

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Charles Rea

1. Refer to the Direct Testimony of Charles Rea (Rea Direct Testimony), page 11. Explain why the model uses 120 months of monthly data and the basis behind the decision to use that number of data points in the model.

Response:

The model uses 120 months of data because that period provides the most reliable balance between capturing the long-term effects of climate patterns and water-use policies and reflecting current customer consumption. Using a shorter period would give undue weight to temporary anomalies, such as droughts and short-term disruptions, and could distort the results. Using a longer period, by contrast, would incorporate older data that is less representative of present-day usage because of changes in appliance efficiency and water-use policies. For these reasons, 120 months is an appropriate and supportable period for the model.

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2. Refer to the Rea Direct Testimony, page 12.
 - a. Explain why statistical modeling was only performed for the residential and commercial classes.
 - b. Explain how this methodology compares to prior Kentucky-American rate cases.

Response:

- a. Sales to industrial and other large water utilities do not follow a consistent monthly pattern that lends itself easily to robust statistical modeling compared to residential, commercial, or OPA class. The Company performed statistical modeling for residential, commercial and OPA classes, however, the model performance for the OPA was not satisfactory. As such, the Company used a three-year average to forecast OPA usage.
- b. The methodology used in the current case matches the prior methodologies used for prior Kentucky-American rate cases.

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3. Refer to the Rea Direct Testimony, page 12, lines 3-8. Explain how the indicator variable values were determined in the model.

Response:

Indicator variables are set to 1 if a condition is met and 0 if the condition is not met.

In these usage analyses, there are multiple types of indicator variables. Rea Direct Testimony, page 12, lines 3-8 refers to the COVID-19 Impact variable. The COVID-19 Impact variable takes on a value of 1 if there was COVID influence, which is defined as the time period after April 2020 and ending December 2021, and 0 if outside the time period.

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4. Refer to the Rea Direct Testimony, page 12, lines 9-11. Provide and explain the monthly indicator variables.

Response:

Indicator variables are set to 1 if a condition is met and 0 if the condition is not met. They may also be assigned a value between 0 and 1 during transition periods, reflecting a partial effect.

In these usage analyses, there are multiple types of indicator variables. Rea Direct Testimony, page 12, lines 9-11, refers to indicator variables for each calendar month. Monthly indicator variables are set to 1 during the specific month they represent (e.g., January is set to 1 in January and 0 in all other months) to capture seasonal differences in usage.

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5. Refer to the Rea Direct Testimony, page 8-9. Refer also to Rea Direct Testimony, Table 1, page 13. The Residential Covid-19 Impact variable did not yield a significant t-statistic value. Explain why the Covid-19 Impact variable was still used in the linear regression analysis to determine residential usage per customer (UPC).

Response:

The COVID-19 Impact variable was included to control for any usage effects COVID-19 may have had on residential usage per customer (UPC). Despite the variable not reaching statistical significance in the residential model, this should not be interpreted as the variable having no or zero effect on water usage. Rather, the variable is maintained in the model to ensure that any potential COVID-19-related variation in usage is identified and separated from other explanatory variables, consistent with the model's objective of isolating underlying trends and usage patterns.

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6. Refer to the Rea Direct Testimony, Table 1 and Table 2, page 13. Explain the relevance of the “Declining Use Trend” variable in the analysis of the residential and commercial UPC.

Response:

Please refer to the Rea Direct Testimony, starting at page 11 line 19 through page 12 line 1 (also shown below), for the explanation of the relevance of the time variable, which is the same as the “Declining Use Trend” variable.

“The time variable is a trending variable that notes the passage of time in the model and produces a coefficient that estimates the monthly change in usage per customer over the 120-month historical period. The time variable captures the range of conservation efforts that have been implemented by customers over time, such as the installation of more water-efficient fixtures and appliances, as well as any other factors that influence trends over time.”

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7. Refer to the Rea Direct Testimony, page 15, Chart 1. Explain the significant increase in residential UPC from 2024 to 2025.

Response:

There was an increase in billed usage per customer from 2024 to 2025. Indoor usage appears to be higher during the 2025 winter period and Kentucky experienced less precipitation during the summer of 2025 compared to summer of 2024.

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8. Refer to the Rea Direct Testimony, page 17, lines 15-16.
- a. Identify the Miscellaneous class within Kentucky-American's filed tariff.
 - b. Provide the current customer count for the Miscellaneous class.
 - c. Explain why no customer growth is assumed for the Miscellaneous class and the basis behind that assumption.

Response:

- a. The Miscellaneous class referred to in Rea's Testimony are temporary customers and are under Original Sheet No. 35, Service Classification No. 5.
- b. An average of 64 customers are in this category during the base year.
- c. The customers under this category are temporary and are only active for a very short period of time.

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9. Refer to the Rea Direct Testimony, page 18. Provide more explanation on how the proposed cost-of-service study (COSS) takes into consideration the following:
- a. The actual usage behaviors of city of Livingston's (Livingston) customers.
 - b. The actual usage behaviors of Black Mountain Utilities District's (Black Mountain District) customers.
 - c. The actual usage behaviors of Water Service Company's Bell and Hickman county customers.

Response:

The usage behaviors of Livingston, Black Mountain District and Water Service Company's Bell and Hickman County customers are assumed to be similar to Kentucky American Water Company customers. The Company has not identified major or large water users from any of the three areas that may change or differ usage behaviors.

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Witness: Chuck Rea

10. Refer to the Rea Direct Testimony, page 18, lines 5-9. Refer also to Case No. 2026-00097.² As of the date of this data request, the Commission has not provided a decision on the acquisition of Black Mountain District by Kentucky-American. In the case of denial, explain how it would impact the proposed COSS and rate design proposal.

Response:

The Company has not made an analysis to determine the impact to COSS and rate design without Black Mountain District acquisition.

² Case No. 2026-00097, *Electronic Joint Application of Black Mountain Utility District and Kentucky-American Water Company for the Transfer of Control and Assets* (filed Apr. 20, 2026), Application.

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Witness: Chuck Rea

11. Refer to the Rea Direct Testimony, page 18, lines 12-13.
- a. Explain whether Livingston's usage data was the only acquired or yet to be acquired water system to be normalized for the forecasted test year.
 - b. Provide the year in which the Livingston customer count and usage data represents.

Response:

- a. Livingston is the only acquired system in which the Company utilized KAWC normalized UPC for its projected 152 residential customers and 11 commercial customers.
- b. The customer count and usage represent 2027 forecast year.

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Witness: Chuck Rea

12. Refer to the Rea Direct Testimony, page 18, lines 14-15. Explain why more recent information was not acquired from Black Mountain District for the development of Kentucky-American's proposed COSS.

Response:

During the time of preparing workpapers and exhibits required for this filing, the most recent Black Mountain information available and obtained by the Company is the 2023 annual report.

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Witness: Chuck Rea

13. Refer to the Rea Direct Testimony, page 18, lines 16-18. Provide the year in which the Water Service Kentucky customer count and usage data represents.

Response:

The Company used customer count and usage information 12 months Ending November 2025 for the Water Service Corporation of Kentucky.

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Witness: Chuck Rea

14. Refer to the Rea Direct Testimony, page 19, line 12. The sentence appears to be incomplete. Provide the complete determination of miscellaneous revenues for insufficient funds, reconnection, and new account set up.

Response:

Insufficient Funds fees revenues, Reconnection fees, New Account Set up revenues are based on three-year average revenues from 2023, 2024 and 2025.

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Witness: Chuck Rea

15. Refer to the Rea Direct Testimony, page 33, lines 3-4. Confirm that the content of the "Capacity Factor" tab is the same as the "Usage Statistics" tab in Exhibit 36.

Response:

Confirmed. The "Capacity Factor" tab is the "Usage Statistics" tab in Exhibit 36.

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Witness: Chuck Rea

16. Refer to the Rea Direct Testimony, pages 34-35. Explain what differentiates the public and private fire service classes.

Response:

As defined in the Company's Tariff Original Sheet No. 5, Public Fire Hydrants are contracted for or ordered by Urban County, Municipality, County, State or Federal Agencies or Institutions. These must be located on or immediately adjacent to the public right-of-way. Private Fire Hydrants are contracted for or by private entities on private property for the use of that entity or on private right-of-way. Private Fire Services are fire protection service lines with hose connections or sprinkler systems charged by line size.

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Witness: Chuck Rea / William A. Lewis

17. Refer to the Rea Direct Testimony, pages 33-36. Refer also to Case No. 2025-00122,³ Application, Exhibit 36.
- a. Explain how the treatment of the public and private fire class impact the proposed COSS compared to the COSS of Kentucky-American's most recent rate case.
 - b. Explain how the decision was made to treat the public and private fire classes differently in preparation of the proposed COSS compared to the preparation of the previous COSS.

Response:

- a. For public fire services, the Company is proposing to focus the allocation on the direct cost of owning, operating, and maintaining public fire hydrants. There is no change in methodology for the determination of cost allocation and revenue requirements for private fire services. Private Fire are contracted for or by private entities and serve private property.
- b. Please refer to Rea's Direct Testimony page 33-36 and Lewis' Direct Testimony pages 35-38 explaining the Company's proposal to allocate and recover cost of public fire services.

³ Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (filed May 16, 2025), Application, Exhibit 36.

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Witness: Chuck Rea

18. Refer to the Rea Direct Testimony, page 37. Provide more explanation on how the firefighting demand was determined. Explain in more detail how the firefighting demands were split between private and public fire customer groups.

Response:

General fire-fighting requirements, based on population established by the National Board of Fire Underwriters, are as follows:

- a. For populations of 200,000 or less, $Q = 1020 \sqrt{P} (1 - 0.01\sqrt{P})$, where Q is the fire draft in gpm and P is the population in thousands.
- b. For populations in excess of 200,000, Q = 12,000 gpm plus 2,000 to 8,000 gpm for a potential second fire.

The relative demand between private and public fire services is calculated based on the capacity and number of hydrants and service line connections. Please see KAW_PSCDR2_NUM018_062626_Attachment for the calculation of the relative demand for private and public fire.

Kentucky American Water Company**Case No. 2026-00094****PSC Set #2 Num #018**

	Quantity	Capacity	Relative Demand
2-Inch	67	4.00	269.56
3-Inch	0	9.00	0.00
4-Inch	539	16.00	8,619.56
6-Inch	1,026	36.00	36,929.00
8-Inch	369	64.00	23,639.11
10-Inch	15	100.00	1,500.00
12-Inch	6	144.00	864.00
16-Inch	1	256.00	256.00
Hydrants	1,176	20.25	23,814.00
			95,891.22
			36.0%

Count of Public Hydrants (Source: Annual Report)

8,295 Total

Hydrant Type	Quantity	Capacity	Relative Demand	Weight
5-1/4" Valve 1 2-1/2" & 1 4-1/2" Nozzle	705	26.50	18,684.49	0.085
4-1/2" Valve 1 2-1/2" & 1 4-1/2" Nozzle	7,300	20.25	147,816.90	0.880
4-3/4" Valve 1 2-1/2" & 1 4-1/2" Nozzle	25	22.56	561.47	0.003
4-1/2" Valve 1 2-1/2" Nozzle	116	6.25	725.81	0.014
4-1/4" Valve 1 2-1/2" & 1 4-1/2" Nozzle	149	18.06	2,696.91	0.018
	8,295		170,485.58	
			64.0%	

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Witness: Chuck Rea

19. Refer to the Rea Direct Testimony, page 39. Regarding wholesale water rates, provide a high-level comparative table containing rates of similar water utilities in Kentucky. Explain how Kentucky-American's wholesale water rates compare.

Response:

See table below containing wholesale rates of some water utilities in Kentucky.

	Price Per 100G
KAWC	\$ 0.83091
KAWC - Contract Wholesale	\$ 0.22500
Northern Kentucky Water District	\$ 0.45900
Trimble County Water	\$ 0.41000
Cannonsburg Water District	\$ 0.39600
Richmond Utilities	\$ 0.36403
Green River Valley Water District	\$ 0.30100
Hardin County Water District No. 2	\$ 0.29100
Louisville Water Company	\$ 0.22900
Glasgow Water Company	\$ 0.20100
Community/Adair Utilities District	
East Casey Water District	\$ 0.32400
Green Taylor Water District	\$ 0.32400
City of Edmonton	\$ 0.29200

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Witness: John Watkins

20. Refer to the Application, Exhibits 2 and 7.
- a. Under the Bell and Hickman Counties section of Exhibit 7, the Fire Protection service lists an Ambleside Private Fire Surcharge that does not appear on the proposed tariff. Explain and reconcile the discrepancy.
 - b. Exhibit 7 states a 4" monthly service charge of \$539.90. Exhibit 2 states a 4" monthly service charge of \$539.30. Explain and reconcile the discrepancy.

Response:

- a. The existing Ambleside Private Fire Surcharge of \$4.59 per customer applicable to those residing in the Ambleside subdivision in Middlesboro was inadvertently omitted from the proposed tariff and will be added under Original Sheet No. 31 whenever the Commission desires. One option would be to add it after the Commission issues a final order in this matter which will direct KAWC to file a tariff consistent with that final order.
- b. The correct 4" monthly service charge is \$539.90 as reflected in Exhibit 7 and Exhibit 37, Schedule M-3. The proposed 4" service charge reflected in Exhibit 2 was inadvertently entered and will be updated to reflect the correct monthly price.

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Witness: John Watkins

21. Refer to the Application, Exhibits 1 and 7. Exhibit 7 states a present consumption charge per 50 gallons for the Miscellaneous class of \$0.27946. Exhibit 1 states a present consumption charge per 50 gallons for the Miscellaneous class of \$0.32946. Explain and reconcile the discrepancy.

Response:

The Exhibit 1 amount of \$0.32946 is the accurate rate and is consistent with the rate used elsewhere throughout the case calculations. The consumption charge per 50 gallons of \$0.27946 in Exhibit 7 was inadvertently entered by calculating fifty-percent of the 100 gallon rate of \$0.55892, rather than the specific approved rate for Miscellaneous in Case No. 2025-00122 and Exhibit 1 amount of \$0.32946.

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Witness: Chuck Rea

22. Refer to the Application, Exhibit 36. Refer also to the Application in Case No. 2025-00122,⁴ Exhibit 36. Identify and explain in detail the differences in methodology between the two COSSs.

Response:

Please refer to Rea's Direct Testimony pages 31-34 describing in detail the changes in methodology between the current and prior COSSs.

⁴ Case No. 2025-00122, May 16, 2025 Application, Exhibit 36.

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Witness: Chuck Rea

23. Refer to the Application, Exhibit 36. Provide a table displaying the current and proposed Rate of Returns for each customer class.

Response:

The Company does not have a calculation of the Rate of Return for each customer class. Please refer to KAW_APP_EX37A_051526 for statewide water division rate of return.

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Witness: Chuck Rea

24. Refer to the Application, Exhibit 36, "Usage Statistics" tab. Refer also to the Application in Case No. 2025-00122, Exhibit 36.⁵
- a. Identify the origin and explain the System Load Factor values in column C.
 - b. Explain why the System Load Factor value of 0.7181 did not significantly change from the value used in Case No. 2025-00122.⁶
 - c. Explain how the Max Day and Max Hour capacity factors were determined for each customer class.
 - d. Explain whether Kentucky-American used AMI data from its Kentucky customer base, Livingston, Black Mountain District, and Water Service Corporation of Kentucky to develop customer class allocators based on usage. If not, identify the data source used for each customer class and explain why that data source was selected.

Response:

- a. The System Load Factor value is the ratio of average daily system demand to the system daily peak demand. The System Load Factor (Hourly) is the ratio of average hourly system demand to the system hourly peak demand. The System Load Factor (fire) and System Load Factor (Hourly fire) are calculated in the same manner but include additional peak demand related to fire protection. These values are used in developing the Base/Extra Daily, Base/Extra Daily (with Fire Protection), Base/Extra Hourly (with Fire Protection), Storage, and Mains allocators. The system demand data utilized in the calculations are based on SCADA data from the Company's major facilities for the years 2023 through 2025.
- b. The System Load Factor value of 0.7181 did not significantly change from 0.7177, the value used in Case No. 2025-00122, because system demand patterns did not change significantly and the relationship between average and peak usage was generally consistent.
- c. The Max Day and Max Hour capacity factors set for each customer class were determined by following the methodology outline in the AWWA M1 Manual 7th Edition, Appendix A titled "Development of Peaking Factors by Customer Class". Please see pages 32-33 of the Direct Testimony of Charles Rea for a detailed description of the calculation.

⁵ Case No. 2025-00122, May 16, 2025 Application, Exhibit 36.

⁶ Case No. 2025-00122, May 16, 2025 Application, Exhibit 36.

- d. The Company did not rely on hourly AMI data to develop customer class allocators based on usage. Customer class allocators based on usage were developed using historical monthly billed sales for each customer class, with the M1-based methodology cited in subpart c used to calculate capacity factors.

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Witness: Chuck Rea

25. Refer to the Direct Testimony of William A. Lewis (Lewis Direct Testimony) page 36, lines 19-21. Provide the actual costs to provide and maintain fire hydrants in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response:

Please see KAW_R_PSCDR2_NUM025_062626_Attachment. The Company interprets this question to ask for an identification of the components of the Company's revenue requirement specifically assigned to public fire hydrants and is an excerpt from the Company's filed class cost of service analysis in this case.

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Witness: William A. Lewis

26. Refer to the Lewis Direct Testimony page 37, lines 13-17. Identify any instance where a municipality declined entering into an acquisition agreement with Kentucky-American due to the cost of the hydrant fees.

Response:

In 2020, KAWC was preparing to enter into an Asset Purchase Agreement (APA) with the City of Crab Orchard for the purchase of their water utility system. Prior to finalization of the APA agreement, discussion regarding the City's annual requirement to pay for public fire hydrants occurred, at which time, the City declined to execute the APA.

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Witness: William A. Lewis

27. Refer to the Lewis Direct Testimony pages 39-46. Provide a chart for the 38 additional full-time employees (from 168 to 206) which shows the position names, the respective position roles, the number of positions that will be added for each role, the current status of those positions, and explain how many of these new employees relate to the three new acquisitions.

Response:

Please note that the Livingston acquisition does not have any new employees associated with it. 29 of the 38 positions are related to the acquisitions of Black Mountain and the Water Service Corporation of Kentucky.

Position Name	Role	# Positions	Position Status	# Acquisition Positions
Superintendent, Operations	Middlesboro & Clinton Operations Management	1	1 Hired	1
Supervisor, Treatment	Middlesboro Treatment Plant Supervisor	1	1 Hired	1
Supervisor, Field Operations	Middlesboro Field Operations Supervisor	1	1 Hired	1
Supervisor, Operations	Clinton Field & Treatment Supervisor	2	1 Hired	2
Sr. Operator	Middlesboro Water Plant Operator	4	3 Hired	4
Technician, Field Operations	Middlesboro & BMUD Field operations employees	14	4 Hired	14
Technician, Operations	Clinton Field & Treatment employees	2	2 Hired	2
Manager, Operations	South Region Manager – responsible for all treatment, field operations, and functional department activities (Middlesboro, BMUD, Clinton, Eastern Rockcastle)	1	Hire 9/2026	1

PM, WQ & Environmental	Middlesboro & BMUD water sampling, environmental compliance and reporting	1	Recruiting	1
Safety Specialist	Middlesboro & BMUD safety program management, reporting, and inspections	1	Recruiting	1
PM, Construction Inspection	Middlesboro & BMUD capital program management and construction inspection	1	Hire 9/2026	1
Water Treatment Operator	Water treatment operations and water treatment waste residuals process operations to support new treatment processes at KRS1	2	Hire 2027	
Maintenance Technician	Maintenance technician to support additional treatment processes at KRS1	1	Hire 2027	
PM, Construction Inspection	Central region (Lexington) construction program management and inspection to support additional capital construction	2	2 Hired	
Sr. Principle, BD	Support of planned growth, existing customers and future regionalization efforts	1	1 Hired	
Lead, Government Affairs	Support of planned growth, existing customers and future regionalization efforts	1	1 Hired	
Interns	Support of special projects	2	Hired	
		38		29

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Witness: John Watkins

28. Refer to the Application, Exhibit 37, Schedule B-5.2. Confirm that Kentucky-American did not perform a Lead-Lag Study to present in this proceeding. If confirmed, explain why Kentucky-American chose not to perform a Lead-Lag Study in this proceeding.

Response:

KAWC confirms that it did not perform a Lead-Lag Study to present in this proceeding. KAWC filed a rate base in 2025, in Case No. 2025-00122, that included a Lead-Lag Study. KAWC relies on external resources to prepare a Lead-Lag Study. The Company did not file one in this case to reduce rate case expense.

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Witness: John Watkins

29. Refer to the Application, Exhibit 37, Schedule B-2.1, page 3. Refer also to the Application in Case No. 2025-00122, Exhibit 37, Schedule B-2.1, page 3.
- a. Explain the drivers of the approximate \$54 million increase in Kentucky-American's 13-Month-Average plant in service for Transmission and Distribution plant in the forecasted test year.
 - b. Explain the drivers of the approximate \$7 million increase in Kentucky-American's 13-Month-Average plant in service for Source of Supply and Pumping Plant in the forecasted test year.

Response:

- a. The primary drivers for the increase in "Transmission and Distribution" plant are listed below.
 1. Approximate \$39.7 million increase in "TD Mains" plant resulting from water main replacements, relocations, and extensions.
 2. Approximate \$4.5 million increase in "Services" plant resulting from service line installations and replacements.
 3. Approximate \$8.0 million increase in "Meters & Meter Installations" plant resulting from new meter installations and the replacement of existing meters.
 4. Approximate \$3.2 million increase in "Hydrants" plant resulting from the installation of new hydrants and the replacement of existing hydrants.
- b. The primary drivers for the increase in "Source of Supply and Pumping" plant are listed below.
 1. Approximate \$4.6 million increase in "Structures and Improvements" plant resulting from the construction and replacement of water treatment pumping and supply infrastructure.
 2. Approximate \$2.7M increase in "Lake, River, and Other Intakes" plant resulting from improvements to water intake structures at treatment facilities.

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Witness: John Watkins

30. Refer to the Application, Exhibit 37, Schedule B-3, and the Direct Testimony of John Watkins.
- a. Explain how Kentucky-American forecasted the Accumulated Depreciation for the assets associated with the following acquisitions:
 - (1) City of Livingston
 - (2) Black Mountain District
 - (3) Water Service Corporation of Kentucky
 - b. For each acquired system or proposed system to be acquired included in Kentucky-American's rate base, explain how Kentucky-American determined the plant in service costs included in rate base. In the response, state whether Kentucky-American used original cost, accumulated depreciation, and resulting net book value for each acquired system. If Kentucky-American used a different ratemaking value, explain the basis for that value and provide supporting calculations in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response:

- a. KAWC forecasted the accumulated depreciation for the assets associated with the following acquisitions as follows:
 - (1) City of Livingston – accumulated depreciation was calculated taking the original cost of the asset less depreciation based on the depreciable life of the asset as of December 31, 2024 and projected through December 31, 2027.
 - (2) Black Mountain District – KAWC intends to acquire Black Mountain at Fair Market Value and prior accumulated depreciation will not be carried over.
 - (3) Water Service Corporation of Kentucky - accumulated depreciation was calculated based on the balance as of December 31, 2025 and projected through December 31, 2027.
- b. KAWC determined the plant in service costs included in rate base for the acquired systems as follows:
 - (1) City of Livingston – used original cost, accumulated depreciation, and resulting net book value.
 - (2) Black Mountain District – used the Fair Market Value to be acquired at the acquisition date.
 - (3) Water Service Corporation of Kentucky - used original cost, accumulated depreciation, and resulting net book value.

Please refer to the Company's response to KAW_R_PSCDR1_NUM001, file "KAWC 2026 Rate Case - Capital-Depr Exp" and the following tabs: "ACQ1 Detail-Livingston", "ACQ2 Detail-Black Mountain", "ACQ3 Detail-Nexus" for the excel support of the calculation.

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Witness: Robert Prendergast

31. Refer to the Direct Testimony of Robert Prendergast (Prendergast Direct Testimony), page 7, line 4. Non-union wage increases are projected at 3.89 percent for January 2027, based on a three-year average of merit increases from 2024 to 2026.
- a. Explain the actual merit increase percentages for each of those three years and explain how the 3.89 percent compares to the merit increases applied in Case No. 2025-00122.⁷
 - b. Explain if 3.89 percent is within the range Kentucky-American budgeted for 2027.

Response:

- a. Case No. 2025-00122 used the merit increase from 2025 to project non-union labor salaries for 2026, which was 3.95%.
Case No. 2026-00094 uses an average of the three prior years' merit increases to project non-union salaries for 2027, which was 3.89%. Please see the table below for the merit increases from 2024-2026.

Year	Non-union merit increase
2024	3.98%
2025	3.95%
2026	3.74%

- b. Kentucky-American's budget for 2027 is not final at this time, but the 3.89% is within the range of the budgeted merit increase for the 2026 budget.

⁷ Case No. 2025-00122, Dec. 16, 2025 final Order.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: William A. Lewis

32. Refer to Kentucky-American's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1, "KAWC 2026 Rate Case – Exhibits (25, 26, 37) Revenue WP Support" Spreadsheet at the "Ind-OWU Usage" Tab at line 45, where Kentucky-American states that the Contract with the City of Midway ends May 30, 2026. Explain whether Kentucky-American has renewed its contract with the City of Midway.

Response:

No, Kentucky-American's contract with the City of Midway was not renewed.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

33. Refer to Prendergast Direct Testimony, pages 7-9. Explain how Kentucky-American calculates employee payroll that gets capitalized for construction projects versus everyday Operating & Maintenance (O&M) expense.

