COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE VERIFIED APPLICATION OF AMERICAN WATER WORKS COMPANY, INC., ALPHA MERGER SUB, INC., ESSENTIAL UTILITIES, INC., LDC FUNDING, LLC, PNG COMPANIES LLC, AND DELTA NATURAL GAS COMPANY, INC. FOR APPROVAL OF THE TRANSFER OF CONTROL OF DELTA NATURAL GAS COMPANY, INC.	)))))))	**CASE NO. 2025-00408**

<u>ORDERING PARAGRAPH 5 REPORT</u>

By Order of April 21, 2026, the Commission approved the requested merger in this case. In that Order at Ordering Paragraph 5, the Commission directed the Joint Applicants to file notice of the receipt of other regulatory and judicial decisions. Joint Applicant American Water Works Company, Inc. ("AWWC") hereby provides notice that the requested approval from the State Corporation Commission of Virginia has been obtained.[1]

[1] A copy of the Virginia approval is attached.

Dated: June 30, 2026

Respectfully submitted,

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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was submitted electronically to the Public Service Commission on June 30, 2026, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding

Lindsey W. Ingram III

Counsel for American Water Works Company, Inc. and Alpha Merger Sub, Inc.

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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 22, 2026

JOINT PETITION OF

AMERICAN WATER WORKS COMPANY, INC.,
ALPHA MERGER SUB, INC.,
ESSENTIAL UTILITIES, INC., and
AQUA VIRGINIA, INC.

CASE NO. PUR-2025-00229

For approval of an acquisition of control of a public utility pursuant to Chapter 5 of Title 56 of the Code of Virginia

ORDER GRANTING APPROVAL

On December 22, 2025, American Water Works Company, Inc. ("American Water"), Alpha Merger Sub, Inc. ("Merger Sub"), Essential Utilities, Inc. ("Essential"), and Aqua Virginia, Inc. ("Aqua VA") (collectively, the "Joint Petitioners"), filed with the State Corporation Commission ("Commission") a joint petition ("Joint Petition") for approval of the indirect acquisition of control of Aqua VA by American Water, to be effected by the merger ("Merger") of Merger Sub with and into Essential, with Essential as the surviving corporation becoming a wholly-owned subsidiary of American Water.[1] The Joint Petitioners seek approval pursuant to the Utility Transfers Act, Chapter 5 of Title 56 of the Code of Virginia ("Code"),[2] which provides, in part, that "[n]o person . . . shall, directly or indirectly, acquire or dispose of control of . . . [a] public utility within the meaning of this chapter, or all of the assets thereof, without the prior approval of the Commission."[3]

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[1] Joint Petition at 1.

[2] Code § 56-88 *et seq.*

[3] Code § 56-88.1 A 1.

The Joint Petitioners represent that Aqua VA is a public service corporation that provides water and wastewater service to over 35,000 connections, or approximately 100,000 people, within its certificated service territories throughout Virginia.[4] The Joint Petition further reflects that: (a) Aqua VA is a wholly owned subsidiary of Essential; (b) Essential is a publicly traded public utility holding company incorporated and headquartered in Pennsylvania, providing water, wastewater, and natural gas service to approximately 5.5 million people through subsidiaries in New Jersey, Pennsylvania, Ohio, North Carolina, Illinois, Kentucky, Texas and Virginia; (c) American Water is a public utility holding company organized and existing under the laws of Delaware and headquartered in New Jersey, providing water and wastewater services to approximately 14 million people with regulated operations in 14 states and on 18 military installations; (d) American Water's subsidiary Virginia-American Water Company ("VAWC") currently provides water and wastewater services to over 84,000 customer connections, or over 350,000 people in Virginia; and (e) Merger Sub is a Pennsylvania corporation and a wholly owned subsidiary of American Water that was formed for the sole purpose of effecting the Merger.[5]

According to the Joint Petitioners, on October 26, 2025, American Water, Merger Sub, and Essential entered into a Merger Agreement providing that, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub would merge with and into Essential, with Essential surviving the Merger as a wholly-owned subsidiary of American Water.[6] Following consummation of the Merger, Aqua VA would become an indirect wholly owned

[4] Joint Petition at 3.

[5] *Id.* at 2-3.

