

**JOINT APPLICANTS**  
**CASE NO. 2025-00408**  
**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

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**Witness: David Bowler**

1. Refer to the Application, page 6, paragraph 16. Provide the support for the amount of American Water's common stock that each Essential shareholder will receive upon consummation of the proposed merger.

**Response:**

As noted in the Application, upon consummation of the Merger, Essential shareholders will receive 0.305 shares of American Water common stock for each share of Essential common stock that they hold. Following the Merger, the existing shareholders of American Water will own approximately 69% of the combined company, and the former shareholders of Essential will own approximately 31% of the combined company on a fully diluted basis.

Changes in the market price of American Water common stock or the market price of Essential common stock at or prior to the effective time of the merger will not change the number of shares of American Water common stock that Essential shareholders will receive because the exchange ratio is fixed at 0.305 of a share of validly issued, fully paid, and nonassessable American Water common stock. The value of the merger consideration to be received in exchange for each share of Essential common stock will fluctuate with the market value of American Water common stock until the merger is completed.

Based on American Water's closing stock price on October 24, 2025, the last trading day prior to the announcement of the execution of the merger agreement, the implied value of the merger consideration was \$43.18 per share of Essential common stock, representing an approximately 10% premium based on the average of the daily volume weighted average closing price per share of each company's common stock over the 60-trading day period ending October 24, 2025.

Please see detailed discussion regarding the exchange ratio in the Joint Proxy Statement filed with the Securities and Exchange Commission on December 31, 2025. See pages 80 - 103.<sup>1</sup>

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<https://www.sec.gov/Archives/edgar/data/1410636/000119312525337598/d15683d424b3.htm>

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**Witness: David Bowler**

2. Refer to the Application, page 10, paragraph 27.
  - a. Explain whether American Water has any prior experience, in the capacity of an indirect owner, or otherwise, in the operation of any natural gas utilities.
  - b. Explain whether American Water has acquired any other natural gas utilities. If so, identify the companies and when they were acquired.
  - c. Explain how American Water's financial, technical, and managerial expertise in serving water customers translates to its indirect ownership of a natural gas industry.

**Response:**

- a. American Water does not have prior indirect ownership in the operation of a natural gas utility.
- b. American Water has not previously acquired any other natural gas utilities.
- c. American Water is the largest and most geographically diverse investor-owned water and wastewater utility in the United States. Its utilities nationwide promote customer affordability by leveraging technology, operating efficiently, and maintaining strong day-to-day operational practices. The company also brings extensive experience in owning and managing regulated utility infrastructure in Kentucky.

Delta currently provides natural gas service to roughly 40,000 customers across 33 Kentucky counties. Delta's existing management team will continue to oversee daily operations and maintain the authority and resources necessary to deliver safe, reliable, and affordable natural gas service. Delta will continue preparing its own budgets and business plans, and its current workforce will be retained, ensuring continuity of service and management expertise. Please also see the response to PSC 1-15.

The Merger joins the industry leading water, wastewater, and natural gas operations of American Water and Essential, aligning their shared commitment to delivering clean, safe, reliable, and affordable utility services. The combined company's expanded scale and operational efficiencies will support continued investment in Kentucky and across the country.

Together, the companies will be able to leverage complementary financial and operational strengths, drawing on broader resources and capabilities to enhance service quality and customer experience. The Merger brings together two highly skilled teams within the regulated utility sector, increasing the combined company's ability to attract, develop, and retain employees across water, wastewater, and natural gas operations and to create long-term career growth opportunities.

American Water has a proven financial track record and strong access to capital markets. As a publicly traded company, it can efficiently raise capital through equity and debt markets. The expanded size and scope of the combined organization will enable operational efficiencies, improved customer service, and a stronger financial foundation—supporting competitive access to capital for all utility subsidiaries, including Delta. The combined entity's diversified customer base, revenue streams, and regulatory environments are expected to provide more stable cash flow.

In addition, the combined company will benefit from deeper intellectual capital and technical expertise across a larger, more diverse workforce experienced in infrastructure improvement and essential utility operations. These strengths will enhance the company's ability to invest in and deploy new processes and technologies that support safe, reliable, and affordable service.