Response:

Capitalization on employee payroll is calculated on a position by position basis as shown in the Company's workpaper. Each position's capitalization percentage is calculated using a three-year historical average of actual employee capital labor dollars divided by the total employee labor dollars.

The labor capitalization is removed from each position's gross labor costs which equals the O&M expense. The workpaper calculates the O&M expense by using the formula, one minus the specific position's three-year average capitalization percentage to determine the O&M expense amount for each position.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

34. Refer to Prendergast Direct Testimony, pages 12-14. Provide the most recent Willis Towers Watson actuarial valuation reports used to calculate the annual service costs and non-service costs for both the Pension and OPEB plans.

Response:

See attachment KAW_R_PSCDR2_NUM034_062626_Attachment 1.pdf for the 2025 WTW actuarial valuation reports used to calculate the 2025 annual service costs and non-service costs for both the Pension and OPEB plans.

See attachment KAW_R_PSCDR2_NUM034_062626_Attachment 2.pdf for the 2026 allocations for both the Pension and OPEB plans based on January 1, 2026 valuation. Irrelevant and unresponsive information has been redacted.

NOTICE REGARDING WTW ACTUARIAL INFORMATION

This information was prepared for American Water Works Company, Inc. ("American Water" or "you" or "Client") by Willis Towers Watson US LLC ("WTW", "we", or "us") and is being made available by American Water to regulatory commissions in connection with rate case proceedings. WTW prepared this information for American Water in accordance with a letter of engagement dated November 16, 2022, to assist American Water in connection with the actuarial valuation of its pension and postretirement welfare plans.

This information contains language prohibiting its distribution to third parties without the written consent of WTW. Any distribution of this information to a third party requires recognition of the following points:

1. WTW represents and is responsible only to American Water with respect to all matters relating to this information.
2. The Recipient is responsible for its own due diligence with respect to all matters relating to this information.
3. This information was prepared for American Water's internal use and assumes a high level of knowledge relative to the operations of American Water, the data used to develop this information, and the external factors affecting American Water's business. We would not expect a third party to have such knowledge.

By viewing, downloading, printing, or otherwise having access to this information, Recipient is DEEMED TO HAVE AGREED to the following:

- a. The information provided by WTW is distributed only in its entirety;
- b. A copy of this letter is included with the information distributed to the Recipient;
- c. The Recipient is informed that WTW's consulting staff is available at American Water's expense to answer any questions concerning this information;
- d. The Recipient recognizes that this information not prepared for third-party distribution and agrees that, by accepting this information (including any information related to it that may be subsequently provided to the Recipient by or on behalf of WTW), the Recipient will neither reference nor distribute this information to any other party (except for the affiliates of Recipient, subject to paragraph (e) below), will not use this information for any purpose other than that for which it is being provided to the Recipient, will only share the information with its employees or the employees of its affiliates with a need to know the information for the purpose of conducting its present assignment (or other parties with whom WTW has signed a Third-Party Release Agreement with respect to this information), and will place no reliance on this or other information contained therein, or related thereto, that would result in the creation of any duty or liability by WTW to the Recipient.
- e. With respect to its affiliates referenced in (d), Recipient may distribute this information to such affiliates, provided that Recipient: (1) ensures that each such affiliate complies with these terms as if each such affiliate executed this release with WTW; (2) agrees to be responsible for the breach of any of the provisions of this letter by an affiliate; and (3) remains responsible for each such affiliate's compliance with all terms of this Release, including but not limited to preventing a claim by an affiliate that it relied on this information or that WTW has a duty or liability to such affiliate;
- f. In the event that the Recipient is required by order of a court of competent jurisdiction, administrative agency or governmental body, or by any law, rule, regulation, subpoena, or any other administrative or legal process to disclose this information, the Recipient may disclose this information without liability hereunder, provided that, unless legally prohibited from doing so, the Recipient gives WTW prompt notice of any such requirement and, at our discretion, either (1) cooperates with us, at our expense, to prohibit such disclosure, or (2) uses all reasonable efforts to get confidential treatment of this information under a protective order or other appropriate mechanism.



American Water Works Company, Inc.

The Pension Plan for Employees of American Water
Works Company, Inc. and Its Designated Subsidiaries

Actuarial Valuation Report
Benefit Cost for Fiscal Year Beginning
January 1, 2025 under US GAAP

August 2025

wtwco.com

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Purposes of valuation

American Water Works (the Company or American Water) engaged Willis Towers Watson US LLC (WTW) to value the Company's pension plan.

As requested by the Company, this report documents the results of an actuarial valuation of The Pension Plan for Employees of the American Water Works Company, Inc. and its Designated Subsidiaries (the Plan) as of January 1, 2025.

The primary purpose of this valuation is to determine the Net Periodic Benefit Cost/(Income) (Benefit Cost), in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715) for the fiscal year ending December 31, 2025. All ASC 715 results shown in this report were prepared before the application of purchase accounting due to the sale of American Water to RWE. It is anticipated that a separate report will be prepared for year-end financial reporting purposes.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. The expected contributions to the Plan were set at \$44.0 million as illustrated below

<u>Date of Contribution</u>	<u>Amount of Contribution</u>
2/15/2025	\$11.0 million
5/15/2025	\$11.0 million
8/15/2025	\$11.0 million
11/15/2025	\$11.0 million
Total:	\$44.0 million

Note that any significant change in the amounts contributed or expected to be contributed in 2025 from what is disclosed at December 31, 2024 may require disclosure in the interim financial statements, but should not affect the expected return on plan assets absent a remeasurement for another purpose.

2. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.
3. This report is not intended to constitute a certification of the Adjusted Funding Target Attainment Percentage (AFTAP) under IRC §436 for any plan year.
4. This report does not determine funding requirements under IRC §430.
5. This report does not provide information for plan accounting and financial reporting under ASC 960.
6. This report does not present liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated

cost of settling benefit obligations, as all such measures differ in some way from plan termination obligations. In addition, funded status measures shown in this report do not reflect the current costs of settling obligations by offering immediate lump sum payments to participants and/or purchasing annuity contracts for the remaining participants (e.g., insurer profit, insurer pricing of contingent benefits and/or provision for anti-selection in the choice of a lump sum vs. an annuity).

7. The comparisons of plan obligations as determined for accounting and financial reporting purposes to plan assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions. In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due.

Section 1 : Summary of key results

1.1 Benefit cost, plan assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2025	01/01/2024
Benefit Cost/ (Income)	Net Periodic Benefit Cost/(Income)	26,911,600	27,701,544
	Benefit Cost/(Income) due to Special Events	0	0
	Total Benefit Cost/(Income)	26,911,600	27,701,544
Measurement Date		01/01/2025	01/01/2024
Plan Assets	Fair Value of Plan Assets (FVA)	696,866,665	687,698,967
	Actual Return on Fair Value of Plan Assets during Prior Year	1.58%	6.24%
Benefit Obligations	Accumulated Benefit Obligation (ABO)	(831,779,540)	(855,692,983)
	Projected Benefit Obligation (PBO)	(897,213,772)	(927,687,929)
Funded Ratios	Fair Value of Plan Assets to ABO	83.78%	80.37%
	Fair Value of Plan Assets to PBO	77.67%	74.13%
Accumulated Other Comprehensive (Income)/Loss (Pre-tax)	Net Prior Service Cost/(Credit)	(4,673,428)	(7,601,823)
	Net Loss/(Gain)	199,563,327	225,835,121
	Total Accumulated Other Comprehensive (Income)/Loss (pre-tax)	194,889,899	218,233,298
Assumptions	Discount rate	5.71%	5.15%
	Expected Long-Term Rate of Return on Plan Assets	7.50%	7.75%
	Rate of Compensation Increase	3.45%	3.51%
Participant Data	Census Date	01/01/2025	01/01/2024

1.2 Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, and investment return different from assumed during the prior year were \$49,009,159 and \$(41,833,373) respectively.

Change in net periodic cost and funded position

The net periodic cost declined from \$27,701,544 in fiscal 2024 to \$26,911,600 in fiscal 2025 and the funded position improved from \$(239,988,962) to \$(200,347,107).

Significant reasons for these changes include the following:

- The discount rate used to measure PBO increased 56 basis points compared to the prior year, which decreased the net periodic cost and improved the funded position.
- Contributions to the plan during the prior year improved the funded status and therefore reduced the net periodic cost.
- The actual return on the fair value of plan assets since the prior measurement date was less than the expected return on plan assets, which caused the funded position to decline.
- The expected return on asset assumption was reduced from 7.75% in fiscal year 2024 to 7.50% in fiscal year 2025, which increased the net periodic cost.
- The update to January 1, 2025 census data resulted in demographic experience losses, mostly related to higher than expected pay increases in 2024, which increased the net periodic cost and caused the funded position to decline.

1.3 Basis for valuation

Appendix A summarizes the assumptions, methods and models used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. Both of these appendices include a summary of any changes since the prior valuation. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Subsequent events

During 2025 American Water implemented a plan amendment which allows disabled participants who elect to early retire while awaiting Social Security Administration approval of their disability status to collect unreduced early retirement benefits once their claim is approved. As directed by AW, this valuation reflects the impact of this plan amendment.

Additional information

None.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information described below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied on information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by American Water and other persons or organizations designated by American Water. See the Sources of Data and Other Information section of Appendix A for further details. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by American Water, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is January 1, 2025. The benefit obligations were measured as of January 1, 2025 and are based on participant data as of the census date, January 1, 2025.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets and the general ledger account balances for the benefit plan cost at December 31, 2024, which reflect the expected funded status of the plan was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined by American Water in consultation with its tax advisors and independent accountants.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the benefit cost and other financial reporting have been selected by American Water. WTW has evaluated the assumptions used and believes that they do not significantly conflict with what would be reasonable. U.S. GAAP requires that each significant assumption “individually represent the best estimate of the plan’s future experience solely with respect to that assumption.”

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by WTW, we believe do not significantly conflict with what would be reasonable. Other actuarial assumptions could also be considered to not significantly conflict with what would be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the January 1, 2025 measurement date will change the results shown in this report.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in Appendix A.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated November 16, 2022 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of American Water and its independent accountants in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. American Water may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require American Water to provide them this report, in which case American Water will use best efforts to notify WTW in advance of this

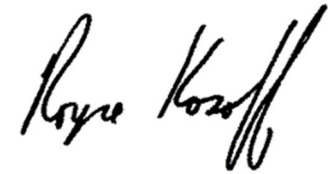
distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any party other than American Water Works relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between American Water and our employer, Willis Towers Watson US LLC.



John Popiolek, FSA, EA
Director, Retirement
August 7, 2025



Royce Kosoff, FSA, EA
Managing Director, Retirement
August 7, 2025



James Berardinucci, ASA, EA
Senior Associate, Retirement
August 7, 2025

Section 2 : Accounting exhibits

2.1 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Measurement Date	01/01/2025	01/01/2024
A Development of Balance Sheet Asset/(Liability)¹		
1 Projected benefit obligation (PBO)	(897,213,772)	(927,687,929)
2 Fair value of plan assets (FVA) ²	696,866,665	687,698,967
3 Net balance sheet asset/(liability)	(200,347,107)	(239,988,962)
B Current and Noncurrent Classification³		
1 Noncurrent asset	0	0
2 Current liability	0	0
3 Noncurrent liability	(200,347,107)	(239,988,962)
4 Net balance sheet asset/(liability)	(200,347,107)	(239,988,962)
C Accumulated Benefit Obligation (ABO)	(831,779,540)	(855,692,983)
D Accumulated Other Comprehensive (Income)/Loss		
1 Net prior service cost/(credit)	(4,673,428)	(7,601,823)
2 Net loss/(gain)	199,563,327	225,835,121
3 Accumulated other comprehensive (income)/loss ⁴	194,889,899	218,233,298
E Assumptions and Dates		
1 Discount rate	5.71%	5.15%
2 Rate of compensation increase	3.45%	3.51%
3 Census date	01/01/2025	01/01/2024

¹ Whether any amounts in this table that differ from those disclosed at year-end must be disclosed in subsequent interim financial statements should be determined.

² Excludes receivable contributions.

³ The current liability (for each underfunded plan) was measured as the discounted value of benefits expected to be paid over the next 12 months in excess of the fair value of the plan's assets at the measurement date.

⁴ Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Changes in plan obligations and assets

All monetary amounts shown in US Dollars

Period Beginning	01/01/2025	01/01/2024
A Change in Projected Benefit Obligation (PBO)		
1 PBO at beginning of prior fiscal year	927,687,929	839,142,209
2 Employer service cost	17,050,700	16,330,767
3 Interest cost	47,119,964	46,126,905
4 Actuarial loss/(gain)	(49,009,159)	64,233,325
5 Plan participants' contributions	0	0
6 Benefits paid from plan assets	(45,693,919)	(46,020,859)
7 Benefits paid from Company assets	0	0
8 Administrative expenses paid ¹	0	0
9 Plan amendments	58,257	0
10 Acquisitions/(divestitures)	0	0
11 Curtailments	0	0
12 Settlements	0	0
13 Special/contractual termination benefits	0	0
14 Plan Transfers	0	7,875,581
15 PBO at beginning of current fiscal year	897,213,772	927,687,929
B Change in Plan Assets		
1 Fair value of plan assets at beginning of prior fiscal year	687,698,967	644,594,433
2 Actual return on plan assets	10,861,617	40,047,574
3 Employer contributions	44,000,000	41,500,000
4 Plan participants' contributions	0	0
5 Benefits paid	(45,693,919)	(46,020,859)
6 Administrative expenses paid	0	0
7 Transfer payments	0	7,577,819
8 Acquisitions/(divestitures)	0	0
9 Settlements	0	0
10 Other adjustments	0	0
11 Fair value of plan assets at beginning of current fiscal year	696,866,665	687,698,967

¹ Only if future expenses are accrued in PBO through a load on service cost.

2.3 Summary of net balances

All monetary amounts shown in US Dollars

A Summary of Prior Service Cost/(Credit) Bases

Measurement Date Established	Original Amount	Net Amount at 01/01/2025	Remaining Amortization Period	Amortization Amount in 2025	Effect of Curtailments	Other Events
12/31/2018	(22,260,826)	(4,731,685)	1.64859	(2,870,138)	0	0
1/1/2025	58,257	58,257	6.80797	8,557		
Total		(4,673,428)		(2,861,581)	0	0

All monetary amounts shown in US Dollars

B Summary of Net Loss/(Gain) (see Appendix A for a description of amortization method)

	Net Amount at 01/01/2025 ¹	Amortization Amount in 2025	Effect of Curtailments	Effect of Settlements	Other Events (Identify)
	199,563,327	(16,134,318)	0	0	0

¹ Before any immediate recognition on the same date.

2.4 Development of plan assets for benefit cost

All monetary amounts shown in US Dollars

	Fair Value	Market-Related Value
A Reconciliation of Plan Assets		
1 Plan assets at 12/31/2023	687,698,967	687,698,967
2 Actual return on plan assets	10,861,617	10,861,617
3 Employer contributions	44,000,000	44,000,000
4 Plan participants' contributions	0	0
5 Benefits paid	(45,693,919)	(45,693,919)
6 Administrative expenses paid	0	0
7 Acquisitions/(divestitures)	0	0
8 Settlements	0	0
9 Other adjustments	0	0
10 Plan assets at 12/31/2024	696,866,665	696,866,665
B Rate of Return on Invested Assets		
1 Weighted invested assets	686,974,327	
2 Rate of return	1.58%	
C Investment Loss/(Gain)		
1 Actual return	10,861,617	
2 Expected return	52,694,990	
3 Loss/(gain)	41,833,373	

2.5 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2025	12/31/2024
A Total Benefit Cost		
1 Employer service cost	14,918,134	17,050,700
2 Interest cost	50,323,482	47,119,964
3 Expected return on plan assets	(51,602,753)	(52,694,990)
4 Subtotal	13,638,863	11,475,674
5 Net prior service cost/(credit) amortization	(2,861,581)	(2,870,138)
6 Net loss/(gain) amortization	16,134,318	19,096,008
7 Subtotal	13,272,737	16,225,870
8 Net periodic benefit cost/(income)	26,911,600	27,701,544
9 Curtailment (gain)/loss	0	0
1 Settlement (gain)/loss	0	0
1 Special/contractual termination benefits	0	0
1 Total benefit cost	26,911,600	27,701,544
B Assumptions (See Appendix A for interim measurements, if any)		
1 Discount rate	5.71%	5.15%
2 Expected long-term rate of return on plan assets	7.50%	7.75%
3 Rate of compensation increase	3.45%	3.51%
4 Census date	01/01/2025	01/01/2024
C Fair Value of Assets at Beginning of Year	696,866,665	687,698,967
D Cash Flows		
	Expected	Actual
1 Employer contributions	44,000,000	44,000,000
2 Plan participants' contributions	0	0
3 Benefits paid from Company assets	0	0
4 Benefits paid from plan assets	62,487,351	45,693,919
E Amortization Period	6.80797	6.96828

Section 3 : Participant data

3.1 Summary of participant data

All monetary amounts shown in US Dollars

Census Date	01/01/2025	01/01/2024																											
A Participating Employees																													
1 Number	1,362	1,488																											
2 Expected plan compensation for year ¹	116,210,368	121,642,080																											
3 Average plan compensation	106,909	102,134																											
4 Average annual frozen benefit	2,749	3,166																											
5 Average age	56.19	55.71																											
6 Average credited service	22.79	22.42																											
B Participants with Deferred Benefits																													
1 Number	86	78																											
2 Total annual pension (as of normal retirement)	1,796,278	1,769,419																											
3 Average annual pension (as of normal retirement)	20,887	22,685																											
4 Average age	54.29	55.04																											
5 Distribution of participants with deferred annuity benefits at January 1, 2025(as of normal retirement)																													
<table> <tr> <th>Age</th><th>Number</th><th>Benefits</th></tr> <tr> <td>Under 40</td><td>2</td><td>4,858</td></tr> <tr> <td>40-44</td><td>8</td><td>82,021</td></tr> <tr> <td>45-49</td><td>15</td><td>223,906</td></tr> <tr> <td>50-54</td><td>20</td><td>451,043</td></tr> <tr> <td>55-59</td><td>21</td><td>507,049</td></tr> <tr> <td>60-64</td><td>17</td><td>450,890</td></tr> <tr> <td>65 and over</td><td>3</td><td>76,511</td></tr> </table>			Age	Number	Benefits	Under 40	2	4,858	40-44	8	82,021	45-49	15	223,906	50-54	20	451,043	55-59	21	507,049	60-64	17	450,890	65 and over	3	76,511			
Age	Number	Benefits																											
Under 40	2	4,858																											
40-44	8	82,021																											
45-49	15	223,906																											
50-54	20	451,043																											
55-59	21	507,049																											
60-64	17	450,890																											
65 and over	3	76,511																											
C Participants Receiving Benefits																													
1 Number	1,124	1,045																											
2 Total annual pension	33,600,388	30,564,740																											
3 Average annual pension	29,894	29,249																											
4 Average age	69.99	69.40																											
5 Distribution at January 1, 2025																													
<table> <tr> <th>Age</th><th>Number</th><th>Annual Pension</th></tr> <tr> <td>Under 55</td><td>12</td><td>165,749</td></tr> <tr> <td>55-59</td><td>47</td><td>1,391,271</td></tr> <tr> <td>60-64</td><td>220</td><td>8,237,470</td></tr> <tr> <td>65-69</td><td>490</td><td>16,148,573</td></tr> <tr> <td>70-74</td><td>162</td><td>4,765,828</td></tr> <tr> <td>75-79</td><td>30</td><td>547,286</td></tr> <tr> <td>80-84</td><td>50</td><td>847,917</td></tr> <tr> <td>85 and over</td><td>113</td><td>1,496,294</td></tr> </table>			Age	Number	Annual Pension	Under 55	12	165,749	55-59	47	1,391,271	60-64	220	8,237,470	65-69	490	16,148,573	70-74	162	4,765,828	75-79	30	547,286	80-84	50	847,917	85 and over	113	1,496,294
Age	Number	Annual Pension																											
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75-79	30	547,286																											
80-84	50	847,917																											
85 and over	113	1,496,294																											

¹ Excludes active participants with frozen accrued benefits: 275 as of January 1, 2025 and 297 as of January 1, 2024.

3.2 Age and service distribution of active participants¹

All monetary amounts shown in US Dollars

Attained Age	Attained Years of Credited Service and Number and Average Compensation ²													
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	1	0	0	0	0	0	0	1
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	5	4	0	0	0	0	0	9
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	9	22	17	1	0	0	0	49
	0	0	0	0	0	0	0	104,173	0	0	0	0	0	94,514
45-49	0	0	0	0	0	0	1	22	67	26	0	0	0	116
	0	0	0	0	0	0	0	85,936	110,073	109,650	0	0	0	104,955
50-54	0	0	0	0	0	0	5	35	70	82	12	1	0	205
	0	0	0	0	0	0	0	93,128	105,270	112,070	0	0	0	104,582
55-59	0	0	0	0	0	0	3	17	65	107	73	46	3	314
	0	0	0	0	0	0	0	0	103,431	112,327	119,308	124,489	0	113,163
60-64	0	0	0	0	0	0	2	17	56	88	46	65	28	302
	0	0	0	0	0	0	0	0	94,196	102,142	108,788	125,877	104,023	106,710
65-69	0	0	0	0	0	0	2	4	20	24	5	12	17	84
	0	0	0	0	0	0	0	0	94,760	105,673	0	0	0	103,468
70 & over	0	0	0	0	0	0	0	0	3	1	0	0	3	7
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	28	121	298	329	136	124	51	1,087
	0	0	0	0	0	0	58,679	97,488	102,821	109,133	115,119	122,912	104,484	106,909
Average:	Age	56	Number of Participants:		Males		739							
	Service	23			Females		348							
Census data as of January 1, 2025														

¹ Excludes active participants with frozen accrued benefits: 275 as of January 1, 2025 and 297 as of January 1, 2024

² Ages and service totals for purposes of determining category are based on exact (not rounded) values.

3.3 Participant reconciliation

	Active	Deferred Inactive	Currently Receiving Benefits	Total
1 At 01/01/2024 valuation	1,488	78	1,045	2,611
2 Change due to:				
a New hire and rehire	0	0	0	0
b Non-vested termination	0			0
c Vested termination	(27)	27		0
d Retirement	(68)	(8)	76	0
e Disability	0	0	0	0
f Death	(4)	(3)	(4)	(11)
g New beneficiary		0	7	7
h Cashout, lump sum payment and/or annuity purchase	(28)	(8)	0	(36)
i Miscellaneous	1	0	0	1
j Net change	(126)	8	79	(39)
3 At 01/01/2025 valuation	1,362	86	1,124	2,572

Note blank entries in the table above indicate status changes that are not anticipated to occur.

Appendix A : Statement of actuarial assumptions, methods and data sources

Economic Assumptions

Discount rate 5.71%

Return on assets 7.50%

Annual rates of increase

- Compensation – Sample Rates:

<u>Union</u>		<u>Nonunion</u>	
Age	% Increase	Age	% Increase
30	4.20%	30	5.90%
35	3.70%	35	5.20%
40	3.40%	40	4.80%
45	3.20%	45	4.50%
55	2.90%	55	4.10%
Average rate (combined Union and Nonunion)		3.45%	

- Future Social Security wage bases 3.75%
- Indexed limits on compensation and benefits 3.25%

Actuarial equivalence basis for lump sums

Forward rates derived from WTW's
Rate:Link 10-90th percentile yield
curve at December 31, 2024

The return on assets shown above is net of investment expenses and administrative expenses assumed to be paid from the trust.

Demographic Assumptions

Inclusion date	The valuation date coincident with or next following the date on which the employee becomes a participant.
New or rehired employees	It was assumed there will be no new or rehired employees.
Mortality	
Healthy mortality rates	Base Mortality Table: Male table used for males; female table used for females 1. Base table: Pri-2012 2. Base mortality table year: 2012 3. Table type: No collar 4. Healthy or Disabled: Healthy 5. Table weighting: Benefit 6. Blending of annuitants and non-annuitants: Separate rates for non-disabled annuitants and non-annuitants 7. Rates reduced by 6% Mortality Improvement Scale: Male table used for males; female table used for females 1. Base scale: Scale MP-2021 2. Projection Type: Generational
Disabled life mortality rates	Base Mortality Table: Male table used for males; female table used for females 1. Base table: Pri-2012 2. Base mortality table year: 2012 3. Table type: No collar 4. Healthy or Disabled: Disabled 5. Table weighting: Benefit 6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants 7. Rates reduced by 6% Mortality Improvement Scale: Male table used for males; female table used for females 1. Base scale: Scale MP-2021 2. Projection Type: Generational
Lump Sum Conversions	Blend 50% male / 50% female of the sex distinct mortality tables used for healthy annuitants, as described above.

Disability rates

50% of 1987 CGDT (shown below).

Sample annual rates of decrement used:

Percentage assumed to become disabled during the year		
Attained Age	Males	Females
25	0.05%	0.06%
35	0.07%	0.12%
40	0.10%	0.15%
45	0.18%	0.23%
55	0.59%	0.53%

Termination (not due to disability or retirement) rates

Rates vary by age, per table below:

Percentage leaving during the year	
Attained Age	Rates
Under 30	5.3%
30-34	5.0%
35-39	4.7%
40-44	3.7%
45 and over	2.7%

Retirement

Rates varying by age averaging 62:

Percentage retiring during the year			
Age	Rate	Age	Rate
55	4%	62	28%
56	4%	63	20%
57	5%	64	20%
58	6%	65	30%
59	7%	66	30%
60	10%	67-69	25%
61	10%	70	100%

Form of payment

Active union participants with frozen benefits: 100% lump sum.