[6] *Id.* at 3.

subsidiary of American Water and American Water would remain the ultimate corporate parent of VAWC.[7] The Joint Petition states that the Merger would be an all-equity transaction, with Essential shareholders receiving 0.305 shares of American Water common stock for each share of Essential common stock that they hold.[8]

The Joint Petitioners assert that following the Merger, Aqua VA's utility business would remain unchanged and day-to-day operations of Aqua VA would continue to be locally managed by dedicated local employees.[9] Joint Petitioners state that they are not seeking a change of rates in this proceeding and that Aqua VA's Commission-approved rates and tariffs in effect at the close of the Merger would remain unchanged as a result of the Merger.[10] Additionally, Joint Petitioners commit that Aqua VA would not seek recovery in rates of any transaction costs incurred in connection with the Merger or any acquisition adjustment (*i.e.*, goodwill) associated with the Merger.[11] Joint Petitioners assert that the Merger would enable them to achieve efficiencies in the future, the benefits of which would accrue to Aqua VA and ultimately flow to customers in future rate cases.[12] According to the Joint Petition, those economies would help offset future increases in the costs of providing regulated water and wastewater service and are expected to give rise, over time, to lower rates than otherwise would be the case.[13] In support of

[7] *Id.* The Joint Petition notes that the Merger would not result in either direct or indirect change of control of VAWC. *Id.* at 4 n.2.

[8] *Id.* at 4.

[9] *Id.* at 6.

[10] *Id.*

[11] *Id.* at 7.

[12] *Id.*

[13] *Id.*

the Merger, the Joint Petitioners assert that the combined expertise, experience, and resources of American Water and Essential would permit the sharing of best practices and lead to operational efficiency and a long-term capital investment profile to support continued investment in critical infrastructure and solutions to infrastructure challenges across the combined company's expanded footprint, including in the territories served by Aqua VA in the Commonwealth.[14]

On January 16, 2026, the Commission issued an Order for Notice and Comment ("Procedural Order") which docketed this matter; directed the Joint Petitioners to provide public notice of the Joint Petition; provided interested persons an opportunity to participate as respondents in the proceeding, to file comments on the Joint Petition, and to request a hearing on the matter; and directed the Commission Staff ("Staff") to investigate the Joint Petition and file a report containing Staff's findings and recommendations ("Staff Report"). The Procedural Order also extended the statutory deadline for this proceeding by an additional 120 days, as permitted by Code § 56-88.1.

No requests for hearing were filed in this case. The Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel") filed a notice of participation on February 25, 2026, and filed comments on March 24, 2026. In its comments, Consumer Counsel requested that the Commission: (i) memorialize, as Commission directives, the Joint Petitioners' commitments not to impose transaction costs and acquisition adjustment costs on VAWC and Aqua VA ratepayers; (ii) discount the Joint Petitioners' representations as to transition costs and anticipated benefits given that they are not quantified, that they may be difficult to track moving forward, and that the Joint Petitioners have declined to offer any proposal for protecting utility ratepayers from higher-than-anticipated costs or lower-than-anticipated benefits; and

[14] Joint Petition at Attachment A, p. 3.

(iii) consider recent customer complaints regarding Aqua VA's affordability and service quality when making its determination in this case.[15]

On April 24, 2026, Staff filed its Staff Report setting forth its findings and recommendations. Based on the Joint Petitioners' representations and Staff's investigation of the Joint Petition, Staff concluded that the Merger would not impair or jeopardize Aqua VA's ability to provide adequate service to the public at just and reasonable rates.[16] Subject to the listed requirements in Appendix A to the Staff Report and the Joint Petitioners' commitments listed in Appendix B to the Staff Report, Staff recommended approval of the Merger.[17]

On May 8, 2026, Joint Petitioners filed a response ("Joint Petitioners' Response") to the Staff Report and to the comments filed by Consumer Counsel. Joint Petitioners agreed with Staff's conclusion and recommendation that the Commission approve the Merger and generally agreed with or did not oppose many of the Merger-related conditions recommended in the Staff Report.[18] Joint Petitioners, however, offered alternative recommendations in their comments to several of Staff's recommended requirements.[19] With respect to Consumer Counsel's additional requests, Joint Petitioners asserted that those concerns are fully addressed by Staff recommendations, to which Joint Petitioners do not object.[20]

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[15] Comments of Consumer Counsel at 9. Public comments were also filed.

