NYSE: **WTRG**

Peoples Natural Gas
2023 Base Rate Case
December 21, 2023

Essential™
Providing natural resources for life.

Important Notice

This presentation is intended for discussion purposes only. All data and other information contained herein is to be considered secondary to the data presented in the Rate Case Filing. The Rate Case Filing documents should prevail if any inconsistencies exist.

Agenda

- Introductions
- Peoples Overview
- Rate Case Review
- Questions

Introductions

Mike Huwar, Peoples President

Kim Edvardsson, Peoples VP and Segment CFO

Bill Packer, Essential VP, Regulatory Accounting & Regional Controller

Kim Joyce, Essential VP, Regulatory, Government and External Affairs

Andrew Wachter, Peoples Director of Finance & Regulation

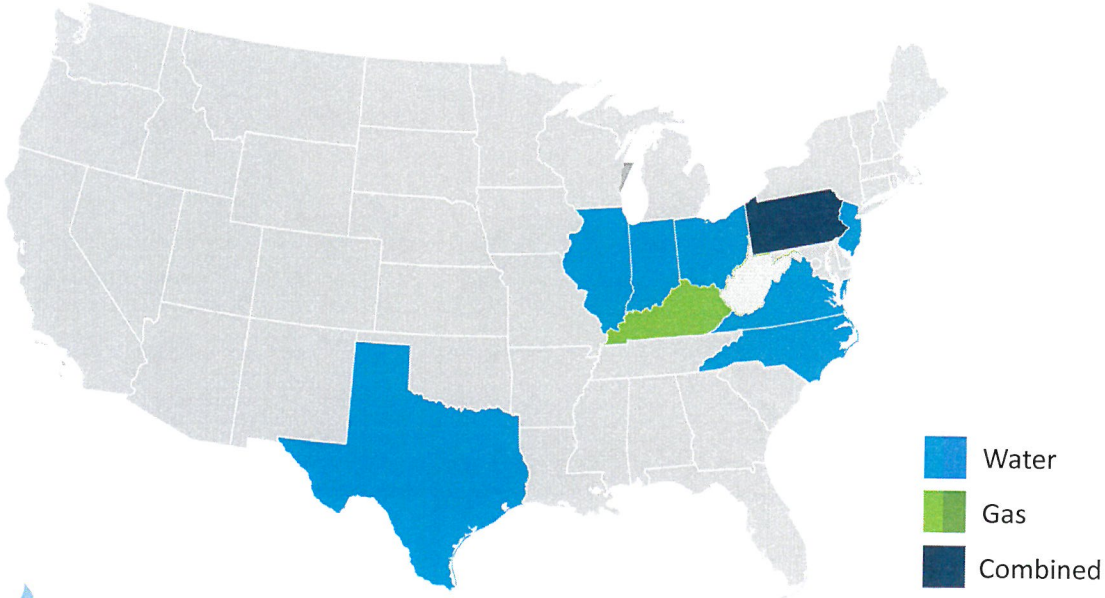
Meagan Moore, Peoples Senior Regulatory Attorney

Carol Scanlon, Peoples Manager of Rates

Our Mission

Our Mission:

