



August 16, 2024

Via Email

Hon. Sherri L. Golden, Secretary
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Petition of New Jersey-American Water Company, Inc. for Approval of a Financing Program Involving the Refinancing of Existing Long-Term Debt and the Issuance of New Long-Term Debt Through December 31, 2027

BPU Docket No. WF24 _____

Dear Secretary Golden:

On behalf of New Jersey-American Water Company, Inc., I enclose the Petition and associated Exhibits for filing in the above referenced matter. Kindly advise of the docket number assigned to this matter.

Please do not hesitate to contact me if you have any questions regarding this filing.

Respectfully submitted,

Christopher M. Arfaa
Senior Director, Corporate Counsel

CMA:dlc
Enc.

cc: Brian Lipman, Director, Division of Rate Counsel (via email)
Susan McClure, Managing Attorney, Division of Rate Counsel (via email)
Pamela Owen, Deputy Attorney General, Division of Law (via email)
Dr. Benjamin Witherell, Chief Economist, Board of Public Utilities (via email)
Christine Lin, Office of the Economist, Board of Public Utilities (via email)
Stacy Peterson, Deputy Executive Director, Board of Public Utilities (via email)
Michael McKeever, Sr. Director, Rates and Regulatory (via email)
Jamie Hawn, Director, Rates and Regulatory (via email)

**BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION OF :
NEW JERSEY-AMERICAN WATER : BPU DOCKET NO.: WF24 _____
COMPANY, INC. FOR APPROVAL OF A :
FINANCING PROGRAM INVOLVING :
THE REFINANCING OF EXISTING : PETITION
LONG-TERM DEBT AND THE :
ISSUANCE OF NEW LONG-TERM DEBT :
THROUGH DECEMBER 31, 2027 :**

TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES:

New Jersey-American Water Company, Inc. (“NJAWC” or “Petitioner”), a public utility corporation of the State of New Jersey, with its principal office at 1 Water Street, Camden, New Jersey 08043, hereby petitions this Honorable New Jersey Board of Public Utilities (“Board”) for authority pursuant to *N.J.S.A.* 48:3-7 and 48:3-9 and *N.J.A.C.* §14:1-5.9 to (1) issue and sell up to \$1,082,000,000 aggregate principal amount of long-term debt consisting of one or more series of Long-Term Debt (as defined below); (2) execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, and such other documents; and (3) take such actions as NJAWC determines may be necessary or desirable in connection with any of the foregoing. In support thereof, NJAWC states as follows:

I. BACKGROUND

1. NJAWC is a regulated public utility corporation, engaged in the production, treatment and distribution of water and collection and treatment of wastewater within its defined service territory within the State of New Jersey. Said service territory includes portions of the following counties: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and

Warren. As of December 31, 2023, Petitioner provides service to approximately 688,000 water and fire service customers and 64,200 wastewater service customers.

II. DISCUSSION

2. NJAWC is seeking the Board's authorization to (a) issue and sell long-term debt in one or more offerings from time to time, and not later than December 31, 2027, in an aggregate principal amount not to exceed \$1,082,000,000, consisting of one or more series of first mortgage bonds, notes, other bonds or other evidences of indebtedness, whether secured or unsecured, fixed rate or variable, tax-exempt or taxable (collectively, "Long-Term Debt"); (b) execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, and such other documents; and (c) take such actions as NJAWC determines may be necessary or desirable in connection with any of the foregoing. The financing program for which NJAWC seeks the Board's authorization in this Petition is comparable to the financing program for which NJAWC received approval of the Board under the following docket numbers: WF21071020 by Order dated October 28, 2021 ("2021 Financing Order"), WF18121333 by Order dated March 19, 2019 ("2019 Financing Order"); WF15091086 by Order dated January 27, 2016 ("2016 Financing Order"); WF13050373 by Order dated July 19, 2013 ("2013 Financing Order"); WF11090542 by Order dated November 30, 2011 ("2011 Financing Order"); WF09100877 by Order dated January 21, 2010 ("2010 Financing Order"); WF08050348 by Order dated August 20, 2008 ("2008 Financing Order"); WF06080605 by Order dated December 11, 2006 ("2006 Financing Order"); WF03120976 by Order dated August 19, 2004 ("2004 Financing Order"); and WF01050337 by order dated August 1, 2001 (the "2001 Financing Order") (collectively, "Prior Financing Orders").

3. The issuance of the Long-Term Debt that NJAWC contemplates could fall into several categories: (a) secured or unsecured, tax-exempt or taxable securities issuances in conjunction with issuances by the New Jersey Economic Development Authority (“EDA”) to the extent that NJAWC has qualifying projects and such loans are approved by the EDA; (b) secured or unsecured low interest loans obtained through the New Jersey Environmental Infrastructure Trust (“NJEIT”) division of the New Jersey Infrastructure Bank (“I-Bank”) to the extent that NJAWC has qualifying projects and such loans are approved by NJEIT; (c) secured or unsecured, taxable issuances in conjunction with issuances by American Water Capital Corp. (“AWCC”), a wholly-owned subsidiary of NJAWC’s parent, American Water Works Company, Inc.; (d) secured or unsecured, tax-exempt or taxable issuances, either directly by NJAWC or indirectly through and in conjunction with AWCC with the proceeds then loaned to NJAWC. The Long-Term Debt issued in conjunction with EDA and NJEIT may be secured and issued under one or more supplemental indentures (the “Supplemental Indentures”) to NJAWC’s original Indenture of Mortgage dated as of May 1, 1968, as amended and supplemented (collectively, the “Mortgage Indenture”). The tax-exempt or taxable Long-Term Debt issuances through and in conjunction with AWCC, if unsecured, will not be issued under the Mortgage Indenture.

4. The Long-Term Debt may be issued as fixed rate debt or variable rate debt. The sale of Long-Term Debt may be conducted by a private sale or public offering. In connection with the issuance of Long-Term Debt, NJAWC may deem it in its best interest to enter into one or more swap, hedge or other derivative agreements or arrangements with respect to such Long-Term Debt.

5. The net proceeds from NJAWC's issuance of Long-Term Debt will be used to (a) provide funds for NJAWC's ongoing utility plant construction program, (b) refinance outstanding Long-Term Debt of NJAWC as such debt matures or is retired or can be replaced by lower-cost issuances, (c) repay short-term debt incurred in connection with NJAWC's ongoing capital construction program, and (d) pay certain issuance costs related to the proposed financings. The proceeds from any NJEIT or EDA loan will be used for the purpose(s) set forth in the application(s) for such loan and as shown on the schedule setting forth the proposed use of proceeds from the proposed financing attached hereto as Exhibit P-1. A list of NJAWC's construction projects expected to be completed through 2027 is attached as Exhibit P-2.

6. The interest rate and other terms of any loans for any Long-Term Debt issuances with the EDA and/or the NJEIT will be determined through an offering of EDA bonds and/or NJEIT bonds, as the case may be, that would include the amounts requested by NJAWC in applications approved by the EDA or the NJEIT, respectively. The interest rate and other terms of any Long-Term Debt issuance in conjunction with the EDA would be determined by the terms obtained for the EDA issuance.

7. NJAWC also proposes to obtain Long-Term Debt issuances through and in conjunction with AWCC. On August 16, 2000, the Board issued an Order in Docket No. WF00040252 (the "2000 Order") approving the Financial Services Agreement ("FSA") between AWCC and NJAWC. No profit element will be included in any charges rendered to NJAWC by AWCC. AWCC will loan the funds it borrows to NJAWC and other Participants as such term is defined in the FSA. For Long-Term Debt issuances in conjunction with AWCC, the interest rate and other terms will be determined by the market at the time that AWCC issues its debt securities to generate the funds that are then loaned to NJAWC and other Participants.

8. The interest rate and other terms of any loans for any Long-Term Debt issuances with the EDA and/or the NJEIT will be determined through an offering of EDA bonds and/or NJEIT bonds, as the case may be, that would include the amounts requested by NJAWC in applications approved by the EDA or the NJEIT, respectively.

9. NJAWC also seeks authority, without further Order of the Board, to issue and sell Long-Term Debt as described above in accordance with the terms and conditions contained in such accepted bid if the interest rate set forth in the bid is within maximum coupon spreads over U.S. Treasury Securities as provided in the Market Yield Spread Table set forth below and the price to be paid to NJAWC for such bid is not less than 98% of principal amount or no more than 102% of principal amount.

MARKET YIELD SPREAD TABLE

Tenure	Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)
3-Year	150
5-Year	210
7-Year	255
10-Year	285
30-Year	330

NJAWC proposes that in the event market conditions change, it will file a petition with the Board requesting approval of an updated Market Yield Spread Table before issuing Long-Term Debt at coupon rates that are not within the Market Yield Spread Table set forth above.

10. The authority being sought by NJAWC in this Petition is comparable to that approved by the Board in the Prior Financing Orders. NJAWC seeks Board authorization for the financing program described above so that it can have the flexibility to take advantage of favorable market conditions for NJAWC's securities as opportunities arise without obtaining

further Board approval. By granting NJAWC the authority it seeks, NJAWC will be in the best position to attain the lowest cost of funds available for Long-Term Debt.

11. In connection with the financing contemplated by this Petition and as necessary and appropriate to do so, NJAWC proposes to:

(a) Make, execute and deliver one or more Supplemental Indentures to NJAWC's Mortgage Indenture for secured debt;

(b) Make, execute and deliver one or more underwriting agreements, offering statements, bond purchase agreements, remarketing agreements and repurchase agreements (in the case of variable rate securities), loan and security agreements and indentures in connection with tax-exempt financings and such other documents, agreements, instruments and indentures as may be necessary or appropriate for any of the proposed financings.

12. While the provisions of the financing program of AWCC are intended to make the best terms available to Petitioner and its affiliates through a consolidated borrowing program, NJAWC will retain the ability to obtain financial services and borrowings elsewhere in the event such financial services can be obtained on more favorable terms than through AWCC.

13. The Petitioner may hire a financial advisor in connection with one or more of the offerings of Long-Term Debt as it deems necessary or appropriate. The financial advisor, if retained by NJAWC, will be expected to provide assistance in determining the terms and circumstances of a particular transaction and to advise NJAWC with respect to market conditions and prospective underwriters for the proposed financing.

14. Information relating to the current financial condition of NJAWC as required by *N.J.A.C.* 14:1-5.9(a)(9) identified below is set forth on Exhibits P-3 through P-7:

(a) Common stock. NJAWC's common stock, par value \$25, may be issued from time to time as approved by NJAWC's Board of Directors. NJAWC currently has 4,000,000 authorized shares of common stock of which 3,478,968 shares are outstanding.

(b) Preferred stock. NJAWC's preferred stock may be issued in one or more issues on terms established by resolutions adopted by NJAWC's Board of Directors. The preferred stock will be preferred over the common stock as to dividends and as to assets so that in the event of a liquidation, dissolution or winding up of NJAWC, the holders of the preferred stock will be entitled to receive out of the assets available for distribution to its shareholders, before any distribution is made to the holders of common stock, an amount equal to the liquidation preference established for any series plus full cumulative dividends accrued and unpaid on the preferred stock to the date of distribution. As of December 31, 2012, all outstanding preferred stock of NJAWC has been redeemed.

(c) Long-Term Indebtedness. Information as to each outstanding issue or series of long-term indebtedness of NJAWC is set forth in Exhibit P-3 attached hereto.

(d) Other Indebtedness. Information regarding NJAWC's outstanding unsecured short-term debt, including dates of borrowings, principal amounts and interest paid is set forth in Exhibit P-4 attached hereto.

(e) Interest Charged to Income. The amount of long-term debt interest charged to income by NJAWC during the fiscal year commencing January 1, 2023 and ending December 31, 2023 and through December 31, 2027 and the amount of short term debt interest charged to income by NJAWC during the fiscal year commencing January 1, 2023 and ending December 31, 2023 and through June 30, 2024 are set forth in Exhibits P-3 and P-4, attached hereto.