All others: 40% of participants eligible for the lump sum option (i.e., retirement eligible at termination after December 31, 2018) are assumed to accept it upon retirement, 25% single life annuity, and 35% elect a 50% joint and contingent annuity. 100% of participants not eligible for the lump sum option are assumed to take a single life annuity.

Percent married

100% males and 100% females are assumed married.

Spouse age

Wife three years younger than husband.

Covered pay

For non-union participants, annualized target pay rate plus incentive award. Annual rates of pay are increased 10% for those non-union participants without an incentive award to approximate total company overtime.

For union participants, annual rates of pay are increased 24% to approximate total company overtime (21%) plus average incentive award (3%).

Maximum benefit

\$280,000 for 2025, increasing with inflation.

Maximum pensionable earnings

\$350,000 for 2025, increasing with inflation.

Additional Assumptions

Administrative expenses	Return on asset assumption is net of any expenses paid by the trust.
Loads	Service cost, ABO, and PBO have been increased by 0.2% to reflect the value of the two-year “pop-up” provision.
Cash flow	
Amount and timing of contributions	Contributions are assumed made as indicated in the Purposes of valuation section of the report.
Timing of benefit payments	Annuity amounts in payment are assumed payable monthly at the beginning of the month. Future annuity and lump sum payments are assumed payable on date of decrement (mid-year).
Funding policy	American Water's funding policy is to contribute an amount equal to the minimum required contribution under ERISA in four installments during the plan year, and also to make a receivable contribution after the end of the plan year if such a contribution is needed to avoid “at-risk” status and benefit restrictions under PPA. American Water may increase its contribution, if appropriate, to its tax and cash position and the plan's funded position. American Water may also reduce its contribution to the target normal cost for the year if funding balances are available to offset the remaining funding requirement under ERISA.

Methods

Census date	January 1, 2025
Measurement date	January 1, 2025
Service cost and projected benefit obligation	The Projected Unit Credit Cost method is used to determine the present value of the PBO and the related current service cost. Under this method, a “projected accrued benefit” is calculated based upon service as of the measurement date and projected future compensation and social security levels at the age at which the employee is assumed to leave active service. In normal circumstances the “projected accrued benefit” is based upon the plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the “projected accrued benefit” is calculated by attributing benefits on a straight-line basis over the relevant period. The benefits described above are used to determine both ABO and PBO except that final average pay is assumed to remain constant in the future when calculating ABO.

Market-related value of assets	The fair value of assets is used to determine the expected investment return during the year.
Amortization of unamortized amounts:	
Recognition of past service cost/(credit)	Increase in PBO resulting from a plan amendment is amortized on a straight-line basis over the expected average remaining service of active participants.
Recognition of gains or losses	Net loss (gain) in excess of 10% of the greater of the PBO or the market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active participants.
Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. WTW has reviewed documentation provided by American Water and is not aware of any significant benefits that were not valued.

Source of Data and Other Information

The plan sponsor and other persons or organizations designated by the plan sponsor furnished participant data as of January 1, 2025. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Participant data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates may have been made when data were not available, and the data may have been adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with American Water's tax advisors and auditors. WTW used information supplied by American Water regarding amounts recognized in accumulated other comprehensive income as of the end of the 2024 fiscal year and amounts recognized in other comprehensive income in the 2024 fiscal year.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate	As required by U.S. GAAP the discount rate methodology was chosen by the plan sponsor based on market information on the measurement date and on WTW's interest rate models, BOND:Link, that uses current (as of the measurement date), high quality (rated AA and above) corporate bonds to determine discount rates. We believe the discount rate chosen does not significantly conflict with what would be reasonable.
Expected return on plan assets	We understand that the expected return on assets assumption reflects the plan sponsor's estimate of future experience for trust asset returns, reflecting the plan's current asset allocation and any expected changes during the current plan year, current market conditions and the plan sponsor's expectations for future market conditions. We believe the assumption selected does not significantly conflict with what would be reasonable.
Rates of increase in compensation	Assumed increases were chosen by the plan sponsor based on a review of recent experience during the 2024 experience study and represent a best estimate of future experience.

Assumptions Rationale - Significant Demographic Assumptions

Healthy Mortality	Assumption used for accounting purposes was selected by the plan sponsor based on an experience and mortality credibility study conducted in 2024, and, as required by U.S. GAAP, represents a best estimate of future experience. We believe the assumption does not significantly conflict with what would be reasonable.
Disabled Mortality	Assumption used for accounting purposes was selected by the plan sponsor based on an experience and mortality credibility study conducted in 2024, and, as required by U.S. GAAP, represent a best estimate of future experience. We believe the assumption does not significantly conflict with what would be reasonable.
Termination	Termination rates were selected by the plan sponsor based on an experience study conducted in 2024. The plan sponsor will annually consider whether any conditions have changed that would be expected to produce different results in the future. We believe the assumption selected does not significantly conflict with what would be reasonable.
Disability	Disability rates were selected by the plan sponsor based on a published table for pension participants believed to have reasonably similar characteristics participating in pension plans with similar disability provisions. We believe the assumption selected does not significantly conflict with what would be reasonable.

Retirement	Retirement rates were selected by the plan sponsor based on an experience study conducted in 2024. The plan sponsor will annually consider whether any conditions have changed that would be expected to produce different results in the future. We believe the assumption selected does not significantly conflict with what would be reasonable.
Benefit commencement date for deferred benefits:	
Deferred vested benefit	Deferred vested participants' assumed commencement age is a single age intended to capture the observed average age at commencement as observed in the 2024 experience study. We believe the assumption selected does not significantly conflict with what would be reasonable.
Form of payment	The assumption was selected by the plan sponsor and, as required by US GAAP, represents a best estimate of future expectations. Form of payment incidence was reviewed as part of the 2024 experience study; American Water will annually consider whether any conditions have changed that would be expected to produce different results in the future. We believe the assumption selected does not significantly conflict with what would be reasonable.
Marital Assumptions:	
Percent married	The assumed percentage married is set at 100% to reflect the ability of all participants to name a non-spousal beneficiary for purposes of the pre-retirement death benefit. This assumption has no effect on other benefits (for example, retirement or withdrawal) since the value of optional forms under the plan is about equal to the single life annuity. We believe the assumption selected does not significantly conflict with what would be reasonable.
Spouse Age	The assumed age difference for spouses is based on the age difference among recent retirees observed in the last experience study conducted in 2024. We believe the assumption selected does not significantly conflict with what would be reasonable.

Source of Prescribed Methods

The methods used for accounting purposes as described here are “prescribed methods set by another party”, as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Change in Assumptions, Methods and Estimation Techniques

Change in assumptions since prior valuation	Discount rate changed from 5.15% to 5.71% as a result of changes to market yields since the last measurement date. Expected return on assets for the plan was reduced from 7.75% to 7.50% reflecting the sponsor’s current best estimate of future experience. The mortality assumption was updated to apply a base table adjustment of -6%. The separate termination tables for Alton/Pensacola and Other were combined to a single rate set. The retirement incidence assumption at age 62 was lowered from 35% to 28%.
Change in methods since prior valuation	There have been no changes in methods since prior valuation.
Change in estimation techniques since prior valuation	There have been no changes in estimation techniques since prior valuation.

Model Descriptions and Disclosures in accordance with ASOP No. 56

Quantify

Quantify is the WTW centrally developed, tested and maintained global actuarial valuation system. It is used to perform valuations of clients' benefit plans.

Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports.

Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations.

Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected.

Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

Quantify FR

Quantify Financial Reporting (FR) is intended to calculate funding results, accounting results and produce the associated client reports under selected accounting standards. The calculations and reports are based on various user specified inputs including liability results and asset values.

Quantify FR develops valuation results for various accounting and funding purposes using standard actuarial techniques.

Calculation of disclosure liabilities and results are based on roll forward liabilities.

Liability roll-forwards are used in accounting scenarios where the date as of which liabilities are valued does not coincide with the fiscal year measurement date. The roll-forwards consist of adjusting liabilities for the passage of time.

The estimate of the following year's expense is calculated based on the obligations and assets used for disclosure and incorporates service cost that may be based on a projection in the associated Quantify liability run, depending on the relationship of the liability valuation date to the fiscal year.

The Roll Forward accounting calculations assume that applicable rules will not change during the roll-forward period. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are rolled forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the roll forward, including reflecting any changes in applicable accounting standards.

RATE:Link/US Treasury

RATE:Link is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE:Link curves. The RATE:Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the U.S. for this valuation).

The construction of RATE:Link yield curves relies on bond data collected as of the measurement date.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

US Treasury: A yield curve consistent with published US Treasury rates has been used for measurements related to employee benefit plans.

BOND:Link

U.S. BOND:Link is a methodology to assist with the selection of discount rates used in liability and cost measurements related to employee benefit plans. Discount rates are derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for a plan's projected benefit payments. The single interest rate is then determined that results in a discounted value of the plan's benefit payments that equals the market value of the selected bond portfolio.

Updated BOND:Link models are developed monthly as of the last day of the month. The construction of a BOND:Link model relies on bond data collected as of the measurement date. Parameters provide the user the ability to control aspects of the model. The model output allows the user to see the effects of those parameters.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

Mortality Credibility Tool

The Mortality Credibility Tool (MCT) is intended to compare actual mortality experience of a given population to a standard mortality table. The result is an adjustment factor to be applied to the standard mortality table that reflects a combination of the population's experience and the standard table depending on the credibility of the provided data.

The parameters of the tool provide flexibility around the statistical significance used to calculate the credibility applied to the mortality experience. Additionally, any standard mortality table can be used to compare against the provided population providing flexibility around different cuts of the data (male vs female, blue collar vs white collar, etc.).

The specific table developed is a multiple of standard table. Selection of the standard mortality tables appropriate for the population provided is important.

Published Demographic Tables

Certain demographic tables described above are standard published tables or are based on standard published tables from models developed by organizations with the requisite expertise.

Appendix B : Summary of principal plan provisions

Plan Provisions

Effective Date	July 1, 1952. Amended and Restated Effective January 1, 2016. Last amendment effective January 1, 2025.
Participation date	Each employee commences participation on the first day of the calendar month next following completion of one Year of Service. The following groups of employees are not eligible to participate in the plan: a) Nonunion and union employees hired or rehired on or after January 1, 2006, or • April 1 or May 1, 2006 for employees of Elizabethtown Water unions 423 and 68, respectively, or • February 1, 2009 for Sterling employees b) Any employee group not eligible to accrue a benefit as of January 1, 2006 c) Effective July 1, 2011, certain employees of Arizona-American Water Company and New Mexico-American Water Company, Inc. were transferred into their own stand-alone pension plan. d) Effective May 1, 2012, Ohio-American Water Company active, terminated vested, and retired participants (or their beneficiaries) were transferred to the Aqua America Plan. e) Employees of Alton, Illinois and Pensacola, Florida call center facilities hired on or after January 1, 2013

Definitions

Average Social Security Wage Base	Average of the maximum amounts subject to Social Security taxation for the year of retirement or termination and the nine preceding years.
Earnings	Total compensation for services paid as an annual salary or as an hourly wage (including overtime and shift differentials) plus annual incentive awards (AIP) paid in cash during the period, plus amounts paid under the company's business development incentive plan, plus amounts deferred under Sections 401(k), 125 or 132(f)(4) of the Internal Revenue Code. Earnings are subject to a maximum amount as set forth in Section 401(a)(17)(B) of the Internal Revenue Code. Total compensation excludes deferred AIP. Bonus and overtime are excluded for all periods for Elizabethtown union participants.

Final Average Earnings

The highest average monthly Earnings during the 60 consecutive months of the final 120 months (or lesser period of employment) preceding termination from employment or retirement.

Year of Service

In general, a Year of Service is credited for each 12-month period commencing on the employee's anniversary date of employment during which the employee completes 1,000 hours of service.

For the purpose of determining the amount of benefits of any participant (other than a part-time employee) who completes at least 1,000 but fewer than 2,080 hours of service in this 12-month period, the participant is credited with the fraction of a Year of Service determined by dividing his actual hours of service by 2,080.

The following exceptions apply:

- (a) Hershey Water Company: Employees on April 19, 1977 who were vested in benefits accrued under the prior plan receive credit only for service beginning April 19, 1977.
- (b) Pekin Water Company: Nonunion participants who were members of the prior plan get credit for all service less any prior plan benefit. Other nonunion employees get credit for periods of service beginning January 1, 1982. Union employees' service is credited for periods beginning April 1, 1982 for the purposes of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (c) Seymour Water Company: Only service accrued beginning March 16, 1982 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (d) New Mexico-American: All service is credited, including periods before the August 1, 1986 acquisition. The prior plan benefit is a minimum.
- (e) Indiana-American Terre Haute Plan: Only service accrued beginning May 11, 1987 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (f) Brownsville Water Company: Only service accrued beginning July 1, 1990 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (g) California Water Company: Only service accrued beginning July 1, 1990 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (h) Avatar Utilities Inc.: Only service accrued beginning August 31, 1993 is credited for the purpose of

determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).

- (i) PG Energy: Only service accrued beginning February 16, 1996 is credited for the purpose of determining the amount of benefits accrued under the Plan (in addition to any prior plan benefits). Service for eligibility and vesting purposes and for the schedule of early retirement factors is measured from the original date of hire.
- (j) United Water Resources, Inc.: Dates of acquisition are shown below:

<u>Location</u>	<u>Date</u>
United Water of Indiana	February 1, 2000
United Water of West Lafayette	February 1, 2000
United Water of Virginia	February 29, 2000
United Water of Missouri	May 1, 2000
United Water of Illinois	May 31, 2000

- (i) Nonunion employees: Service for eligibility purposes and for the schedule of early retirement factors is measured from the original date of hire. Service for benefit accrual is measured from the date of acquisition.
 - (ii) Union employees: Service for all purposes is measured from the original date of hire. All benefits are determined under the United Waterworks Plan formula in effect on the date of acquisition.
- (k) City of Coatesville Authority: Only service accrued beginning March 23, 2001 is credited for the purpose of determining the amount of benefits accrued under the Plan. Service for eligibility to participate, vesting and early retirement eligibility is measured from the original date of hire.
- (l) Citizens Utilities Companies: Only service accrued beginning January 15, 2002 is credited for the purpose of determining the amount of benefits payable under the Plan. Service for eligibility and vesting purpose and for the schedule of early retirement factors is measured from the original date of hire.
- (m) Recent acquisitions — Service credit from dates shown below:

<u>Location</u>	<u>Date</u>
Country Place Water	June 30, 1995
Hawaii American Water	July 1, 1998
City of Florissant, MO (nonunion employees)	November 1, 2001
Texas American Water	July 1, 2002
City of Webster Groves, MO	February 8, 2002

LP Water and Sewer Company
(nonunion employees)

April 3, 2002

Cessation of Years of Service for Benefit Accrual for Certain Employee Groups:

Union participants (with some exceptions as noted below) hired or rehired on or after January 1, 2001 cease to be credited with years of service for benefit accrual after December 31, 2005.

Likewise, all accrued benefits for those participants are frozen as of December 31, 2005.

Years of service for purposes of determining eligibility for benefits (vesting, disability, early retirement and preretirement death benefits) continue to accrue for all union participants whose benefits are frozen as of December 31, 2005.

The following union groups are excluded from this benefit freeze provision:

- Union employees hired prior to January 1, 2001
- Union employees at Sterling hired prior to February 1, 2009
- Union employees at Alton, Illinois
- Union employees at Pensacola, Florida
- Union employees as of January 15, 2002 who were included in the Citizens Utility acquisition
- Elizabethtown Water Company employees of Local 423 hired before April 1, 2006 or Local 68 hired before May 1, 2006

Actuarial Equivalence

Lump sums:

Interest rate — IRS 417(e) rates for October of the prior calendar year with transition

Mortality — The table prescribed by the IRS for distributions under code Section 417(e)

Other optional forms and all other situations:

Interest rate — 8%

Mortality — GAM 1983 Male mortality table (set back 1 year for the participants and 5 years for beneficiaries)

Eligibility for Benefits

Normal Retirement Benefit

(i) Normal retirement date: The first day of the calendar month next following the participant's 65th birthday.

(ii) Basic monthly benefit:

For participants hired on or after July 1, 2001:

- 1.6% of Final Average Earnings multiplied by Years of Service.

For participants hired before July 1, 2001:

- The sum of (A) and (B). Exceptions to these formulas for certain groups are noted.

(A1) For service before July 1, 2001 for American Water employees (other than former NEI plan participants), the larger of (1) or (2) below:

(1) The sum of (a) plus (b) plus (c):

- (a) 1.85% of Final Average Earnings not in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.
- (b) 2.10% of Final Average Earnings in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.
- (c) 0.70% of Final Average Earnings multiplied by Years of Service in excess of 25 years.

(2) The benefit accrued under the Plan formula as of June 30, 1989.

(A2) For former NEI participants and Elizabethtown Water nonunion participants, the benefit formula in effect under the provisions of the former respective NEI plans using the Final Average Earnings described above, and service (determined under the provisions of the former plan) prior to the dates described below:

<u>Non-bargaining participants of</u>	<u>service before</u>
▶ Northern Illinois	July 1, 2001
▶ Long Island	July 1, 2001
▶ Northwest Indiana	July 1, 2001
▶ St. Louis	July 1, 2001
▶ Elizabethtown Water	January 1, 2006
<u>Bargaining participants of</u>	<u>service before</u>
▶ Northwest Indiana	January 1, 2003
▶ St. Louis	January 1, 2004
▶ Northern Illinois	July 1, 2004
▶ Long Island	July 1, 2004*

* The applicable benefit formula is 1.75% of Final Average Earnings as of the earlier of December 31, 2007 or termination date times credited service through June 30, 2004.

(B) For service on or after July 1, 2001 for American Water participants, and after dates described above for former NEI and Elizabethtown Water non-bargaining participants, sum of (1) + (2) + (3):

- (1) 1.6% of Final Average Earnings not in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.**

- (2) 2.1% (1.6% for Union Associates, former NEI participants, former Elizabethtown Water participants and all participants hired after July 1, 2001) of Final Average Earnings in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.**
- (3) 1.6% of Final Average Earnings multiplied by Years of Service in excess of 25 years*

** The threshold of 25 years of service is based on total service, including Years of Service credited prior to July 1, 2001.

The following groups represent variances from the above benefit formulas:

- ▶ IBEW Local 51 members employed at Sterling, Illinois and terminated or retired prior to July 1, 2012 — the former Northern Illinois plan's benefit provisions continued unchanged. The formula is 1.33% of Final 5-year Average Earnings (based on the highest five consecutive out of the last 10 plan years excluding bonus and overtime pay, where plan years are from April 1 to March 31) multiplied by Years of Service.
- ▶ IBEW Local 51 members employed at Sterling, Illinois and terminated or retired on or after July 1, 2012: The formula is 1.33% of Final Average Earnings multiplied by Years of Service prior to July 1, 2012; plus 1.60% of Final Average Earnings multiplied by Years of Service on or after July 1, 2012.
- ▶ United Water (acquired in 2000) union employees previously covered under the United Waterworks Plan — the former plan's benefit provisions continue unchanged.
- ▶ Union employees of Long Island — 1.60% multiplied by Years of Service from July 1, 2004 to January 1, 2008 multiplied by final 60-month average pay as of July 31, 2010. 1.60% for each Year of Service after July 31, 2010 multiplied by average pay from August 1, 2010 to date of retirement.
- ▶ Union employees of Elizabethtown Water Company hired before the effective date of the most recent bargaining agreement — the former Elizabethtown retirement plan's provisions continue unchanged. The formula is 1.6% of Final 4-year Average Base Earnings times Years of Service (maximum 40 years).

In addition to the above amounts, benefits are payable under prior plans that have been merged into this Plan: for the

Pekin, Seymour, California-American, West Virginia Water Companies and the Indiana-American Terre Haute Plan, the Brownsville Water Company, California Water Company, Avatar Utilities Inc. and PG Energy.

Also, any benefits payable through a purchased annuity are subtracted from the above amounts (under Metropolitan contracts #153 and #369).

Early Retirement Benefit

(i) Early retirement date:

- ▶ For American Water employees, former St. Louis County employees and Long Island employees, the first day of any month on which the employee elects to retire provided that:
 - (a) the participant has attained age 55, and
 - (b) the sum of the individual's age and Years of vesting Service totals at least 70.
- ▶ For former non-bargaining employees of Northwest Indiana hired prior to July 1, 2001 and former bargaining employees of Northwest Indiana hired prior to January 1, 2003, the first day of any month on which the employee elects to retire provided that the participant has attained age 55 and completed five Years of Service.
- ▶ For former employees of Northern Illinois hired prior to July 1, 2001 and for all Local 51 union employees at Sterling, Illinois, the first day of any month on which the employee elects to retire provided that the employee has attained age 55.
- ▶ For former employees of Elizabethtown Water Company, the first day of any month on which an employee elects to retire after he has attained age 55 and completed 10 Years of Service.

- (ii) Basic monthly benefit: Except for those employees whose benefits continue to be determined under the provisions of their prior plan, the Normal Retirement Benefit described above based upon Earnings and Years of Service to the date of early retirement, multiplied by the appropriate factors from the Schedule of Early Retirement Factors contained in the American Water Plan document.

For benefits attributable to service prior to the dates described below under the former NEI plans' provisions, the applicable early retirement factors are those set forth in the respective former plans, except for Long Island bargaining participants, whose entire benefit will be subject to the American Water early retirement factors.

<u>Non-bargaining participants of</u>	<u>service before</u>
▶ Northern Illinois	July 1, 2001
▶ Long Island	July 1, 2001
▶ Northwest Indiana	July 1, 2001
▶ St. Louis	July 1, 2001

<u>Bargaining participants of</u>	<u>service before</u>
▶ Northwest Indiana	January 1, 2003
▶ St. Louis	January 1, 2004
▶ Northern Illinois	July 1, 2004
▶ Long Island	July 1, 2004

Note: All benefits which continue to accrue under the provisions of a prior plan (e.g., United Waterworks, Elizabethtown Water,) will be subject to the early retirement factors from those prior plans.

- (iii) Supplemental Early Retirement Income: For Long Island non-union employees hired prior to July 1, 2001 who retire and whose age plus service at retirement is at least 90 points, benefit is \$100 per month reduced by 5% for each point below 90. This benefit is available to the Long Island union employees only if they retired before July 1, 2004. This benefit is payable until age 65.

Late retirement Effective July 1, 2006, an active participant who works beyond age 65 shall receive a Suspension of Benefits notice.

Benefits payable upon retirement will be determined based on actual earnings and service credited through the date of retirement.

- Vested benefit
- (i) Eligibility: Completion of five Years of vesting Service.
 - (ii) Basic monthly benefit: The Normal Retirement Benefit described above, based upon Earnings and Years of Service to date of termination, and reduced for early commencement as described in the Early Retirement Benefit section.
 - (iii) Early commencement of payment: Need to satisfy Early Retirement Date provisions described earlier except that union employees hired between January 1, 2011 and January 1, 2006 who terminate employment post January 1, 2006, can commence at any time after completion of five Years of Service. For such union employees who are early retirement eligible, the lump sum will reflect the value of the early retirement subsidy.

- Disability benefit
- (i) Disability retirement date: The first day of the month following the submission of evidence that the employee qualifies for disability benefits from the Social Security Administration, provided that the employee has completed 10 Years of Service.
 - (ii) Basic monthly benefit: The benefit in (a) below, plus any frozen benefit payable under the prior plans for former employees of Pekin Water Company, Seymour Water Company and West Virginia Water Company:
 - (a) the benefit accrued under section Normal Retirement Benefit (ii) based on Earnings and Years of Service at the date of disability without reduction for early commencement.

Preretirement Death Benefit

- (i) Eligibility: Monthly benefits under (ii) depend on the status of the participant as follows:
 - (a) All active and former employees eligible for early retirement as of the date of death, provided the employee is married or has designated a contingent annuitant.
 - (b) All employees not eligible for early retirement with at least 10 Years of Service on the date of death, provided the employee is married or has designated a contingent annuitant.
 - (c) All employees not eligible for early retirement with at least five Years of Service but less than 10 on the date of death and all former employees who had completed at least five Years of Service but were not eligible for Early Retirement at termination and have not begun to receive retirement benefits, provided the employee is married or has designated a contingent annuitant.
- (ii) Monthly benefit:
 - (a) The benefit that would have been payable to the employee if the participant had retired early on the date of death and elected to receive a 100% contingent annuity (50% for Elizabethtown Water union employees).
 - (b) An immediate benefit, based on the amount that would have been payable to the employee had the employee retired on the date of death and elected to receive a 100% contingent annuity. Such benefit will be based upon the Early Retirement Factor for the employee's age at death (or, if greater, age 55) and the number of Years of Service at death. Such benefit will also be based upon the 100% Contingent Annuity Factor for the employee's age at death (or, if greater, age 55) with a spouse's age that bears the same relation as to that at death. (This benefit is not applicable for Elizabethtown Water union employees.)
 - (c) A benefit, equal to 50% of the amount that would have been payable to the participant had he survived to age 55 (if death is before age 55) and elected a 50% contingent annuity. Such benefit will be based upon the Early Retirement Factor and the 50% Contingent Annuity Factor for an employee age 55 (if death is before age 55), the number of Years of Service completed at death or termination, and the spouse's then attained age. Benefit is payable immediately or at the employee's age 55, if later.
- (iii) Duration of benefit: Monthly benefits are payable during the lifetime of the survivor.

Special prior plan
preretirement death benefits

- (i) California-American Water Works: All former employees not eligible for early retirement on the date of death will receive the amount of their accumulated contributions with interest.