[16] Staff Report at 2. Although VAWC, a Commission-regulated operating subsidiary of American Water, is not a petitioner in the case, Staff also stated that it had conducted an investigation of what impact, if any, the Merger would have on VAWC. Based on Staff's investigation, Staff concluded that VAWC's ability to provide adequate service to the public at just and reasonable rates would not be impaired or jeopardized by the Merger. *Id.* at 2-3.

[17] *Id.* at 2.

[18] Joint Petitioners' Response at 3.

[19] *Id.* at 3-14.

[20] *Id.* at 15.

NOW THE COMMISSION, upon consideration of this matter and having been advised by its Staff through the Staff Report, and having considered the Joint Petitioners' Response thereto, is of the opinion and finds as follows. The Commission finds that adequate service to the public at just and reasonable rates will not be impaired or jeopardized by the Merger pursuant to the Utility Transfers Act; therefore, the Merger should be approved subject to certain requirements listed in Appendix A and the Joint Petitioners' commitments listed in Appendix B, both attached to this Order, and discussed further below. Joint Petitioners took issue with several recommendations set forth in the Staff Report, which the Commission addresses below *seriatim.*

Commitments in other jurisdictions

Joint Petitioners request that the Commission moderate Staff's recommendation that Aqua VA and VAWC not be allowed to recover any costs of commitments to non-Virginia jurisdictions from Virginia customers.[21] They assert Aqua VA and VAWC should be permitted to recover those costs arising from commitments made in other states that benefit Virginia customers.[22] The Commission adopts Staff's recommendation that the Joint Petitioners be required to certify that the costs of all such commitments made to non-Virginia jurisdictions have not been, and shall not be, charged, allocated, or otherwise assigned in any way that shifts any such costs to Virginia customers, directly or indirectly.[23]

Joint Petitioners do not oppose Staff's recommendations related to Joint Petitioners' pledges and customer benefits, including the recommendation that certain of the Joint

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[21] *Id.* at 5.

[22] *Id.* at 5, 16.

[23] Staff Report at 7.

Petitioners' pledges, commitments, and assurances be incorporated in any approval order.[24] Joint Petitioners assert that they have made commitments in connection with seeking approval of the Merger in multiple jurisdictions and, to the extent the Commission formally incorporates commitments into its order in this proceeding, Joint Petitioners request that those commitments follow consistent wording as has been presented in other states to avoid potential confusion over those commitments in the future.[25] We approve Staff's Appendix B, as modified in Appendix B to this Order.

Merger-related Costs, Accounting & Goodwill

Joint Petitioners do not oppose including transaction cost entries in the initial post-consummation report of action to be filed on or before May 1, 2027 ("Initial Report") but assert that extending the requirement to annual reports[26] to be filed thereafter is unnecessary.[27] Petitioners further state that they have committed that Aqua VA will not seek recovery in rates of any transaction costs incurred in connection with the Merger, which will be recorded on American Water's or Essential's books. Petitioners assert that Staff can confirm the exclusion of these costs through the Initial Report as well as future rate proceedings for Aqua VA.[28] The Commission accepts Staff's recommendation on goodwill and merger accounting[29] without

[24] Joint Petitioners' Response at 4-5.

[25] *Id.* at 5-6, 16.

[26] Specifically, following the Initial Report to be filed on or before May 1, 2027, Staff recommends that the Commission direct the Joint Petitioners to file annual reports of action on or before May 1, 2028, through May 1, 2031, and as needed on or before May 1 of each year thereafter, until all Merger commitments and requirements are satisfied. Staff Report at 7 n.25.

[27] Joint Petitioners' Response at 7, 17.

[28] *Id.*

[29] Staff Report at 18.

modification. With respect to recording and tracking such costs, the Commission recognizes that American Water, Essential, Aqua VA, and VAWC can track and report only costs that exist.

Other Considerations

Termination Fees

Joint Petitioners request that the requirement to separately maintain and track any Merger-related termination fees apply solely to American Water and Essential, reasoning that any Merger-related costs would be incurred and tracked at the parent level only and no Merger-related goodwill or impairments thereto would be pushed down to Aqua VA and VAWC.[30] The Commission accepts Staff's recommendation on termination fees[31] without modification. With respect to recording and tracking such fees, the Commission recognizes that American Water, Essential, Aqua VA, and VAWC can track and report only costs that exist.