(f) Dividends Paid on Capital Stock. The amount of dividends paid by NJAWC on its capital stock during the fiscal year commencing January 1, 2023 and ending December 31, 2023 and through June 30, 2024 is set forth in Exhibit P-5 attached hereto.

(g) Financial Statements. Attached hereto as Exhibit P-6 is a copy of NJAWC's Combined Financial Statements for 2023 which have been audited by PricewaterhouseCoopers, LLP, including NJAWC's balance sheet as of December 31, 2023 and statement of income and retained earnings for the year then ended.

15. The proposed journal entries to record the proposed issuance and sale of Long-Term Debt are shown on Exhibit P-7 attached hereto.

16. No franchise or right is proposed to be capitalized, either directly or indirectly, as a result of, or in connection with, the proposed issue and sale of securities referred to in this Petition.

17. A copy of Resolutions by NJAWC's Board of Directors authorizing the proposed issuance of securities referred to in this Petition will be submitted separately and will be Exhibit P-8.

18. A general timetable for the sale of the Long-Term Debt is attached hereto as Exhibit P-9.

19. A schedule listing the estimated expenses of issuing the Long-Term Debt is attached hereto as Exhibit P-10.

20. NJAWC's consolidated income statement for the twelve months ended December 31, 2023 (audited) and giving pro forma effect to the issuance and sale of the Long-Term Debt based upon the assumptions through the pro forma twelve months ended December 31, 2027 (unaudited) set forth therein is attached hereto as Exhibit P-11.

21. NJAWC's consolidated statement of interest coverage for the twelve months ended December 31, 2023 and giving pro forma effect to the issuance and sale of the Long-Term Debt (unaudited) is attached hereto as Exhibit P-12.

22. NJAWC's actual and pro forma capitalization and capitalization ratios (unaudited) are attached hereto as Exhibit P-13.

23. A draft of the form of Supplemental Indenture to NJAWC's Mortgage Indenture or other evidence of indebtedness for each series of Long-Term Debt issued hereunder will be provided by NJAWC at the time of offering for such series.

III. CONCLUSION

WHEREFORE, NJAWC respectfully requests that this Honorable Board grant authority to (1) issue and sell up to \$1,082,000,000 aggregate principal amount of long-term debt consisting of one or more series of Long-Term Debt; (2) take such other action as NJAWC deems necessary or desirable in connection with such issuances, including without limitation, make, execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, security agreements and such other documents and instruments as may be necessary or desirable in connection with the issuance of any series of Long-Term Debt; and (3) take such actions as NJAWC determines may be necessary or desirable in connection with any of the foregoing, as well as provide such other relief as the Board deems just, reasonable and proper.

Respectfully submitted,

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: 
Christopher M. Arfaa
Attorney for the Petitioner

Dated: August 16, 2024

Copies of all notices or correspondence with respect to this proceeding should be sent to:

Christopher M. Arfaa
Sr. Director, Corporate Counsel
New Jersey-American Water Company
1 Water Street
Camden, New Jersey 08102
856-955-4116
chris.arfaa@amwater.com

and

Jamie D. Hawn
Director, Rates and Regulatory
New Jersey-American Water Company
1 Water Street
Camden, New Jersey 08102
856-955-4797
jamie.hawn@amwater.com

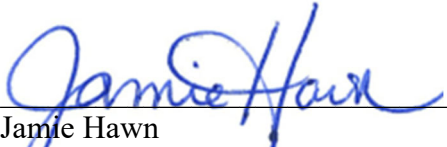
VERIFICATION

STATE OF NEW JERSEY)
) ss:
COUNTY OF CAMDEN)

Jamie Hawn, of full age, being duly sworn according to law upon her oath
deposes and says:

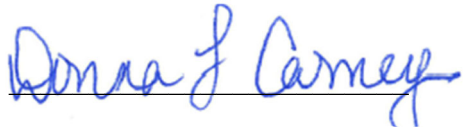
1. I am the Director, Rates and Regulatory for New Jersey-American-Water Company, Inc., and I have reviewed the contents of the attached Petition.

2. The statements as contained therein are true to the best of my knowledge, information and belief, and it is the intention of the Petitioner, New Jersey-American- Water Company, Inc., in good faith to use the proceeds of the securities proposed to be issued for the purposes set forth in the Petition.



Jamie Hawn
Director, Rates and Regulatory
New Jersey-American Water Company, Inc.

Sworn and Subscribed
before me this 16th day
of August, 2024.



DONNA L. CARNEY
NOTARY PUBLIC
STATE OF NEW JERSEY
MY COMMISSION EXPIRES MAY 24, 2028

New Jersey-American Water Company, Inc.Use Of Proceeds From Long-Term Debt Financing
January 1, 2025 Through December 31, 2027

	<u>Total</u>
Securities to be issued:	
Long-Term Debt	<u>\$ 1,082,000,000</u>
	<u><u>\$ 1,082,000,000</u></u>
Application of proceeds:	
Issuance Expense	\$ 16,292,988
Retirement of Bonds	299,930,938
Sinking Fund Payments	22,245,254
Capital Expenditures	<u>743,530,820</u>
	<u><u>\$ 1,082,000,000</u></u>

New Jersey-American Water Company, Inc.

Description	NJAIT Eligible	Planned Capital Expenditures
<u>2025 Capital Expenditures</u>		
Central LSL Replacements 2023	Yes	\$36,000,000
Irvington LSL Replacement 2025-2028	Yes	27,000,000
CBWTP Surface Water PFOA	Yes	16,095,000
Cooper Ivy PFAS Treatment	Yes	15,331,292
JBWTP Chlorine Conversion	Yes	10,699,122
Route 35/Sycamore Main Replacement		10,210,000
Central LSL Replacements	Yes	10,000,000
RMWTP Fluoride Feed System Investigation		9,800,000
SRWTP Sodium Hypo Conversion		8,499,892
Pinebrook Road Tank		6,500,000
LH Sewer Connect New Customer CPS A-4		6,500,000
Somerville Transmission Main CPS B-30		5,518,001
Logan ASR		4,695,000
RM Lagoon 2 Improvements 2010 RMWTP FMP		4,575,000
Dale Ave Sta PFOS CPS (A-3)		4,300,000
Pipeline Condition Assessment (A15)		2,987,015
2025 Transmission Main Inspection		2,500,000
Newman Springs Gravity Main Removal		2,000,000
Long Hill WW System SCADA Upgrades Phase		2,000,000
Yellowbrook Station Sanitary Relocation		1,880,000
Monmouth County Trans Main Inspection		1,805,155
Oak Street PFAS		1,610,878
WWTP Oxidatn Ditch Aerate Upgrd CPS A-1		1,520,000
Academy Station PFAS CPS (A-3)		1,500,000
New Coastal South Ops Center		1,447,000
Statewide Sewer A&C Upgrades Ph 4 2025		1,400,000
Irvington LSL Replacement	Yes	1,000,000
NRW North 2025		1,000,000
Netherwood Wellfield GAC Treat CPS A-10	Yes	1,000,000
Shorelands Plant 2 Rehab		1,000,000
2025 Long Hill WW C&L		1,000,000
North Ignition Development / Deployment		999,996
Central A&C Upgrades Phase 7 (CPS-A09)		999,996
Netherwood Ops Center Storage Yard Impro		800,000
Basking Ridge BS Generator		750,000
Woodlane Plant Improvements (A3)	Yes	600,000
Country Oaks Sta PFOA CPS (B-4)		600,000
EDC Bed 1 PS Improvements CPS IF-2		571,000
Mansfield/Mt Holly Transmission Main		529,000
Woodland Sta On-Site Hypo Generation		500,000
CRWTP Filter Underdrain Replacement		500,000

New Jersey-American Water Company, Inc.

Description	NJEIT Eligible	Planned Capital Expenditures
Sherman Ave IC Upgrade (Liberty to Fund)		500,000
Frome St-Winters Av Wells PFOS B-7		500,000
Roxbury Chemical Feed Improve CPS A-2		500,000
Coastal North - Corrosion Control Optimi		450,000
Jefferson Peaks WWTP Imprv CPS(A-14)2022		445,000
RM Filters 1-30 Improvements CPS A-5		420,000
NRW # Acoustic Monitor Replace B-3		400,000
AMI Installation Washington		347,100
North Meter Program Phase 2		325,000
Roxbury Wells 1A/3A Imprv CPS (A-1)		300,000
Lakewood/Howell A&C Phase X		300,000
WWTP Filter and Pump Improvements - IF-1		300,000
Deep Run BTU Rehab CPS(IF-8)2022		284,353
Stony Brook Wellfield Optimization		250,000
Remaining Pump Stations Imprv CPS IF-3		250,000
Iron Removal Plant (AC-A2) High Service		240,000
Mansfield Zinc Ortho Bulk Stge Conv		234,000
WWTP New Sludge Thickener CPS A-2		200,000
WWTP Alkalinity Feed System CPS A-6		200,000
Green St Zinc Ortho Bulk Stge Conversion		150,000
WWTP New Clarifier CPS A-8		125,000
EDC WWTP Filters A, B,& D Valve Repl B-3		100,000
EDC WWTP AeratTnk Cver Repl-VFD Inst B-1		80,000
Tinton Falls 30" Concrete Main		60,000
Smithville Generator Replacement		40,281
Total - 2025 Investment Projects		\$215,224,081
Engineering Studies		\$3,500,000
Hydrants/Valves/Manholes-New		5,008,300
Hydrants/Valves/Manholes-Repl		25,007,004
ITS Equipment and Systems		2,977,361
ITS Equipment and Systems (Enterprise Solutions)		15,000,000
Mains - New		12,977,364
Mains - Replaced/Restored		132,967,500
Mains - Unscheduled		15,000,000
Meters - New		3,738,570
Meters - Replaced		47,740,611
Offices and Operations Centers		4,000,000
Plant Facilities and Equipment		33,264,564
SCADA Equipment and Systems		3,585,000
Security Equipment and Systems		2,920,000
Services and Laterals - New		18,431,100
Services and Laterals - Repl		73,303,752
Tools and Equipment		1,691,800
Vehicles		10,052,000
Total - 2025 Recurring Projects		\$411,164,926
2025 Projects Funded by Others, Net of Refund		12,000,000
Total - 2025 Capital Expenditures		\$638,389,006

New Jersey-American Water Company, Inc.

Description	NJAIT Eligible	Planned Capital Expenditures
<u>2026 Capital Expenditures</u>		
PFAS 2026	Yes	\$110,000,004
Central LSL Replacements 2023	Yes	36,000,000
CBWTP Surface Water PFOA	Yes	32,190,000
Irvington LSL Replacement 2025-2028	Yes	23,000,000
Netherwood Wellfield GAC Treat CPS A-10	Yes	10,282,592
Central LSL Replacements	Yes	10,000,000
Shorelands Plant 2 Rehab		9,000,000
Woodlane Plant Improvements (A3)	Yes	8,400,000
Linden 36in PCCP Replacement-Phase 2		8,299,221
LH Sewer Connect New Customer CPS A-4		5,500,000
Oak Tree Booster Station Generator		3,713,650
Iron Removal Plant (AC-A2) High Service		3,561,000
Deep Run BTU Rehab CPS(IF-8)2022		2,986,943
2026 Transmission Main Inspection		2,500,000
WWTP Alkalinity Feed System CPS A-6		2,500,000
Howell Ridge Tank (1.5MG)		2,468,384
Ranney Sta New Shallow Wells A2		2,450,000
Laurel Springs Station Upgrades (B9)		2,400,000
Stony Brook Wellfield Optimization		2,250,000
Washington District Ops Center Reloc		2,000,000
WWTP New Sludge Thickener CPS A-2		1,800,000
SRWTP Sodium Hypo Conversion		1,681,190
Dale Ave Sta PFOS CPS (A-3)		1,200,000
Remaining Pump Stations Imprv CPS IF-3		1,115,000
EHC Fitch Ave LS		1,100,000
Frome St-Winters Av Wells PFOS B-7		1,000,000
Sunbury System Reliable Capacity Well		1,000,000
NRW North 2026		1,000,000
EDC WWTP Filters A, B,& D Valve Repl B-3		1,000,000
North Ignition Development / Deployment		999,996
Central A&C Upgrades Phase 7 (CPS-A09)		999,996
Fenwick Tank Replacement A5:CPS		800,000
Academy Station PFAS CPS (A-3)		800,000
Pine Grove Well Imprv CPS (A-4)		750,000
DRRWTP Ozone Gen Replacement		600,000
Bound Brook Pump Station Rehab		550,000
Roxbury Chemical Feed Improve CPS A-2		500,000
EDC WWTP EQ Tank Rehab A-14		500,000
EDC Pump Stations Gen Replace A-21		500,000
NRW # Acoustic Monitor Replace B-3		500,000
CRWTP Filter Underdrain Replacement		500,000
Country Oaks WW Treat Plant Repl CPS (A-		500,000
WWTP Oxidatn Ditch Aerate Upgrd CPS A-1		500,000
WWTP New Clarifier CPS A-8		500,000
EDC WWTP AeratTnk Cver Repl-VFD Inst B-1		500,000

New Jersey-American Water Company, Inc.