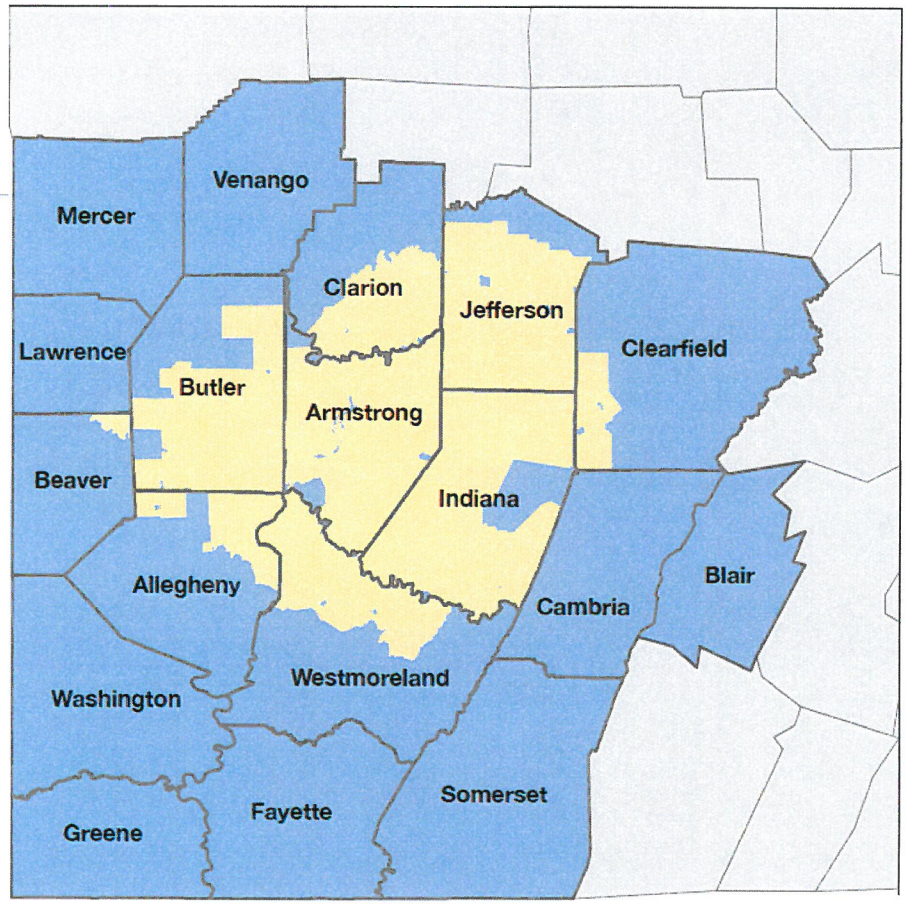
To sustain life and improve economic prosperity by safely and reliably delivering Earth's most natural resources to our customers and communities.

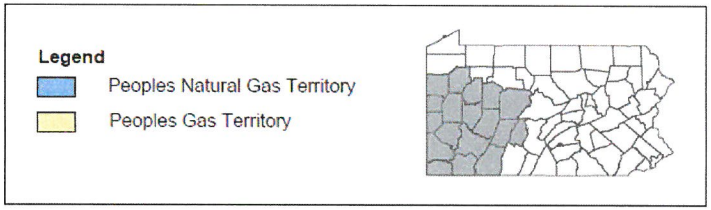


- Safety
  - LTIIP progress – nearly 500 miles replaced from 2021 to present
  - Leak backlog reduction – Since 2019, reduced Grade 1 & 2 by more than 70%.
  - By 2035, Essential Utilities will reduce its annual Scope 1 and 2 emissions by 60% from its 2019 baseline
- Customer Commitment
  - Continue to achieve high customer satisfaction ratings
  - Meeting or exceeding all acquisition performance commitments
- Community
  - Suite of low income programs including CAP, Emergency Furnace LIURP weatherization & Line Repair, Hardship Fund and CARES
  - Customer support services including BRAILLE bills, thermostats for visually impaired, assistance with completing LIHEAP applications, referrals to local agencies
  - A strong commitment to diversity and inclusion

Entities & Service Territory

Peoples Natural Gas and Peoples Gas together serve approximately 700,000 residential, commercial and industrial customers throughout 18 counties in southwestern PA