Charitable Contributions

Joint Petitioners request that the Commission not include reporting on charitable contributions as part of the Initial Report or subsequent annual reports in this proceeding.[32] In support of this request, Joint Petitioners state that while the Merger Agreement does contain provisions to maintain levels of charitable contributions throughout utility service areas, these are not Merger-related charitable contributions and these provisions will not add any new costs arising from the Merger.[33] Joint Petitioners further state that under current Commission policy, charitable contributions are already excluded from the cost of service for ratemaking purposes

[30] Joint Petitioners' Response at 7, 17.

[31] Staff Report at 19-20.

[32] Joint Petitioners' Response at 8.

[33] *Id.*

and Staff is already able to verify the exclusion of these costs in rate proceedings.[34] The Commission accepts the Joint Petitioners' requested modification, on the stated conditions that such costs are excluded from the cost of service for ratemaking purposes and Staff remains able to verify the exclusion of these costs in rate proceedings.

Capital Expenditures

Joint Petitioners agree with Staff that capital spending must be managed to preserve rate affordability for Virginia customers without compromising service quality.[35] They do not oppose Staff's capital expense recommendations consistent with the commitments regarding service quality and agree to cooperate with Staff on matters relating to Aqua VA's provision of water and wastewater service in Virginia.[36] Joint Petitioners assert that while they expect that VAWC will continue its long-standing high degree of cooperation with Staff, VAWC is not a party to this proceeding and it is improper to impose formal obligations on VAWC through the Commission's order in this proceeding.[37] The Commission accepts Staff's recommendations on capital expenditures[38] without modification.[39]

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[34] *Id.*

[35] *Id.*

[36] *Id.* at 9.

[37] *Id.* at 9 n.18, 16 n.26.

[38] Staff Report at 25.

[39] The Commission rejects the notion that because VAWC was not made a party to this proceeding, the Commission cannot impose obligations on VAWC through the Commission's order in this proceeding involving VAWC's parent, American Water.

Consolidation of Aqua Virginia and VAWC

Joint Petitioners state they are willing to provide Staff advance notice before filing any petition seeking approval of a consolidation of Aqua VA and VAWC, but request the Commission not impose a fixed notice period, such as sixty (60) days, because the timing of any such filing will depend on a range of practical considerations that cannot be known with certainty at the onset.[40] Joint Petitioners also state that they cannot commit at this time to avoiding any overlap between a future consolidation filing and any Aqua VA or VAWC base rate case pending before the Commission. They assert that avoiding such overlap would be imprudent and could impair Aqua VA's or VAWC's ability to recover costs, invest in their systems, or pursue and consummate any future transaction when warranted, to the detriment of Aqua VA, VAWC, and their customers.[41] The Commission finds that the Joint Petitioners and VAWC are required to make all reasonable efforts to avoid making any such consolidation filing while Aqua VA and/or VAWC have a rate case pending before the Commission. To the extent practicable, the Commission requires Joint Petitioners and VAWC to provide Staff with sixty (60) days' notice of any such filing seeking consolidation.

Workforce and Employee Compensation and Benefits

Joint Petitioners oppose Staff's recommended requirement to maintain detailed records to track any pension or other post-employment benefits, 401(k) plans, and other Merger-related benefit plans cost changes that may impact Aqua VA's and VAWC's jurisdictional cost of service and include that data in the Initial Report and annual reports filed with the Commission.[42]

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[40] Joint Petitioners' Response at 9.

[41] *Id.* at 9-10, 16.

[42] *Id.* at 10.

Joint Petitioners assert that employee benefit changes are driven by market conditions, not the Merger; that American Water regularly reviews and benchmarks its benefit plans for market competitiveness; and that benefits are not adjusted on a state-specific basis.[43] The Commission accepts Staff's recommendations on workforce and employee compensation benefits[44] without modification.

Income Taxes

Joint Petitioners oppose Staff's recommendation that Joint Petitioners be required to notify the Commission of their tax elections for the Merger in either the Initial Report or the annual reports after the elections become effective. Joint Petitioners state that the Merger does not involve any federal income tax elections and therefore the recommendation is unnecessary.[45] The Commission accepts the Joint Petitioners' requested modification, subject to the condition that the Joint Petitioners confirm in their Initial Report that the Merger involves no federal income tax elections.