Description	NJEIT Eligible	Planned Capital Expenditures
Jefferson Peaks WWTP Imprv CPS(A-14)2022		445,000
North Meter Program Phase 2		325,000
North Meter Program Phase 3		325,000
Penns Grove Storage B3		250,000
RMWTP Substation Equip Repl CPS B-7		250,000
Country Oaks Sta PFOA CPS (B-4)		200,000
Canoe Brook Intake Facility A2:CPS		200,000
RM Filters 1-30 Improvements CPS A-5		150,000
Fawn Run-Plant Upgrades CPS IF-1 2022		104,000
Roxbury Wells 1A/3A Imprv CPS (A-1)		100,000
Prospect Vines Lift Station Improvements		100,000
36-in Trans Main - Linden to Roselle CPS		100,000
EDC WWTP Filter C Valve Replace A-8		100,000
EDC WWTP Aeraion Tnk Slide Gte Repl A-5		100,000
EDC WWTP Second Clarifiers Rehab A-6		100,000
Pipeline Condition Assessment (A15)		8,000
Total - 2026 Investment Projects		\$303,254,976
Engineering Studies		\$3,600,000
Hydrants/Valves/Manholes-New		1,700,000
Hydrants/Valves/Manholes-Repl		23,000,004
ITS Equipment and Systems		2,293,927
ITS Equipment and Systems (Enterprise Solutions)		15,000,000
Mains - New		15,000,000
Mains - Replaced/Restored		135,999,996
Mains - Unscheduled		14,000,000
Meters - New		1,200,000
Meters - Replaced		34,000,000
Offices and Operations Centers		3,000,000
Plant Facilities and Equipment		28,000,000
SCADA Equipment and Systems		1,500,000
Security Equipment and Systems		1,000,000
Services and Laterals - New		16,000,000
Services and Laterals - Repl		59,166,667
Tools and Equipment		1,500,000
Vehicles		8,000,000
Total - 2026 Recurring Projects		\$363,960,593
2026 Projects Funded by Others, Net of Refund		12,000,000
Total - 2026 Capital Expenditures		\$679,215,569

2027 Capital Expenditures

PFAS 2027	Yes	\$110,000,004
Central LSL Replacements 2023	Yes	36,000,000
CBWTP Surface Water PFOA	Yes	32,190,000
Washington District Ops Center Reloc		15,694,000
SRWTP Inclined Plate Settler&Filter Ph1		15,000,000
RM Sed Basin 1 & 2 Replacements - FMP:A1		10,000,000
Central LSL Replacements	Yes	10,000,000

New Jersey-American Water Company, Inc.

Description	NJFIT Eligible	Planned Capital Expenditures
Laurel Springs Station Upgrades (B9)		7,600,000
Penns Grove Storage B3		7,250,000
Deep Run BTU Rehab CPS(IF-8)2022		5,849,194
Country Oaks WW Treat Plant Repl CPS (A-		5,500,000
LH Sewer Connect New Customer CPS A-4		5,500,000
Howell Ridge Tank (1.5MG)		5,302,921
36-in Trans Main - Linden to Roselle CPS		4,900,000
Fenwick Tank Replacement A5:CPS		4,370,000
RMWTP Substation Equip Repl CPS B-7		3,750,000
WWTP New Clarifier CPS A-8		3,500,000
Central Ignition Deployment/Development		3,333,326
Southwest Ignition Deployment/Developmen		3,100,000
Washington Twp Main Extension	Yes	3,000,000
NRW Management-Zonal Meters (A12)		1,400,000
Statewide Sewer A&C Upgrades Ph 5 2026		1,100,000
Brookhill Lift Station Increase (B-5)		1,081,000
NRW North 2028		1,000,000
EDC WWTP Filters A, B,& D Valve Repl B-3		1,000,000
Fawn Run-Plant Upgrades CPS IF-1 2022		900,000
Bound Brook Pump Station Rehab		750,000
Canoe Brook Intake Facility A2:CPS		700,000
Pottersville Well-Gas Mmbrane B21:CPS		635,000
EDC WWTP Second Clarifiers Rehab A-6		600,000
EDC WWTP Filter C Valve Replace A-8		600,000
EDC WWTP Aeraion Tnk Slide Gte Repl A-5		500,000
EDC WWTP EQ Tank Rehab A-14		500,000
EDC Pump Stations Gen Replace A-21		500,000
Coastal South Ignition Deployment/Develo		500,000
Bridgeport Storage (A7)		500,000
Vannatta St Well 1.4 Dioxane Treat (A-1)		500,000
Turf Reduction Demonstration Project		500,000
CRWTP Filter Underdrain Replacement		500,000
WWTP Ex Final Clarifiers Mech Repl A-3		500,000
North Meter Program Phase 3		325,000
WWTP Generator Replacement CPS A-7		200,000
Tuxedo Terrace Ext. (B-8.3)		90,000
Tuxedo Terrace Sewer Extension (B-8.3)		84,000
Caranetta Dr Sewer Replacement (A-10)		76,000
Squankum Rd Sewer Upsize (A-7)		65,000
South Lake Dr Sewer Upgrade (B-2)		30,000
South Lake Dr Sewer Replacement (A-6)		28,000
Basins 3/4 CCTV Sewer Pipe Insp (B-6)		21,000
General Lift Station Improvements (A-16)		17,000
11th St Sewer Replacement (A-9)		16,000
Lexington Ave Sewer Replacement (A-8)		11,000
River Avenue Sewer Upgrade (B-1)		8,000
Total - 2027 Investment Projects		\$307,076,445

New Jersey-American Water Company, Inc.

Description	NJFIT Eligible	Planned Capital Expenditures
Engineering Studies		\$4,000,000
Hydrants/Valves/Manholes-New		2,000,000
Hydrants/Valves/Manholes-Repl		29,000,004
ITS Equipment and Systems		2,000,000
ITS Equipment and Systems (Enterprise Solutions)		15,000,000
Mains - New		15,000,000
Mains - Replaced/Restored		129,999,996
Mains - Unscheduled		14,000,000
Meters - New		1,200,000
Meters - Replaced		34,000,000
Offices and Operations Centers		5,000,000
Plant Facilities and Equipment		30,000,000
SCADA Equipment and Systems		1,500,000
Security Equipment and Systems		1,500,000
Services and Laterals - New		16,000,000
Services and Laterals - Repl		60,000,000
Tools and Equipment		1,999,999
Vehicles		12,000,000
Total - 2027 Recurring Projects		\$374,199,999
2027 Projects Funded by Others, Net of Refund		12,000,000
Total - 2027 Capital Expenditures		\$693,276,444

New Jersey-American Water Company, Inc.Projected Interest Expense and Outstanding Principal Balance
For the 12 Months Ended December 2024-2027

Line	Partner	Term Start	Term End	Int.rate	Projected Principal Amount Outstanding as of December 31,			
					2024	2025	2026	2027
1	1046	10/22/2007	10/15/2037	6.59%	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000
2	NJEITS11	5/3/2012	8/1/2031	0.00%	\$ 16,422,745	\$ 14,076,638	\$ 11,730,532	\$ 9,384,426
3	NJEITS11	4/3/2012	8/1/2031	4.00%	\$ 3,525,000	\$ 3,525,000	\$ 3,525,000	\$ 2,450,000
4	NJEITS11	4/3/2012	8/1/2030	5.00%	\$ 4,335,000	\$ 3,360,000	\$ 2,335,000	\$ 2,335,000
5	NJEITS12	5/3/2012	8/1/2030	0.00%	\$ 1,252,886	\$ 1,022,750	\$ 792,614	\$ 562,477
6	NJEITS12	4/3/2012	8/1/2031	4.00%	\$ 300,000	\$ 300,000	\$ 300,000	\$ 210,000
7	NJEITS12	4/3/2012	8/1/2030	5.00%	\$ 360,000	\$ 280,000	\$ 195,000	\$ 195,000
8	1046	6/11/2012	10/15/2037	4.93%	\$ 44,704,000	\$ 44,704,000	\$ 44,704,000	\$ 44,704,000
9	1046	6/11/2012	10/15/2037	4.93%	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
10	HARE05	2/1/1994	2/1/2024	7.17%	\$ -	\$ -	\$ -	\$ -
11	GRTWEST	2/1/1994	2/1/2024	7.17%	\$ -	\$ -	\$ -	\$ -
12	CANLIFAS	2/1/1994	2/1/2024	7.17%	\$ -	\$ -	\$ -	\$ -
13	NJEITS10	11/1/2007	8/1/2025	0.00%	\$ -	\$ -	\$ -	\$ -
14	NJEITS10	11/1/2007	8/1/2025	4.70%	\$ 55,000	\$ -	\$ -	\$ -
15	NJEITS14	8/1/2007	8/1/2024	5.50%	\$ -	\$ -	\$ -	\$ -
16	NJEITS14	8/1/2007	8/1/2024	0.00%	\$ -	\$ -	\$ -	\$ -
17	METLIFE01	5/13/2009	5/13/2039	6.35%	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000
18	NJEITS05	10/7/2010	8/1/2030	0.00%	\$ 39,812	\$ 743	\$ (0)	\$ (0)
19	NJEITS05	12/1/2010	8/1/2026	4.00%	\$ 185,000	\$ 95,000	\$ -	\$ -
20	NJEITS05	12/1/2010	8/1/2027	4.13%	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
21	NJEITS13	12/1/2010	8/1/2030	0.00%	\$ 1,663,377	\$ 1,305,140	\$ 946,902	\$ 588,664
22	NJEITS13	12/1/2010	8/1/2026	4.00%	\$ 295,000	\$ 150,000	\$ -	\$ -
23	NJEITS13	12/1/2010	8/1/2027	4.13%	\$ 155,000	\$ 155,000	\$ 155,000	\$ -
24	NJEITS13	12/1/2010	8/1/2029	4.25%	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000
25	NJEITS13	12/1/2010	8/1/2030	4.38%	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
26	1046	12/17/2012	12/1/2042	4.30%	\$ 55,000,000	\$ 55,000,000	\$ 55,000,000	\$ 55,000,000
27	1046	11/20/2013	3/1/2024	3.85%	\$ -	\$ -	\$ -	\$ -
28	NJEITS14	4/3/2014	8/1/2032	0.00%	\$ 2,027,026	\$ 1,751,339	\$ 1,475,653	\$ 1,199,966
29	NJEITS14	5/21/2014	8/1/2033	4.00%	\$ 565,000	\$ 315,000	\$ 315,000	\$ 315,000
30	NJEITS14	5/21/2014	8/1/2033	5.00%	\$ -	\$ -	\$ -	\$ -
31	NJEITS14	5/21/2014	8/1/2033	3.00%	\$ 260,000	\$ 260,000	\$ -	\$ -
32	NJEITS14	5/21/2014	8/1/2033	3.25%	\$ 550,000	\$ 550,000	\$ 550,000	\$ 280,000
33	NJEITS14	5/21/2014	8/1/2033	3.50%	\$ 885,000	\$ 885,000	\$ 885,000	\$ 885,000
34	1046	8/14/2014	3/1/2025	3.40%	\$ 43,000,000	\$ -	\$ -	\$ -

New Jersey-American Water Company, Inc.