- (ii) West Virginia Water Works: All former employees not eligible for early retirement on the date of death will have the accrued frozen benefit without reduction payable for 10 years.

Other Plan Provisions

Normal form	(i) <u>Married participants</u>: 50% contingent annuity (with two-year “pop-up”), with monthly payment equal to the actuarial equivalent of the basic benefit. (ii) <u>Single participants</u>: Life annuity, with monthly payment equal to the basic benefit. (iii) For former employees of Pekin Water Company, Seymour Water Company and West Virginia Water Company, 10 years certain and continuous annuities are payable with regard to amounts due from prior plan.
Optional forms	Life annuity; 100%, 75%, 66 2/3% or 50% contingent annuity (with two-year “pop-up”); 5-year, 10-year, or 15 year certain and continuous annuity; and a lump sum for the following participants as described below: — Effective January 1, 2006 for union employees hired on or after January 1, 2001. Lump sum includes value of early retirement subsidy for those who are early retirement eligible at commencement. — All Elizabethtown Water participants are eligible for a lump sum if the actuarially equivalent present value of the retirement benefit does not exceed \$15,000. — Certain QDRO alternate payees — Participants whose vested retirement incomes are \$1,000 or less — Effective January 1, 2019 for employees who terminate after December 31, 2018 and are retirement eligible at termination. Lump sum does not include value of early retirement subsidy.
Maximum benefits	Maximum benefits payable conforms to those set forth in the Employee Retirement Income Security Act of 1974 and the Tax Reform Act of 1986.

Plan Provisions for Shorelands participants

The effective date of the Shorelands plan is December 1, 1966. The last amendment was adopted and effective as of April 3, 2017.

Definitions

Years of Service	Computation period of twelve consecutive months, during which an Employee has at least 1,000 Hours of Service
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Compensation	Participant's wages as defined by Code Section 3401(a) and all other payments of compensation by the Employer (in the course of the Employer's trade or business) for a Plan Year for which the Employer is required to furnish the Participant a written statement under Code Sections 6041(d), 6051(a)(3) and 6052.
Average Monthly Compensation	Monthly Compensation of a Participant averaged over 5 consecutive Plan Years from his date of participation which produce the highest monthly average. If a Participant has less than 5 consecutive Plan Years of service from his date of participation to his date of termination, his Average Monthly Compensation will be based on his monthly Compensation during his months of service from his date of participation to his date of termination.
Covered Compensation	The average of the Taxable Wage Bases for each calendar year during the 35-year period ending with the last day of the calendar year that the participant reaches Social Security Retirement Age.
Normal Retirement Date (NRD)	First day of the month coinciding with or next following the Participant's Normal Retirement Age (i.e. attainment of age 65 or 5 years of participation, if later).
Accrued Benefit	A Participant's Accrued Benefit is based on his Frozen Accrued Benefit and a retirement benefit formula equal to the sum of: 1) 1.95% of such Participant's Average Monthly Compensation multiplied by the Participant's total number of Years of Service (up to a maximum of 35 years), plus 2) 0.55% of such Average Monthly Compensation in excess of one-twelfth of Covered Compensation multiplied by the Participant's total number of Years of Service (up to a maximum of 35 years), computed to the nearest dollar.

All benefit accruals under the plan were frozen as of April 3, 2017.

Eligibility for Benefits

Normal retirement	Retire on NRD
Early retirement	Retire before NRD on the first day of any month after attaining age 60 and 15 years of service
Postponed retirement	Retire after NRD
Vested termination	Terminate for reasons other than death or retirement after completing five Years of Service
Disability retirement	A participant who becomes totally and permanently disabled according to the plan's definition and such condition continues for 6 consecutive months
Preretirement death benefit	Spouses and eligible dependents of active participants who die before pension payments have commenced.

Benefits Paid Upon the Following Events

Normal retirement	Accrued Benefit determined as of NRD.
Early retirement	Accrued Benefit reduced in accordance with the plan document based on age and credited service.

Postponed retirement	Accrued benefit in accordance with the plan documents.
Vested termination	Accrued Benefit determined as of date of termination. An individual may be eligible to receive their benefit prior to NRD subject to requirements for Early Retirement.
Disablement	If a Participant becomes Totally or Permanently Disabled, then said disabled Participant shall be entitled to receive the Actuarially Equivalent of his Accrued Benefit.
Preretirement death	The death benefit provided under the Plan shall be the "minimum spouse's death benefit". In the case of an unmarried Participant or unmarried Former Participant who dies prior to his Retirement Date, no death benefits shall be payable under the Plan.

Other Plan Provisions

Forms of payment	Preretirement death benefits are payable only as described above. The normal form of payment is a single life annuity with 10 years certain if the participant has no spouse as of the annuity stating date. Otherwise, benefits are paid in form of 50% joint and survivor annuity. Optional forms are 75% and 100% joint and survivor annuities.
Actuarial Equivalence	Effective January 1, 2000, a form of benefit differing in time, period, or manner of payment from a specific benefit provided under the Plan but having the same value when computed using Pre-Retirement Table: UP 1984 Mortality Table (Unisex); Post-Retirement Table: UP 1984 Mortality Table (Unisex) and 8% interest rate.
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective.

Benefits Not Valued

Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. WTW has reviewed the plan provisions with American Water Works Company, Inc. and, based on that review, is not aware of any significant benefits required to be valued that were not. The plan provides the option to commence benefit payments at normal retirement age, while remaining employed by American Water. Such option is not explicitly valued, but rather participants are assumed to commence payment upon assumed retirement date. If a participant commences payment at normal retirement age while remaining employed, it is assumed that no further payments will be made to this participant beyond those paid upon the initial commencement.
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Future Plan Changes

During 2025 American Water implemented a plan amendment which allows disabled participants who elect to early retire while awaiting Social Security Administration approval of their disability status to collect unreduced early retirement benefits once their claim is approved. As directed by AW, this valuation reflects the impact of this plan amendment. WTW is not aware of any other future plan changes that are required to be reflected but were not.

Changes in Benefits Valued Since Prior Year

WTW is not aware of any 2024 plan changes that are required to be reflected in this valuation.

NOTICE REGARDING WTW ACTUARIAL INFORMATION

This information was prepared for American Water Works Company, Inc. ("American Water" or "you" or "Client") by Willis Towers Watson US LLC ("WTW", "we", or "us") and is being made available by American Water to regulatory commissions in connection with rate case proceedings. WTW prepared this information for American Water in accordance with a letter of engagement dated November 16, 2022, to assist American Water in connection with the actuarial valuation of its pension and postretirement welfare plans.

This information contains language prohibiting its distribution to third parties without the written consent of WTW. Any distribution of this information to a third party requires recognition of the following points:

1. WTW represents and is responsible only to American Water with respect to all matters relating to this information.
2. The Recipient is responsible for its own due diligence with respect to all matters relating to this information.
3. This information was prepared for American Water's internal use and assumes a high level of knowledge relative to the operations of American Water, the data used to develop this information, and the external factors affecting American Water's business. We would not expect a third party to have such knowledge.

By viewing, downloading, printing, or otherwise having access to this information, Recipient is DEEMED TO HAVE AGREED to the following:

- a. The information provided by WTW is distributed only in its entirety;
- b. A copy of this letter is included with the information distributed to the Recipient;
- c. The Recipient is informed that WTW's consulting staff is available at American Water's expense to answer any questions concerning this information;
- d. The Recipient recognizes that this information not prepared for third-party distribution and agrees that, by accepting this information (including any information related to it that may be subsequently provided to the Recipient by or on behalf of WTW), the Recipient will neither reference nor distribute this information to any other party (except for the affiliates of Recipient, subject to paragraph (e) below), will not use this information for any purpose other than that for which it is being provided to the Recipient, will only share the information with its employees or the employees of its affiliates with a need to know the information for the purpose of conducting its present assignment (or other parties with whom WTW has signed a Third-Party Release Agreement with respect to this information), and will place no reliance on this or other information contained therein, or related thereto, that would result in the creation of any duty or liability by WTW to the Recipient.
- e. With respect to its affiliates referenced in (d), Recipient may distribute this information to such affiliates, provided that Recipient: (1) ensures that each such affiliate complies with these terms as if each such affiliate executed this release with WTW; (2) agrees to be responsible for the breach of any of the provisions of this letter by an affiliate; and (3) remains responsible for each such affiliate's compliance with all terms of this Release, including but not limited to preventing a claim by an affiliate that it relied on this information or that WTW has a duty or liability to such affiliate;
- f. In the event that the Recipient is required by order of a court of competent jurisdiction, administrative agency or governmental body, or by any law, rule, regulation, subpoena, or any other administrative or legal process to disclose this information, the Recipient may disclose this information without liability hereunder, provided that, unless legally prohibited from doing so, the Recipient gives WTW prompt notice of any such requirement and, at our discretion, either (1) cooperates with us, at our expense, to prohibit such disclosure, or (2) uses all reasonable efforts to get confidential treatment of this information under a protective order or other appropriate mechanism.



American Water Works Company, Inc.

The Pension Plan for Certain Inactive Participants of
American Water Works Company, Inc. and Its
Designated Subsidiaries

Actuarial Valuation Report
Benefit Cost for Fiscal Year Beginning
January 1, 2025 under US GAAP

August 2025

wtwco.com

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Purposes of valuation

American Water Works (the Company or American Water) engaged Willis Towers Watson US LLC (WTW) to value the Company's pension plan.

As requested by the Company, this report documents the results of an actuarial valuation of The Pension Plan for Certain Inactive Participants of American Water Works Company, Inc. and its Designated Subsidiaries (the Plan) as of January 1, 2025.

The primary purpose of this valuation is to determine the Net Periodic Benefit Cost/(Income) (Benefit Cost), in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715) for the fiscal year ending December 31, 2025. All ASC 715 results shown in this report were prepared before the application of purchase accounting due to the sale of American Water to RWE. It is anticipated that a separate report will be prepared for year-end financial reporting purposes.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. The expected contributions to the qualified pension plan(s) were set at \$0.

Note that any significant change in the amounts contributed or expected to be contributed in 2025 from what is disclosed at December 31, 2024 may require disclosure in the interim financial statements, but should not affect the expected return on plan assets absent a remeasurement for another purpose.

2. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.
3. This report is not intended to constitute a certification of the Adjusted Funding Target Attainment Percentage (AFTAP) under IRC §436 for any plan year.
4. This report does not determine funding requirements under IRC §430.
5. This report does not provide information for plan accounting and financial reporting under ASC 960.
6. This report does not present liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling benefit obligations, as all such measures differ in some way from plan termination obligations. In addition, funded status measures shown in this report do not reflect the current costs of settling obligations by offering immediate lump sum payments to participants and/or purchasing annuity contracts for the remaining participants (e.g., insurer profit, insurer pricing of contingent benefits and/or provision for anti-selection in the choice of a lump sum vs. an annuity).

2 The Pension Plan for Certain Inactive Participants of American Water Works Company, Inc. and Its Designated Subsidiaries

7. The comparisons of plan obligations as determined for accounting and financial reporting purposes to plan assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions. In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due.

Section 1 : Summary of key results

1.1 Benefit cost, plan assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2025	01/01/2024
Benefit Cost/ (Income)	Net Periodic Benefit Cost/(Income)	1,930,652	(3,238,818)
	Benefit Cost/(Income) due to Special Events	0	0
	Total Benefit Cost/(Income)	1,930,652	(3,238,818)
Measurement Date		01/01/2025	01/01/2024
Plan Assets	Fair Value of Plan Assets (FVA)	694,725,464	743,563,692
	Actual Return on Fair Value of Plan Assets during Prior Year	1.17%	7.06%
Benefit Obligations	Accumulated Benefit Obligation (ABO)	(643,385,787)	(680,025,993)
	Projected Benefit Obligation (PBO)	(643,385,787)	(680,025,993)
Funded Ratios	Fair Value of Plan Assets to ABO	107.98%	109.34%
	Fair Value of Plan Assets to PBO	107.98%	109.34%
Accumulated Other Comprehensive (Income)/Loss (Pre-tax)	Net Prior Service Cost/(Credit)	0	0
	Net Loss/(Gain)	152,457,126	137,020,286
	Total Accumulated Other Comprehensive (Income)/Loss (pre-tax)	152,457,126	137,020,286
Assumptions	Discount rate	5.69%	5.21%
	Expected Long-Term Rate of Return on Plan Assets	5.75%	5.75%
Participant Data	Census Date	01/01/2025	01/01/2024

1.2 Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, and investment return different from assumed during the prior year were \$13,300,692 and \$(32,667,297) respectively.

Change in net periodic cost and funded position

The net periodic cost increased from \$(3,238,818) in fiscal 2024 to \$1,930,652 in fiscal 2025 and the funded position declined from \$63,537,699 to \$51,339,677.

Significant reasons for these changes include the following:

- The discount rate used to measure PBO increased 48 basis points compared to the prior year, which increased the net periodic cost and improved the funded position.
- The actual return on the fair value of plan assets since the prior measurement date was less than the expected return on plan assets, which caused the funded position to deteriorate.
- An experience assumption study and mortality credibility analysis were conducted in the fall of 2024. Demographic assumption changes developed as a result of this study increased the net periodic cost and caused the funded position to deteriorate.

1.3 Basis for valuation

Appendix A summarizes the assumptions, methods and models used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. Both of these appendices include a summary of any changes since the prior valuation. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Subsequent events

None.

Additional information

None.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information described below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied on information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by American Water and other persons or organizations designated by American Water. See the Sources of Data and Other Information section of Appendix A for further details. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by American Water, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is January 1, 2025. The benefit obligations were measured as of January 1, 2025 and are based on participant data as of the census date, January 1, 2025.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets and the general ledger account balances for the benefit plan cost at December 31, 2024, which reflect the expected funded status of the plan was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined by American Water in consultation with its tax advisors and independent accountants.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the benefit cost and other financial reporting have been selected by American Water. WTW has evaluated the assumptions used and believes that they do not significantly conflict with what would be reasonable. U.S. GAAP requires that each significant assumption “individually represent the best estimate of the plan’s future experience solely with respect to that assumption.”

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by WTW, we believe do not significantly conflict with what would be reasonable. Other actuarial assumptions could also be considered to not significantly conflict with what would be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the January 1, 2025 measurement date will change the results shown in this report.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in Appendix A.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated November 16, 2022 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of American Water and its independent accountants in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. American Water may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require American Water to provide them this report, in which case American Water will use best efforts to notify WTW in advance of this

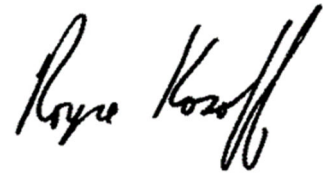
distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any party other than American Water Works relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC.



John Popiolek, FSA, EA
Director, Retirement
August 7, 2025



Royce Kosoff, FSA, EA
Managing Director, Retirement
August 7, 2025



James Berardinucci, ASA, EA
Senior Associate, Retirement
August 7, 2025

Section 2 : Accounting exhibits

2.1 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Measurement Date	01/01/2025	01/01/2024
A Development of Balance Sheet Asset/(Liability)¹		
1 Projected benefit obligation (PBO)	(643,385,787)	(680,025,993)
2 Fair value of plan assets (FVA) ²	694,725,464	743,563,692
3 Net balance sheet asset/(liability)	51,339,677	63,537,699
B Current and Noncurrent Classification³		
1 Noncurrent asset	51,339,677	63,537,699
2 Current liability	0	0
3 Noncurrent liability	0	0
4 Net balance sheet asset/(liability)	51,339,677	63,537,699
C Accumulated Benefit Obligation (ABO)	(643,385,787)	(680,025,993)
D Accumulated Other Comprehensive (Income)/Loss		
1 Net prior service cost/(credit)	0	0
2 Net loss/(gain)	152,457,126	137,020,286
3 Accumulated other comprehensive (income)/loss ⁴	152,457,126	137,020,286
E Assumptions and Dates		
1 Discount rate	5.69%	5.21%
2 Rate of compensation increase	N/A	N/A
3 Census date	01/01/2025	01/01/2024

¹ Whether any amounts in this table that differ from those disclosed at year-end must be disclosed in subsequent interim financial statements should be determined.

² Excludes receivable contributions.

³ The current liability (for each underfunded plan) was measured as the discounted value of benefits expected to be paid over the next 12 months in excess of the fair value of the plan's assets at the measurement date.

⁴ Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Changes in plan obligations and assets

All monetary amounts shown in US Dollars

Period Beginning	01/01/2025	01/01/2024
A Change in Projected Benefit Obligation (PBO)		
1 PBO at beginning of prior fiscal year	680,025,993	694,325,077
2 Employer service cost	0	0
3 Interest cost	33,893,640	37,172,751
4 Actuarial loss/(gain)	(13,300,692)	17,813,672
5 Plan participants' contributions	0	0
6 Benefits paid from plan assets	(57,233,154)	(69,285,507)
7 Benefits paid from Company assets	0	0
8 Administrative expenses paid ¹	0	0
9 Plan amendments	0	0
10 Acquisitions/(divestitures)	0	0
11 Curtailments	0	0
12 Settlements	0	0
13 Special/contractual termination benefits	0	0
14 PBO at beginning of current fiscal year	643,385,787	680,025,993
B Change in Plan Assets		
1 Fair value of plan assets at beginning of prior fiscal year	743,563,692	761,516,762
2 Actual return on plan assets	8,394,926	51,332,437
3 Employer contributions	0	0
4 Plan participants' contributions	0	0
5 Benefits paid	(57,233,154)	(69,285,507)
6 Administrative expenses paid	0	0
7 Transfer payments	0	0
8 Acquisitions/(divestitures)	0	0
9 Settlements	0	0
10 Fair value of plan assets at beginning of current fiscal year	694,725,464	743,563,692

¹ Only if future expenses are accrued in PBO through a load on service cost.

2.3 Summary of net balances

All monetary amounts shown in US Dollars

A Summary of Prior Service Cost/(Credit) Bases

Measurement Date Established	Original Amount	Net Amount at 01/01/2025	Remaining Amortization Period	Amortization Amount in 2025	Effect of Curtailments	Other Events
Total		0		0	0	0

All monetary amounts shown in US Dollars

B Summary of Net Loss/(Gain) (see Appendix A for a description of amortization method)

	Net Amount at 01/01/2025 ¹	Amortization Amount in 2025	Effect of Curtailments	Effect of Settlements	Other Events (Identify)
	152,457,126	(5,251,414)	0	0	0

¹ Before any immediate recognition on the same date.

2.4 Development of plan assets for benefit cost

All monetary amounts shown in US Dollars

	Fair Value	Market-Related Value
A Reconciliation of Plan Assets		
1 Plan assets at 12/31/2023	743,563,692	743,563,692
2 Actual return on plan assets	8,394,926	8,394,926
3 Employer contributions	0	0
4 Plan participants' contributions	0	0
5 Benefits paid	(57,233,154)	(57,233,154)
6 Administrative expenses paid	0	0
7 Acquisitions/(divestitures)	0	0
8 Settlements	0	0
9 Plan assets at 12/31/2024	694,725,464	694,725,464
B Rate of Return on Invested Assets		
1 Weighted invested assets	714,947,115	
2 Rate of return	1.17%	
C Investment Loss/(Gain)		
1 Actual return	8,394,926	
2 Expected return	41,062,223	
3 Loss/(gain)	32,667,297	

2.5 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2025	12/31/2024
A Total Benefit Cost		
1 Employer service cost	0	0
2 Interest cost	34,945,064	33,893,640
3 Expected return on plan assets	(38,265,826)	(41,062,223)
4 Subtotal	(3,320,762)	(7,168,583)
5 Net prior service cost/(credit) amortization	0	0
6 Net loss/(gain) amortization	5,251,414	3,929,765
7 Subtotal	5,251,414	3,929,765
8 Net periodic benefit cost/(income)	1,930,652	(3,238,818)
9 Curtailment (gain)/loss	0	0
10 Settlement (gain)/loss	0	0
11 Special/contractual termination benefits	0	0
12 Total benefit cost	1,930,652	(3,238,818)
B Assumptions (See Appendix A for interim measurements, if any)		
1 Discount rate	5.69%	5.21%
2 Expected long-term rate of return on plan assets	5.75%	5.75%
3 Rate of compensation increase	N/A	N/A
4 Census date	01/01/2025	01/01/2024
C Fair Value of Assets at Beginning of Year	694,725,464	743,563,692
D Cash Flows	Expected	Actual
1 Employer contributions	0	0
2 Plan participants' contributions	0	0
3 Benefits paid from Company assets	0	0
4 Benefits paid from plan assets	59,294,363	57,233,154
E Amortization Period	15.80233	15.94597

Section 3 : Participant data

3.1 Summary of participant data

All monetary amounts shown in US Dollars

Census Date	01/01/2025	01/01/2024
A Active Employees		
1 Number	2	2
2 Average annual frozen benefit	6,420	6,420
3 Average age	54.13	53.13
4 Average credited service	16.90	16.90
B Participants with Deferred Benefits		
1 Number	535	582
2 Total annual pension (as of normal retirement)	6,067,385	6,797,250
3 Average annual pension (as of normal retirement)	11,341	11,679
4 Average age	57.58	57.02
5 Distribution of participants with deferred annuity benefits at January 1 2025 (as of normal retirement).		
	Age	Number
	Under 40	10
	40-44	20
	45-49	50
	50-54	90
	55-59	147
	60-64	155
	65 and over	63
		Benefits
		27,002
		52,406
		491,954
		1,298,995
		1,763,895
		1,841,427
		591,706
C Participants Receiving Benefits		
1 Number	2,872	2,890
2 Total annual pension	59,196,148	59,820,223
3 Average annual pension	20,611	20,699
4 Average age	75.44	74.72
5 Distribution at January 1, 2025		
	Age	Number
	Under 55	25
	55-59	35
	60-64	135
	65-69	390
	70-74	793
	75-79	813
	80-84	446
	85 and over	235
		Annual Pension
		224,057
		474,372
		2,599,510
		8,773,612
		19,346,740
		16,268,963
		8,215,987
		3,292,907

3.2 Participant reconciliation

	Active	Deferred Inactive	Currently Receiving Benefits	Total
1 Included in January 1, 2024 valuation	2	582	2,890	3,474
2 Change due to:				
a. New hire and rehire	0	0	0	0
b. Non-vested termination	0			0
c. Vested termination	0	0		0
d. Retirement	0	(36)	36	0
e. Disability	0	0	0	0
f. Death	0	(11)	(97)	(108)
g. New beneficiary		0	44	44
h. Cashout, lump sum payment and/or annuity purchase	0	(1)	0	(1)
i. Miscellaneous	0	1	(1)	0
j. Net change	0	(47)	(18)	(65)
3 Included in January 1, 2025 valuation	2	535	2,872	3,409

Note blank entries in the table above indicate status changes that are not anticipated to occur.

Appendix A : Statement of actuarial assumptions, methods and data sources

Economic Assumptions

Discount rate	5.69%
Return on assets	5.75%
Annual rates of increase	N/A
• Future Social Security wage bases	N/A
• Indexed limits on compensation and benefits	N/A

The return on assets shown above is net of investment expenses and administrative expenses assumed to be paid from the trust.

Demographic Assumptions

Inclusion date	The valuation date coincident with or next following the date on which the employee becomes a participant.
New or rehired employees	It was assumed there will be no new or rehired employees.
Mortality	
• Healthy mortality rates	Base Mortality Table: Male table used for males; female table used for females 1. Base table: Pri-2012 2. Base mortality table year: 2012 3. Table type: No collar 4. Healthy or Disabled: Healthy 5. Table weighting: Benefit 6. Blending of annuitants and non-annuitants: Separate rates for non-disabled annuitants and non-annuitants 7. Rates reduced by 6% Mortality Improvement Scale: Male table used for males; female table used for females 1. Base scale: Scale MP-2021 2. Projection Type: Generational
• Disabled life mortality rates	Base Mortality Table: Male table used for males; female table used for females 1. Base table: Pri-2012 2. Base mortality table year: 2012 3. Table type: No collar 4. Healthy or Disabled: Disabled 5. Table weighting: Benefit 6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants 7. Rates reduced by 6% Mortality Improvement Scale: Male table used for males; female table used for females 1. Base scale: Scale MP-2021 2. Projection Type: Generational
• Lump Sum Conversions	Blend 50% male / 50% female of the sex distinct mortality tables used for healthy annuitants, as described above.

Disability rates

50% of 1987 CGDT (shown below).
Sample annual rates of decrement used:

Percentage assumed to become disabled during the year		
Attained Age	Males	Females
25	0.05%	0.06%
35	0.07%	0.12%
40	0.10%	0.15%
45	0.18%	0.23%
55	0.59%	0.53%

Termination (not due to disability or retirement) rates

Rates vary by age, per table below:

Percentage leaving during the year	
Attained Age	Rates
Under 30	5.3%
30-34	5.0%
35-39	4.7%
40-44	3.7%
45 and over	2.7%

Terminating participants who are assumed to elect an annuity are assumed to defer payment until age 65.

Retirement

Terminating participants who are assumed to elect an annuity are assumed to defer payment until age 65.

Form of payment

100% of participants not eligible for the lump sum option are assumed to take a single life annuity.

Percent married

100% males and 100% females are assumed married.

Spouse age

Wife three years younger than husband.

Maximum benefit

\$280,000 for 2025, increasing with inflation.

Maximum pensionable earnings

\$350,000 for 2025, increasing with inflation.