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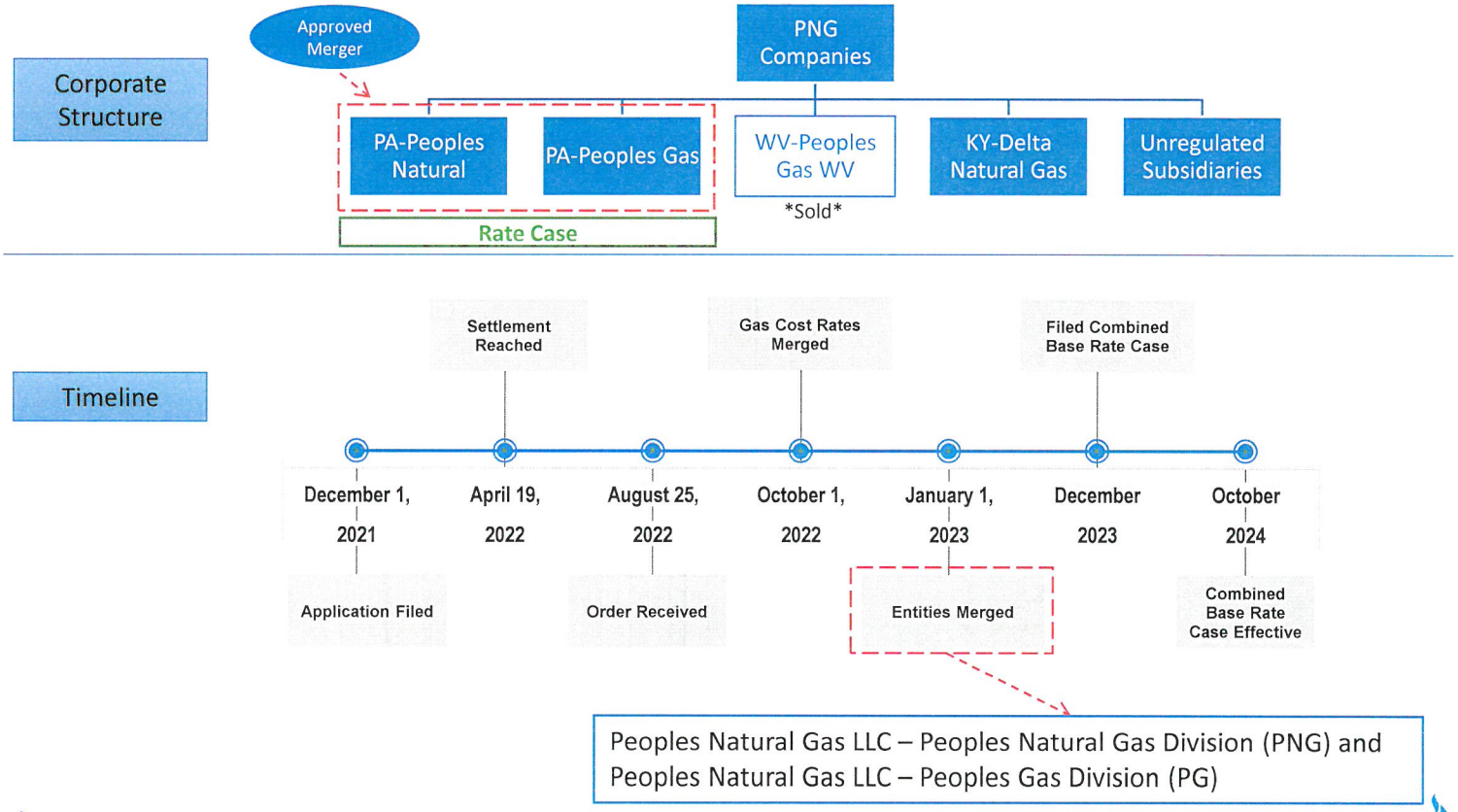
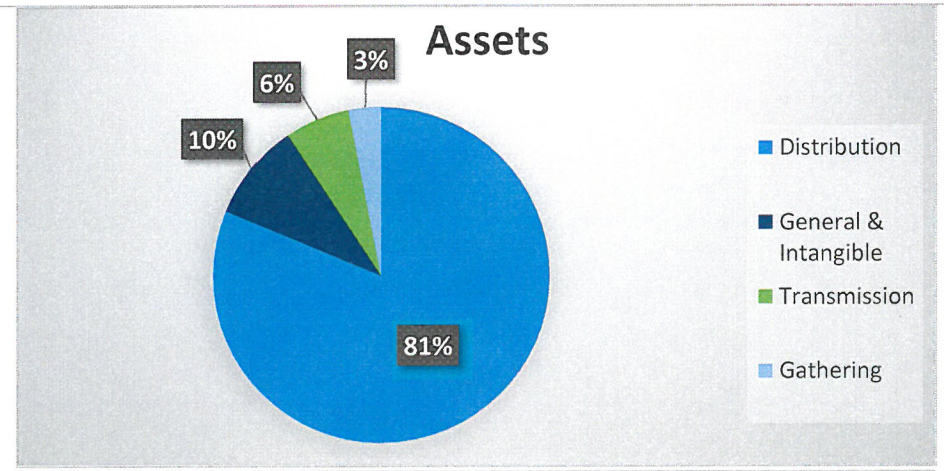
Note: PNG = Peoples Natural Gas Division, PG = Peoples Gas Division