Financial Analysis

Regarding Staff's recommendation that Joint Petitioners provide notice to Staff of credit rating actions for American Water and/or Essential, and notice if Aqua VA begins to maintain its own credit rating, Joint Petitioners request that the Commission limit these conditions to a finite amount of time, such as one year, and ensure that they bear a reasonable nexus to the Merger.[46]

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[43] *Id.* at 10, 17.

[44] Staff Report at 26-27.

[45] Joint Petitioners' Response at 11, 17.

[46] *Id.*

The Commission finds that the Joint Petitioners are required to provide such notice to Staff[47] for a period of three years after consummation of the Merger.

Additional Requirements in Appendix A

Terms of the Merger Agreement

Regarding Staff's recommendation that no changes to the terms and conditions of the Merger Agreement be made without Commission approval, Joint Petitioners request this be modified to allow the parties to make changes to the Merger Agreement without obtaining Commission approval if the changes have no material impact on Virginia customers.[48] Joint Petitioners propose providing Staff with the opportunity to review any proposed non-material changes to the Merger Agreement at least three business days prior to closing and should Staff have concerns regarding such proposed amendments, Joint Petitioners would seek Commission approval of the non-material changes.[49] The Commission accepts the Joint Petitioners' requested modification to permit non-material changes to the Merger Agreement before or at closing without prior Commission approval if the changes have no impact on Virginia customers, modified as set forth in Appendix A.

Reports of Action

Joint Petitioners request limited revisions to the timing for filing the Initial Report and the annual reports thereafter to "on or before May 31" rather than "on or before May 1."[50] Joint Petitioners state this additional time will allow them to complete and issue their formal public

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[47] Staff Report at 41.

[48] Joint Petitioners' Response at 12.

[49] *Id.* at 12-13, 16.

[50] *Id.* at 13.

disclosures prior to making requisite filings with the Commission.[51] The Commission accepts the Joint Petitioners' requested modification and such filings will be due on or before May 31 for the Initial Report and annual reports required thereafter.

Joint Petitioners also request that the Commission limit the duration of the annual reports, stating Staff's requirement could be interpreted to create a perennial obligation to file annual reports without end.[52] Joint Petitioners recommend instead that the annual reports continue until Aqua VA files its next base rate application and that the Commission clarify that thereafter, Joint Petitioners will not be required to file additional annual reports.[53] The Commission finds that such annual reports shall be filed through at least 2029.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to Code § 56-88.1, the Merger is approved as described herein, subject to the requirements listed in Appendix A and the Joint Petitioners' commitments listed in Appendix B, both attached to this Order.

(2) This matter is dismissed.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.

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[51] *Id.* at 13-14, 17.

[52] *Id.* at 14.

[53] *Id.*

APPENDIX A

1) The Commission's approval shall be contingent upon closing the Merger pursuant to the terms and conditions of the Merger Agreement ("Terms"). No material changes to such Terms shall be made before or at closing, without prior Commission approval. To the extent non-material changes to the Terms become necessary prior to closing, Joint Petitioners shall provide Staff, at least three (3) business days prior to closing, the opportunity to review any proposed non-material changes to the Merger Agreement. Should Staff communicate concerns to Joint Petitioners regarding any such proposed amendments that impact Virginia customers, the Joint Petitioners shall seek Commission approval of the changes. Written notice of each proposed non-material change shall be provided to the Director of the Division of Utility Accounting and Finance ("UAF Director"), with a copy sent to accounting@scc.virginia.gov. The Joint Petitioners shall include in the written notice a redline copy of all proposed non-material changes, along with detailed explanations for each such non-material change. The Joint Petitioners shall include an itemized list of all changes in the Report of Action required in Paragraph 12 herein.

2) The Commission's approval shall have no ratemaking implications. In particular, approval shall not guarantee the recovery of any costs directly or indirectly related to the Merger.

3) The Commission's approval granted in this case shall be conditioned upon the Joint Petitioners obtaining all necessary federal regulatory approvals.