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**Witness:**

3. Refer to Application, page 10, paragraph 29, which states: "Delta's existing employees will be retained, thus ensuring the continuity of existing service and management."
  - a. List all current Delta employees by position title and business address.
  - b. Describe the current job duties of each Delta employee by position title. Explain whether any employee's job duties will change after the proposed reorganization and describe any anticipated changes.
  - c. Explain whether any separation or termination of current Delta employees is expected prior to the proposed merger.

**Response:**

Please see Delta's response to Staff 1-3.

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**Witness: David Bowler and Cheryl Norton**

4. Refer to the Application, page 11, paragraph 31.
  - a. Explain how the proposed merger will generate synergies and result in overall aggregate cost avoidance or cost saving opportunities for the combined company over the long term.
  - b. Explain how American Water's access to equity and bond markets will provide efficiencies as opposed to Essential's current access to equity and bond markets.

**Response:**

- a. The Joint Petitioners have only recently started having integration discussions and therefore, the Joint Petitioners have not yet identified all the efficiencies that may come out of that process, the costs to achieve Merger-related synergies or quantified any such efficiencies. Nevertheless, Joint Petitioners have identified the opportunity for efficiencies. These efficiencies include, but are not limited to:
  - Operational efficiencies associated with knowledge sharing and standardization of processes, practices and training
  - Consolidation of highly skilled industry professionals, the costs of which can be spread across a larger customer base
  - Technology based efficiencies that may include efficiencies from being on a full SAP platform
  - Efficiencies from leveraging the size and scale of the combined company to maximize its purchasing power and obtain discounts on necessary goods and services including, but not limited to, water treatment chemicals, pipe valves and fittings, meters, engineering services, consulting services, professional services, and employee benefits
  - Financing efficiencies, driven by a stronger combined balance sheet, providing greater liquidity to the combined entity, and more stable cash flows, providing an opportunity for improvement on the cost and availability of necessary financing.American Water has a continuous improvement mindset and that includes looking for opportunities to improve or enhance the service we provide to customers, including through operational efficiencies. The Merger will not change that, but it will unite two highly skilled and experienced teams in the regulated utility space that can work together to advance those efforts.
- b. The merger is an all-equity transaction. As American Water issues additional stock to complete the transaction, the equity component of its total capitalization will increase,

which reduces its debt to total capitalization ratio at the parent company level. This, in turn, will enhance American Water's financial strength. Furthermore, the current Essential companies will benefit since they will become part of a holding company that has a much larger regulated asset base. The combined company will continue to have ready access to the equity capital markets. The combined company will also have an attractive consolidated debt maturity profile spaced out over many years, mitigating refinancing risk.

Also, the transaction will result in greater cash flow stability, resulting from the increased scale, scope, and diversification of the combined company. Additionally, increasing the scope and scale of operations, coupled with increased diversity (geography and regulatory jurisdictions) will reduce the possibility that regional factors could adversely affect financial performance. Volatility of financial and operating performance in specific regions, resulting from economic trends and localized weather conditions, for example, would be mitigated by greater size and an expanded geographic footprint.

To the extent that improvements to the financial metrics can be realized, and credit ratings are reflective of that improvement, the debt capital markets generally respond favorably with increased accessibility and reduced credit spreads resulting in a lower overall cost of debt. Additionally, as a large cap regulated utility, the combined company will continue to have access to the equity capital markets.

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**Witness: David Bowler**

5. Refer to the Application, Exhibit A, page 6, paragraph (e). Consider this an ongoing request. Provide support for any adjustment to the Exchange Ratio throughout the instant case record.

**Response:**

Currently, there has been no adjustment to the Exchange Ratio. American Water will consider this an ongoing request and will update the Commission if there is any adjustment or change made to the Exchange Ratio.

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**Witness: David Bowler**

6. Provide the following financial performance measures and ratios for each utility party to the requested merger. Provide the information as of the most recent Value Line publication pre-merger and after the merger was announced.
  - a. P/E Ratio (price divided by earnings per share).
  - b. Dividend Yield (dividend yield based on present cash dividend rate)
  - c. Payout Ratio (primary or basic earnings per share excluding extraordinary items paid to common shareholders in the form of cash dividends).
  - d. Quick Ratio (cash plus short-term investments plus accounts receivable, divided by total current liabilities).
  - e. Current Ratio (total current assets divided by total current liabilities).
  - f. Interest Coverage (earnings before interest and taxes divided by interest expense).
  - g. Equity Ratio (total common equity divided by total capitalization).
  - h. Return on Equity (income available to common shareholders divided by common equity).