Additional Assumptions

Administrative expenses	Return on asset assumption is net of any expenses paid by the trust.
Loads	Normal cost, ABO, and PBO have been increased by 0.2% to reflect the value of the two-year “pop-up” provision.
Cash flow	
Amount and timing of contributions	Contributions are assumed made as indicated in the Purposes of valuation section of the report.
Timing of benefit payments	Annuity amounts in payment are assumed payable monthly at the beginning of the month. Future annuity and lump sum payments are assumed payable on date of decrement (mid-year).
Funding policy	American Water's funding policy is to contribute an amount equal to the minimum required contribution under ERISA in four installments during the plan year, and also to make a receivable contribution after the end of the plan year if such a contribution is needed to avoid “at-risk” status and benefit restrictions under PPA. American Water may increase its contribution, if appropriate, to its tax and cash position and the plan's funded position. American Water may also reduce its contribution to the target normal cost for the year if funding balances are available to offset the remaining funding requirement under ERISA.

Methods

Census date	January 1, 2025
Measurement date	January 1, 2025
Service cost and projected benefit obligation	The Projected Unit Credit Cost method is used to determine the present value of the PBO and the related current service cost. Under this method, a “projected accrued benefit” is calculated based upon service as of the measurement date and projected future compensation and social security levels at the age at which the employee is assumed to leave active service. In normal circumstances the “projected accrued benefit” is based upon the plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the “projected accrued benefit” is calculated by attributing benefits on a straight-line basis over the relevant period. The benefits described above are used to determine both ABO and PBO except that final average pay is assumed to remain constant in the future when calculating ABO.

Market-related value of assets	The fair value of assets is used to determine the expected investment return during the year.
Amortization of unamortized amounts:	
Recognition of past service cost/(credit)	Increase in PBO resulting from a plan amendment is amortized on a straight-line basis over the expected average remaining lifetime of participants.
Recognition of gains or losses	Net loss (gain) in excess of 10% of the greater of the PBO or the market-related value of assets is amortized on a straight-line basis over the expected average remaining lifetime of participants.
Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. WTW has reviewed documentation provided by American Water and is not aware of any significant benefits that were not valued.

Source of Data and Other Information

The plan sponsor and other persons or organizations designated by the plan sponsor furnished participant data as of January 1, 2025. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Participant data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates may have been made when data were not available, and the data may have been adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with American Water's tax advisors and auditors. WTW used information supplied by American Water regarding amounts recognized in accumulated other comprehensive income as of the end of the 2024 fiscal year and amounts recognized in other comprehensive income in the 2024 fiscal year.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate	As required by U.S. GAAP the discount rate methodology was chosen by the plan sponsor based on market information on the measurement date and on WTW's interest rate models, BOND:Link, that uses current (as of the measurement date), high quality (rated AA and above) corporate bonds to determine discount rates. We believe the discount rate chosen does not significantly conflict with what would be reasonable.
Expected return on plan assets	We understand that the expected return on assets assumption reflects the plan sponsor's estimate of future experience for trust asset returns, reflecting the plan's current asset allocation and any expected changes during the current plan year, current market conditions and the plan sponsor's expectations for future market conditions. For the reasons discussed above, we believe the assumption selected do not significantly conflict with what would be reasonable.

Assumptions Rationale - Significant Demographic Assumptions

Healthy Mortality	Assumption used for accounting purposes was selected by the plan sponsor based on an experience and mortality credibility study conducted in 2024, and, as required by U.S. GAAP, represents a best estimate of future experience. We believe the assumption does not significantly conflict with what would be reasonable.
Disabled Mortality	Assumption used for accounting purposes was selected by the plan sponsor based on an experience and mortality credibility study conducted in 2024, and, as required by U.S. GAAP, represent a best estimate of future experience. We believe the assumption does not significantly conflict with what would be reasonable.
Retirement	Retirement rates were selected by the plan sponsor based on an experience study conducted in 2024. The plan sponsor will annually consider whether any conditions have changed that would be expected to produce different results in the future. We believe the assumption selected does not significantly conflict with what would be reasonable.
Benefit commencement date for deferred benefits:	
Deferred vested benefit	Deferred vested participants' assumed commencement age is a single age intended to capture the observed average age at commencement as observed in the 2024 experience study. We believe the assumption selected does not significantly conflict with what would be reasonable.

Form of payment	The assumption was selected by the plan sponsor and, as required by US GAAP, represents a best estimate of future expectations. Form of payment incidence was reviewed as part of the 2024 experience study; American Water will annually consider whether any conditions have changed that would be expected to produce different results in the future. We believe the assumption selected does not significantly conflict with what would be reasonable.
Marital Assumptions:	
Percent married	The assumed percentage married is set at 100% to reflect the ability of all participants to name a non-spousal beneficiary for purposes of the pre-retirement death benefit. This assumption has no effect on other benefits (for example, retirement or withdrawal) since the value of optional forms under the plan is about equal to the single life annuity. We believe the assumption selected does not significantly conflict with what would be reasonable.
Spouse Age	The assumed age difference for spouses is based on the age difference among recent retirees observed in the last experience study conducted in 2024.
Other demographic assumptions	Other demographic assumptions used in this valuation (specifically those used to value the actively employed participants) are consistent with the assumptions used for that purpose under the Active Pension Plan. We believe these assumptions are reasonable for that purpose.

Source of Prescribed Methods

The methods used for accounting purposes as described here are “prescribed methods set by another party”, as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Change in Assumptions, Methods, Plan Provisions and Estimation Techniques

Change in assumptions since prior valuation	Discount rate changed from 5.21% to 5.69% as a result of changes to market yields since the last measurement date. The mortality assumption was updated to apply a base table adjustment of -6%.
Change in methods since prior valuation	There have been no changes in methods since prior valuation.

Change in estimation techniques since prior valuation

There have been no changes in estimation techniques since prior valuation.

Model Descriptions and Disclosures in accordance with ASOP No. 56

Quantify

Quantify is the WTW centrally developed, tested and maintained global actuarial valuation system. It is used to perform valuations of clients' benefit plans.

Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports.

Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations.

Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected.

Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

Quantify FR

Quantify Financial Reporting (FR) is intended to calculate funding results, accounting results and produce the associated client reports under selected accounting standards. The calculations and reports are based on various user specified inputs including liability results and asset values.

Quantify FR develops valuation results for various accounting and funding purposes using standard actuarial techniques.

Calculation of disclosure liabilities and results are based on roll forward liabilities.

Liability roll-forwards are used in accounting scenarios where the date as of which liabilities are valued does not coincide with the fiscal year measurement date. The roll-forwards consist of adjusting liabilities for the passage of time.

The estimate of the following year's expense is calculated based on the obligations and assets used for disclosure and incorporates service cost that may be based on a projection in the associated Quantify liability run, depending on the relationship of the liability valuation date to the fiscal year.

The Roll Forward accounting calculations assume that applicable rules will not change during the roll-forward period. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are rolled forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the roll forward, including reflecting any changes in applicable accounting standards.

RATE:Link/US Treasury

RATE:Link is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE:Link curves. The RATE:Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the U.S. for this valuation).

The construction of RATE:Link yield curves relies on bond data collected as of the measurement date.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

US Treasury: A yield curve consistent with published US Treasury rates has been used for measurements related to employee benefit plans.

BOND:Link

U.S. BOND:Link is a methodology to assist with the selection of discount rates used in liability and cost measurements related to employee benefit plans. Discount rates are derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for a plan's projected benefit payments. The single interest rate is then determined that results in a discounted value of the plan's benefit payments that equals the market value of the selected bond portfolio.

Updated BOND:Link models are developed monthly as of the last day of the month. The construction of a BOND:Link model relies on bond data collected as of the measurement date. Parameters provide the user the ability to control aspects of the model. The model output allows the user to see the effects of those parameters.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

Mortality Credibility Tool

The Mortality Credibility Tool (MCT) is intended to compare actual mortality experience of a given population to a standard mortality table. The result is an adjustment factor to be applied to the standard mortality table that reflects a combination of the population's experience and the standard table depending on the credibility of the provided data.

The parameters of the tool provide flexibility around the statistical significance used to calculate the credibility applied to the mortality experience. Additionally, any standard mortality table can be used to compare against the provided population providing flexibility around different cuts of the data (male vs female, blue collar vs white collar, etc.).

The specific table developed is a multiple of a standard table. Selection of the standard mortality tables appropriate for the population provided is important.

Published Demographic Tables

Certain demographic tables described above are standard published tables or are based on standard published tables from models developed by organizations with the requisite expertise

Appendix B : Summary of principal plan provisions

Plan Provisions

Effective Date January 1, 2023.

Participation date Each employee commences participation on the first day of the calendar month next following completion of one Year of Service. The following groups of employees are not eligible to participate in the plan:

- a) Nonunion and union employees hired or rehired on or after January 1, 2006, or
 - April 1 or May 1, 2006 for employees of Elizabethtown Water unions 423 and 68, respectively, or
 - February 1, 2009 for Sterling employees
- b) Any employee group not eligible to accrue a benefit as of January 1, 2006
- c) Effective July 1, 2011, certain employees of Arizona-American Water Company and New Mexico-American Water Company, Inc. were transferred into their own stand-alone pension plan.
- d) Effective May 1, 2012, Ohio-American Water Company active, terminated vested, and retired participants (or their beneficiaries) were transferred to the Aqua America Plan.
- e) Employees of Alton, Illinois and Pensacola, Florida call center facilities hired on or after January 1, 2013

Definitions

Average Social Security Wage Base Average of the maximum amounts subject to Social Security taxation for the year of retirement or termination and the nine preceding years.

Earnings Total compensation for services paid as an annual salary or as an hourly wage (including overtime and shift differentials) plus annual incentive awards (AIP) paid in cash during the period, plus amounts paid under the company's business development incentive plan, plus amounts deferred under Sections 401(k), 125 or 132(f)(4) of the Internal Revenue Code. Earnings are subject to a maximum amount as set forth in Section 401(a)(17)(B) of the Internal Revenue Code. Total compensation excludes deferred AIP.

Bonus and overtime are excluded pre January 1, 2006 for Elizabethtown nonunion participants.

Bonus and overtime are excluded for all periods for Elizabethtown union participants.

Final Average Earnings The highest average monthly Earnings during the 60 consecutive months of the final 120 months (or lesser period of employment) preceding termination from employment or retirement.

Year of Service

In general, a Year of Service is credited for each 12-month period commencing on the employee's anniversary date of employment during which the employee completes 1,000 hours of service.

For the purpose of determining the amount of benefits of any participant (other than a part-time employee) who completes at least 1,000 but fewer than 2,080 hours of service in this 12-month period, the participant is credited with the fraction of a Year of Service determined by dividing his actual hours of service by 2,080.

The following exceptions apply:

- (a) Hershey Water Company: Employees on April 19, 1977 who were vested in benefits accrued under the prior plan receive credit only for service beginning April 19, 1977.
- (b) Pekin Water Company: Nonunion participants who were members of the prior plan get credit for all service less any prior plan benefit. Other nonunion employees get credit for periods of service beginning January 1, 1982. Union employees' service is credited for periods beginning April 1, 1982 for the purposes of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (c) Seymour Water Company: Only service accrued beginning March 16, 1982 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (d) New Mexico-American: All service is credited, including periods before the August 1, 1986 acquisition. The prior plan benefit is a minimum.
- (e) Indiana-American Terre Haute Plan: Only service accrued beginning May 11, 1987 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (f) Brownsville Water Company: Only service accrued beginning July 1, 1990 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (g) California Water Company: Only service accrued beginning July 1, 1990 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (h) Avatar Utilities Inc.: Only service accrued beginning August 31, 1993 is credited for the purpose of determining the amount of benefits payable under the Plan (in addition to any prior plan benefits).
- (i) PG Energy: Only service accrued beginning February 16, 1996 is credited for the purpose of determining the amount of benefits accrued under the Plan (in addition to any prior plan benefits). Service for eligibility and vesting purposes and for the schedule of early retirement factors is measured from the original date of hire.
- (j) United Water Resources, Inc.: Dates of acquisition are shown below:

<u>Location</u>	<u>Date</u>
United Water of Indiana	February 1, 2000
United Water of West Lafayette	February 1, 2000
United Water of Virginia	February 29, 2000
United Water of Missouri	May 1, 2000
United Water of Illinois	May 31, 2000

- (i) Nonunion employees: Service for eligibility purposes and for the schedule of early retirement factors is measured from the original date of hire. Service for benefit accrual is measured from the date of acquisition.
- (ii) Union employees: Service for all purposes is measured from the original date of hire. All benefits are determined under the United Waterworks Plan formula in effect on the date of acquisition.
- (k) City of Coatesville Authority: Only service accrued beginning March 23, 2001 is credited for the purpose of determining the amount of benefits accrued under the Plan. Service for eligibility to participate, vesting and early retirement eligibility is measured from the original date of hire.
- (l) Citizens Utilities Companies: Only service accrued beginning January 15, 2002 is credited for the purpose of determining the amount of benefits payable under the Plan. Service for eligibility and vesting purpose and for the schedule of early retirement factors is measured from the original date of hire.
- (m) Recent acquisitions — Service credit from dates shown below:

<u>Location</u>	<u>Date</u>
Country Place Water	June 30, 1995
Hawaii American Water	July 1, 1998
City of Florissant, MO (nonunion employees)	November 1, 2001
Texas American Water	July 1, 2002
City of Webster Groves, MO	February 8, 2002
LP Water and Sewer Company (nonunion employees)	April 3, 2002

Cessation of Years of Service for Benefit Accrual for Certain Employee Groups:

Union participants (with some exceptions as noted below) hired or rehired on or after January 1, 2001 cease to be credited with years of service for benefit accrual after December 31, 2005.

Likewise, all accrued benefits for those participants are frozen as of December 31, 2005.

Years of service for purposes of determining eligibility for benefits (vesting, disability, early retirement and preretirement death benefits) continue to accrue for all union participants whose benefits are frozen as of December 31, 2005.

The following union groups are excluded from this benefit freeze provision:

- Union employees hired prior to January 1, 2001
- Union employees at Sterling hired prior to February 1, 2009
- Union employees at Alton, Illinois
- Union employees at Pensacola, Florida
- Union employees as of January 15, 2002 who were included in the Citizens Utility acquisition
- Elizabethtown Water Company employees of Local 423 hired before April 1, 2006 or Local 68 hired before May 1, 2006

Actuarial
Equivalence

Lump sums:

Interest rate — IRS 417(e) rates for October of the prior calendar year with transition

Mortality — The table prescribed by the IRS for distributions under code Section 417(e)

Other optional forms and all other situations:

Interest rate — 8%

Mortality — GAM 1983 Male mortality table (set back 1 year for the participants and 5 years for beneficiaries)

Eligibility for Benefits

Normal Retirement Benefit

(i) Normal retirement date: The first day of the calendar month next following the participant's 65th birthday.

(ii) Basic monthly benefit:

For participants hired on or after July 1, 2001:

- 1.6% of Final Average Earnings multiplied by Years of Service.

For participants hired before July 1, 2001:

- The sum of (A) and (B). Exceptions to these formulas for certain groups are noted.

(A1) For service before July 1, 2001 for American Water employees (other than former NEI plan participants), the larger of (1) or (2) below:

(1) The sum of (a) plus (b) plus (c):

- (a) 1.85% of Final Average Earnings not in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.
- (b) 2.10% of Final Average Earnings in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.
- (c) 0.70% of Final Average Earnings multiplied by Years of Service in excess of 25 years.

(2) The benefit accrued under the Plan formula as of June 30, 1989.

(A2) For former NEI participants and Elizabethtown Water nonunion participants, the benefit formula in effect under the provisions of the former respective NEI plans using the Final Average Earnings described above, and service (determined under the provisions of the former plan) prior to the dates described below:

<u>Non-bargaining participants of</u>	<u>service before</u>
▶ Northern Illinois	July 1, 2001
▶ Long Island	July 1, 2001
▶ Northwest Indiana	July 1, 2001
▶ St. Louis	July 1, 2001
▶ Elizabethtown Water	January 1, 2006
<u>Bargaining participants of</u>	<u>service before</u>
▶ Northwest Indiana	January 1, 2003
▶ St. Louis	January 1, 2004
▶ Northern Illinois	July 1, 2004
▶ Long Island	July 1, 2004*

* The applicable benefit formula is 1.75% of Final Average Earnings as of the earlier of December 31, 2007 or termination date times credited service through June 30, 2004.

(B) For service on or after July 1, 2001 for American Water participants, and after dates described above for former NEI and Elizabethtown Water non-bargaining participants, sum of (1) + (2) + (3):

- (1) 1.6% of Final Average Earnings not in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.**
- (2) 2.1% (1.6% for Union Associates, former NEI participants, former Elizabethtown Water participants and all participants hired after July 1, 2001) of Final Average Earnings in excess of the Average Social Security Wage Base multiplied by Years of Service up to 25 years.**
- (3) 1.6% of Final Average Earnings multiplied by Years of Service in excess of 25 years*

** The threshold of 25 years of service is based on total service, including Years of Service credited prior to July 1, 2001.

The following groups represent variances from the above benefit formulas:

- ▶ IBEW Local 51 members employed at Sterling, Illinois and terminated or retired prior to July 1, 2012 — the former Northern Illinois plan's benefit provisions continued unchanged. The formula is 1.33% of Final 5-year Average Earnings (based on the highest five consecutive out of the last 10 plan years excluding bonus and overtime pay, where plan years are from April 1 to March 31) multiplied by Years of Service.
- ▶ IBEW Local 51 members employed at Sterling, Illinois and terminated or retired on or after July 1, 2012: The formula is 1.33% of Final Average Earnings multiplied by Years of Service prior to July 1, 2012; plus 1.60% of Final Average Earnings multiplied by Years of Service on or after July 1, 2012.
- ▶ United Water (acquired in 2000) union employees previously covered under the United Waterworks Plan — the former plan's benefit provisions continue unchanged.
- ▶ Union employees of Long Island — 1.60% multiplied by Years of Service from July 1, 2004 to January 1, 2008 multiplied by final 60-month average pay as of July 31, 2010. 1.60% for each Year of Service after July 31, 2010 multiplied by average pay from August 1, 2010 to date of retirement.
- ▶ Union employees of Elizabethtown Water Company hired before the effective date of the most recent bargaining agreement — the former Elizabethtown retirement plan's provisions continue unchanged. The formula is 1.6% of Final 4-year Average Base Earnings times Years of Service (maximum 40 years).

In addition to the above amounts, benefits are payable under prior plans that have been merged into this Plan: for the Pekin, Seymour, California-American, West Virginia Water Companies and the Indiana-American Terre Haute Plan, the Brownsville Water Company, California Water Company, Avatar Utilities Inc. and PG Energy.

Also, any benefits payable through a purchased annuity are subtracted from the above amounts (under Metropolitan contracts #153 and #369).

Early Retirement (i)
Benefit

Early retirement date:

- ▶ For American Water employees, former St. Louis County employees and Long Island employees, the first day of any month on which the employee elects to retire provided that:
 - (a) the participant has attained age 55, and
 - (b) the sum of the individual's age and Years of vesting Service totals at least 70.
- ▶ For former non-bargaining employees of Northwest Indiana hired prior to July 1, 2001 and former bargaining employees of Northwest Indiana hired prior to January 1, 2003, the first day of any month on which the employee elects to retire provided that the participant has attained age 55 and completed five Years of Service.
- ▶ For former employees of Northern Illinois hired prior to July 1, 2001 and for all Local 51 union employees at Sterling, Illinois, the first day of any month on which the employee elects to retire provided that the employee has attained age 55.
- ▶ For former employees of Elizabethtown Water Company, the first day of any month on which an employee elects to retire after he has attained age 55 and completed 10 Years of Service.

- (ii) Basic monthly benefit: Except for those employees whose benefits continue to be determined under the provisions of their prior plan, the Normal Retirement Benefit described above based upon Earnings and Years of Service to the date of early retirement, multiplied by the appropriate factors from the Schedule of Early Retirement Factors contained in the American Water Plan document.

For benefits attributable to service prior to the dates described below under the former NEI plans' provisions, the applicable early retirement factors are those set forth in the respective former plans, except for Long Island bargaining participants, whose entire benefit will be subject to the American Water early retirement factors.

<u>Non-bargaining participants of</u>	<u>service before</u>
▶ Northern Illinois	July 1, 2001
▶ Long Island	July 1, 2001
▶ Northwest Indiana	July 1, 2001
▶ St. Louis	July 1, 2001
<u>Bargaining participants of</u>	<u>service before</u>
▶ Northwest Indiana	January 1, 2003
▶ St. Louis	January 1, 2004
▶ Northern Illinois	July 1, 2004
▶ Long Island	July 1, 2004

Note: All benefits which continue to accrue under the provisions of a prior plan (e.g., United Waterworks, Elizabethtown Water,) will be subject to the early retirement factors from those prior plans.

- (iii) Supplemental Early Retirement Income: For Long Island non-union employees hired prior to July 1, 2001 who retire and whose age plus service at retirement is at least 90 points, benefit is \$100 per month reduced by 5% for each point below 90. This

benefit is available to the Long Island union employees only if they retired before July 1, 2004. This benefit is payable until age 65.

Late retirement Effective July 1, 2006, an active participant who works beyond age 65 shall receive a Suspension of Benefits notice.

Benefits payable upon retirement will be determined based on actual earnings and service credited through the date of retirement.

Vested benefit

- (i) **Eligibility:** Completion of five Years of vesting Service.
- (ii) **Basic monthly benefit:** The Normal Retirement Benefit described above, based upon Earnings and Years of Service to date of termination, and reduced for early commencement as described in the Early Retirement Benefit section.
- (iii) **Early commencement of payment:** Need to satisfy Early Retirement Date provisions described earlier except that union employees hired between January 1, 2011 and January 1, 2006 who terminate employment post January 1, 2006, can commence at any time after completion of five Years of Service. For such union employees who are early retirement eligible, the lump sum will reflect the value of the early retirement subsidy.

Disability benefit

- (i) **Disability retirement date:** The first day of the month following the submission of evidence that the employee qualifies for disability benefits from the Social Security Administration, provided that the employee has completed 10 Years of Service.
- (ii) **Basic monthly benefit:** The benefit in (a) below, plus any frozen benefit payable under the prior plans for former employees of Pekin Water Company, Seymour Water Company and West Virginia Water Company:
 - (a) the benefit accrued under section Normal Retirement Benefit (ii) based on Earnings and Years of Service at the date of disability without reduction for early commencement.

Preretirement Death Benefit

- (i) **Eligibility:** Monthly benefits under (ii) depend on the status of the participant as follows:
 - (a) All active and former employees eligible for early retirement as of the date of death, provided the employee is married or has designated a contingent annuitant.
 - (b) All employees not eligible for early retirement with at least 10 Years of Service on the date of death, provided the employee is married or has designated a contingent annuitant.
 - (c) All employees not eligible for early retirement with at least five Years of Service but less than 10 on the date of death and all former employees who had completed at least five Years of Service but were not eligible for Early Retirement at termination and have not begun to receive retirement benefits, provided the employee is married or has designated a contingent annuitant.
- (ii) **Monthly benefit:**
 - (a) The benefit that would have been payable to the employee if the participant had retired early on the date of death and elected to receive a 100% contingent annuity (50% for Elizabethtown Water union employees).
 - (b) An immediate benefit, based on the amount that would have been payable to the employee had the employee retired on the date of death and elected to receive a 100% contingent annuity. Such benefit will be based upon the Early Retirement Factor for the employee's age at death (or, if greater, age 55) and

the number of Years of Service at death. Such benefit will also be based upon the 100% Contingent Annuity Factor for the employee's age at death (or, if greater, age 55) with a spouse's age that bears the same relation as to that at death. (This benefit is not applicable for Elizabethtown Water union employees.)

- (c) A benefit, equal to 50% of the amount that would have been payable to the participant had he survived to age 55 (if death is before age 55) and elected a 50% contingent annuity. Such benefit will be based upon the Early Retirement Factor and the 50% Contingent Annuity Factor for an employee age 55 (if death is before age 55), the number of Years of Service completed at death or termination, and the spouse's then attained age. Benefit is payable immediately or at the employee's age 55, if later.

- (iii) Duration of benefit: Monthly benefits are payable during the lifetime of the survivor.

Special prior plan (i) California-American Water Works: All former employees not eligible for early preretirement death benefits retirement on the date of death will receive the amount of their accumulated contributions with interest.

- (ii) West Virginia Water Works: All former employees not eligible for early retirement on the date of death will have the accrued frozen benefit without reduction payable for 10 years.

Other Plan Provisions

Normal form (i) Married participants: 50% contingent annuity (with two-year "pop-up"), with monthly payment equal to the actuarial equivalent of the basic benefit.

- (ii) Single participants: Life annuity, with monthly payment equal to the basic benefit.

- (iii) For former employees of Pekin Water Company, Seymour Water Company and West Virginia Water Company, 10 years certain and continuous annuities are payable with regard to amounts due from prior plan.

Optional forms Life annuity; 100%, 75%, 66 2/3% or 50% contingent annuity (with two-year "pop-up"); 5-year, 10-year, or 15 year certain and continuous annuity; and a lump sum for the following participants as described below:

- Effective January 1, 2006 for union employees hired on or after January 1, 2001. Lump sum includes value of early retirement subsidy for those who are early retirement eligible at commencement.
- All Elizabethtown Water participants are eligible for a lump sum if the actuarially equivalent present value of the retirement benefit does not exceed \$15,000.
- Certain QDRO alternate payees
- Participants whose vested retirement incomes are \$1,000 or less
- Effective January 1, 2019 for employees who terminate after December 31, 2018 and are retirement eligible at termination. Lump sum does not include value of early retirement subsidy.

Maximum benefits Maximum benefits payable conforms to those set forth in the Employee Retirement Income Security Act of 1974 and the Tax Reform Act of 1986.

Future Plan Changes

WTW is not aware of any future plan changes that are required to be reflected but were not.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since prior year.