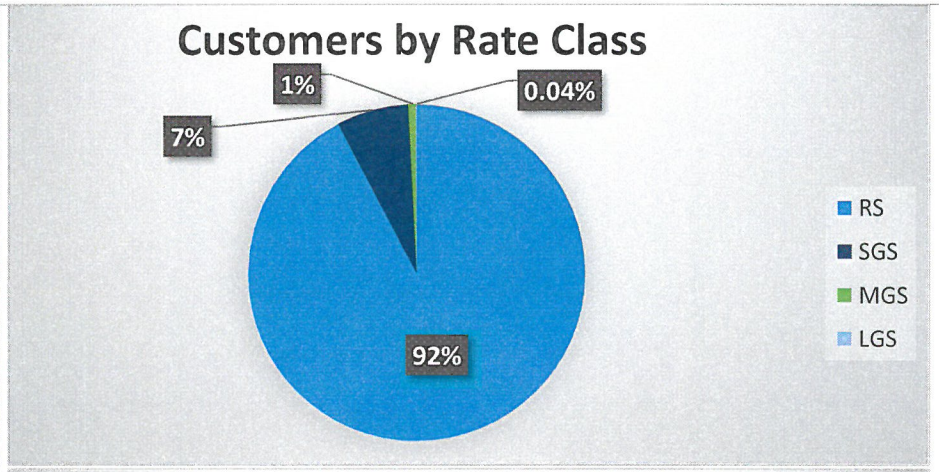
PEOPLES

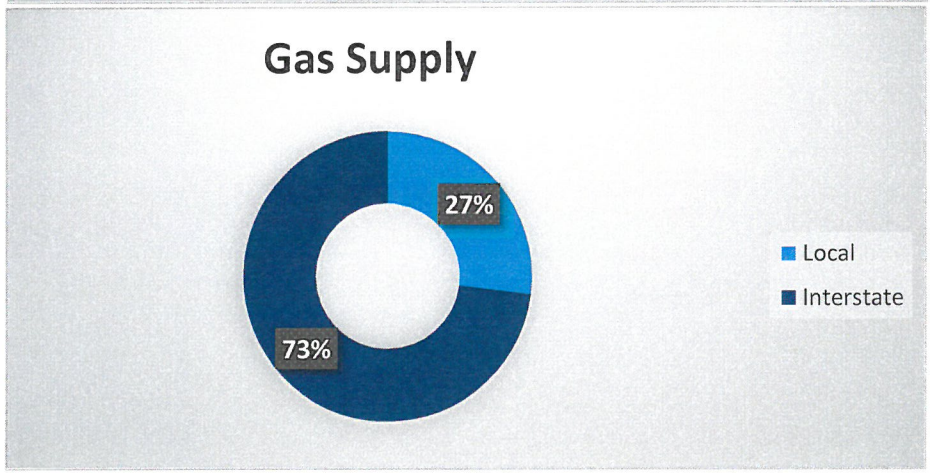
Peoples Natural Gas & Peoples Gas Merger Timeline