**Response:**

a-h. Please see JA\_R\_PSCDR1\_NUM006\_020626 Attachment AW for the requested information as of 12/31/2024. Information as of 12/31/2025 is not yet available. Please see Essential's response to PSCDR1\_NUM006\_020626 for their responsive information.

Kentucky American Water  
American Water Works Company, Inc. Financial Ratios  
PSC 1.6

	Period Ending 12/31/2024	Calculation Notes:
Price	131.58	Average yearly market price per share (monthly high-low basis)
Earnings Per Share (GAAP)	5.39	
<b>a. P/E Ratio</b>	<b>24.41</b>	price divided by earnings per share
Cash Dividend Paid	3.0025	
Market Value Per Share	124.4900	
<b>b. Dividend Yield</b>	<b>2.41%</b>	dividend yield based on present cash dividend rate
Cash Dividend Paid	3.0025	
Earnings per share (non-GAAP)	5.1800	2024 earnings, weather-normalized and excluding incremental interest from amended HOS seller note
<b>c. Payout Ratio</b>	<b>57.96%</b>	primary or basic earnings per share excluding extraordinary items paid to common shareholders in the form of cash dividends
Cash	96,000,000	
Short-term investments	0	
Accounts Receivable	416,000,000	
Total Current Liabilities	3,150,000,000	
<b>d. Quick Ratio</b>	<b>16.25%</b>	cash plus short-term investments plus accounts receivable, divided by total current liabilities
Total Current Assets	1,215,000,000	
Total Current Liabilities	3,150,000,000	
<b>e. Current Ratio</b>	<b>38.57%</b>	total current assets divided by total current total current liabilities
Net Income	1,051,000,000	
Interest	523,000,000	
Taxes	308,000,000	
Earnings Before Interest and Taxes	1,882,000,000	
<b>f. Interest Coverage</b>	<b>3.60</b>	earnings before interest and taxes divided by interest expense
Total Common Equity	10,332,000,000	
Total Capitalization	24,369,000,000	
<b>g. Equity Ratio</b>	<b>42.40%</b>	total common equity divided by total capitalization
Net Income	1,051,000,000	
Common Equity	10,064,500,000	Average of December 2023 and 2024 endng balances
<b>h. Return on Equity</b>	<b>10.44%</b>	income available to common shareholders divided by common equity

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**Witness: David Bowler**

7. Explain whether any cost-benefit analysis was performed to quantify financial benefits to Delta's ratepayers. If no cost-benefit analysis has been performed, explain why.

**Response:**

American Water has not conducted or had conducted for it the requested analysis. The Joint Applicants expect the merger to result in benefits to its customers, including the Delta customers, after the merger. The merger integration process is expected to lead to cost efficiencies in various functional areas. While there will be some costs to achieve merger-related synergies, customers will realize benefits from those synergies as they are recognized in future rate cases in the form of costs that are lower than they would have been absent the merger.

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**Witness: David Bowler**

8. Describe how the proposed transaction will affect Joint Applicants' capital structure. Provide with the response a schedule that compares Joint Applicants' present capital structure including the weighted average cost of capital to its projected post-transaction capital structure.

**Response:**

There is no material impact to the capital structure for the Joint Applicants as a result of this merger. The capital structure of Delta will be unchanged as a direct result of the Transaction. Delta has and will continue to have its own capital structure, which is a function of its own debt and equity.

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**Witness:**

9. State when Delta currently anticipates applying for any further adjustment of its rates for service. Describe the effect of the proposed transfer of control on the date when Delta plans to apply for any further adjustment of its rates for service, and if the proposed transfer materially impacts Delta's stay-out clause in the Joint Stipulation, Settlement Agreement, and Recommendation (Joint Settlement) reached in Case No. 2024-00346.<sup>2</sup>

**Response:**

Please see Delta response to Staff 1-9.