**Projected Interest Expense and Outstanding Principal Balance
For the 12 Months Ended December 2024-2027**

Line	Partner	Term Start	Term End	Int.rate	Projected Principal Amount Outstanding as of December 31,			
					2024	2025	2026	2027
35	1046	8/13/2015	9/1/2045	4.30%	\$ 86,700,000	\$ 86,700,000	\$ 86,700,000	\$ 86,700,000
36	1046	11/17/2016	12/1/2046	4.00%	\$ 84,200,000	\$ 84,200,000	\$ 84,200,000	\$ 84,200,000
37	NJEITS09	4/3/2017	8/1/2024	0.00%	\$ 0	\$ 0	\$ 0	\$ 0
38	NJEITS09	4/3/2017	8/1/2024	0.00%	\$ -	\$ -	\$ -	\$ -
39	1046	8/10/2017	9/1/2047	3.75%	\$ 60,296,000	\$ 60,296,000	\$ 60,296,000	\$ 60,296,000
40	1046	9/13/2017	9/1/2027	2.95%	\$ 56,960,296	\$ 56,960,296	\$ 56,960,296	\$ -
41	NJEITS09	6/1/2018	8/1/2047	0.00%	\$ 13,563,775	\$ 12,959,913	\$ 12,356,051	\$ 11,752,189
42	NJEITS09	6/1/2018	8/1/2047	0.00%	\$ 14,005,371	\$ 13,396,027	\$ 13,169,070	\$ 12,488,200
43	NJEITS09	6/1/2018	8/1/2047	5.00%	\$ 5,907,595	\$ 5,742,595	\$ 5,567,595	\$ 5,387,595
44	NJEITS09	6/1/2018	8/1/2047	5.00%	\$ 5,131,225	\$ 4,986,225	\$ 4,831,225	\$ 4,671,225
45	1046	8/9/2018	9/1/2048	4.20%	\$ 57,600,000	\$ 57,600,000	\$ 57,600,000	\$ 57,600,000
46	1046	5/13/2019	6/1/2049	4.15%	\$ 72,000,000	\$ 72,000,000	\$ 72,000,000	\$ 72,000,000
47	WELLSFAR12	12/20/2019	12/3/2029	2.05%	\$ 10,500,000	\$ 10,500,000	\$ 10,500,000	\$ 10,500,000
48	WELLSFAR12	12/20/2019	12/3/2029	2.20%	\$ 134,225,000	\$ 134,225,000	\$ 134,225,000	\$ 134,225,000
49	1046	4/14/2020	5/1/2030	2.80%	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000
50	1046	4/14/2020	5/1/2050	3.45%	\$ 115,000,000	\$ 115,000,000	\$ 115,000,000	\$ 115,000,000
51	USBANK01	12/14/2020	11/1/2029	1.10%	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000
52	USBANK01	12/14/2020	12/1/2025	0.85%	\$ 40,000,000	\$ -	\$ -	\$ -
53	1046	5/14/2021	6/1/2031	2.30%	\$ 58,500,000	\$ 58,500,000	\$ 58,500,000	\$ 58,500,000
54	1046	5/14/2021	6/1/2051	3.25%	\$ 89,500,000	\$ 89,500,000	\$ 89,500,000	\$ 89,500,000
55	1046	6/14/2021	6/1/2031	2.30%	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000
56	1046	5/5/2022	6/1/2032	4.45%	\$ 133,000,000	\$ 133,000,000	\$ 133,000,000	\$ 133,000,000
57	NJEITS14	7/1/2022	8/1/2051	0.00%	\$ 8,208,828	\$ 7,904,797	\$ 7,600,767	\$ 7,296,736
58	NJEITS14	7/1/2022	2/1/2051	0.00%	\$ 4,104,414	\$ 3,952,399	\$ 3,800,384	\$ 3,648,368
59	NJEITS14	7/1/2022	8/1/2051	2.70%	\$ 29,207,700	\$ 28,527,700	\$ 27,853,200	\$ 27,189,200
60	WELLSFAR12	6/1/2023	6/1/2028	3.75%	\$ 110,000,000	\$ 110,000,000	\$ 110,000,000	\$ 110,000,000
61	1046	8/15/2023	6/15/2026	3.63%	\$ 160,000,000	\$ 160,000,000	\$ -	\$ -
62	1046	5/15/2024	6/1/2034	5.15%	\$ 125,000,000	\$ 125,000,000	\$ 125,000,000	\$ 125,000,000
63	1046	5/15/2024	6/1/2054	5.45%	\$ 125,000,000	\$ 125,000,000	\$ 125,000,000	\$ 125,000,000
64	1046	5/15/2025	6/1/2035	5.55%	\$ -	\$ 160,000,000	\$ 160,000,000	\$ 160,000,000
65	1046	5/15/2025	6/1/2055	6.11%	\$ -	\$ 160,000,000	\$ 160,000,000	\$ 160,000,000
66	NJEIT	6/1/2025	6/1/2056	2.30%	\$ -	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000
67	1046	5/15/2026	5/1/2036	5.50%	\$ -	\$ -	\$ 130,000,000	\$ 130,000,000
68	1046	5/15/2026	5/1/2056	6.05%	\$ -	\$ -	\$ 130,000,000	\$ 130,000,000
69	NJEIT	6/1/2026	6/1/2056	2.30%	\$ -	\$ -	\$ 25,000,000	\$ 25,000,000
70	NJEIT	11/1/2026	11/1/2056	2.30%	\$ -	\$ -	\$ 50,000,000	\$ 50,000,000
71	1046	5/15/2027	6/1/2037	5.50%	\$ -	\$ -	\$ -	\$ 88,000,000
72	1046	5/15/2027	6/1/2057	6.05%	\$ -	\$ -	\$ -	\$ 88,000,000
73	NJEIT	11/1/2027	11/1/2057	2.30%	\$ -	\$ -	\$ -	\$ 75,000,000
74	NJEIT	12/1/2027	6/1/2046	2.30%	\$ -	\$ -	\$ -	\$ 100,992,061
TOTALS					\$ 2,120,785,051	\$ 2,425,281,562	\$ 2,593,164,288	\$ 2,880,561,108

New Jersey-American Water Company, Inc.

Projected Interest Expense and Outstanding Principal Balance
 For the 12 Months Ended December 2024-2027

Line	Partner	Term Start	Term End	Int.rate	Projected Annual Interest Expense			
					2024	2025	2026	2027
1	1046	10/22/2007	10/15/2037	6.59%	\$ 8,570,900	\$ 8,570,900	\$ 8,570,900	\$ 8,570,900
2	NJEITS11	5/3/2012	8/1/2031	0.00%	\$ -	\$ -	\$ -	\$ -
3	NJEITS11	4/3/2012	8/1/2031	4.00%	\$ 111,546	\$ 91,148	\$ 77,645	\$ 64,141
4	NJEITS11	4/3/2012	8/1/2030	5.00%	\$ 272,348	\$ 232,000	\$ 191,652	\$ 151,304
5	NJEITS12	5/3/2012	8/1/2030	0.00%	\$ -	\$ -	\$ -	\$ -
6	NJEITS12	4/3/2012	8/1/2031	4.00%	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
7	NJEITS12	4/3/2012	8/1/2030	5.00%	\$ 22,000	\$ 18,000	\$ 14,000	\$ 9,750
8	1046	6/11/2012	10/15/2037	4.93%	\$ 2,201,672	\$ 2,201,672	\$ 2,201,672	\$ 2,201,672
9	1046	6/11/2012	10/15/2037	4.93%	\$ 1,970,000	\$ 1,970,000	\$ 1,970,000	\$ 1,970,000
10	HARE05	2/1/1994	2/1/2024	7.17%	\$ 573,600	\$ -	\$ -	\$ -
11	GRTWEST	2/1/1994	2/1/2024	7.17%	\$ 179,250	\$ -	\$ -	\$ -
12	CANLIFAS	2/1/1994	2/1/2024	7.17%	\$ 537,750	\$ -	\$ -	\$ -
13	NJEITS10	11/1/2007	8/1/2025	0.00%	\$ -	\$ -	\$ -	\$ -
14	NJEITS10	11/1/2007	8/1/2025	4.70%	\$ 4,935	\$ 2,585	\$ -	\$ -
15	NJEITS14	8/1/2007	8/1/2024	5.50%	\$ 825	\$ -	\$ -	\$ -
16	NJEITS14	8/1/2007	8/1/2024	0.00%	\$ -	\$ -	\$ -	\$ -
17	METLIFE01	5/13/2009	5/13/2039	6.35%	\$ 4,762,500	\$ 4,762,500	\$ 4,762,500	\$ 4,762,500
18	NJEITS05	10/7/2010	8/1/2030	0.00%	\$ -	\$ -	\$ -	\$ -
19	NJEITS05	12/1/2010	8/1/2026	4.00%	\$ 11,000	\$ 7,400	\$ 3,800	\$ -
20	NJEITS05	12/1/2010	8/1/2027	4.13%	\$ 3,713	\$ 3,713	\$ 3,713	\$ 3,713
21	NJEITS13	12/1/2010	8/1/2030	0.00%	\$ -	\$ -	\$ -	\$ -
22	NJEITS13	12/1/2010	8/1/2026	4.00%	\$ 17,400	\$ 11,800	\$ 6,000	\$ -
23	NJEITS13	12/1/2010	8/1/2027	4.13%	\$ 6,394	\$ 6,394	\$ 6,394	\$ 6,394
24	NJEITS13	12/1/2010	8/1/2029	4.25%	\$ 14,025	\$ 14,025	\$ 14,025	\$ 14,025
25	NJEITS13	12/1/2010	8/1/2030	4.38%	\$ 7,656	\$ 7,656	\$ 7,656	\$ 7,656
26	1046	12/17/2012	12/1/2042	4.30%	\$ 2,365,000	\$ 2,365,000	\$ 2,365,000	\$ 2,365,000
27	1046	11/20/2013	3/1/2024	3.85%	\$ 1,347,500	\$ -	\$ -	\$ -
28	NJEITS14	4/3/2014	8/1/2032	0.00%	\$ -	\$ -	\$ -	\$ -
29	NJEITS14	5/21/2014	8/1/2033	4.00%	\$ 29,300	\$ 36,000	\$ 26,000	\$ 26,000
30	NJEITS14	5/21/2014	8/1/2033	5.00%	\$ 12,000	\$ -	\$ -	\$ -
31	NJEITS14	5/21/2014	8/1/2033	3.00%	\$ 7,800	\$ 7,800	\$ 7,800	\$ -
32	NJEITS14	5/21/2014	8/1/2033	3.25%	\$ 17,875	\$ 17,875	\$ 17,875	\$ 17,875
33	NJEITS14	5/21/2014	8/1/2033	3.50%	\$ 30,975	\$ 30,975	\$ 30,975	\$ 30,975
34	1046	8/14/2014	3/1/2025	3.40%	\$ 1,462,000	\$ 731,000	\$ -	\$ -

New Jersey-American Water Company, Inc.