NOTICE REGARDING WTW ACTUARIAL INFORMATION

This information was prepared for American Water Works Company, Inc. ("American Water" or "you" or "Client") by Willis Towers Watson US LLC ("WTW", "we", or "us") and is being made available by American Water to regulatory commissions in connection with rate case proceedings. WTW prepared this information for American Water in accordance with a letter of engagement dated November 16, 2022, to assist American Water in connection with the actuarial valuation of its pension and postretirement welfare plans.

This information contains language prohibiting its distribution to third parties without the written consent of WTW. Any distribution of this information to a third party requires recognition of the following points:

1. WTW represents and is responsible only to American Water with respect to all matters relating to this information.
2. The Recipient is responsible for its own due diligence with respect to all matters relating to this information.
3. This information was prepared for American Water's internal use and assumes a high level of knowledge relative to the operations of American Water, the data used to develop this information, and the external factors affecting American Water's business. We would not expect a third party to have such knowledge.

By viewing, downloading, printing, or otherwise having access to this information, Recipient is DEEMED TO HAVE AGREED to the following:

- a. The information provided by WTW is distributed only in its entirety;
- b. A copy of this letter is included with the information distributed to the Recipient;
- c. The Recipient is informed that WTW's consulting staff is available at American Water's expense to answer any questions concerning this information;
- d. The Recipient recognizes that this information not prepared for third-party distribution and agrees that, by accepting this information (including any information related to it that may be subsequently provided to the Recipient by or on behalf of WTW), the Recipient will neither reference nor distribute this information to any other party (except for the affiliates of Recipient, subject to paragraph (e) below), will not use this information for any purpose other than that for which it is being provided to the Recipient, will only share the information with its employees or the employees of its affiliates with a need to know the information for the purpose of conducting its present assignment (or other parties with whom WTW has signed a Third-Party Release Agreement with respect to this information), and will place no reliance on this or other information contained therein, or related thereto, that would result in the creation of any duty or liability by WTW to the Recipient.
- e. With respect to its affiliates referenced in (d), Recipient may distribute this information to such affiliates, provided that Recipient: (1) ensures that each such affiliate complies with these terms as if each such affiliate executed this release with WTW; (2) agrees to be responsible for the breach of any of the provisions of this letter by an affiliate; and (3) remains responsible for each such affiliate's compliance with all terms of this Release, including but not limited to preventing a claim by an affiliate that it relied on this information or that WTW has a duty or liability to such affiliate;
- f. In the event that the Recipient is required by order of a court of competent jurisdiction, administrative agency or governmental body, or by any law, rule, regulation, subpoena, or any other administrative or legal process to disclose this information, the Recipient may disclose this information without liability hereunder, provided that, unless legally prohibited from doing so, the Recipient gives WTW prompt notice of any such requirement and, at our discretion, either (1) cooperates with us, at our expense, to prohibit such disclosure, or (2) uses all reasonable efforts to get confidential treatment of this information under a protective order or other appropriate mechanism.



American Water Works Company, Inc. Retiree
Welfare Plan

Actuarial Valuation Report
Benefit Cost for Fiscal Year Beginning
January 1, 2025 under US GAAP

September 2025

wtwco.com

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Purposes of valuation

American Water Works (“AW”) engaged Willis Towers Watson US LLC (“WTW”) to value AW’s other postretirement benefit plan.

As requested by AW, this report documents the results of an actuarial valuation of the American Water Postretirement Welfare Plan (the Plan) as of January 1, 2025.

The primary purpose of this valuation is to determine the Net Periodic Postretirement Benefit Cost/(Income) (Benefit Cost), in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715) for the fiscal year ending December 31, 2025. It is anticipated that a separate report will be prepared for year-end financial reporting purposes.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. Historically, American Water’s contributions to the other postretirement benefits plan(s) has been set as the pre-purchase accounting benefit cost. However, the benefit cost is in an income position and the plan is in surplus overall, so no contributions are assumed. (Exception: the post retirement life insurance VEBA is funded on a short-term basis to pay claims in the near-term. Since contributions for life insurance are ad hoc and subject to ongoing experience, no formal contributions are assumed here) Note that any significant change in the amounts contributed or expected to be contributed in 2025 from what is disclosed at December 31, 2024 may require disclosure in the interim financial statements, but should not affect the expected return on plan assets absent a remeasurement for another purpose.
2. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.
3. This report does not provide information for plan accounting and financial reporting under ASC 960 or ASC 965.

Section 1 : Summary of key results

1.1 Benefit cost, plan assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2025	01/01/2024 ¹
Benefit Cost/ (Income)	Net Periodic Postretirement Benefit Cost/(Income)	(29,202,330)	(27,905,717)
	Benefit Cost/(Income) due to Special Events	0	0
	Total Benefit Cost/(Income)	(29,202,330)	(27,905,717)
Measurement Date		01/01/2025	01/01/2024
Plan Assets	Fair Value of Plan Assets (FVA)	253,459,494	258,284,515
	Actual Return on Fair Value of Plan Assets during Prior Year	4.42%	9.16%
Benefit Obligations	Accumulated Postretirement Benefit Obligation (APBO)	(224,619,250)	(244,384,609)
Funded Ratio	Fair Value of Plan Assets to APBO	112.8%	105.7%
Accumulated Other Comprehensive (Income)/Loss (Pre-tax)	Net Prior Service Cost/(Credit)	(83,596,464)	(114,507,776)
	Net Loss/(Gain)	27,202,513	43,906,092
	Total Accumulated Other Comprehensive (Income)/Loss (pre-tax)	(56,393,951)	(70,601,684)
Assumptions	Discount rate	5.69%	5.22%
	Expected Long-Term Rate of Return on Plan Assets	5.00%	5.00%
	Current Health Care Cost Trend Rate	6.50%	6.75%
	Ultimate Health Care Cost Trend Rate	5.00%	5.00%
	Year of Ultimate Trend Rate	2031	2031
Participant Data	Census Date	01/01/2025	01/01/2024

¹ Values shown are prior to the reflection of the Butler Area Sewer Authority (BASA) during 2024. The final expense disclosed at year-end 2024 as result of the acquisition was \$(27,895,333)

1.2 Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, and investment return different from assumed during the prior year were \$15,302,151 and \$(1,313,639) respectively.

Change in net periodic cost and funded position

The net periodic income increased from \$27,905,717 in fiscal 2024 to \$29,202,330 in fiscal 2025 and the funded position improved from \$13,899,906 to \$28,840,244.

All monetary amounts shown in US Dollars

	Net Periodic Benefit Cost/(Income)	Funded Status
Prior year	(27,905,717)	13,899,906
Change due to:		
• Expected based on prior valuation and contributions during prior year	(1,945,948)	283,962
• Noninvestment experience different than assumed	1,309,151	1,987,853
• Investment experience greater or less than assumed	175,936	(1,313,639)
• Assumption changes		
— Financial assumption changes	(212,924)	8,694,863
— Demographic assumption changes	(633,212)	4,619,435
• Plan amendments	0	0
• Settlements, curtailments, certain termination benefits	0	0
• Acquisitions	10,384	(667,864)
• Method changes	0	0
• Changes in estimation techniques	0	0
Current year	(29,202,330)	28,840,244

Significant reasons for these changes include the following:

- The actual return on the fair value of plan assets since the prior measurement date was less than the expected return on plan assets, which caused the funded position to deteriorate.
- The discount rate used to measure APBO increased 47 basis points compared to the prior year, which reduced the net periodic cost and improved the funded position.
- Demographic assumptions for termination, retirement, and mortality were updated to better reflect anticipated future experience which reduced the net periodic cost and improved the funded position.

Effects of Health Care Reform

This valuation reflects our understanding of the relevant provisions of the Patient Protection and Affordable Care Act (PPACA) and Health Care and Education Reconciliation Act (HCERA), and subsequent legislation (the SECURE Act of 2019) that eliminated the Cadillac tax, medical device tax and health insurance issuer tax. It also reflects our understanding of the effects of the Inflation Reduction Act of 2022 on retiree medical costs. The IRS and the Centers for Medicare Services (CMS) have yet to issue final guidance with respect to many aspects of these laws. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect the results shown in this report. The valuation does not anticipate the effects of any additional possible future changes.

1.3 Basis for valuation

Appendix A summarizes the assumptions, methods and models used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. Both of these appendices include a summary of any changes since the prior valuation. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Subsequent events

None.

Additional information

The Inflation Reduction Act (IRA) includes health care provisions related to Medicare and healthcare financing. While guidance is still forthcoming, the potential effect of the new legislation has been considered in preparing these results. Based on the information available, changes were not made to assumptions. Additional changes may be reflected in future valuations as more guidance becomes available and actual plan experience is used to inform future expectations.

Asset Earmarking: In 2012, AWW elected to earmark a portion of the assets in the Bargaining and Non-Bargaining Medical VEBAs for post-65 prescription drug benefits. This earmarking has no effect on the benefits payable or the investment practices of the plan but may have implications for AWW's deferred tax asset calculations.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information described below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied on information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by AW and other persons or organizations designated by AW. See the Sources of Data and Other Information section of Appendix A for further details. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by AW, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is January 1, 2025. The benefit obligations were measured as of January 1, 2025 and are based on participant data as of the census date, January 1, 2025.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets and the general ledger account balances for the other postretirement benefit plan cost at December 31, 2024, which reflect the expected funded status of the plan before adjustment to reflect the funded status based on the year-end measurements, and differences between the expected Medicare Part D subsidies and amounts received during the year was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined by AW in consultation with its tax advisors and independent accountants.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the other postretirement benefit cost and other financial reporting have been selected by AW. WTW has evaluated the assumptions used and believes that they do not significantly conflict with what would be reasonable. In addition, we believe that the combined effect of assumptions is expected to have no

significant bias. See Appendix A for a description of each significant assumption used and our rationale for concluding that it does not significantly conflict with what would be reasonable.

U.S. GAAP requires that each significant assumption “individually represent the best estimate of the plan's future experience solely with respect to that assumption

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by WTW, we believe do not significantly conflict with what would be reasonable. Other actuarial assumptions could also be considered to not significantly conflict with what would be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the January 1, 2025 measurement date will change the results shown in this report.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in Appendix A.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated November 16, 2022 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of AW and its independent accountants in connection with our actuarial valuation of the other postretirement benefit plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. AW may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require AW to provide them this report, in which case AW will use best efforts to notify WTW in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any party other than American Water Works relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to other postretirement benefit plans except for the Pricing Specialist, who is not a member of the Society nor subject to the Qualification Standards but is qualified by virtue of education and experience to perform the analysis described below. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC.



John Popiolek, FSA, MAAA
Director, Retirement
Valuation Actuary



James Berardinucci, ASA
Senior Associate, Retirement
Valuation Actuary



Chris Lombardi, FSA, MAAA
Director, Health and Benefits
Pricing Specialist

The Pricing Specialist is responsible for developing and/or determining the reasonableness of retiree welfare plan trend and participation assumptions as well as assumed per capita claims costs (including the aging/morbidity assumption if applicable). The Valuation Actuary is responsible for other aspects of the valuation (e.g., developing and/or reviewing the reasonableness of other valuation assumptions and methods, ensuring that the valuation model reasonably reflects the substantive plan, preparing demographic data, performing the valuation, implementing the appropriate accounting or funding calculations, etc.).

Section 2 : Accounting exhibits

2.1 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Measurement Date	01/01/2025	01/01/2024
A Development of Balance Sheet Asset/(Liability)¹		
1 Accumulated postretirement benefit obligation (APBO)	(224,619,250)	(244,384,609)
2 Fair value of plan assets (FVA) ²	253,459,494	258,284,515
3 Net balance sheet asset/(liability)	28,840,244	13,899,906
B Current and Noncurrent Classification³		
1 Noncurrent asset	28,840,244	13,899,906
2 Current liability	0	0
3 Noncurrent liability	0	0
4 Net balance sheet asset/(liability)	28,840,244	13,899,906
C Accumulated Other Comprehensive (Income)/Loss		
1 Net prior service cost/(credit)	(83,596,464)	(114,507,776)
2 Net loss/(gain)	27,202,513	43,238,228
3 Accumulated other comprehensive (income)/loss ⁴	(56,393,951)	(71,269,548)
D Assumptions and Dates		
1 Discount rate	5.69%	5.22%
2 Current health care cost trend rate	6.50%	6.75%
3 Ultimate health care cost trend rate	5.00%	5.00%
4 Year of ultimate trend rate	2031	2031
5 Census date	01/01/2025	01/01/2024

¹ Whether any amounts in this table that differ from those disclosed at year-end must be disclosed in subsequent interim financial statements should be determined.

² Excludes receivable contributions.

³ The current liability (for each underfunded plan) was measured as the discounted value of benefits expected to be paid over the next 12 months in excess of the fair value of the plan's assets at the measurement date.

⁴ Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Changes in plan obligations and assets

All monetary amounts shown in US Dollars

Period Beginning	01/01/2025	01/01/2024
A Change in Accumulated Postretirement Benefit Obligation (APBO)		
1 APBO at beginning of prior fiscal year	244,384,609	254,052,233
2 Employer service cost	1,722,278	1,935,026
3 Interest cost	12,276,578	13,697,712
4 Actuarial loss/(gain)	(15,302,151)	(4,934,918)
5 Plan participants' contributions	3,130,894	3,404,536
6 Benefits paid from plan assets	(21,504,492)	(24,290,123)
7 Benefits paid from AW's assets	0	0
8 Medicare Part D subsidy	579,398	520,143
9 Administrative expenses paid ¹	0	0
10 Plan amendments	0	0
11 Acquisitions/(divestitures)	667,864	0
12 Curtailments	0	0
13 Settlements	0	0
14 Special/contractual termination benefits	0	0
15 Other adjustments	0	0
16 APBO at beginning of current fiscal year	224,619,250	244,384,609
B Change in Plan Assets		
1 Fair value of plan assets at beginning of prior fiscal year	258,284,515	254,254,433
2 Actual return on plan assets	11,048,577	22,415,669
3 Employer contributions	2,500,000	2,500,000
4 Plan participants' contributions	3,130,894	3,404,536
5 Benefits paid	(21,504,492)	(24,290,123)
6 Administrative expenses paid	0	0
7 Acquisitions/(divestitures)	0	0
8 Settlements	0	0
9 Other adjustments	0	0
10 Fair value of plan assets at beginning of current fiscal year	253,459,494	258,284,515

¹ Only if future expenses are accrued in APBO through a load on service cost.

2.3 Summary of net balances

All monetary amounts shown in US Dollars

A Summary of Prior Service Cost/(Credit) Bases

Measurement Date Established	Original Amount	Net Amount at 01/01/2025	Remaining Amortization Period	Amortization Amount in 2025	Effect of Curtailments	Other Events
08/01/2016	(156,510,095)	(24,958,447)	1.60435	15,556,702	0	0
09/01/2018	(175,061,481)	(65,342,136)	3.86536	16,904,533	0	0
12/31/2018	986,394	427,734	4.59388	(93,110)	0	0
12/31/2020	4,771,897	1,000,773	1.06151	(942,781)	0	0
12/31/2022	6,303,676	5,275,612	10.26319	(514,032)	0	0
Total		(83,596,464)		30,911,312	0	0

All monetary amounts shown in US Dollars

B Summary of Net Loss/(Gain) (see Appendix A for a description of amortization method)

Net Amount at 01/01/2025 ¹	Amortization Amount in 2025	Effect of Curtailments	Effect of Settlements	Other Events (Identify)
27,202,513	(140,326)	0	0	0

¹ Before any immediate recognition on the same date.

2.4 Development of plan assets for benefit cost

All monetary amounts shown in US Dollars

	Fair Value	Market-Related Value
A Reconciliation of Plan Assets		
1 Plan assets at 12/31/2023	258,284,515	258,284,515
2 Actual return on plan assets	11,048,577	11,048,577
3 Employer contributions	2,500,000	2,500,000
4 Plan participants' contributions	3,130,894	3,130,894
5 Benefits paid	(21,504,492)	(21,504,492)
6 Administrative expenses paid	0	0
7 Acquisitions/(divestitures)	0	0
8 Settlements	0	0
9 Other adjustments	0	0
10 Plan assets at 12/31/2024	253,459,494	253,459,494
B Rate of Return on Invested Assets		
1 Weighted invested assets	249,910,216	
2 Rate of return	4.42%	
C Investment Loss/(Gain)		
1 Actual return	11,048,577	
2 Expected return	12,362,216	
3 Loss/(gain)	1,313,639	

2.5 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2025	12/31/2024 ¹
A Total Benefit Cost		
1 Employer service cost	1,450,582	1,717,913
2 Interest cost	12,259,693	12,270,559
3 Expected return on plan assets	(12,141,619)	(12,362,216)
4 Subtotal	1,568,656	1,626,256
5 Net prior service cost/(credit) amortization	(30,911,312)	(30,911,312)
6 Net loss/(gain) amortization	140,326	1,379,339
7 Subtotal	(30,770,986)	(29,531,973)
8 Net periodic postretirement benefit cost/(income)	(29,202,330)	(27,905,717)
9 Curtailment (gain)/loss	0	0
10 Settlement (gain)/loss	0	0
11 Special/contractual termination benefits	0	0
12 Other adjustments	0	0
13 Total benefit cost	(29,202,330)	(27,905,717)
B Assumptions (See Appendix A for interim measurements, if any)		
1 Discount rate	5.69%	5.22%
2 Expected long-term rate of return on plan assets	5.00%	5.00%
3 Current health care cost trend rate	6.50%	6.75%
4 Ultimate health care cost trend rate	5.00%	5.00%
5 Year of ultimate trend rate	2031	2031
6 Census date	01/01/2025	01/01/2024
C Fair Value of Assets at Beginning of Year	253,459,494	258,284,515
D Cash Flows Net of Medicare Part D Subsidy		
	Expected	Actual
1 Employer contributions	0	2,500,000
2 Plan participants' contributions	4,279,490	3,130,894
3 Benefits paid from AW assets	0	0
4 Benefits paid from plan assets	25,796,152	21,504,492
E Amortization Period		
1 For gain/loss amortization, if applicable	13.23040	13.10602
2 For new prior service cost bases, if any	13.10311	13.02742

¹ Values shown are prior to the reflection of the Butler Area Sewer Authority (BASA) during 2024. The final expense disclosed at year-end 2024 as result of the acquisition was \$(27,895,333)

Section 3 : Participant data

3.1 Summary of participant data

All monetary amounts shown in US Dollars

Census Date		01/01/2025	01/01/2024
A	Participating Employees		
1	Number		
	a Fully eligible	349	345
	b Other	3,017	2,964
	c Total participating employees	3,366	3,309
2	Average age	46.5	46.9
3	Average credited service	14.5	14.8
B	Retirees, Surviving Spouses and Surviving Dependents		
1	Retirees and Surviving Spouses		
	a Number under 65	358	394
	b Number 65 and over	2,498	2,427
	c Total	2,856	2,821
	d Average age	74.4	73.9
2	Dependents		
	a Number	1,406	1,396
	b Average age	71.1	70.9

Appendix A : Statement of actuarial assumptions, methods and data sources

Actuarial Assumptions and Methods - Other Postretirement Benefit Cost

Economic Assumptions

Discount rate: 5.69%

Weighted average rate of return on plan assets¹ 5.00%

The return on assets shown above is net of investment expenses and administrative expenses assumed to be paid from the trust.

Health care cost trend rate schedule (covered charges):

2025	6.50%	2030	5.25%
2026	6.25%	2031+	5.00%
2027	6.00%		
2028	5.75%		
2029	5.50%		

Participant contribution trend rate Same as applicable medical plan trend.

Participation Assumptions

Inclusion date The valuation date coincident with or next following the date on which the employee becomes a participant

New or rehired employees It was assumed there will be no new or rehired employees

Participation Current retirees: Based on valuation census data
Uncapped non HRA Future retirees: 90%
Capped and HRA Future Retirees:
Pre-65: 80%
Post-65: 100%

Percentage of retirees covering a spouse Current retirees: Based on valuation census data
Future retirees: 80% of males; 50% of females

Spouse age Current retirees: Based on valuation census data
Future retirees: Wife three years younger than husband

¹ Rate is weighted average of the expected return on Bargaining VEBAs (which are tax exempt) and the return on the Non-Bargained VEBA, which is assumed to be taxable.

Demographic Assumptions

Healthy Mortality

Base Mortality Table (Male table used for males; Female table used for females)

1. Base table: Pri-2012
2. Base mortality table year: 2012
3. Table type: No Collar
4. Healthy or Disabled: Healthy
5. Table weighting: Headcount
6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants (based on Employee table)
7. Blending of retirees and contingent annuitants: Blended table (Based on Nondisabled Annuitant table)
8. Table rates reduced by 6% to reflect company specific experience

Mortality Improvement Scale (Male table used for males; Female table used for females)

1. Base scale: MP-2021
2. Projection Type: Generational

Disabled Mortality

Pri-2012 Headcount Weighted Disabled Retiree Table projected generationally with scale MP-2021.

Termination

Rates varying by age and service – representative rates:

Age	Rates	Age	Rates
25-29	0.053	45-54	0.027
30-34	0.050	55+	0.000
35-39	0.047		
40-44	0.037		

Disability

Elizabethtown – none; All others – 50% of 1987 CGDT.

Retirement

Rates vary by age

Age	Rate	Age	Rate	Age	Rate
55	0.04	61	0.10	67	0.25
56	0.04	62	0.28	68	0.25
57	0.05	63	0.20	69	0.25
58	0.06	64	0.20	70	1.00
59	0.07	65	0.30		
60	0.10	66	0.30		

Medicare Part D Assumptions

Medicare Part D subsidy value	\$695 per retired participant per year beginning in 2025.
Test for MMA actuarial equivalence	Plan passes test for actuarial equivalence in all future years on a gross and net basis (after taking into account retiree contributions) for retirees and dependents.
Development of MMA subsidy amount	Average subsidy per retired participant was developed based on a review of actual subsidy dollars from 2020, 2021, and 2022. The average subsidy was adjusted to reflect estimated trend through the valuation date.
MMA subsidy trend rate schedule:	Same as health care cost trend rate
Development of claims cost	Average medical plan claims per person were developed based upon a review of actual claims experience for calendar years 2021, 2022, 2023 and the first 5 months of 2024. The average claims costs were adjusted to reflect (i) medical trend (through the valuation date) and expenses, (ii) change from paid claims to incurred claims, (iii) differences in expected claims between the medical plans, (iv) plan design changes and (v) age-specific patterns expected based upon plan census information and standard claims distribution tables.

2025 Per capita claims cost¹:

Age	RWE Promise Participants	Non-RWE Promise Participants	St. Louis and Elizabethtown Participants	Elizabethtown Dental Participants
<29	8,422	7,667	7,693	482
30-34	10,304	9,380	9,411	482
35-39	10,896	9,919	9,952	482
40-44	11,917	10,848	10,885	482
45-49	13,751	12,518	12,560	482
50-54	16,885	15,370	15,422	439
55-59	20,274	18,456	18,518	418
60-64	25,088	22,838	22,916	397
65-69	5,904	6,448	6,233	0
70-74	6,537	7,139	6,902	0
75-79	7,035	7,683	7,427	0
80-84	7,248	7,915	7,652	0
85-89	7,235	7,901	7,638	0
90-94	6,778	7,402	7,156	0
>95	6,342	6,926	6,696	0
Average per capita claims cost:				
Pre-65	24,126	21,701	21,300	408
Post-65	7,050	6,931	6,930	0

¹ Includes cost for pre-65 dental coverage where applicable. Per capita costs for retirees 65 or older represent costs of Supplemental Plan net of Medicare benefits. Surviving dependent costs are assumed to equal retiree costs. Administrative expenses included in per capita cost.

Methods

Census date	January 1, 2025
Measurement date	January 1, 2025. Data as of census date is used unadjusted as of the measurement date.
Service cost and APBO	Projected unit credit actuarial cost method, allocated from the valuation date on or after date of hire to full eligibility date (age 62 or earlier retirement age).
Market-related value of assets	Fair value as reported by company.
Amortization of unrecognized loss/(gain)	Loss/(gain) in excess of 10% of the greater of APBO and plan assets is amortized on a straight-line basis over the expected average remaining service (to expected retirement age) of active participants expected to benefit under the plan.

Data Sources

American Water furnished participant data and claims data as of January 1, 2025. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

AW also provided the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the December 31, 2024 fiscal year and amounts recognized in other comprehensive income in the 2024 fiscal year.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions – Accounting

Discount rate	As required by U.S. GAAP the discount rate was chosen by the plan sponsor based on market information on the measurement date.
Expected return on plan assets	We understand that the expected return on assets assumption reflects the plan sponsor's estimate of future experience for trust asset returns, reflecting the plan's current asset allocation and any expected changes during the current plan year, current market conditions, current and future UBIT tax rate, and the plan sponsor's expectations for future market conditions.
Claims cost trend rates	Assumed increases were chosen by the plan sponsor and, as required by U.S. GAAP; they represent an estimate of future experience, informed by an analysis of recent plan experience, leading to select and ultimate assumed trend rates. In setting near term trend rates, other pertinent statistics were considered, including surveys on general medical cost increases. In setting the ultimate trend rate, considerations included assumed GDP growth consistent with the assumed future economic conditions inherent in other economic assumptions chosen by the client at the measurement date. We believe that the selected assumptions are reasonable based on market conditions at the measurement date and future expectations consistent with other economic assumptions used, other than the discount rate.
Medicare Part D subsidy trend rates	The assumed rates of increase in Medicare Part D subsidy are assumed to equal the plan's assumed trend rates.
Per capita claims costs	Per capita claims costs were chosen by the plan sponsor to be the best estimate of the plan's per capita claims costs in the plan year beginning on the measurement date (with any expected changes in future years reflected in the trend rate assumption). Average medical plan claims per person were developed based upon a review of actual claims experience for calendar years 2021, 2022, 2023 and the first 5 months of 2024. The average claims costs were adjusted to reflect (i) medical trend (through the valuation date) and expenses, (ii) change from paid claims to incurred claims, (iii) differences in expected claims between the medical plans, (iv) plan design changes and (v) age-specific patterns expected based upon plan census information and standard claims distribution tables.
Medicare Part D subsidy value	The retiree drug subsidy (RDS) value and duration were based on recent plan experience and an analysis demonstrating that the plan's drug benefits are expected to be equivalent to Medicare Part D.