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<sup>2</sup> Case No. 2024-00346, *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Gas Rates* (Ky. PSC July 1, 2025); Joint Settlement (filed Apr. 14, 2025).

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**Witness: David Bowler**

10. Provide a detailed explanation of the specific financial goals of this corporate reorganization for each of the Joint Applicants.

**Response:**

The merger transaction will generate financial benefits for American Water and its subsidiaries, of which Essential will be one, in three primary areas:

- (1) **A stronger balance sheet for the combined company than either merger partner on a stand-alone basis.** The transaction is an all-equity transaction, which will reduce the debt to total capitalization of American Water, enhancing the financial strength of the combined entity. The financial strength of American Water will provide greater overall liquidity for all subsidiaries, which will provide lower cost financing (subject to market conditions) for each operating company. In addition, the combined company will have an attractive consolidated debt maturity profile spaced out over many years, which will help to mitigate refinancing risk.
- (2) **More stable operating cash flows.** The combined entity is expected to have nearly \$6.5 billion in annual operating revenues from the regulated business, a market value of about \$40 billion, and a combined enterprise value of approximately \$63 billion, which will rank about the top 250 in the S&P 500. Stable, predictable cash flow is a primary factor considered by financial markets and rating agencies in their valuation of the financial strength of a company. Debt investors typically ascribe a lower risk premium to more stable cash flows, resulting in lower financing costs. Improvement in cash flows can result in reduced interest expense to the utility subsidiaries as new debt is issued or existing debt is refinanced. A larger, more diverse set of cash flow streams allows for flexibility in spending and lowers the risk of funding capital expenditure programs at the utility subsidiaries as capital market conditions change.
- (3) **Enhanced access to capital at competitive rates.** The water, wastewater, and natural gas industries are highly capital intensive and require access to capital markets in various forms for funding. This improved access to capital under the combined company, coupled with greater overall liquidity, will allow American Water and its subsidiaries to better manage the timing of a need to access markets during periods of extreme volatility and shield customers from the higher costs typically associated with this volatility. To the extent the improvements to the financial metrics (as noted in (1) and (2)) are realized, credit ratings and ultimately the debt capital markets would be expected to respond favorably with increased accessibility and reduced credit spreads, resulting in lower overall cost of debt. Improved access to capital markets also results in more competitive interest rates, which translates into less interest expense for American Water and its subsidiaries.

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**Witness: David Bowler**

11. Provide copies of all reports submitted by rating agencies and financial advisors to Joint Applicants related to the proposed transfer of indirect control of Delta.

**Response:**

The requested information is confidential and is being provided pursuant to a Petition for Confidential Protection. Please see  
JA\_R\_PSCDR1\_NUM011\_020626\_Attachment\_CONFIDENTIAL\_AW.

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**Witness: Cheryl Norton**

12. Provide copies of any filings or applications regarding proposed transfer/merger that have been filed with any additional regulatory agency on behalf of each Joint Applicant.

**Response:**

The chart below shows proceedings regarding the proposed transfer/merger pending before other state regulatory commissions.

State	Case Number	Statutory Deadline	Links to each Docket
Illinois	25-1057	November 5, 2026	<a href="#">Case Details for 25-1057</a>
Kentucky	2025-00408	April 21, 2026	<a href="#">View Case Filings for: 2025-00408</a>
New Jersey	WM25110628	N/A	<a href="#">BOARD OF PUBLIC UTILITIES</a>
North Carolina	W-218, Sub 643	N/A	<a href="#">Docket Details</a>
Pennsylvania	A-2025-3058927, A-2025-3059828 and A-2025-3058929	N/A	<a href="#">Docket Number A-2025-3058927   PA PUC</a>
Texas	59020	N/A	<a href="#">Interchange - Filings</a>
Virginia	PUR-2025-00229	June 20, 2026	<a href="#">Case Details   SCC DocketSearch</a>

Notices regarding the proposed merger were also filed in Hawaii and Ohio.