**Projected Interest Expense and Outstanding Principal Balance
For the 12 Months Ended December 2024-2027**

Line	Partner	Term Start	Term End	Int.rate	Projected Annual Interest Expense			
					2024	2025	2026	2027
35	1046	8/13/2015	9/1/2045	4.30%	\$ 3,728,100	\$ 3,728,100	\$ 3,728,100	\$ 3,728,100
36	1046	11/17/2016	12/1/2046	4.00%	\$ 3,368,000	\$ 3,368,000	\$ 3,368,000	\$ 3,368,000
37	NJEITS09	4/3/2017	8/1/2024	0.00%	\$ -	\$ -	\$ -	\$ -
38	NJEITS09	4/3/2017	8/1/2024	0.00%	\$ 12,375	\$ -	\$ -	\$ -
39	1046	8/10/2017	9/1/2047	3.75%	\$ 2,261,100	\$ 2,261,100	\$ 2,261,100	\$ 2,261,100
40	1046	9/13/2017	9/1/2027	2.95%	\$ 1,680,329	\$ 1,680,329	\$ 1,680,329	\$ 1,680,329
41	NJEITS09	6/1/2018	8/1/2047	0.00%	\$ -	\$ -	\$ -	\$ -
42	NJEITS09	6/1/2018	8/1/2047	0.00%	\$ -	\$ -	\$ -	\$ -
43	NJEITS09	6/1/2018	8/1/2047	5.00%	\$ 238,069	\$ 230,319	\$ 222,069	\$ 213,319
44	NJEITS09	6/1/2018	8/1/2047	5.00%	\$ 211,175	\$ 204,175	\$ 196,925	\$ 189,175
45	1046	8/9/2018	9/1/2048	4.20%	\$ 2,419,200	\$ 2,419,200	\$ 2,419,200	\$ 2,419,200
46	1046	5/13/2019	6/1/2049	4.15%	\$ 2,988,000	\$ 2,988,000	\$ 2,988,000	\$ 2,988,000
47	WELLSFAR12	12/20/2019	12/3/2029	2.05%	\$ 215,250	\$ 215,250	\$ 215,250	\$ 215,250
48	WELLSFAR12	12/20/2019	12/3/2029	2.20%	\$ 2,952,950	\$ 2,952,950	\$ 2,952,950	\$ 2,952,950
49	1046	4/14/2020	5/1/2030	2.80%	\$ 980,000	\$ 980,000	\$ 980,000	\$ 980,000
50	1046	4/14/2020	5/1/2050	3.45%	\$ 3,967,500	\$ 3,967,500	\$ 3,967,500	\$ 3,967,500
51	USBANK01	12/14/2020	11/1/2029	1.10%	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000
52	USBANK01	12/14/2020	12/1/2025	0.85%	\$ 340,000	\$ 340,000	\$ -	\$ -
53	1046	5/14/2021	6/1/2031	2.30%	\$ 1,345,500	\$ 1,345,500	\$ 1,345,500	\$ 1,345,500
54	1046	5/14/2021	6/1/2051	3.25%	\$ 2,908,750	\$ 2,908,750	\$ 2,908,750	\$ 2,908,750
55	1046	6/14/2021	6/1/2031	2.30%	\$ 713,000	\$ 713,000	\$ 713,000	\$ 713,000
56	1046	5/5/2022	6/1/2032	4.45%	\$ 5,918,500	\$ 5,918,500	\$ 5,918,500	\$ 5,918,500
57	NJEITS14	7/1/2022	8/1/2051	0.00%	\$ -	\$ -	\$ -	\$ -
58	NJEITS14	7/1/2022	2/1/2051	0.00%	\$ -	\$ -	\$ -	\$ -
59	NJEITS14	7/1/2022	8/1/2051	2.70%	\$ 902,559	\$ 882,966	\$ 863,450	\$ 843,620
60	WELLSFAR12	6/1/2023	6/1/2028	3.75%	\$ 4,125,000	\$ 4,125,000	\$ 4,125,000	\$ 4,125,000
61	1046	8/15/2023	6/15/2026	3.63%	\$ 5,800,000	\$ 5,800,000	\$ 2,900,000	\$ -
62	1046	5/15/2024	6/1/2034	5.15%	\$ 2,936,584	\$ 6,437,500	\$ 6,437,500	\$ 6,437,500
63	1046	5/15/2024	6/1/2054	5.45%	\$ 3,338,540	\$ 6,812,500	\$ 6,812,500	\$ 6,812,500
64	1046	5/15/2025	6/1/2035	5.55%	\$ -	\$ 5,554,150	\$ 8,886,640	\$ 8,886,640
65	1046	5/15/2025	6/1/2055	6.11%	\$ -	\$ 6,105,133	\$ 9,768,212	\$ 9,768,212
66	NJEIT	6/1/2025	6/1/2056	2.30%	\$ -	\$ 1,006,250	\$ 1,725,000	\$ 1,725,000
67	1046	5/15/2026	5/1/2036	5.50%	\$ -	\$ -	\$ 4,470,741	\$ 7,153,185
68	1046	5/15/2026	5/1/2056	6.05%	\$ -	\$ -	\$ 4,918,414	\$ 7,869,462
69	NJEIT	6/1/2026	6/1/2056	2.30%	\$ -	\$ -	\$ 335,417	\$ 575,000
70	NJEIT	11/1/2026	11/1/2056	2.30%	\$ -	\$ -	\$ 191,667	\$ 1,150,000
71	1046	5/15/2027	6/1/2037	5.50%	\$ -	\$ -	\$ -	\$ 3,026,568
72	1046	5/15/2027	6/1/2057	6.05%	\$ -	\$ -	\$ -	\$ 3,329,608
73	NJEIT	11/1/2027	11/1/2057	2.30%	\$ -	\$ -	\$ -	\$ 287,500
74	NJEIT	12/1/2027	6/1/2046	2.30%	\$ -	\$ -	\$ -	\$ 193,568
TOTALS					\$ 78,287,444	\$ 94,429,614	\$ 107,974,320	\$ 118,630,941

New Jersey-American Water Company, Inc.

Short-Term Debt Interest

	<u>TOTAL</u>
Jan-23	\$ 1,114,552
Feb-23	1,091,370
Mar-23	858,809
Apr-23	759,549
May-23	1,011,752
Jun-23	1,395,960
Jul-23	1,507,645
Aug-23	1,190,570
Sep-23	885,562
Oct-23	1,018,814
Nov-23	1,057,937
Dec-23	1,183,215
 TOTAL 2023	 <u>\$ 13,075,736</u>

	<u>TOTAL</u>
Jan-24	\$ 1,263,260
Feb-24	0.00
Mar-24	0.00
Apr-24	0.00
May-24	0.00
Jun-24	0.00
Jul-24	Not Available
Aug-24	Not Available
Sep-24	Not Available
Oct-24	Not Available
Nov-24	Not Available
Dec-24	Not Available
 TOTAL as of May 2024	 <u>\$ 1,263,260</u>

New Jersey-American Water Company, Inc.Short-Term Debt Principal Outstanding
at Month End

		<u>TOTAL</u>
Jan-23	\$	297,054,482
Feb-23		296,392,387
Mar-23		166,569,834
Apr-23		194,320,302
May-23		246,406,030
Jun-23		348,676,788
Jul-23		337,518,836
Aug-23		189,020,653
Sep-23		232,186,211
Oct-23		212,228,640
Nov-23		241,333,055
Dec-23		285,804,286
Jan-24		246,591,349
Feb-24		289,785,087
Mar-24		278,285,628
Apr-24		281,094,678
May-24		92,368,267
Jun-24		154,961,782
Jul-24		Not Available
Aug-24		Not Available
Sep-24		Not Available
Oct-24		Not Available
Nov-24		Not Available
Dec-24		Not Available

New Jersey-American Water Company, Inc.

2023 & 2024 Dividends Paid

	<u>Shares</u> <u>Outstanding</u>	<u>Quarterly</u> <u>Rate</u> <u>Per Share</u>	<u>Dividends</u> <u>Payable</u>
<u>Common Stock</u>			
March '23	3,478,968	11.91	\$ 41,434,509
June '23	3,478,968	10.84	37,698,559
September '23	3,478,968	10.84	37,698,559
December '23	3,478,968	10.84	37,698,559
Total 2023			<u>\$ 154,530,186</u>
March '24	3,478,968	11.49	\$ 39,970,439
June '24	3,478,968	11.49	\$ 39,970,439
September '24			Not Available
December '24			Not Available
Total 2024 Year to Date			<u>\$ 79,940,878</u>

New Jersey-American Water Company, Inc.

**(A wholly-owned subsidiary of
American Water Works Company, Inc.)**

Consolidated Financial Statements

As of and for the years ended December 31, 2023 and 2022

Report of Independent Auditors

To the Board of Directors of
New Jersey-American Water Company, Inc.

Opinion

We have audited the accompanying financial statements of New Jersey-American Water Company, Inc. (the “Company”), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, changes in common stockholder’s equity, and cash flows for the years then ended, including the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

March 18, 2024

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Consolidated Balance Sheets

For the Years Ended December 31, 2023 and 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Property, plant and equipment	\$ 7,579,922	\$ 7,134,053
Accumulated depreciation	<u>(1,629,026)</u>	<u>(1,617,346)</u>
Property, plant and equipment, net	<u>5,950,896</u>	<u>5,516,707</u>
Current assets:		
Cash and cash equivalents	3,079	3,182
Accounts receivable, net of allowance for uncollectible accounts of \$12,262 and \$17,970, respectively	84,297	77,603
Unbilled revenues	45,049	46,439
Receivables - affiliated company	29,339	26,923
Materials and supplies	30,232	23,975
Prepaid taxes	9,227	9,303
Other	<u>3,126</u>	<u>4,108</u>
Total current assets	<u>204,349</u>	<u>191,533</u>
Regulatory and other long-term assets:		
Regulatory assets	220,976	195,631
Operating lease right-of-use assets	5,415	5,644
Goodwill	43,955	43,955
Pension and postretirement benefit assets	51,806	41,289
Other	<u>2,874</u>	<u>3,285</u>
Total regulatory and other long-term assets	<u>325,026</u>	<u>289,804</u>
Total assets	<u><u>\$ 6,480,271</u></u>	<u><u>\$ 5,998,044</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Consolidated Balance Sheets

For the Years Ended December 31, 2023 and 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stockholder's equity	\$ 2,543,684	\$ 2,286,746
Long-term debt, excluding current portion	<u>1,909,196</u>	<u>1,720,698</u>
Total capitalization	<u>4,452,880</u>	<u>4,007,444</u>
Current liabilities:		
Notes payable - affiliated company	285,804	298,165
Current portion of long-term debt	113,844	157,512
Accounts payable	153,584	132,822
Payables - affiliated company	2,318	3,542
Accrued interest	13,351	12,956
Current portion of advances for construction	5,729	6,355
Other	<u>43,076</u>	<u>39,473</u>
Total current liabilities	<u>617,706</u>	<u>650,825</u>
Regulatory and other long-term liabilities:		
Advances for construction	145,295	132,040
Deferred income taxes and investment tax credits	641,775	576,191
Regulatory liabilities	337,763	352,536
Operating lease liabilities	6,481	6,517
Other	<u>28,889</u>	<u>27,673</u>
Total regulatory and other long-term liabilities	<u>1,160,203</u>	<u>1,094,957</u>
Contributions in aid of construction	249,482	244,818
Commitments and contingencies (see Note 15)		
Total capitalization and liabilities	<u><u>\$ 6,480,271</u></u>	<u><u>\$ 5,998,044</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Consolidated Statements of Income