Assumptions Rationale - Significant Demographic Assumptions

Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP represents a best estimate of future experience.
Disabled Mortality	The plan sponsor has determined that given the lack of credible mortality experience for disabled participants in this plan and/or the non-materiality of this assumption, there is no other assumption that the plan sponsor believes to be a better estimate.
Termination	Termination rates were based on an experience study conducted in 2024, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Disability	Disability rates were based on a published table for pension participants believed to have reasonably similar characteristics.
Participation:	
Participants	Current participation rates reflect recent experience; projected participation rates represent AWW's best estimate of future experience. There is no other assumption that the plan sponsor believes to be a better estimate.
Covered spouses	Current participation rates reflect recent experience; projected participation rates represent AWW's best estimate of future experience. There is no other assumption that the plan sponsor believes to be a better estimate.
Covered dependents	Current participation rates reflect recent experience; projected participation rates represent AWW's best estimate of future experience. There is no other assumption that the plan sponsor believes to be a better estimate.
Retirement	Retirement rates were based on an experience study conducted in 2024, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Benefit commencement date:	
Retiree benefit	Retirees are assumed to begin benefits immediately on eligible retirement because this represents the typical experience for participants under the plan.
Marital Assumptions:	
Percent married	The assumed percentage married is based on the percentage married observed among recent retirees in the last experience study conducted in 2024.
Spouse age	The assumed age difference for spouses is based on the age difference observed among recent retirees in the last experience study conducted in 2024.

Source of Prescribed Methods

Accounting methods The methods used for accounting purposes as described in Appendix A, are “prescribed methods set by another party”, as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Model Descriptions and Disclosures in accordance with ASOP No. 56

Quantify Quantify is the Willis Towers Watson centrally developed, tested and maintained global actuarial valuation system. It is used to perform valuations of clients' benefit plans.

Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports.

Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations.

Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected.

Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

BOND:Link U.S. BOND:Link is a methodology to assist with the selection of discount rates used in liability and cost measurements related to employee benefit plans. Discount rates are derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for a plan's projected benefit payments. The single interest rate is then determined that results in a discounted value of the plan's benefit payments that equals the market value of the selected bond portfolio.

Updated BOND:Link models are developed monthly as of the last day of the month. The construction of a BOND:Link model relies on bond data collected as of the measurement date. Parameters provide the user the ability to control aspects of the model. The model output allows the user to see the effects of those parameters.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

Published Demographic Tables

Certain demographic tables described above are standard published tables or are based on standard published tables from models developed by organizations with the requisite expertise

AgeDist

AgeDist is a spreadsheet tool that applies relative cost factors by age to average per capita costs (pre and post 65) and census weights to produce age-graded plan costs for pre- and post-65 populations. The average per capita costs and census weights are provided as inputs to the tool which is then combined with a morbidity curve to produce a set of weighted average age-related costs that equal the average. The age-graded costs are used in the actuarial valuation.

The morbidity curve was developed from a broad set of claims data aggregated by age and blended and may not reflect your specific morbidity. The model does not evaluate the average per capita costs or census weights for reasonableness or consistency.

The model(s) used for this analysis is designed specifically for these purposes, and we know of no material limitations that would prevent the model(s) from being suitable for these intended purposes.

We are not aware of any material inconsistencies among assumptions used in this work. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence. The calculation and presentation of results relies on the assumptions used and the reasonability of the assumptions selected. The output of the model(s) used in this analysis are considered reasonable based on the aggregation of assumptions used. However, a different set of results could also be considered reasonable based on a range of possible values used for each assumption.

Changes in Assumptions and Methods

Change in assumptions since prior valuation The discount rate for benefit obligations changed from 5.22% to 5.69%.

Demographic assumptions for termination and retirement were updated as result of an experience study conducted in 2024.

The base mortality Pri-2012 rates were reduced 6%.

Appendix B : Summary of principal other postretirement benefit plan provisions

The actuarial valuation reflects the benefit and contribution provisions summarized below with respect to future retirees, except as noted. Current retirees and their spouses were assumed to continue under the provisions currently in effect, which may differ from those described below.

Medical and Dental Benefits

Eligibility	Pension retirement or long-term disability. <u>Nonunion</u>: Pension requirement: The first day of any month on which the employee elects to retire provided that: (a) the employee has attained age 55, and (b) the sum of the individual's age and years of service totals at least 70. Non-bargaining employees hired on or after January 1, 2002 are not eligible for these benefits. <u>Union</u>: The first day of any month in which the employee elects to retire provided that: (a) the employee has attained age 55 and 20 years of service, or (b) the employee has attained age 65. Bargaining employees hired on or after January 1, 2006 are not eligible for these benefits.
Dependent eligibility	Spouse and unmarried children under age 26.
Survivor eligibility	Eligibility can continue provided that the survivor pays the full premium for coverage.
LTD requirement	10 years of service and approved for Social Security Disability Income.
Full eligibility age	Union – 62 and 20 years of service or 65, if earlier. Non-union – 62 and 70 points or 65 and 5 years of service, if earlier.

Retiree contributions (medical):

► Retirees (except at Northwest Indiana, St. Louis and Long Island).

- Basic Under Age 65: The following schedule applies to those not eligible for the transition credit:

Age	Union (subject to 2018 net AWW cost cap)		Non-Union (subject to 2018 net AWW cost cap)			
	PPO - 2024		PPO - 2024			
	Single	Family	Single	EE + Ch	EE + Sp	Family
55	\$809.45	\$1,547.85	\$809.45	\$1,547.85	\$1,547.85	\$1,547.85
56	\$799.45	\$1,537.85	\$799.45	\$1,537.85	\$1,537.85	\$1,537.85
57	\$789.45	\$1,527.85	\$789.45	\$1,527.85	\$1,527.85	\$1,527.85
58	\$779.45	\$1,517.85	\$779.45	\$1,517.85	\$1,517.85	\$1,517.85
59	\$769.45	\$1,507.85	\$769.45	\$1,507.85	\$1,507.85	\$1,507.85
60-61	\$759.45	\$1,497.85	\$759.45	\$1,497.85	\$1,497.85	\$1,497.85
62-64	\$709.45	\$1,447.85	\$709.45	\$1,447.85	\$1,447.85	\$1,447.85

Age 65 and Over: None for retirements prior to 1/1/2000. The following schedule of monthly contributions applies to those who retire on or after January 1, 2000 in the RWE Promise group.

Retirement		<u>Monthly Contribution</u>		
<u>Date</u>	<u>Retiree</u>	<u>Dependent</u>	<u>Family</u>	
1/1/2000	\$ 5.00	\$ 5.00	\$15.00	
1/1/2001	10.00	10.00	25.00	
1/1/2002	10.00	10.00	25.00	
1/1/2003	10.00	10.00	25.00	
1/1/2004	10.00	10.00	25.00	
1/1/2005	10.00	10.00	25.00	
1/1/2006 and beyond	50.00	50.00	125.00	

Additional

Under Age 65: For retirements on or after 8/1/93, an additional contribution is required based on age at retirement. This contribution applies from retirement to age 65.

Age at Retirement	Monthly Contribution		
	Retiree	Dependent	Family
55	\$100	\$0	\$100
56	90	0	90
57	80	0	80
58	70	0	70
59	60	0	60
60	50	0	50
61	50	0	50
62 and later	0	0	0

Age 65 and Over: None.

- ▶ **Defined Dollar Cap** Non-grandfathered retirees are subject to an additional contribution for pre-65 coverage equal to the amount current gross costs exceed 2018 gross cost levels. 2018 cost levels were \$1,130 per month single / \$2,260 per month family for retirees.
- ▶ **AWW Protected Retirees (RWE Promise)** Any AWW retirees as of January 10, 2003 and any AWW active participant who is eligible for retiree welfare benefits as of January 10, 2003 (age 55 with 70 points), will pay the contributions in effect at that time (i.e., 2003 contribution schedule).
- ▶ **Northwest Indiana Retirees** Participants pay 100% of the cost of the plan for pre-65 benefits. For post-65 benefits, retirees pay \$90/month and spouses pay full cost of coverage.
- ▶ **St. Louis Retirees who retire after January 1, 1993** Participant contributions are based on age plus service as of January 1, 1993. Retirees subject to the Defined Dollar Caps of \$1,093 per month single / \$2,186 per month family.
- ▶ **Long Island Nonunion Retirees who retire before July 1, 2001 and Long Island Union Retirees who retire before May 1, 2004** No participant contributions required, however the Defined Dollar Cap of \$1,130 per month single / \$2,260 per month family is applicable. Retirees and covered dependents pay the full differential between gross plan cost and the cap.
- ▶ **Surviving dependents** Pays 100% of a budgeted premium. Monthly premiums for 2024 are as follows:
Under Age 65: \$1,788 single / \$3,576 family.
Age 65 and Over: \$610 single / \$1,220 family.
- ▶ **Disableds** Disabled employees pay the dependent coverage charge in effect at the time of disability. This charge is not expected to increase from that point.
- ▶ **Post-65 Health Reimbursement Arrangement** Non-RWE Promise retirees and spouses are provided with access to an individual Medicare exchange where they may purchase individual coverage. Participants with access to the Exchange are provided with an annual health

reimbursement arrangement stipend of \$3,500 (\$7,000 family). Surviving spouses with no prior employer subsidy will not receive a stipend.

- **Age 62 Non-Medicare Eligible Supplement Benefit** Eligible participants who retire over the age of 62 during calendar years 2019, 2020, and 2021 will receive an additional benefit equal to increases in retiree premiums for pre-65 medical coverage due to the cap up to a maximum of \$1,800 family/\$900 single.

This additional benefit will remain in place through the earlier of the participant turning age 65 or December 31, 2023

Eligible participants who retire over the age of 62 during calendar years 2023-2028 will receive a credit of the difference between the scheduled contributions and \$250/month contribution increasing \$12.50 per month per year until the end of 2028 or age 65, whichever comes first.

Medical, Dental and Prescription Drug Benefits			
Medical Plans			
Pre-65 Plan			Post-65 Plan
Plan Feature	PPO		Medicare Supplement Plan
Network coverage type	In-network	Out-of-network	
Deductible (single/family)	None	\$300/\$600	\$150/\$300
Coinsurance	80%	50%	80%
Out-of-pocket maximum (single/family)	\$2,500/\$5,000 including Rx each year	\$6,000 per person	\$1,000/\$3,000
Lifetime maximum benefit	Unlimited		Unlimited
Preventive Care			
Routine physical exam	100% annual exam, well baby to 6 years	Not Covered	80% after deductible (one per 24 months)
Immunizations	100%	Not Covered	80% after deductible (one per 24 months)
Routine hearing exam	100% annual exam	Not Covered	80% after deductible (one per 24 months)
Routine OB/GYN exam	100% annual exam	Not Covered	80% after deductible (one per calendar year)
Mammography	100% annual exam	Not Covered	80% after deductible (one baseline – ages 35-39 annual screening age 40 and above)
Physician and Hospital Services			
Office visits (primary care and specialist)	80%	50% after deductible	80% after deductible
Allergy testing and treatment centers	80%	50% after deductible	80% after deductible

Medical, Dental and Prescription Drug Benefits			
Medical Plans			
Pre-65 Plan			Post-65 Plan
Plan Feature	PPO		Medicare Supplement Plan
Network coverage type	In-network	Out-of-network	
Diagnostic x-ray and lab	Independent Lab: 80% Physician's Office: 80%	50% after deductible	80% after deductible
Hospital inpatient services	80%	50% after deductible and \$250 copay per admit	100% for first 120 days; 80% thereafter
Outpatient surgery	80%	50% after deductible	80% after deductible
Outpatient preadmission testing	80%	50% after deductible	80% after deductible
Ambulance (if medically necessary)	80%	80%	80% after deductible
Emergency room	80%	80%	80% after deductible
Hospital Alternatives			
Home health care	80% (120-visit maximum per calendar year)	50% after deductible (120-visit maximum per calendar year)	80% after deductible (120-maximum per calendar year)
Private duty nursing	80% (70-shift maximum per calendar year)	50% after deductible (70-shift maximum per calendar year)	80% after deductible
Skilled nursing facility	80% (120-day maximum per calendar year)	50% after deductible (120-day maximum per calendar year)	80% (120-day maximum)
Hospice inpatient	80%	50% after deductible	80% after deductible
Hospice outpatient	80%	50% after deductible	80% after deductible (\$5,000 lifetime maximum)
Durable medical equipment	80%	50% after deductible	80% after deductible
Short-term rehabilitation	80% (60-day maximum per calendar year for acute conditions only)	50% after deductible (60-day maximum per calendar year for acute conditions only)	80% after deductible
Mental Health and Chemical Dependency	Treated in same manner as other medical/hospital/surgical benefits		Treated in same manner as other medical/hospital/surgical benefits
Prescription drugs (participant coinsurance or copay)			
Retail:			
• Generic	0%		10%
• Preferred brand	20%		20%
• Non-preferred brand	20%		20%

Medical, Dental and Prescription Drug Benefits			
Medical Plans			
Pre-65 Plan			Post-65 Plan
Plan Feature	PPO		Medicare Supplement Plan
Network coverage type	In-network	Out-of-network	
Mail order:			
• Generic	0%		\$14
• Preferred brand	20%		\$30
• Non-preferred brand	20%		\$70

Aetna Dental	
Pre-65 Plan Only	
Plan Feature	PPO
Deductible (single/family)	\$50/\$100
Preventive care	100% covered expenses with no deductible.
Basic services	80% after deductible.
Major services	50% after deductible.
Calendar year maximum	\$1,500
Orthodontia	\$1,500 lifetime maximum; pays 50% of covered expenses after deductible. Covers only eligible dependent children.

Life Insurance Benefits (Basic, Optional and Supplemental)

Eligibility:

- ▶ **Basic** Pension retirement or long-term disability.

Nonunion: Pension requirement: The first day of any month on which the employee elects to retire provided that:
 - (a) the employee has attained age 55, and
 - (b) the sum of the individual's age and years of service totals at least 70.
 Non-bargaining employees hired on or after January 1, 2002 are not eligible for these benefits.

Union: The first day of any month in which the employee elects to retire provided that:
 - (a) the employee has attained age 55 and 20 years of service, or
 - (b) the employee has attained age 65.
- ▶ **Optional** Available only to participants who chose coverage prior to January 1, 1996; otherwise same as medical plan.
- ▶ **Supplemental** Available only to certain executives, otherwise same as medical plan. American Water retirees prior to January 1, 1997 retain their prior plan provisions.

Dependent eligibility None.

Retiree contributions:

- ▶ **Basic** None.
- ▶ **Optional** \$0.70 per month per \$1,000.
- ▶ **Supplemental** \$0.50 per month per \$1,000.

Benefits:

- ▶ **Basic**
 - ▶ For retirements prior to 2003 1x salary (excluding overtime) at retirement (rounded up to the next higher \$1,000) to maximum of \$50,000. Except for disabled employees, reduced 10% per year, beginning at earliest of first anniversary of retirement or age 66, to a minimum of 50% after 5 years.
 - ▶ For retirements after 2002 \$10,000.
 - ▶ For retirements after 2018 \$20,000
- ▶ **Optional** 1/2 x or 1x salary scheduled amount at retirement to maximum of \$40,000. Except for disabled employees, reduced 10% per year, beginning at earliest of first anniversary of retirement or age 66, to a minimum of 50% after 5 years.
- ▶ **Supplemental** Up to 2x salary at retirement to maximum of \$80,000. Except for disabled employees, reduced 10% per year, beginning at earliest of first anniversary of retirement or age 66, to a minimum of 50% after 5 years.

Plan Provisions for Employees of the Elizabethtown Water Company

Medical Plan — Union

Eligibility:	Age 55 and 10 years of service (also the full eligibility date).
Coverage duration:	
▶ Retiree	Lifetime.
▶ Survivor	For union participant's survivors, coverage ends two years after the death of the retiree.
Medicare Part B Reimbursement	For Local 423 union participants retiring prior to April 1, 2006 and Local 68 union participants retiring prior to May 1, 2006, E-Town Water Co. provides a Medicare Part B reimbursement for all retirees and their participating spouses upon attaining age 65. Retirees receive reimbursements for their lifetime; Spouse reimbursements cease two years after the death of the retiree. For Local 423 union participants retiring on or after April 1, 2006 and Local 68 union participants retiring prior to May 1, 2006, E-Town Water Co. provides a Medicare Part B reimbursement up to a maximum for \$1,320 per year, for all retirees and their participating spouses upon attaining age 65. Retirees receive reimbursements for their lifetime; spouse reimbursements cease two years after the death of the retiree.
Dental	For Local 423 union participants retiring on or after April 1, 2006 and for Local 68 union participants retiring on or after May 1, 2006, E-Town Water Co. will provide dental coverage for all retirees and their covered spouses until they attain age 65.
Medical	The retiree welfare plan is closed for Local 423 union employees hired on or after April 1, 2006 and for Local 68 union participants retiring on or after May 1, 2006. Local 423 union employees hired prior to April 1, 2006 and Local 68 union participants hired prior to May 1, 2006 have the following plan structure.

Union Pre-65

Union Post-65 HRA Amounts

Group	Plan	Employee Contributions	Single	Family
Retirees after 2/1/2006	AWW PPO	Same as AW provisions above	\$1,500	\$3,500
2004 through 1/31/2006	E-town PPO No dental	30% of 2018 total cos and 100% of any cost increases after 2018	\$3,500	\$7,000
1994 through 2003	E-town PPO No dental	45% of total 2018 cost 100% and any cost increases after 2018	\$3,500	\$7,000
Pre-1994	No one in this group		\$3,500	\$7,000

Life Insurance Plan — Union

Amount \$10,000 for retirements before 1/1/2019 and \$20,000 retirements on and after 1/1/2019; current retirees have varying amounts.

Duration of coverage Lifetime.

Medical Plan — Salaried

Eligibility Age 55 and 10 years of service.

Coverage duration:

- ▶ Retiree Lifetime.
- ▶ Survivor Lifetime.

Medicare Part B Reimbursement None

Dental For salaried participants retiring on or after January 1, 2006, E-town Water Co. will cover 70% of dental coverage for all retirees and their spouses until they attain age 65.

Medical The retiree welfare plan is closed for salaried participants hired on or after January 1, 2006. Employees hired prior to January 1, 2006 have the following plan structure.

Health Reimbursement Arrangement Post-65 retirees are provided a health reimbursement arrangement as defined below to purchase insurance coverage on an Exchange.

Nonunion Pre-65**Nonunion Post-65 HRA
Amounts**

Group	Plan	Employee Contributions	Single	Family
Retirees after 2/1/2020	AWW PPO	Same as AW provisions above	\$3,500	\$7,000
Retirees after 12/31/2005	AWW PPO	30% of 2018 cost 100% of any further increases	\$1,500	\$3,000
2004 through 2005	AWW Premium PPO (no dental, no vision)	30% of 2018 cost 100% of any further increases	\$3,500	\$7,000
1994 through 2003	AWW Premium PPO (no dental, no vision)	25% of 2018 cost 100% of any further increases	\$3,500	\$7,000
Pre-1994	No one in this group		\$3,500	\$7,000

Life Insurance Plan — Salaried

Amount \$10,000 for retirements before 1/1/2019 and \$20,000 retirements on and after 1/1/2019

Duration of coverage Lifetime.

Plan Provisions for Employees of the St. Louis County Water Company

The actuarial valuation reflects the benefit and contribution provisions summarized below with respect to future retirees, except as noted. As a result, this summary only includes the benefits for bargaining employees. Current retirees and their spouses were assumed to continue under the provisions currently in effect, which may differ from those described below.

Postretirement Medical Plan

Eligibility for Benefits (Age/Service)	Non-union – 60/30 or 65/10, if earlier.
	Union – 60/25 or 65, if earlier; benefits prorated if less than 15 years of service at retirement.
Disability (Age/Service)	50/0; benefits prorated if less than 15 years of service at disability for union.
	Disabled individuals are covered by the active plan until retirement.
Preretirement Death (Age/Service)	0/20 (no service requirement for clerical union); spouse must be age 55 (62 for clerical union) at participant's death.

Medical Benefits

For dates of retirement prior to January 1, 1993, St. Louis offers Plan 109T on a noncontributory basis.

Plan 109T: Medicare Supplement with \$100 deductible, 80% coinsurance and \$1,000 out of pocket maximum. Prescription drugs are covered the same as other medical expenses.

Health Reimbursement Arrangement	Post-65 retirees and eligible surviving spouses are provided a health reimbursement arrangement as defined below to purchase insurance coverage on an exchange
Retirement Prior to 1/1/1993	\$3,500
Retirement between 1/1/1993 & 12/31/1993	\$3,500
Retirement on or after 1/1/1994 w/64 or more points	\$3,500
Retirement on or after 1/1/1994 w/less than 64 points	\$1,500

For dates of retirement on or after January 1, 1993, the following plan design is offered for Union participants:

Medical, Dental and Prescription Drug Benefits			
Medical Plans			
Pre-65 Plan		Post-65 Plan	
Plan Feature	PPO		Medicare Supplement Plan
Network coverage type	In-network	Out-of-network	
Deductible (single/family)	None	\$300/\$600	\$150/\$300
Coinsurance	80%	50%	80%
Out-of-pocket maximum (single/family)	\$2,500/\$5,000, including Rx each year	\$5,000 per person	\$1,000/\$3,000
Lifetime maximum benefit	Unlimited		Unlimited
Preventive Care			
Routine physical exam	100% annual exam, well baby to 6 years	Not Covered	80% after deductible (one per 24 months)
Immunizations	100%	Not Covered	80% after deductible (one per 24 months)
Routine hearing exam	100% annual exam	Not Covered	80% after deductible (one per 24 months)
Routine OB/GYN exam	100% annual exam	Not Covered	80% after deductible (one per calendar year)
Mammography	100% annual exam	Not Covered	80% after deductible (one baseline – ages 35-39 annual screening age 40 and above)
Physician and Hospital Services			
Office visits (primary care and specialist)	80%	50% after deductible	80% after deductible
Allergy testing and treatment centers	80%	50% after deductible	80% after deductible
Diagnostic x-ray and lab	Independent Lab: 80% Physician's Office: 80%	50% after deductible	80% after deductible
Hospital inpatient services	80%	50% after deductible and \$250 copay per admit	100% for first 120 days; 80% thereafter
Outpatient surgery	80%	50% after deductible	80% after deductible
Outpatient preadmission testing	80%	50% after deductible	80% after deductible

Medical, Dental and Prescription Drug Benefits			
Medical Plans			
Pre-65 Plan			Post-65 Plan
Plan Feature	PPO		Medicare Supplement Plan
Network coverage type	In-network	Out-of-network	
Ambulance (if medically necessary)	80%	80%	80% after deductible
Emergency room	80%	80%	80% after deductible
Hospital Alternatives			
Home health care	80% (120-visit maximum per calendar year)	50% after deductible (120-visit maximum per calendar year)	80% after deductible (120-maximum per calendar year)
Private duty nursing	80% (70-shift maximum per calendar year)	50% after deductible (70-shift maximum per calendar year)	80% after deductible
Skilled nursing facility	80% (120-day maximum per calendar year)	50% after deductible (120-day maximum per calendar year)	80% (120-day maximum)
Hospice inpatient	80%	50% after deductible	80% after deductible
Hospice outpatient	80%	50% after deductible	80% after deductible (\$5,000 lifetime maximum)
Durable medical equipment	80%	50% after deductible	80% after deductible
Short-term rehabilitation	80% (60-day maximum per calendar year for acute conditions only)	50% after deductible (60-day maximum per calendar year for acute conditions only)	80% after deductible
Mental Health and Chemical Dependency	Treated in same manner as other medical/hospital/surgical benefits		Treated in same manner as other medical/hospital/surgical benefits
Prescription drugs (participant coinsurance or copay)			
Retail:			
• Generic	0%		10%
• Preferred brand	20%		20%
• Non-preferred brand	20%		20%

Medical, Dental and Prescription Drug Benefits			
Medical Plans			
Pre-65 Plan			Post-65 Plan
Plan Feature	PPO		Medicare Supplement Plan
Network coverage type	In-network	Out-of-network	
Mail order:			
• Generic	0%		\$14
• Preferred brand	20%		\$30
• Non-preferred brand	20%		\$70

Aetna Dental	
Pre-65 Plan Only	
Plan Feature	PPO
Deductible (single/family)	\$50/\$100
Preventive care	100% covered expenses with no deductible.
Basic services	80% after deductible.
Major services	50% after deductible.
Calendar year maximum	\$1,500
Orthodontia	\$1,500 lifetime maximum; pays 50% of covered expenses after deductible. Covers only eligible dependent children.

Monthly retiree contributions

Retirement prior to 1993: \$0.

Retirement in 1993 or later: Retirees and spouses contribute the difference between the total cost and the portion paid by the company as defined in the coverage phase-out chart.

Defined Dollar Cap

Retirees are subject to an additional pre-65 contribution of the amount current costs exceed 2018 cost level of \$1,093 per month single / \$2,186 per month family.