- Ohio notice is available at: [dis.puc.state.oh.us/DocumentRecord.aspx?DocID=e0b7abac-4a81-4197-b493-5cf5279e5f83](https://dis.puc.state.oh.us/DocumentRecord.aspx?DocID=e0b7abac-4a81-4197-b493-5cf5279e5f83)
- For Hawaii notice, please see attachment JA\_R\_PSCDR1\_NUM12\_020626 Attachment 1



December 23, 2025

**VIA E-FILING**

The Honorable Chair and Members of the  
Hawai'i Public Utilities Commission  
465 South King Street  
Kekuanao'a Building, Room 103  
Honolulu, HI 96813

**Re: Hawaii-American Water Company – Notice of Parent-Level Transaction**

Dear Commissioners:

By this letter, Hawaii-American Water Company ("HAWC"), by and through its undersigned counsel, hereby notifies the Commission that its parent company, American Water Works Company, Inc. ("American Water"), has entered into an agreement that results in Essential Utilities, Inc. ("Essential") becoming a wholly owned subsidiary of American Water. HAWC notes that this transaction will not have any impact on its daily operations.

**Description of HAWC and its Corporate Structure**

HAWC is a public utility authorized by the Commission since 1974 to provide wastewater collection, treatment, and disposal services to the residences, condominiums, and commercial establishments in the Hawaii Kai community on the island of Oahu, State of Hawaii ("Hawaii Kai"). In addition, HAWC is also authorized to provide wastewater services to: (1) the residents, occupants homeowner associations, hotels and commercial establishments at the Mauna Lani Resort area on the island of Hawaii ("Mauna Lani");<sup>1</sup> and (2) the residential, commercial or other customers in the Waimea area on the island of Hawaii ("Waimea").<sup>2</sup> The Mauna Lani and Waimea systems are treated as separate operating divisions from HAWC's Hawaii Kai operations on the island of Oahu.

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<sup>1</sup> See *In re Mauna Lani STP, Inc. and Hawaii-American Water Co.*, Docket No. 05-0229, Decision and Order No. 22299, filed on February 28, 2006.

<sup>2</sup> See *In re Waimea Wastewater Company, Inc. and Hawaii-American Water Company*, Docket No. 2019-0039, Decision and Order No. 36962, filed on January 22, 2020.

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HAWC is a Nevada corporation with its principal place of business in Hawaii at 6700 Kalaniana'ole Highway, Suite 206, Honolulu, Hawaii 96825. HAWC's sole shareholder is American Water, a publicly traded Delaware corporation with its principal office located in Camden, New Jersey.<sup>3</sup> American Water owns 13 regulated operating subsidiaries, providing water and wastewater service in 14 states.

### **Contact Information**

Questions, correspondence or other communications concerning this filing should be directed to:

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### **The Transaction**

On October 27, 2025, American Water and Essential publicly announced that they had entered into an agreement for a transaction that would result in Essential being a wholly owned subsidiary of American Water ("Transaction"). The Transaction is expected to close in the first quarter of 2027.

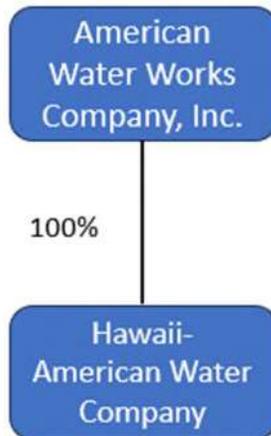
Both before and after the Transaction, HAWC is and will continue to be a wholly owned, direct subsidiary of American Water. The Transaction does not involve any change in the ownership or control of the interests in HAWC. Below are organization charts showing the relevant portions of American Water's ownership of HAWC before and after the Transaction.

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<sup>3</sup> HAWC was formerly known as East Honolulu Community Services, Inc. ("EHCS"). In January 1998, the Commission approved American Water's acquisition of all of the issued and outstanding shares of EHCS. *See In re Maunaloa Assoc., Inc.*, Docket No. 97-0339, Decision and Order No. 16175, filed on January 27, 1998.