For the Years Ended December 31, 2023 and 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Operating revenues	<u>\$ 964,466</u>	<u>\$ 908,836</u>
Operating expenses:		
Operation and maintenance	309,448	297,591
Depreciation and amortization	164,332	155,405
General taxes	<u>131,100</u>	<u>120,749</u>
Total operating expenses, net	<u>604,880</u>	<u>573,745</u>
Operating income	359,586	335,091
Other income (expenses):		
Interest, net	(84,608)	(70,677)
Allowance for other funds used during construction	8,441	8,509
Allowance for borrowed funds used during construction	2,799	2,896
Non-operating benefit costs, net	13,144	18,291
Other, net	<u>(27)</u>	<u>41</u>
Total other expenses	<u>(60,251)</u>	<u>(40,940)</u>
Income before income taxes	299,335	294,151
Provision for income taxes	<u>50,881</u>	<u>47,333</u>
Net income	<u>\$ 248,454</u>	<u>\$ 246,818</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Net income attributable to common stockholder	\$ 248,454	\$ 246,818
Other comprehensive income, net of tax:		
Change in employee benefit plan funded status, net of tax of \$9 and \$40 in 2023 and 2022, respectively	2,647	150
Net other comprehensive income	2,647	150
Comprehensive income attributable to common stockholder	<u>\$ 251,101</u>	<u>\$ 246,968</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net income	\$ 248,454	\$ 246,818
Adjustments to reconcile to net cash flows provided by operating activities		
Depreciation and amortization	164,332	155,405
Amortization of debt expense	2,978	3,135
Deferred income taxes and amortization of investment tax credits	50,087	37,561
Provision for losses on accounts receivable	3,444	3,290
Allowance for other funds used during construction	(8,441)	(8,509)
Pension and non-pension postretirement benefits	(1,688)	(11,769)
Other, net	(16,024)	(11,432)
Changes in assets and liabilities:		
Accounts receivable and unbilled revenues	(4,298)	(9,471)
Pension and non-pension postretirement benefit contributions	(8,405)	(9,078)
Accounts payable	573	10,852
Receivables - affiliated company and Payables - affiliated company, net	(3,238)	(7,460)
Other assets and liabilities, net	(1,975)	(11,355)
Net cash provided by operating activities	<u>425,799</u>	<u>387,987</u>
Cash flows from investing activities		
Capital expenditures	(525,613)	(562,945)
Acquisitions	(28,028)	(4,900)
Removal costs from property, plant and equipment retirements, net	<u>(30,536)</u>	<u>(27,181)</u>
Net cash used in investing activities	(584,177)	(595,026)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	302,997	136,085
Repayment of long-term debt	(158,265)	(6,918)
Debt issuance costs and make-whole premium on early debt redemption	(3,594)	1,244
Net (repayments) borrowings of notes payables - affiliated company	(12,361)	99,804
Advances and contributions, net of refunds of \$6,654 and \$4,814 in 2023 and 2022, respectively	24,029	21,061
Capital contributions by stockholder	160,000	140,000
Dividends paid	(154,531)	(183,828)
Net cash provided by financing activities	<u>158,275</u>	<u>207,448</u>
Net (decrease) increase in cash and cash equivalents	(103)	409
Cash and cash equivalents at beginning of year	<u>3,182</u>	<u>2,773</u>
Cash and cash equivalents at end of year	<u>\$ 3,079</u>	<u>\$ 3,182</u>
Cash (received) paid during the year for:		
Interest, net of capitalized amount	\$ 80,252	\$ 63,551
Income taxes, net of refunds	\$ (23,709)	\$ 31,900
Non-cash investing activity		
Capital expenditures acquired on account but unpaid as of year end	\$ 108,445	\$ 87,168

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Consolidated Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2023 and 2022
(Dollars in thousands)

	Common Stock		Paid-in-Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Par Value				
Balance as of December 31, 2021	3,478,968	\$ 86,974	\$ 1,200,755	\$ (2,845)	\$ 797,889	\$2,082,773
Net income	—	—	—	—	246,818	246,818
Capital contributions	—	—	140,833	—	—	140,833
Net other comprehensive income	—	—	—	150	—	150
Dividends declared	—	—	—	—	(183,828)	(183,828)
Balance as of December 31, 2022	3,478,968	\$ 86,974	\$ 1,341,588	\$ (2,695)	\$ 860,879	\$2,286,746
Net income	—	—	—	—	248,454	248,454
Capital contributions	—	—	160,368	—	—	160,368
Net other comprehensive income	—	—	—	2,647	—	2,647
Dividends declared	—	—	—	—	(154,531)	(154,531)
Balance as of December 31, 2023	3,478,968	\$ 86,974	\$ 1,501,956	\$ (48)	\$ 954,802	\$2,543,684

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(Dollars in thousands)

Note 1: Organization and Operation

New Jersey-American Water Company, Inc. (the “Company”) provides water and wastewater services in the State of New Jersey. As a public utility operating in New Jersey, the Company functions under rules and regulations prescribed by the New Jersey Board of Public Utilities (the “Board”). Environmental Disposal Corporation (“EDC”) was a wholly-owned subsidiary of the Company and functioned under the rules and regulations prescribed by the Board. In December 2023, EDC was merged into the Company. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. (“AWW”). The accompanying Consolidated Financial Statements include the accounts of the Company and EDC.

Note 2: Significant Accounting Policies

Regulation

The Company is subject to regulation by the Board, the New Jersey Department of Environmental Protection and the U.S. Environmental Protection Agency. As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company’s Consolidated Financial Statements. The Board generally authorizes revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. The Board may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, and acquisitions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility’s revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires that management make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company’s critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction (“AFUDC”). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company records depreciation in conformity with amounts approved by the Board after regulatory review of the information the Company submits to support its estimates of the assets’ remaining useful lives.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs, net of amortization, amounted to \$86,614 and \$81,767 as of December 31, 2023 and 2022, respectively.

Cash and Cash Equivalents

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Accounts Receivable and Unbilled Revenues

The majority of the Company’s accounts receivable is due from utility customers and represents amounts billed to the Company’s customers on a monthly basis. Credit is extended based on the guidelines of the Board and collateral is generally not required. Unbilled revenues are accrued when service has been provided but has not been billed to customers.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts are maintained for estimated probable losses resulting from the Company’s inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Leases

The Company has operating leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities and operating lease liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. The Company has recorded \$43,955 of goodwill at December 31, 2023 and 2022. Goodwill is not amortized, and is tested for impairment at least annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company’s annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment, or performs the qualitative assessment and determines that the estimated fair value of a reporting unit is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit’s carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount and growth rates.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

The Company may receive advances for construction and contributions in aid of construction from customers, home builders, real estate developers, and others to fund construction necessary to extend service to new areas. Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled.

Advances that are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions in aid of construction balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions in aid of construction was \$6,883 and \$6,592 for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, non-cash advances and contributions received were \$194 and \$282, respectively.

Revenue Recognition

Under Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively “ASC 606”), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract’s transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company’s revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Revenue is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer’s actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Income Taxes

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried on the Consolidated Balance Sheets. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense. See Note 10—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Board.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements.
Presentation and Disclosure Requirements	The guidance amends GAAP disclosure and presentation requirements for various subtopics in the Financial Accounting Standards Board Codification and was issued in response to the U.S. Securities and Exchange Commission’s (“SEC”) final rule published in August 2018 that updated and simplified disclosure requirements that it believed were outdated, superseded, overlapping, duplicative and redundant. The new guidance is intended to align GAAP requirements with those of the SEC for all entities	The date on which the SEC’s removal of the related disclosure requirements became	Prospective	This standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2023:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure	January 1, 2025	Prospective, with retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

As necessary, the Company applies to the Board for changes in the rates charged for its provision of water and wastewater service. The rate request is based on the level of operating expenses and capital costs that are expected to be in effect when rates become effective, with present rate revenues generally based on historical average usages adjusted for known changes, such as an increase or decrease in the number of customers or documented changes in customer usage.

On January 19, 2024, the Company filed a general rate case requesting approximately \$162,000 in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 56.30% and a debt component of 43.70%. The requested annualized revenue increase is driven primarily by approximately \$1.3 billion in capital investments made and to be made by the Company through December 2024. The request also proposes a revenue decoupling mechanism and seeks a deferral of certain production cost adjustments.

Effective October 30, 2023, June 29, 2023 and April 29, 2023, the Company implemented infrastructure surcharges for annualized incremental revenues of approximately \$15,000, \$1,000 and \$16,000, respectively.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the Board that recommended denial of a petition filed by the Company, which sought approval of acquisition adjustments in rate base of approximately \$29,000 associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the Board issued an order adopting the ALJ’s initial decision without modification. The Company filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the decision remains pending. There is no financial impact to the Company as a result of the Board’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Assembly Bill 4791 was signed by the Governor and became effective on January 12, 2024. Assembly Bill 4791, establishes the "Resiliency and Environmental System Investment Charge Program," which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance such as existing and proposed requirements for per- and polyfluoroalkyl substances, safety, and public health.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 60% of the Company's regulatory assets balance at December 31, 2023, earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	<u>2023</u>	<u>2022</u>
Removal costs recovered through rates	\$ 133,969	\$ 135,863
Unamortized debt expense	19,016	18,678
Customer owned lead service line removal costs	37,231	12,598
Other	30,760	28,492
Total regulatory assets	<u>\$ 220,976</u>	<u>\$ 195,631</u>

Removal costs recovered through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Unamortized debt expense is amortized over the lives of the respective issues. Debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

Customer owned lead service line removal costs represent deferred costs of replacing customer owned lead service lines. The Company files semi-annually with the Board to seek recovery of this balance, through a surcharge.

Other primarily includes the financial impacts relating to the COVID-19 pandemic, deferred rate proceedings costs, deferred pension costs, purchase premiums recovered through rates, and make-whole premiums.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the ratemaking process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	<u>2023</u>	<u>2022</u>
Income taxes recovered through rates	\$ 293,875	\$ 310,127
Cost of removal	29,900	31,100
Other	13,988	11,309
Total regulatory liabilities	<u>\$ 337,763</u>	<u>\$ 352,536</u>

Income taxes recovered through rates relate to excess accumulated deferred income taxes ("EADIT") that are either currently being amortized as a reduction to income tax expense or will be addressed in future rate cases or other proceedings. This regulatory liability is mainly comprised of the remeasurement of accumulated deferred income taxes resulting from the reduction in the federal corporate income tax rate from 35% to 21% which became effective January 1, 2018, as a result of the Tax Cuts and Jobs Act of 2017. The Company has adjusted customer rates to reflect the lower income tax rate and is currently amortizing the EADIT as a reduction to income tax expense.

The Company has a cost of removal liability that is reported separately from its cost of removal asset pursuant to a Board order. The cost of removal liability includes costs recovered through customer rates in excess of retirement costs incurred. These costs will be refunded through customer rates during the life of the associated assets.

Other primarily includes the financial impacts relating to the COVID-19 pandemic, costs recovered for purchase water and sewage treatment charges in excess of the recoverable amount allowed by the Board, and settlement proceeds from lawsuits being amortized through 2050.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Water Services:			
Residential	\$ 524,273	\$ —	\$ 524,273
Commercial	187,004	—	187,004
Industrial	36,000	—	36,000
Fire Service	64,116	—	64,116
Public and other	20,172	—	20,172
Sales for resale	55,144	—	55,144
Total water services	886,709	—	886,709
Wastewater services:			
Residential	44,696	—	44,696
Commercial	10,203	—	10,203
Industrial	22	—	22
Public and other	1,846	—	1,846
Total wastewater services	56,767	—	56,767
Miscellaneous utility charges	1,003	—	1,003
Lease contract revenue	—	3,392	3,392
Other	16,477	118	16,595
Total operating revenues	\$ 960,956	\$ 3,510	\$ 964,466

(a) Includes revenues associated with lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Water Services:			
Residential	\$ 497,525	\$ —	\$ 497,525
Commercial	175,268	—	175,268
Industrial	34,446	—	34,446
Fire Service	59,536	—	59,536
Public and other	18,621	—	18,621
Sales for resale	53,182	—	53,182
Total water services	838,578	—	838,578
Wastewater services:			
Residential	40,530	—	40,530
Commercial	8,908	—	8,908
Industrial	21	—	21
Public and other	1,650	—	1,650
Total wastewater services	51,109	—	51,109
Miscellaneous utility charges	941	—	941
Lease contract revenue	—	3,179	3,179
Other	14,911	118	15,029
Total operating revenues	<u>\$ 905,539</u>	<u>\$ 3,297</u>	<u>\$ 908,836</u>

(a) Includes revenues associated with lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Note 5: Acquisitions

During 2023, the Company acquired the Egg Harbor City water and wastewater systems for a purchase price of \$21,800, \$2,180 of which was funded as a deposit to the seller in March 2021. The acquisition primarily consisted of net utility plant and was accounted for as a business combination. The Company also acquired the Somerville wastewater system assets for a purchase price of \$6,965, which consisted of net utility plant and was accounted for as an asset acquisition.