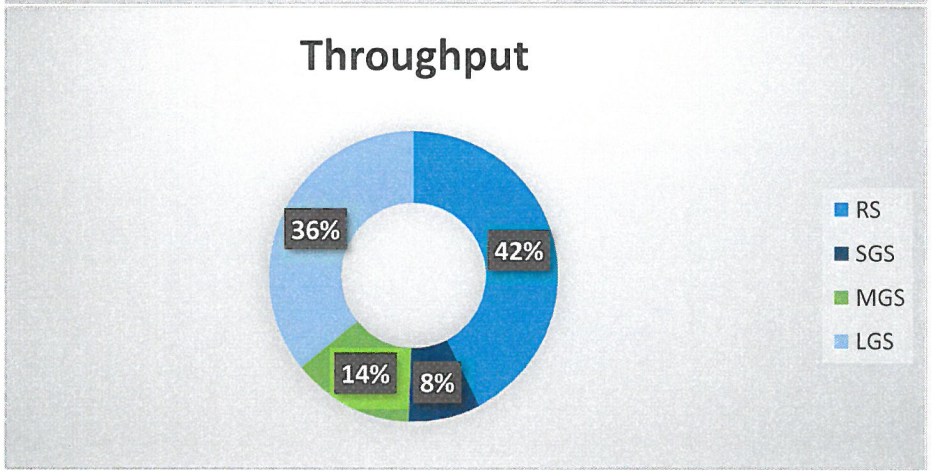


Operational Data Overview









Rate Case Overview

Filing to be made by December 29, 2023

- Test Years:
  - Historic Test Year: TME August 31, 2023
  - Future Test Year: TME August 31, 2024
  - Fully Projected Future Test Year: TME Sept. 30, 2025
- Rates effective September 28, 2024

Proposed increase in revenues – $156 million or 18.7%

- Most recent base rate increases
  - Peoples Natural - $59.5 million, effective October 29, 2019
  - Peoples Gas - $13.8 million, effective January 1, 2014
  - Committed to filing a rate case by December 31, 2023 in the 2020 Unit of Property Election PA PUC proceeding

Merger of Peoples Natural and Peoples Gas Divisions

- Combined claim
- Merging of rate classes and rates
- Combined tariffs
- Filing requirements and standard data requests prepared by division and combined
- Combined depreciation and cost of service studies

Other Matters

- Unit of Property Election (Tax Repairs)
- Weather Normalization Adjustment Mechanism

Infrastructure Replacement

The Company anticipates spending nearly $2 billion on LTIIP investments from the last rate case through the end of the FPFTY

PEOPLES

Rate Base (in millions)

	HTY	FTY	FPFTY
Plant In Service	$ 4,664.3	$ 4,995.9	$ 5,587.9
Accumulated Depreciation	(1,313.7)	(1,374.3)	(1,456.3)
Net Plant	$ 3,350.5	$ 3,621.6	$ 4,131.6
Gas Storage	96.9	48.4	46.9
Materials & Supplies	5.6	5.6	5.6
Prepayments	5.8	5.8	5.8
Cash Working Capital	35.1	35.6	36.3
Customer Advances	(3.7)	(3.7)	(3.7)
Customer Deposits	(4.1)	(4.1)	(4.1)
Deferred Income Taxes	(139.0)	(50.8)	(3.2)
Total	$ 3,347.2	$ 3,658.4	$ 4,215.1

- Increase in rate base driven by about $1 billion of capital expenditures, working capital based upon a lead/lag study
- Updated depreciation studies prepared by John Spanos
- Deferred taxes offset with generated net operating losses until utilized

Claim for gas storage has decreased as gas costs have moderated since the spike in market prices in 2022 and customers continue to benefit from the region's abundance natural resources

Infrastructure Replacement History

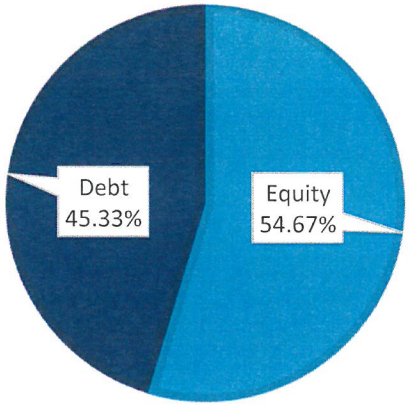
Calendar Year	Miles	PNG + PG LTIIP Capital Expenditures (millions)
2021	167	$262.0
2022	159	$340.4
2023*	181	$417.7
2024*	186	$451.9
2025*	186	$468.5
Total	879	$1,940.5

- Capital investment on LTIIP of nearly $2 billion projected from 2021 to 2025
- Projecting over $900 million of LTIIP replacement during the FTY and FPFTY.
- Driven by investment in pipeline replacement consistent with the commitments laid out in the 2021-2025 LTIIP approved January 14, 2021

*Projected

Rate of Return

	Capitalization (millions)	Capitalization Ratio	Cost of Capital	Weighted Rate
Debt	$1,916.9	45.33%	4.37%	1.98%
Equity	$2,311.8	54.67%	11.75%	6.42%
Overall Return	**$4,228.7**	**100.00%**		**8.40%**



- Proposed capital structure in line with peer companies. Rate of return based upon a third party study. Debt rates consistent with existing rates and projected debt issuances.