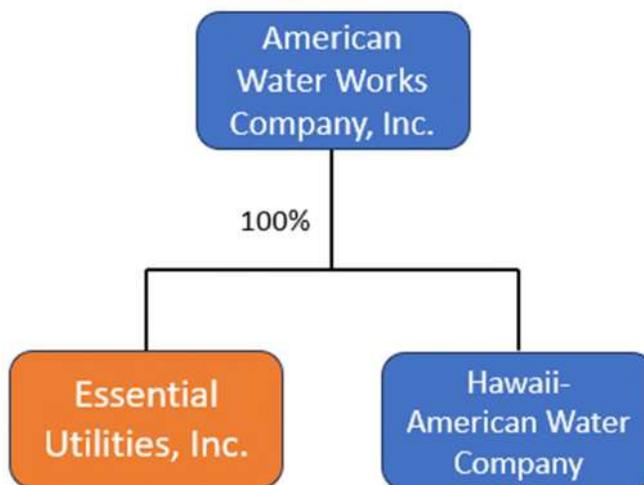
The figure below depicts the current structure of HAWC:

**Current Structure**



The figure below depicts the organizational structure at the completion of the Transaction:

**Post-Closing Structure**



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HAWC assures the Commission that the Transaction will not have any impact on the day-to-day operations of, or services provided by, HAWC. All the regulatory commitments made by HAWC (or otherwise ordered by the Commission) in prior dockets will remain in effect and will continue to be honored by HAWC. Similarly, there will be no change to the capitalization of HAWC or any amendment to debt instruments previously approved by the Commission. The only change will be that American Water will own another wholly owned subsidiary that operates in other jurisdictions.

### **Public Interest Considerations**

HAWC submits that the Transaction described herein is in the public interest. The Transaction will **not result in any change of control or ownership for HAWC**. After the Transaction, the operations of HAWC will continue as currently undertaken under the ownership of American Water.

The services provided by HAWC and the rates, terms and conditions of those services will not change as a result of the Transaction. HAWC will also continue to have the same requisite managerial, technical and financial capabilities to provide quality wastewater services. Again, this is because the Transaction will not result in any change of control or ownership for HAWC and, therefore, will not have any impact on its operations.

HAWC acknowledges that in other dockets involving parent-level transactions, the Commission took jurisdiction over the proposed transactions pursuant to the Commission's general investigative authority under Hawaii Revised Statutes ("HRS") Section 269-7.<sup>4</sup> In doing so, the Commission acknowledged that it did not have jurisdiction over these proposed parent-level transactions pursuant to HRS §§ 269-17, -17.5, -18 and -19.<sup>5</sup>

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<sup>4</sup> See, e.g., *In re Petition of The Gas Company, LLC dba Hawaii Gas for Approval of Proposed Internal Reorganization*, Docket No. 2020-0055, Decision and Order No. 37236, filed on July 28, 2020, at 11; *In re Macquarie Infrastructure Holdings, LLC, et al.*, Docket No. 2021-0098 ("MIC-Argo Merger"), Decision and Order No. 38478, filed on June 29, 2022.

<sup>5</sup> See, e.g., *In re Petition of South Kohala Water Corporation for Approval of Proposed Transaction*, Docket No. 2011-0315, Decision and Order No. 30068, filed on December 28, 2011, at 1; *In re Petition of Hawaii-American Water Company for a Declaratory Ruling Regarding Hawaii Revised Statutes Sections 269-7, 269-17, 269-17.5, 269-18, and 269-19, or, in the Alternative, for Approval of Proposed Transaction*, Docket No. 2006-0095, Decision and Order No. 22511, filed on June 5, 2006, at 15.

Unlike those other dockets such as the MIC-Argo Merger (parent-level merger for Hawaii Gas) that involved an actual change of control for the local utility, the Transaction will not result in any change of control for HAWC. American Water will remain HAWC's parent company, and there will be no internal reorganization that directly impacts the ownership of HAWC (i.e., Essential will not become an intermediate parent company of HAWC). The Transaction will not impact HAWC or Hawaii directly.

HAWC is also aware that in the dockets in which the Commission exercised its general investigative authority over a *pro forma* parent-level transaction, one of the most significant concerns expressed by the Division of Consumer Advocacy ("Consumer Advocate") and the Commission was the impact of the particular transaction on customers, including an adverse impact on rates or service. These concerns, however, are not applicable with respect to this Transaction because there will be no impact on service or rates as a result of the Transaction.