During 2022, the Company acquired the Borough of Bound Brook wastewater system for a purchase price of \$4,900, which consisted of net utility plant and was accounted for as an asset acquisition.

Pending acquisitions

In November 2023, the Company entered into an agreement to acquire the water and wastewater assets of Salem for \$18,000. The water and wastewater systems currently serve approximately 2,300 customers each, or 4,600 combined. In connection with the execution of the acquisition agreement, the Company paid a \$1,800 deposit to the seller in 2023. The Company expects to close this acquisition in 2024.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of utility plant by category at December 31:

	Range of Remaining Useful Life	2023	2022
Utility Plant:			
Land and other non-depreciable assets	—	\$ 37,837	\$ 37,606
Sources of supply	29 to 94 Years	226,004	212,121
Treatment and pumping	8 to 73 Years	1,294,124	1,234,434
Transmission and distribution	53 to 128 Years	3,163,891	2,945,414
Services, meters and fire hydrants	13 to 86 Years	1,633,340	1,515,221
General structures and equipment	6 to 109 Years	598,453	563,578
Wastewater	4 to 114 Years	439,100	391,731
Construction work in progress	—	183,613	230,139
Total utility plant		7,576,362	7,130,244
Utility plant acquisition adjustments		2,966	3,215
Non-utility property		594	594
Total property, plant and equipment		<u>\$ 7,579,922</u>	<u>\$ 7,134,053</u>

The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.43% and 2.50% in 2023 and 2022, respectively.

Note 7: Long-Term Debt

Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity Date	2023	2022
Mortgage bonds	0.85%-7.17%	3.49%	2024-2039	\$ 440,725	\$ 480,725
Variable rate loans	0.00%-5.50%	1.22%	2024-2051	161,837	136,607
Notes payable to affiliated company	2.30%-6.59%	4.03%	2024-2051	1,422,460	1,262,460
Finance lease obligations	—%	—%	—	—	498
Long-term debt				2,025,022	1,880,290
Unamortized debt discount, net				(1,982)	(2,080)
Less current portion of long-term debt				(113,844)	(157,512)
Total long-term debt				<u>\$1,909,196</u>	<u>\$ 1,720,698</u>

The general mortgage bonds are issued in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. Based on the calculation methodology specified by the debt agreements, the amount of bonds authorized is limited, as long-term debt cannot exceed 65% of total capitalization, and adjusted net income of the Company must be equal to or greater than 1.5 times the aggregate annual interest charges on all long-term debt of the Company. At December 31, 2023, long-term debt was 44% of total capitalization and net income excluding gains or losses on property sales, amortization of debt issuance costs, interest on long-term debt, and provision for income taxes was 5.32 times the aggregate annual interest charges on all long-term debt. Mortgage bonds are collateralized by utility plant.

The Company has entered into variable rate loan agreements with the New Jersey Infrastructure Bank. Under the terms of these loan agreements, the Company requests funds as needed to fund a portion of eligible costs to construct certain environmental infrastructure facilities.

The long-term notes payable to affiliated company are unsecured and were issued to American Water Capital Corporation (“AWCC”), a subsidiary of AWW, for the principal amount. AWCC provided the funding for these notes by issuing senior notes to institutional investors at a price equal to the principal amount.

Presented in the table below are the issuances of long-term debt in 2023:

Type	Rate	Maturity	Amount
Mortgage bonds	3.75%	2028	\$110,000
Variable rate loans	0.00%	2027	32,997
Notes payable to affiliated company	3.63%	2026	160,000
Total			<u>\$302,997</u>

Presented in the table below are the retirements and redemptions of long-term debt in 2023 through sinking fund provisions, optional redemption or payment at maturity:

Type	Rate	Maturity	Amount
Mortgage bonds	1.00%-1.30%	2023	\$150,000
Variable rate loans	0.00%-5.50%	2024-2051	7,767
Finance lease obligations	12.25%	2023	498
Total			<u>\$158,265</u>

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2024	\$ 113,844
2025	111,124
2026	167,156
2027	119,436
2028	117,826
Thereafter	1,395,636

Note 8: Short-Term Debt

The Company maintained a line of credit agreement with AWCC for \$384,000 and \$310,000 at December 31, 2023 and 2022, respectively. The Company may borrow from this line of credit agreement, which does not have an expiration date. No compensating balances are required under the agreements. Funds were primarily used for short-term operating needs. There were \$285,804 and \$298,165 of outstanding borrowings at December 31, 2023 and 2022, respectively. The weighted average annual interest rate on these borrowings was 5.51% and 4.41% in 2023 and 2022, respectively. Short-term debt is presented as Notes payable-affiliated company on the Consolidated Balance Sheets.

AWW, through AWCC, has committed to make additional financing available to the Company, as needed, to pay its obligations as they come due.

Note 9: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Gross receipts and franchise	\$ 118,621	\$ 108,073
Property	5,600	5,347
Payroll	3,911	3,975
Other general	2,968	3,354
Total general taxes	<u>\$ 131,100</u>	<u>\$ 120,749</u>

Note 10: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Federal income taxes:		
Current	\$ 794	\$ 9,772
Deferred	50,418	37,892
Amortization of deferred investment tax credits	(331)	(331)
Provision for income taxes	<u>\$ 50,881</u>	<u>\$ 47,333</u>

The primary components of the net deferred tax liability of \$635,021 and \$569,106 at December 31, 2023 and 2022, respectively, include basis differences in utility plant partially offset by advances and contributions.

No valuation allowances were required on deferred tax assets at December 31, 2023 and 2022 as management believes it is more likely than not that deferred tax assets will be realized.

As of December 31, 2023 and 2022, the Company's reserve for uncertain tax positions is \$26,398 and \$25,886, respectively, excluding accrued interest and penalties. The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. Since there are no federal or state net operating loss carryforwards available, tax attributes are not available to reduce the liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements. If the Company sustains all of its positions as of December 31, 2023, there would be no impact to the Company's effective tax rate, other than reversal of interest and penalties. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2023 and 2022.

The Company files income tax returns in the United States federal jurisdiction. With few exceptions, the Company is no longer subject to U.S. federal tax examinations by tax authorities for years before 2020. The Company is not subject to state income taxes.

Note 11: Employee Benefit Plans

Savings Plan for Employees

The Company maintains a 401(k) savings plan, sponsored by AWW, allowing employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans of \$2,741 and \$2,761 for 2023 and 2022, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Pension Benefits

The Company participates in a Company-funded defined benefit pension plan, sponsored by AWW, covering eligible employees. Benefits under the plan are based on an employee's years of service and compensation. The pension plan was closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement.

The Company's pension cost is based on an allocation from AWW of the total cost related to the plan. The allocation is based upon the Company's participants' pensionable earnings as a percentage of AWW's total plan pensionable earnings. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated a cost of \$3,329 and a benefit of \$4,008 in 2023 and 2022, respectively.

AWW's funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, AWW will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006. AWW may also consider increased contributions based on other financial requirements and the plan's funded position. The Company's pension contributions are based on an allocation from AWW of the total contributions related to the plan. Contributions are allocated to the Company from AWW based upon the Company's participants' pensionable earnings as a percentage of AWW's total plan pensionable earnings. The Company made contributions of \$7,943 and \$6,848 in 2023 and 2022, respectively. The Company expects to contribute \$8,422 to the AWW plan in 2024.

Additionally, in connection with the acquisition of Shorelands Water Company ("SWC"), the Company assumed the pension of SWC. As part of the acquisition, effective April 3, 2017, the accrued benefit of the plan was frozen. The assumed pension benefit plan of SWC is accounted for as a single employer plan of the Company. As of December 31, 2022, the fair value of the plan assets was \$6,979 and the benefit obligation was \$7,536. As of December 31, 2023, the pension benefit plan of SWC was merged into the defined benefit pension plan, sponsored by AWW.

Postretirement Benefits Other Than Pensions

The Company participates in a Company-funded plan, sponsored by AWW, that provides varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and for non-union employees hired on or after January 1, 2002.

Costs of the Company are based on an allocation from AWW of the total cost related to the plan. The allocation is based upon the Company's covered participants as a percentage of AWW's total plan covered participants. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level.

The Company is allocated costs for all postretirement plans sponsored by AWW that provide certain life insurance and health care benefits for retired employees. The Company was allocated a benefit of \$4,982 and \$7,532 in 2023 and 2022, respectively.

Contributions of \$462 and \$2,230 were made in 2023 and 2022, respectively. No contribution to the plan is required in 2024.

Note 12: Related Parties

American Water Works Service Company, Inc., a subsidiary of AWW, provides certain management and operational services to the Company (administration, accounting, communications, data processing, education and training, engineering, financial, health and safety, human resources, information systems, internal audit, legal, operations, procurement, rates, security, risk management, water quality, research and development, etc.) and other operating companies that are subsidiaries of AWW on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Purchases of such services by the Company were accounted for as follows:

	<u>2023</u>	<u>2022</u>
Included in operation and maintenance expense as a charge against income	\$ 57,488	\$ 57,084
Capitalized primarily in utility plant	25,245	24,512
Total	<u><u>\$ 82,733</u></u>	<u><u>\$ 81,596</u></u>

The Company received cash capital contributions of \$160,000 and \$140,000 from AWW in 2023 and 2022, respectively. The Company also received non-cash capital contributions of \$368 and \$833 in 2023 and 2022, respectively.

The Company maintains a line of credit through AWCC. The Company also participates in AWCC's centralized treasury function, whereby the Company transfers its cash to AWCC and the Company's checks are issued out of AWCC. Under this arrangement, available cash is used to pay-down the line of credit and issued checks increase the Company's line of credit balance.

Presented in the table below are a summary of the Company's transactions with AWCC:

	<u>2023</u>	<u>2022</u>
Fees paid to AWCC	\$ 661	\$ 565
Interest expense on short-term borrowings with AWCC	13,076	2,581
Interest expense on long-term debt with AWCC	54,421	50,192
Accrued interest expense including amounts due to AWCC	10,155	9,897

The Company pays dividends to AWW on a quarterly basis. The amount of the dividend is based on a percentage of net income adjusted for certain items. The Company paid dividends of \$154,531 and \$183,828 in 2023 and 2022, respectively.

The Company sells water to affiliated companies, which are other subsidiaries of American Water Enterprises to fulfill their obligations to provide water to outside parties. Sales to other AWW affiliates totaled \$16,477 and \$14,911 in 2023 and 2022, respectively.

Note 13: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities approximate their fair values.

Long-term debt: The fair values of the Company's long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the table below are carrying amounts and fair values of the financial instruments:

	As of December 31, 2023				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt	\$ 2,023,040	\$ 290,629	\$ 1,302,648	\$ 245,485	\$ 1,838,762

	As of December 31, 2022				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (excluding finance lease obligations)	\$ 1,877,712	\$ —	\$ 1,108,637	\$ 567,003	\$ 1,675,640

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds, and money market funds.
- Level 2 - Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.
- Level 3 - Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

The Company had immaterial amounts of assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2023 and 2022.

Note 14: Leases

Certain operating leases have renewal options ranging from one to 10 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property and equipment will expire over the next 27 years and three years, respectively.

Rental expenses under operating and finance leases presented on the Consolidated Balance Sheets were \$539 and \$761 for the years ended December 31, 2023 and 2022, respectively.

For the year ended December 31, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was \$388. For the year ended December 31, 2023, no ROU assets were obtained in exchange for new operating lease liabilities.

In January 2023, the Company terminated its only finance lease and purchased the underlying asset.

As of December 31, 2023, the weighted-average remaining lease term of the operating leases was 35 years and the weighted-average discount rate of the operating leases was 5%.

Presented in the table below are the future maturities of operating lease liabilities at December 31, 2023:

	Amount
2024	\$ 343
2025	345
2026	291
2027	258
2028	265
Thereafter	13,964
Total lease payments	15,466
Imputed interest	(8,886)
Total	<u>\$ 6,580</u>

Note 15: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legally binding contracts amounted to \$92,432 as of December 31, 2023.