4) The Joint Petitioners are required to abide by the pledges, commitments, and assurances made by the Joint Petitioners as set forth in Appendix B to this Order Granting Approval. These pledges, commitments, and assurances are incorporated by reference into this Order Granting Approval.

5) The Virginia Operating Companies[54] shall not seek rate recovery of any transaction costs incurred in connection with the Merger or any acquisition adjustment or any goodwill or related impairments associated with the Merger.

6) No Merger-related goodwill or impairments thereto shall be pushed down to the Virginia Operating Companies' books.

7) The Virginia Operating Companies shall not recover any costs of commitments to non-Virginia jurisdictions from Virginia customers.

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[54] "Virginia Operating Companies" refers herein to Aqua VA and VAWC.

8) The Joint Petitioners shall maintain sufficient workforce, operational facilities and offices to continue to provide clean, safe, reliable, and affordable water and wastewater utility services to customers of the Virginia Operating Companies. Specifically, the Commission directs the Joint Petitioners to ensure that:

   a. The quality of service in the Virginia Operating Companies' service territory will not deteriorate due to a lack of maintenance or capital investment;
   b. The quality of service in the Virginia Operating Companies' service territory will not deteriorate due to a reduction in the number of employees providing service; and
   c. The Joint Petitioners and VAWC will maintain a high degree of cooperation with the Commission Staff and shall take all necessary action to ensure the Virginia Operating Companies' timely response to Staff inquiries with regard to the provision of water and wastewater services in Virginia.

9) The Joint Petitioners and VAWC are required to make all reasonable efforts to avoid making any Consolidation Filing while Aqua VA and/or VAWC have a rate case pending before the Commission. Further, to the extent practicable, the Joint Petitioners and VAWC are required to provide Staff sixty (60) days' notice of any Consolidation Filing.

10) Aqua VA shall file and obtain Chapters 3 and/or 4 (Code § 56-55 *et seq.* and Code § 56-76 *et seq.*, respectively) approval(s) prior to entering into any new financing or affiliate arrangements resulting from the Merger.

11) The Joint Petitioners are required to maintain records to track separately all subsequent revisions to the initial Merger-related booked amounts as they are expensed, depreciated, amortized, written down, etc. The Joint Petitioners also shall maintain records to track separately all ongoing Merger-related costs. American Water shall track all identifiable and quantifiable realized savings, net of the cost to achieve such savings.

12) Joint Petitioners shall file an Initial Report of Action on or before May 31, 2027, in this docket, subject to administrative extension by the UAF Director. The Initial Report of Action shall include the following:

   a. The closing date of the Merger,
   b. The actual total sale price,
   c. The actual accounting entries recorded in the Joint Petitioners' books to reflect the Merger. The initial Merger-related accounting entries shall include, but not be limited to:
      i. all Transaction Cost accounting entries for the Joint Petitioners;
      ii. all Merger-related fair value, goodwill, and/or acquisition premium accounting entries for the Joint Petitioners;
      iii. all Merger-related tax accounting entries for the Joint Petitioners; and

iv. all Merger-related debt/equity financing accounting entries for the Joint Petitioners, by Petitioner, date, account number, account title, and amount.

d. Ongoing Merger-related costs, including but not limited to:
   i. all Merger-related pension or OPEB cost changes, 401(k) plans, and other benefit plans cost changes related to the Merger that could occur and may impact Virginia Operating Companies' jurisdictional cost of service; and
   ii. all Merger-related severance costs.
e. Joint Petitioners' confirmation that no federal income tax elections were made in connection to the Merger.
f. A list of all specific commitments made to other regulatory authorities as conditions for obtaining approval of the Merger and a Certification from Joint Petitioners that the costs of all such commitments made to non-Virginia jurisdictions have not been, and shall not be, charged, allocated, or otherwise assigned in any way that shifts any such costs to Virginia customers, directly or indirectly.
g. A detailed analysis identifying costs, savings, and any efficiencies achieved as a result of the Merger.