Specifically, HAWC makes the following commitments:

1. HAWC will continue to devote the necessary resources to maintain, at a minimum, current service quality. American Water and HAWC continue to be committed to providing clean, safe, reliable and affordable utility services to customers.
2. HAWC will continue to invest in infrastructure replacement, renewal, upgrades or additions to support the provision of clean, safe, reliable and affordable service.
3. HAWC's Commission-approved rates and tariffs in effect when the Transaction closes will not change as a result of the Transaction.
4. All the regulatory commitments made by HAWC (or otherwise ordered by the Commission) in prior dockets will remain in effect and will continue to be honored by HAWC.
5. There will be no change to the capitalization of HAWC or any amendment to debt instruments previously approved by the Commission as a result of the Transaction.
6. HAWC will not seek recovery in rates of: (1) any transaction costs, including, but not limited to, any legal or accounting fees, incurred in connection with the Transaction; or (2) any acquisition adjustment or "goodwill" associated with the Transaction; and
7. In the event that there is a material change to the proposed Transaction, HAWC shall provide timely notice to the Consumer Advocate and the Commission of the material change.

The Honorable Chair and Members of the  
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Please feel free to contact the undersigned if you have any questions regarding the foregoing.

/s/ David Y. Nakashima  
DAVID Y. NAKASHIMA  
DAWN A. EGUSA  
KENDRICK S. CHANG

Attorneys for  
Hawaii-American Water Company

cc: Division of Consumer Advocacy (*via email*)  
2157182.2

**FILED**

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PUBLIC UTILITIES

COMMISSION

F-335537

The foregoing document was electronically filed with the State of Hawaii Public Utilities Commission's Case and Document Management System (CDMS).

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**Witness: David Bowler**

13. Provide the proposed journal entries that will be recorded on the books of each Joint Applicant to reflect proposed transfer/merger using estimated dollar amounts if actual amounts are not known at this time.

**Response:**

The accounting treatment of the merger is detailed in the Joint Proxy Statement filed with the Securities and Exchange Commission on December 31, 2025.<sup>1</sup> See pages 26, 112-117. Pro forma Financial Statements, which include Transaction Financing Adjustments, can also be found in the Joint Proxy Statement. See pages 146-154.

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<sup>1</sup> Available at <https://www.sec.gov/Archives/edgar/data/1410636/000119312525337598/d15683d424b3.htm>

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**Witness: Cheryl Norton**

14. Given that the application contains no provision for passing on any corporate merger savings to Delta ratepayers in the form of reduced rates, explain how proposed transfer/merger can be considered to be in public interest.

**Response:**

As stated in the Application, the Merger will produce benefits arising from the advantages of a larger, more diversified company; allow for greater access to capital needed to support further investment in facilities and systems that currently serve Delta's customers; and generate operational benefits for Delta customers. The Joint Applicants anticipate that the Merger may enable them to achieve efficiencies in the future, the benefit of which will accrue to Delta and ultimately flow to customers in future rate cases. Those economies would help to offset future increase in the costs of providing regulated natural gas service and, thus, would yield, over time, lower rates than would otherwise be the case.

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**Witness: Cheryl Norton**

15. Explain what local considerations were considered in this proposed transfer of control of Delta.

**Response:**

Please see Exhibit C to the Joint Application which identifies the commitments Joint Applicants have offered to ensure the Merger will provide Delta the same opportunity to serve its customers as it always has. Delta's current management is pleased that the American Water board post-merger will include five Essential board members (Joint Application, Paragraph 19) and that current Essential Chairman and CEO Christopher Franklin will be the Executive Vice Chair of the board of the combined company (Joint Application, Paragraph 20). Delta is also pleased that the merger will not adversely impact local day-to-day operations as Delta management will continue to have day-to-day responsibility, authority, and resources to provide gas service (Joint Application, Paragraph 22). Delta will develop their own budgets and business plans (Joint Application, Paragraph 28). Delta's existing employees will be retained, operations will remain unchanged, compensation and benefits will stay the same (Joint Application, Paragraph 29), and Delta's local office will remain in Winchester, Kentucky (Joint Application, Paragraph 30). All of these factors are designed to ensure local considerations for Delta and its customers have been considered and appropriately addressed.