The Company also maintains long-term agreements with other water purveyors for the purchase of water to supplement their water supply. Costs incurred related to these commitments were \$36,490 for the year ended December 31, 2023. The total future annual commitments related to minimum quantities of purchased water having non-cancelable terms is estimated to be \$33,400 in 2024, \$33,256 in 2025, \$23,231 in 2026, \$16,254 in 2027, \$16,254 in 2028 and \$154,649 thereafter.

The Company is routinely involved in legal actions incident to the normal conduct of its business. At December 31, 2023, the Company has not identified any material loss contingencies that are probable or reasonably possible for existing matters.

Note 16: Subsequent Events

The Company performed an evaluation of subsequent events for the accompanying Consolidated Financial Statements through March 18, 2024, the date this report was issued.

New Jersey-American Water Company, Inc.

Proposed Journal Entries

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>DEBIT</u>	<u>CREDIT</u>
131	Cash	\$ 1,082,000,000	
221	Bonds		\$ 1,082,000,000
	To record the sale of Long Term Debt		
181	Debt Issuance Expense	\$ 16,292,988	
131	Cash		\$ 16,292,988
	To record issuance expenses on sale of Long Term Debt.		
221	Bonds	\$ 299,930,938	
131	Cash		\$ 299,930,938
	To record the retirement of bonds		
221	Bonds	\$ 22,245,254	
131	Cash		\$ 22,245,254
	To record the periodic principal repayment of Long Term Debt.		
101	Utility Plant	\$ 743,530,820	
131	Cash		\$ 743,530,820
	To record plant additions funded from the proceeds of the sale of Long Term Debt.		

**New Jersey-American Water Company, Inc.
Board of Directors Meeting
December 14, 2023**

Agenda Item 1

Action for Board consideration:

APPROVE THE 2024 ANNUAL BUDGET AND DEBT AND EQUITY FINANCING PLAN

RESOLVED, that the Company's 2024 Annual Budget be and the same is hereby approved consistent with the materials circulated to the Board in advance of the meeting; and

RESOLVED, that the 2024 Long-Term Debt Financing Plan for this Company is hereby approved substantially in the form presented in the 2024 Annual Budget, consisting of the incurrence by the Company in 2024 of an amount up to \$358 million in aggregate consolidated indebtedness (whether in an issuance of promissory notes to American Water Capital Corp. under and pursuant to the terms of the Financial Services Agreement dated June 15, 2000, or in a private, publicly registered, tax-exempt, or other transaction or series of transactions); and

RESOLVED, that the 2024 Equity Financing Plan for this Company is hereby approved up to an amount of \$134 million, consisting of the budgeted equity infusion of \$80 million presented in the 2024 Annual Budget and of the anticipated additional equity infusion of \$54 million from American Water Works Company, Inc.; and

RESOLVED, that the Company is hereby authorized to take additional debt or equity as may be necessary from time to time to maintain a capital structure consistent with that authorized for ratemaking purposes by the New Jersey Board of Public Utilities, but in no event shall the total capitalization of the Company during 2024 exceed an aggregate amount of \$5,021 million without prior Board approval; and

RESOLVED, that the short-term borrowing limit for the Company for the Year 2024 in the amount of \$384 million be and here is approved; and

RESOLVED, that the Company may borrow in excess of its short-term debt from time to time for the purpose of financing capital expenditures and acquisition activities for a period not to exceed a continuous calendar quarter; and

RESOLVED, that the officers of the Company are hereby authorized and empowered to take any and all actions and to execute and deliver any and all documents, as any such officer

NEW JERSEY-AMERICAN WATER COMPANY, INC.
BOARD OF DIRECTORS MEETING – DECEMBER 14, 2023
APPROVAL OF 2024 BUDGET AND DEBT AND EQUITY FINANCING PLAN

deems necessary or advisable to effect the abovementioned actions and resolutions, and to accomplish the purposes set forth therein, without further authority or approval by the Board of Directors of the Company.



14 Dec, 2023 11:13:24 AM EDT
Mark K. McDonough



14 Dec, 2023 11:20:29 AM EDT
Thomas Shroba



14 Dec, 2023 11:28:01 AM EDT
Bryan E. Delahunty



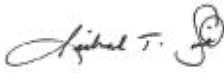
14 Dec, 2023 11:28:35 AM EDT
Tywannette Balmir



14 Dec, 2023 11:28:02 AM EDT
Donald C. Shields



14 Dec, 2023 11:28:17 AM EDT
Vincent Maione



14 Dec, 2023 11:20:17 AM EDT
Richard T. Smith

New Jersey-American Water Company, Inc.
\$1,082,000,000 Long-Term Debt

- | | |
|------------------------------|---|
| o August 2024 | File Financing Petition with the BPL |
| o December 2024 | Receive BPU Order |
| o Ongoing 2024-2027 | Evaluate Market conditions and availability of LT financing |
| o 3 Months Prior to Issuance | Work with Investment bankers to arrange LT Debt |
| o Month of Issuance | Closing on LT Debt financings for NJAWC** |

**For Taxable Issuances, the Company continuously monitors the market to determine the optimal time to issue debt. This includes an assessment of the needs of NJAWC and all regulated entities. There is not a defined month the Company will issue debt each year, nor would it limit the Company to only issuing debt once per year.

For Tax Exempt Issuances, the timeline to solicit bids would add 2-3 months to the standard schedule. The schedule could also be modified to include refinancing of existing tax exempt debt.

New Jersey-American Water Company, Inc.

Estimated Cost Of Issuance 2025-2027

	Taxable ¹	NJEIT	Tax-Exempt	Total
Total Issuance Amount	\$ 756,000,000	\$ 326,000,000	\$ -	\$ 1,082,000,000
Underwriting Fee	5,764,500	1,630,000	0	7,394,500
Moody's	601,020		0	601,020
S&P	597,240			597,240
SEC	111,586			111,586
Morgan Lewis	78,186			78,186
Ballard Spahr			0	0
Sullivan & Cromwell	2,700			2,700
McCarter & English			0	0
PwC	70,200		0	70,200
RR Donnelley	16,904		0	16,904
Computershare - Trustee	12,960			12,960
Thomas Hine - Trustee Legal	7,493			7,493
Stradley Ronon			0	0
Cost of Issuance		326,000		326,000
DEP Fee ²		6,520,000		6,520,000
Administrative Fee (NJEIT)		554,200		554,200
Total Issuance Costs	\$ 7,262,788	\$ 9,030,200	\$ -	\$ 16,292,988
Issuance Costs as % of Total Issuance Amount	0.96%	2.77%		1.51%

¹Projected issuance costs for 10-year and 30-year senior unsecured taxable notes based on AWCC's most recent issuance in February 2024, assuming NJAW bears 18% of total fixed costs

²DEP Fee based on NJEIT loan agreement

New Jersey-American Water Company, Inc.
NJAWC Consolidated Income Statement

Actual 12 months ended December 31, 2023 and pro forma after giving effect to \$1,082 million in Long Term Debt

	Period ended 12/31/2023	Adjustment ¹ (2024)	Adjustment ² (2025)	Adjustment ³ (2026)	Pro Forma ⁴ at 12/31/2027
I. UTILITY OPERATING INCOME					
Operating revenues	\$964,466,000	\$36,112,233	\$97,578,062	\$132,638,664	\$1,230,794,960
OPERATING EXPENSE					
Operation and maintenance	309,448,000	7,304,168	7,476,575	7,653,051	337,855,665
Depreciation and amortization	164,332,000	11,562,437	19,350,782	7,788,346	211,491,538
General taxes	131,100,000	4,922,097	13,299,890	18,078,650	167,400,637
Provision for income taxes	50,881,000	1,260,625	15,454,527	23,659,298	91,255,450
Gain on disposition of property	0	0	0	0	0
Total Operating Expenses	\$655,761,000	\$25,049,327	\$55,581,774	\$57,179,344	\$808,003,290
Utility Operating Income	\$308,705,000	\$11,062,906	\$41,996,289	\$75,459,320	\$422,791,670
II. OTHER INCOME (EXPENSES)					
Interest, net	(84,608,000)	6,320,556	(16,142,170)	(13,544,705)	(118,630,941)
Allowance for other funds used during construction	8,441,000	844,100	928,510	1,021,361	11,234,971
Allowance for borrowed funds used during construction	2,799,000	279,900	307,890	338,679	3,725,469
Non-Operating benefit costs, net ⁵	13,144,000	(7,847,797)	(1,141,767)		4,154,436
Other, net	(27,000)				(27,000)
Total Other Expenses	(\$60,251,000)	(\$403,241)	(\$16,047,537)	(\$12,184,665)	(\$99,543,065)
NET INCOME	\$248,454,000	\$10,659,665	\$25,948,751	\$63,274,655	\$323,248,605

Notes:

¹ Estimated revenue for GRC (based on BPU Docket No. WR22010019), effective 11/1/2024. The 2024 portion of the DSIC and WSIC Revenues rolled into base rates.

² Adjustment includes the DSIC/WSIC Revenue at the capped estimated amount through the 2026 period, which will roll into base rates in next GRC.

³ For purposes of this petition only, the Company is projecting in the pro forma period the continuation of DSIC/WSIC estimated cap revenue amount.

⁴ Adjustments include applicable incremental pro forma costs through the end of 12/31/2027.

⁵ Effective with Docket No. WR22010019, the Company implemented the deferral treatment of Pension and OPEB costs through the 2024 period. The pro forma amount reflected is the Company's post-test year Pension and OPEB non-service costs per Docket No. WR24010056 as per the 12&0 Update.

New Jersey-American Water Company, Inc.
 Long-Term Interest Coverage

<u>Pre-Tax:</u>	<u>Actual (12/31/23)</u>	<u>Adjustments</u>	<u>Pro Forma</u>
Utility Operating Income	\$ 308,705,000	\$ 114,086,670	\$ 422,791,670
Plus: Federal Income Tax	<u>\$ 50,881,000</u>	<u>\$ 40,374,450</u>	<u>\$ 91,255,450</u>
Income Before Interest and FIT	\$ 359,586,000	\$ 154,461,120	\$ 514,047,120
Long Term Interest Expense	\$ 71,120,131	\$ 47,510,810	\$ 118,630,941
Long Term Interest Coverage	<u>5.06</u> x		<u>4.33</u> x
Utility Operating Income	\$ 308,705,000	\$ 114,086,670	\$ 422,791,670
Long Term Interest Expense	\$ 71,120,131	\$ 47,510,810	\$ 118,630,941
Long Term Interest Coverage	<u>4.34</u> x		<u>3.56</u> x

New Jersey-American Water Company, Inc.
Capitalization

Actual 12 months ended December 31, 2023 - Adjusted to pro forma at 12/31/2027

LONG TERM DEBT			
<u>Actual 12/31/2023</u>	<u>Additions (a)</u>	<u>Retirements (b)</u>	<u>Pro Forma</u>
\$ 1,984,629,228	\$ 1,332,000,000	\$ 436,068,120	\$ 2,880,561,108

COMMON EQUITY			
<u>Actual 12/31/2023</u>	<u>Additions</u>	<u>Changes</u>	<u>Pro Forma</u>
\$ 2,543,684,453	\$ 584,000,000	\$ 977,001,346	\$ 3,520,685,799

CAPITALIZATION RATIOS					
	<u>Actual 12/31/2023</u>	<u>Actual %</u>	<u>Adjustments</u>	<u>Pro Forma</u>	<u>Pro Forma %</u>
Long-Term Debt	\$ 1,984,629,228	43.83%	\$ 895,931,880	\$ 2,880,561,108	45.00%
Common Equity	\$ 2,543,684,453	56.17%	\$ 977,001,346	\$ 3,520,685,799	55.00%
	<u>\$ 4,528,313,682</u>	<u>100.00%</u>	<u>\$ 1,872,933,225</u>	<u>\$ 6,401,246,907</u>	<u>100.00%</u>

(a) - Includes \$250 million of additions in 2024

(b) - Includes retirements and sinking fund payments 2024 - 2027