Preliminary - Average Residential Bill

	Present Rates	Proposed Rates		Present Rates	Proposed Rates
	Peoples Natural	Combined		Peoples Gas	Combined
Fixed Charges					
Monthly Service Charge	$14.50	$21.50		$15.75	$ 21.50
Riders	(0.26)	(0.99)		(1.30)	(0.35)
Total Fixed Charges	$14.24	$20.51		$14.45	$21.15
Volumetric Charges					
Delivery Rate	$3.96	$5.71		$6.77	$ 5.71
Gas Cost	4.70	4.64		3.95	4.64
Other Riders	0.12	(0.08)		(0.37)	0.04
Total Rate per Mcf	$8.79	$10.26		$10.36	$10.38
Average Annual Consumption	86	86		86	86
Average Annual Bill	$926.58	$1,128.84		$1,064.01	$1,146.83
Average Monthly Bill	$77.22	$94.07		$88.67	$95.57

	Peoples Natural	Peoples Gas
Change in Monthly Bill	$16.86	$6.90
Percentage Change	21.8%	7.8%

Proposed annual bill is 37% lower than the peak of ~$1,800 in 2008

Proposed annual bill is 18% lower than the last winter

Proforma WNA on January Residential Customer Bill

	10% WTN	*Change*	Expected	*Change*	10% CTN
HDD for January	*823*	*(91)*	*914*	*91*	*1005*
Mcf Usage (adjusted for base load)	*11.30*	*(1.00)*	*12.30*	*1.00*	*13.30*
Fixed Charge	$ 14.24		$ 14.24		$ 14.24
Commodity Charge	$ 55.22	$ (4.89)	$ 60.10	$ 4.89	$ 64.99
Variable Charge	$ 44.16	$ (3.98)	$ 48.14	$ 3.98	$ 52.12
Weather impact on January Bill		**$ (8.87)**	N/A	**$ 8.87**	
WNA	$ 3.96	$ 3.96	N/A	$ (3.96)	$ (3.96)
Total Bill	$ 117.58	**$ (4.91)**	$ 122.48	**$ 4.91**	$ 127.39

Note: The above calculation is for illustrative purposes and assumes that the WNA is for all days in January. Actual impacts of the WNA will be based on a daily comparison of Actual Heating Degree Days to Expected Heating Degree Days.

Program Design:

- WNA program utilizing a calculation similar to other utilities
- Applicable from October to May
- No dead-band
- Annual reporting to the PUC
- Budget Customers - WNA will be part of annual true up
- CAP Customers - Will not impact the Percentage of Income Payment due

While the WNA will impact customers - it is a natural offset to the variable charges based on usage

Income Taxes & Repairs

Income Taxes

- IRS Repair election filed for PNG (2020) and PG (2021)
- A revenue surcredit of $59.3M provided to customers thus far (PNG) since 2020
- DSIC remained at zero for over 2.5 years
- Company has invested about $900 million in gas distribution pipe replacements with no increase in base rates from 2020 - 2023
- Normalized repair deduction included in this case, thus reducing income tax expense in cost of service and benefiting customers
- Proposed Collar included in case
- TCJA
  - PNG - Benefits reflected in last case
  - PG – benefits reflected in this case. TCJA Rider will stay in place to resolve final over/under collection

Rider TRS – Tax Repair Surcredit Proposal

- Current surcredit reflects credit for Tax Repairs catch-up deduction at PNG
  - PG Customers not currently receiving a credit
- Proposal is to revise Rider TRS for both PNG and PG to reflect the following changes that have recently occurred:
  - PA Corporate Net Income Tax changes
  - Recently issued IRS Tax Repair Safe Harbor rules
  - Catch-up deduction benefit at PG
  - Recent applicability of Tax Repairs on mandatory relocations

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Questions?