13) The Joint Petitioners shall file Annual Reports of Action in this docket on or before May 31 each year from 2028 until 2029 and as needed on or before May 31 of each year thereafter until all Merger commitments and requirements are satisfied. Filing of the Annual Reports of Action shall be subject to administrative extension by the UAF Director. The Annual Report of Action shall include the following:

a. Updates to all the information required in the Initial Report of Action.
b. Ongoing Merger-related costs, including but not limited to:
   i. all Merger-related pension or OPEB cost changes, 401(k) plans, and other benefit plans cost changes related to the Merger that could occur and may impact Virginia Operating Companies' jurisdictional cost of service; and
   ii. all Merger-related severance costs.
c. The Joint Petitioners shall report both:
   i. any subsequent revisions to the initial Merger-related accounting entries; and
   ii. the actual Merger-related costs, by Petitioner, date, account number, account title, and test year amount.
d. The cost tracking information for commitments made to other regulatory authorities as conditions for obtaining approval of the Merger and a Certification from Joint Petitioners that the costs of all such commitments made to non-Virginia jurisdictions have not been, and shall not be, charged, allocated, or otherwise assigned in any way that shifts any such costs to Virginia customers, directly or indirectly. This information shall be included in the Annual Report of Action until such time as the commitments are completed.

e. A detailed analysis identifying cost, savings, and any efficiencies achieved as a result of the Merger.

f. All information in the Annual Reports of Action shall also be available upon request by Staff between Annual Report of Action filings.

14) Should the Merger not be consummated, the Joint Petitioners shall forthwith file a Termination Notice with a brief explanation of the reasons for the termination of the Merger Agreement. American Water, Essential, Aqua VA, and VAWC shall maintain records to track separately any Merger-related Termination Fees that are received or paid by the respective entities, by company, date, account number, or account title, and amount. Termination Fees, if any, shall not be recoverable in the rates of Aqua VA or VAWC. This information shall be included in the Termination Notice if the Merger Agreement is terminated for any reason.

15) Joint Petitioners shall notify the UAF Director of any credit rating action for American Water and Essential, respectively, within thirty (30) days of such rating action, as well as provide an explanation for the reason for such rating action, along with copies of any associated credit rating report. This requirement shall extend for a period of three years after the consummation of the Merger.

16) Joint Petitioners shall notify the UAF Director within thirty (30) days should Aqua VA begin to maintain its own credit ratings, as well as provide the UAF Director with copies of any associated credit rating report. This requirement shall extend for a period of three years after the consummation of the Merger.

APPENDIX B

PETITIONER PLEDGES/COMMITMENTS/ASSURANCES

The following pledges, commitments, and assurances are hereby incorporated into the Commission's Order Granting Approval in this proceeding:

- The day-to-day operations of Aqua VA will continue to be locally managed by dedicated local employees serving its customers and living in and giving back to the communities.

- Joint Petitioners commit to providing clean, safe, reliable, and affordable water and wastewater service while also adhering to safety and sustainability best practices. The Merger will not diminish Aqua VA's ability to provide safe, adequate, and proper service to its customers.

- The Merger will permit the sharing of best practices and lead to operational efficiency and a long-term capital investment profile to support continued investment in American Water critical infrastructure and solutions to infrastructure challenges across the combined company's expanded footprint.

- Joint Petitioners commit to maintaining sufficient workforce, operational facilities and offices to continue to provide clean, safe, reliable, and affordable water and wastewater utility services to customers.

- Joint Petitioners commit that Aqua VA will not seek recovery in rates of any transaction costs incurred in connection with the Merger or any acquisition adjustment (i.e., goodwill) associated with the Merger.

- Aqua VA will continue to maintain separate financial statements reflecting its own assets and liabilities for so long as it remains a separate legal entity.

- American Water will provide Aqua VA with no less than the same access to short-term debt, commercial paper, and other liquidity that Aqua VA currently has in place. If this does not provide sufficient liquidity for day-to-day needs, additional short-term loans, at market rates, will be available. Neither American Water nor any of its affiliates will make any loan to Aqua VA that bears interest at rates that are greater than the rates being paid at the time of such loan by American Water or such other affiliate on its own debt issued at the same time.

- Aqua VA will not assume liability for debts issued by American Water or its financing subsidiary, American Water Capital Corp. ("AWCC"). Although Aqua VA may become a party to a financial services agreement with AWCC and AWCC may issue debt for the benefit of several operating companies, each company, including Aqua VA, will be liable only for its individual borrowings or issuances.

- The Joint Petitioners will not use Aqua VA assets to secure debt for the benefit of utilities or operations in other states.