and security programs.

N. Water Quality. Service Company will provide information on relevant current or pending water quality, drinking water, and other environmental regulations. It will review water quality data and provide advice and consultation to assist in complying with current and proposed water quality standards set by federal or state agencies. It will provide technical assistance and general direction on water quality issues, assist in selecting compliance strategies and evaluating alternatives for capital projects driven by environmental compliance or water quality, and assist in providing responses to and coordination with public agencies to maintain or achieve compliance.

Service Company will also provide laboratory testing services for compliance testing for which it or its affiliated lab is certified in a particular state, or for non-compliance testing where special testing

services or a check on a local lab might be needed. Service Company will help evaluate pricing of local and regional laboratory services, provide competitive pricing where appropriate in negotiating pricing with contract laboratories, and will provide inspection and/or audits of contract labs where appropriate.

Service Company will provide services for the generation and distribution of Annual Water Quality Reports (CCR's) in compliance with state and federal requirements, and will post and maintain these documents. Service Company will also assist in drafting and/or editing required public notices and public education material related to water quality.

O. Legal. Service Company will provide legal services, including legal advice and representation on legal matters. Service Company will also provide oversight of outside counsel.

P. Purchasing, Contracts and Sales of Real Estate. Service Company may (a) act as a purchasing agent, so far as it is feasible, in the purchase of supplies, materials and equipment; (b) endeavor to secure prompt shipment and delivery of items ordered; (c) provide the benefit of cash, trade and quantity discounts obtained by Service Company with respect to items ordered; (d) keep in touch with market conditions and endeavor to recommend purchases at advantageous times; (e) negotiate purchases and sales of real estate and the terms of leases; (f) analyze quotations or competitive bids of suppliers or contractors and make recommendations relative thereto; and (g) establish and assist in the administration of purchasing card accounts.