Spouse coverage after retiree's death Eligible for coverage at retiree's death and contributes the difference between the total cost and the portion paid by the company as defined in the coverage phase-out chart.

Coverage phase-out Company pays 100% for those retiring prior to 1993 and 80% for those retiring during 1993. For retirements after 1993, company contribution based on following schedule:

<u>Age + Service 1/1/93</u>	<u>Company Percentage</u>
90	70%
89	68
88	66
87	64
86	62
85	60
84	58
83	56
82	54
81	52
80	50
79	49
78	48
77	47
76	46
75	45
74	43
73	41
72	39
71	37
70	35
69	34
68	33
67	32
66	31
65	30
64	26
63	22
62	19
61	17
60	15
Under 60 or hired after 1992	0

Postretirement Life Insurance Plan

Eligibility for Benefits

Normal Retirement (Age/Service)	65/0; benefits prorated if less than 15 years at retirement.
Early Retirement (Age/Service)	Rule of 70.
Disability (Age/Service)	50/0; benefits prorated if less than 15 years at retirement. Disabled individuals are covered by the active plan until retirement.

Death Benefits

Clerical union	Retirement prior to 5/1/2003: The active life benefit reduced 10% on retirement date and 10% on the pre-retirement amount on each birthday until it equals 50% of the pre-retirement benefit. Retirement after 5/1/2003: \$10,000. Retirement after 12/31/2008: \$20,000.
Physical union	Retirement prior to 5/1/2003: 50% of active life insurance benefit (\$16,000) at retirement. This amount decreases 10% per year to 25% of active life insurance benefit. Retirement after 5/1/2003: \$10,000. Retirement after 12/31/2008: \$20,000.
Non-Union	Retirement prior to 7/1/2001: The active life benefit reduced 10% on retirement date and 10% on the pre-retirement amount on each birthday until it equals 50% of the pre-retirement benefit. Retirement after 7/1/2001: \$10,000. Retirement after 12/31/2008: \$20,000.

Changes in Benefits Valued

No changes in benefits valued since the prior valuation.

Benefits Not Valued

Postretirement welfare cost None.

Contributions Benefits for key employees and life insurance benefits in excess of DEFRA limits (generally \$50,000) were not valued.

American Water

Allocation Percentages for 2026 Pension Expense (Before Purchase Accounting)

Based on census data collected as of January 1, 2026

		Company	Code	2025 Valuation Earnings	2026 Allocation Percentage ¹	Plan Expense Allocation	2026 PBO Service Cost ²
Kentucky - AM		1012		1,092,398	1.02%	167,139	149,572
Total				\$107,522,983	100%	\$16,386,178	\$14,118,47

¹ The allocation percentage for each company is equal to the ratio of valuation earnings for that company to total valuation earnings for the entire American Water system. For allocation purposes, the annual compensation limit under IRC Section 401(a)(17) is ignored.

² Allocations of Target Normal Cost and PBO Service Cost represent the sum of the individual amounts for each participant in that company. The 2026 Service Cost is based on the assumptions selected for accounting under US GAAP including a discount rate of 5.60%.

³ Target Normal Cost was calculated based on the PPA prescribed segment rates reflecting the funding relief of ARPA and mortality tables for the January 1, 2026 valuation. Target Normal Cost includes a load of \$2.828 million for administrative expenses and expected 2026 PBGC premiums.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

35. Refer to Prendergast Direct Testimony, pages 15-16, Power and Chemical Expenses. Explain how Kentucky-American projected these costs for the three acquisitions.

Response:

Acquisition costs for Fuel & Power and Chemical expenses were projected by Kentucky-American Water Company acquisition and operations teams. Year-one production cost expenses, including Power and Chemical expenses, were based on a combination of the acquired company's historical financials and budgets, as well as discussions with the target company operating personnel during on-site visits. Projected costs for beyond year one take the year-one costs and escalate them using applicable inflation rates from the Kentucky-American Water business plan.

Please see KAW_R_PSCDR2_NUM035_062626_Attachment for a breakdown of the acquisition adjustments by line item and acquisition as well as calculations.

Upon further review of the acquisition adjustments, the Company inadvertently excluded \$40,000 from Chemical expense for the Livingston acquisition. The Company will update the Chemical expense for this adjustment in its base period update.

Kentucky American Water Company
Case No. 26-000094

KAW_R_PSCDR2_NUM035_Attachment

Acquisition Adjustments	Black Mountain ¹			Clinton & Middlesboro ¹			Livingston ¹	
	Year 1: 2026	Escalation Factor	Forecasted Test Year Amount	Year 1: 2026	Escalation Factor	Forecasted Test Year Amount	Forecast Test Year Amount	Total Adjustment
Purchased Water	\$1,159,200	3.00%	\$1,193,976	130,013	3.00%	\$133,908	\$40,000	\$1,367,884
Fuel & Power	147,000	2.00%	149,940	110,815	2.00%	113,031	40,000	302,971
Chemicals				151,784	4.10%	158,007	40,000	198,007
Waste Disposal				40,000	2.55%	41,020		41,020
Salaries and Wages ²			815,424			858,375		1,673,799
Group Insurance ²			176,251			182,059		358,310
Other Benefits ²			70,034			71,048		141,082
Payroll Taxes ²			63,661			66,993		130,654
Contract Services	80,000	2.41%	81,928	350,000	2.55%	358,925		440,853
Office Supplies & Services	21,865	2.41%	22,392	115,000	2.55%	117,933		140,325
Miscellaneous Expense	19,276	2.41%	19,741	63,000	2.55%	64,607		84,348
Rents				21,214	2.55%	21,755		21,755
Transportation	45,600		45,600	45,600		45,600		91,200
Other Customer Accounting ³	82,721		82,721	49,589		49,589		132,310
Maintenance Supplies & Services	165,200	2.41%	169,181	100,000	2.55%	102,550		271,731

Notes:

Note 1: Year 1 Financials are based on a combination of the acquired company's historical financials and budgets, as well as discussions with the target company operating personnel during on-site visits. Projected costs for years beyond the year-one cost are escalated using applicable escalation rates.

Note 2: Labor expenses were calculated through the labor model found in "KAWC 2026 Rate Case - Labor and Labor Related Exhibit"

Note 3: Other customer accounting was calculated based on monthly per customer billing of \$1.53 and projected bad debt expense based on revenues

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

36. Refer to Prendergast Direct Testimony, pages 19-21. Kentucky-American changed the allocation basis for General Liability, Excess Liability, and Pollution insurance from payroll-cost-based to customer-count-based beginning with 2026 premium renewals. Provide the dollar impact of this allocation change on Kentucky-American's insurance expense in the test year and explain if this change increases or decreases Kentucky-American's share relative to other American Water affiliates.

Response:

Dollar impact of allocation change in the test year:

General Liability: +\$243,461

Excess Liability: +\$245,036

Pollution: +\$39,751

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

37. Refer to Prendergast Direct Testimony, pages 26-27, Transportation Expense. Explain the variables considered and the methodology used to arrive at the 2 percent increase to Transportation Expense.

Response:

The Company consults with its fleet team to determine the projected increase. This projected 2% annual increase to Transportation Expense is attributable to inflation and changes in the market. This projected increase is consistent with how the Company is budgeting its Transportation Expense.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: John Watkins

38. Refer to the Direct Testimony of John Watkins, page 26-27.
- a. Explain if the currently authorized composite rates are still representative of the actual remaining service lives of the expanded asset base.
 - b. Provide when Kentucky-American anticipates filing its next depreciation study.

Response:

- a. The currently authorized depreciation rates, which resulted in a composite depreciation rate of 3.29% and approved by order of the Commission in case No. 2023-00191, are still representative of the actual remaining service lives of the expanded asset base.
- b. Kentucky-American plans for a Depreciation Study on a 5-year cycle. KAWC filed its most recent Depreciation Study in 2023 and intends to file the next Depreciation Study in a rate case filed in 2028 or later.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Linda Schlessman

39. Refer to the Direct Testimony of Linda Schlessman (Schlessman Direct Testimony), pages 3-5. Provide a comparison showing the difference between Kentucky-American's forecasted property tax expense utilizing the new methodology in this case as opposed to prior methodologies utilized in prior rate cases.

Response:

In the prior rate case, property tax expense was based on a four-year average of finalized assessment rates, escalated by 3 percent. Please see "KAW_R_PSCDR2_NUM39_062626_Attachment" for a comparison to the new methodology. This approach relied on historical settlement assessments and did not align with expense recognition due to the lag between when property taxes are recorded and when final assessments are received.

In this case, the Company uses the most recent assessment 2025 to develop a tax rate-to-assessment ratio, applies a 3 percent escalation, and multiplies this by forecasted UPIS. This change better aligns recovery with the amounts accrued on the income statement.

Additionally, due to legislative changes, water pipeline assets are no longer included in the property tax base, further differentiating the current forecast from prior methodology.

The primary drivers of the difference are the removal of pipeline assets, the shift away from averaged finalized assessments, and the use of a more current and representative tax rate basis.

[illegible]

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Linda Schlessman

40. Refer to Schlessman Direct Testimony, pages 3-5. Explain the 3 percent factor applied to the property tax rate-to-assessment ratio and how it is calculated.

Response:

The 3 percent factor is an internal inflationary escalation metric applied to the effective property tax rate-to-assessment ratio to reflect expected increases in property tax rates. The 3 percent represents a reasonable estimate of inflation between the most recent assessment and the rate year. Accordingly, the application of this factor is an estimate intended to approximate anticipated changes in property tax levels.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Jeffrey Newcomb

41. Refer to the Direct Testimony of Jeffrey Newcomb (Newcomb Direct Testimony), pages 3-6.
- a. Explain what specific features of the proposed System Improvement Program (SIP) rider mechanism are different from the Qualified Infrastructure Program (QIP) that was terminated and how those features will prevent the same 'inconsistent use' and 'excess frequency of rate cases' that led to the QIP's termination in Case No. 2025-00122.⁸
 - b. Provide a table comparing and contrasting the QIP and SIP rider mechanisms.

Response:

- a. The proposed SIP rider includes two features intended to address the inconsistent use that contributed to termination of the QIP in Case No. 2025-00122: (1) continuous operation of the rider and (2) no reset to zero upon approval of new base rates. As discussed in my Direct Testimony, Kentucky-American proposes that the SIP continue between general rate cases and that the costs of capital, depreciation, and taxes associated with qualified infrastructure investments remain outside base rates unless and until Kentucky-American proposes, or the Commission directs, their inclusion in base rates in a future water general rate case. To support that treatment, Kentucky-American would file SIP exhibits and workpapers in future water general rate cases, as it has done in this proceeding through Exhibit JN-1, identifying the portion of the Company's total revenue requirement proposed for recovery through the SIP rather than base rates. By contrast, the QIP was structured to roll QIP investments into base rates upon approval of new rates in a subsequent water general rate case, reset the rider to zero, and resume rider recovery only after the conclusion of the test period in the most recent general rate case. That structure resulted in no QIP rate, except for any balancing adjustment, during the first year of new base rates and caused QIP-eligible investments made during the general rate case test period to be included in base rates rather than recovered through the QIP surcharge.

The proposed SIP also includes two features intended to address the rate-case frequency concern identified in connection with the QIP: (1) the GRC Balancing Adjustment, and (2) a broader set of SIP-eligible infrastructure replacement investments. As discussed in my Direct Testimony, the GRC Balancing Adjustment, applicable to SIP investments through December 31, 2027, addresses the SIP-eligible portion of the difference between terminal rate base and 13-month average rate base for the future test year ending December 31, 2027. This feature is an important

⁸ Case No. 2025-00122, Dec. 16, 2025 final Order.

component of the Company's ability to potentially extend the period between rate cases to a filing in 2029, with rates effective in January 2030. In addition, Kentucky-American proposes a broader set of SIP-eligible infrastructure replacement investments to reduce the amount of infrastructure renewal investment not reflected in rates. Together, these features are intended to slow the growth of infrastructure renewal investment outside of rates and thereby support a longer interval between general rate case filings. The QIP did not include either feature.

b. The following table compares the QIP and proposed SIP rider mechanisms:

Feature	QIP Rider Mechanism	Proposed SIP Rider Mechanism
Purpose	Provided rider recovery for qualified infrastructure investments between general rate cases.	Provides rider recovery for eligible system improvement and infrastructure replacement investments between general rate cases.
Use of mechanism	Was not structured for continuous use because eligible investments rolled into base rates upon approval of new rates in a subsequent general rate case.	Is proposed for continuous use, with qualified investments remaining outside base rates unless and until Kentucky-American proposes, or the Commission directs, inclusion in base rates.
Reset to zero	Reset to zero when QIP investments were rolled into base rates, except for any Balancing Adjustment.	Would not reset to zero upon approval of new base rates; SIP recovery would continue unless and until amounts are included in base rates.
Treatment during a general rate case test period	QIP-eligible investments made during the test period were included in base rates rather than recovered through the QIP surcharge.	Kentucky-American would file SIP exhibits and workpapers identifying the portion of the total revenue requirement proposed for SIP recovery rather than base rate recovery.
Consistency of use	The roll-in and reset structure contributed to inconsistent rider use across rate-case cycles.	Continuous operation and no reset to zero are intended to support consistent rider use across rate case cycles.
Eligible investment scope	Applied to a narrower set of qualifying infrastructure investments.	Applies to a broader set of eligible infrastructure replacement investments intended to reduce infrastructure renewal investment not reflected in rates.
GRC Balancing Adjustment	Did not include the proposed GRC Balancing Adjustment.	Includes the GRC Balancing Adjustment, applicable to SIP investments through December 31, 2027, to address the SIP-eligible portion of the difference between terminal rate base and 13-month average rate base for the future test year.

Rate-case frequency	Did not include the features Kentucky-American identifies as supporting a longer interval between general rate cases.	The GRC Balancing Adjustment and broader eligible investment scope are intended to slow the growth of infrastructure renewal investment outside of rates and support a longer interval between general rate cases.
Relationship to base rates	QIP investments were designed to be included in base rates upon approval of new rates in a subsequent general rate case.	SIP investments would remain recovered through the rider unless and until Kentucky-American proposes, or the Commission directs, inclusion in base rates.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Jeffrey Newcomb

42. Refer to the Newcomb Direct Testimony, page 10. Provide the workpapers for Figure JN-1 in Excel spreadsheet format with all columns, rows, and formulas unprotected and fully accessible.

Response:

Please see "KAW_R_PSCDR2_NUM042_062626_Attachment" for Exhibit JN-1 and Figure JN-1, including supporting workpapers, in Excel spreadsheet format with all columns, rows, and formulas unprotected and fully accessible.

**KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Jeffrey Newcomb

43. Refer to the Newcomb Direct Testimony, pages 14-18. Explain what process exists to prevent Kentucky-American from adding new asset categories to the SIP over time.

Response:

The asset categories eligible for recovery in the SIP are provided in Kentucky-American's proposed tariff (Filing Exhibit 2 to the Application). The Commission will have the ability to approve those asset categories as proposed or with modification in this proceeding. The Company would need to update the tariff approved by the Commission in this proceeding to add new asset categories and cannot do so without Commission approval. This prevents Kentucky-American from adding new asset categories to the SIP over time without Commission approval. The Commission and other interested parties will also have the opportunity to review the SIP Annual Filings and Balancing Adjustments to ensure the Company is complying with the Commission-approved tariff.

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Witness: Jeffrey Newcomb

44. Refer to the Newcomb Direct Testimony, pages 14-18. Explain whether Kentucky-American is willing to commit to a stay-out period if the Commission approves the SIP.

Response:

Kentucky-American is not proposing or agreeing to a stay-out period in this proceeding because the Company must retain the flexibility to seek rate relief when warranted. The timing of any future GRC will depend on the Company's capital investment needs, financial and operational conditions, and any significant changes or intervening circumstances described below. As discussed in my Direct Testimony (pp. 8-9), Kentucky-American expects that approval of the Company's proposed SIP rider mechanism would reduce the need for frequent GRC filings, with the potential next GRC filed as late as 2029 (absent the below described circumstances).

Additionally, the timing of any future GRC filing depends on several factors that are unknown at the present, including the outcome of this proceeding, and the treatment of significant changes or other intervening circumstances. Other intervening circumstances may include, but are not limited to, material acquisitions, significant capital investments deemed ineligible for recovery through the SIP rider mechanism, significant changes to billing determinants, or significant changes to operating expenses where no tracker or rider mechanism(s) exist.

Timing of the Company's next GRC would also depend on the percentage of the Company's total capital plan eligible for recovery in the SIP rider mechanism, and associated depreciation. Without approval of the SIP as proposed by the Company, the only way that the Company could replicate the intended purpose and use of the SIP rider mechanism is to file more frequent, if not annual, GRCs that utilize a future test period.

**KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Jeffrey Newcomb

45. Refer to the Newcomb Direct Testimony, Exhibit JN-1. Provide the exhibit in Excel spreadsheet format with all columns, rows, and formulas unprotected and fully accessible.

Response:

Please see the Company's response to PSC 2-42.

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Witness: Joseph Weiss / Robert Prendergast

46. Refer to the Direct Testimony of Joseph Weiss (Weiss Direct Testimony), Exhibit JSW-2, Table 3. Explain how these costs are allocated to Kentucky-American and provide the calculations in Excel spreadsheet format Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response:

Kentucky American's Service Company charges include both direct and allocated costs. The allocation percentage is primarily driven by Customer Count. This percentage changes slightly year over year.

Please see the attached file KAW_R_PSCDR2_NUM046_062626_Attachment for how the 2025 customer count allocation is calculated. Portions not relevant to Kentucky American's allocation percentage have been redacted.

**KENTUCKY-AMERICAN WATER COMPANY
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Witness: Ann Bulkley

47. Refer to the Direct Testimony of Ann E. Bulkley (Bulkley Direct Testimony), page 12. Provide the ten-year Treasury bond yield, by month, for the calendar year 2025 and all available months in 2026.

Response:

Please see KAW_R_PSCDR2_NUM047_062626_Attachment_1.

Kentucky-American Water
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10y US T-Note
Yield (%)

1/31/2025	4.58%
2/28/2025	4.24%
3/31/2025	4.23%
4/30/2025	4.17%
5/30/2025	4.41%
6/30/2025	4.24%
7/31/2025	4.37%
8/29/2025	4.23%
9/30/2025	4.16%
10/31/2025	4.11%
11/28/2025	4.02%
12/31/2025	4.18%
1/30/2026	4.26%
2/27/2026	3.97%
3/31/2026	4.30%
4/30/2026	4.40%
5/29/2026	4.45%

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Witness: Ann Bulkley

48. Refer to the Bulkley Direct Testimony, Section IV, Capital Market Conditions.
- a. Refer to pages 12-13 which state that the Federal Reserve is well positioned to rely on incoming economic data to determine the extent and timing of any additional changes in the federal funds rate. If applicable, provide an update to this discussion based on the April 2026 Federal Open Market Committee (FOMC) meeting.
 - b. Provide updates to this discussion as new information regarding changes in capital market conditions becomes available throughout the course of this proceeding.

Response:

- a. At the April 2026 Federal Open Market Committee (“FOMC”) meeting, then Chair Powell noted that inflation has “moved up and is elevated” due in part to increases in global energy prices and that “[w]hile job gains have remained low, the unemployment rate has been little changed in recent months.”¹ As a result, the FOMC decided to maintain the federal funds rate range of 3.50 percent to 3.75 percent.² Further, Chair Powell acknowledged that the events in the Middle East have resulted in higher energy prices which will increase inflation; however, the “scope and duration of potential effects on the economy remain unclear”.³ Regarding the possible path of monetary policy, Chair Powell indicated that the Federal Reserve is well positioned to rely on incoming economic data to determine the extent and timing of any additional changes in the federal funds rates.⁴
- b. The Company will provide updates to the discussion of the policy of the Federal Reserve as policy changes are made in response to changes in market conditions throughout the course of the proceeding.

¹ Federal Reserve, “Transcript of Jerome Powell’s Press Conference,” April 29, 2026. Chair Powell’s term ended as of May 22, 2026 and was superseded by Chair Warsh. (Please see KAW_R_PSCDR2_NUM048_062626_Attachment_1)

² *Id.*

³ *Id.*

⁴ *Id.*

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Chair Powell's Press Conference

**Transcript of Chair Powell's Press Conference
April 29, 2026**

CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on achieving our dual-mandate goals of maximum employment and stable prices for the benefit of the American people. The U.S. economy has been expanding at a solid pace. While job gains have remained low, the unemployment rate has been little changed in recent months. Inflation has moved up and is elevated, in part reflecting the recent increase in global energy prices.

Today, the FOMC decided to leave our policy rate unchanged. We see the current stance of monetary policy as appropriate to promote progress toward our maximum-employment and 2 percent inflation goals. Developments in the Middle East are contributing to a high level of uncertainty about the economic outlook, and we will remain attentive to risks to both sides of our dual mandate. I'll have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that economic activity has been expanding at a solid pace. Consumer spending has been resilient, and business fixed investment has continued to expand at a brisk pace. In contrast, activity in the housing sector has remained weak.

In the labor market, the unemployment rate was 4.3 percent in March and has changed little in recent months. Job gains have remained low. A good part of the slowing in the pace of the job growth over the past year reflects a decline in the growth of the labor force due to lower immigration and labor force participation, though labor demand has clearly softened as well. Other indicators, including job openings, layoffs, hiring, and nominal wage growth, generally show little change in recent months.

Inflation has moved up recently and is elevated relative to our 2 percent longer-run goal. Estimates based on the consumer price index and other data indicate that total PCE prices

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rose 3.5 percent over the 12 months ending in March, boosted by the significant rise in global oil prices that has resulted from the conflict in the Middle East. Excluding the volatile food and energy categories, core PCE prices rose 3.2 percent over the 12 months ending in March. This relatively high rate largely reflects the effects of tariffs on prices in the goods sector. Near-term measures of inflation expectations have risen this year, likely because of the substantial rise in oil prices. Most measures of longer-term expectations remain consistent with our 2 percent inflation goal.

Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. At today's meeting, the Committee decided to maintain the target range for the federal funds rate at 3½ to 3¾ percent. The economic outlook remains highly uncertain, and the conflict in the Middle East has added to this uncertainty. In the near term, higher energy prices will push up overall inflation. Beyond that, the scope and duration of potential effects on the economy remain unclear, as does the future course of the conflict itself. We will continue to monitor the risks to both sides of our dual mandate. We are well positioned to determine the extent and timing of additional adjustments to our policy rate based on the incoming data, the evolving outlook, and the balance of risks. Monetary policy is not on a preset course, and we will make our decisions on a meeting-by-meeting basis.

This is my last press conference as Chair, and I will close with a few thoughts. First, I want to congratulate Kevin Warsh on his advancement out of the Senate Banking Committee this morning. This is an important step forward, and I wish him well as that process continues.

The Federal Reserve exists for one fundamental purpose: to foster the economic conditions in which American families and businesses can thrive—stable prices, a strong job

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market, and a financial system they can depend on. Every decision we make—whether about interest rates, or regulatory and supervisory matters, or other issues—is made in service of that purpose.

Our decisions reflect the collective judgment of the Board of Governors and the Federal Open Market Committee—colleagues who demonstrate analytical rigor, principled judgment, and a genuine commitment to the public interest. Our collaborative and deliberative process has long reflected a shared commitment to finding common ground in service to our mission.

This institution is resilient, capable, and staffed by professionals of extraordinary talent and exceptional dedication. It has been a privilege to serve alongside so many great public servants at the Board of Governors and around the Federal Reserve System.

The Fed's work is only as effective as the public's understanding of it, and you, the press, are essential to keeping the public informed about what we do and why. The people we serve benefit from your careful reporting.

I welcomed the announcement last Friday by the U.S. Attorney for the District of Columbia that she had closed the criminal investigation. She also noted, however, that she would not hesitate to restart the investigation. Over the weekend, the Department of Justice provided assurances that they will not reopen the investigation unless there is a criminal referral from the Fed's Inspector General. And, absent such a referral, if they do appeal the recent court decision, they would not seek as part of that appeal to restart the investigation or send new subpoenas.

I have said that I will not leave the Board until this investigation is well and truly over, with transparency and finality, and I stand by that. I'm encouraged by recent developments, and I'm watching the remaining steps in this process carefully. My decisions on these matters will

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continue to be guided entirely by what I believe is in the best interest of the institution and the people we serve.

After my term as Chair ends on May 15, I will continue to serve as a Governor for a period of time to be determined. I plan to keep a low profile as a Governor. There is only ever one Chair of the Federal Reserve Board. When Kevin Warsh is confirmed and sworn in, he will be that Chair. Once sworn in as Board Chair, his new colleagues will elect him to chair the FOMC as well.

As I regularly point out from this podium, our success in delivering on our goals matters for all Americans. I am confident that the Fed will continue to do its work with objectivity, integrity, and a deep commitment to serve the American people. Thank you, and I look forward to your questions.

STEVE LIESMAN. Thank you, Mr. Chair. I appreciate the kind words about the press—often doesn't come from the podium in different places, but appreciate that. Can you talk about what has gone into your decision to remain on the Board? What kind of criteria are you weighing, and how long might you stay? Thank you.

CHAIR POWELL. Sure. So, you know, my concern is really about the series of legal attacks on the Fed which threaten our ability to conduct monetary policy without considering political factors. And I want to note here this has nothing whatever to do with verbal criticism by elected officials. I've never suggested that such verbal criticism is a problem, and neither has anyone else here. But these legal actions by the Administration are unprecedented in our 113-year history, and there are ongoing threats of additional such actions. I worry that these attacks are battering the institution and putting at risk the thing that really matters to the public—which is the ability to conduct monetary policy without taking into consideration political factors.

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It is so important for our economy, for the people that we serve, that they can depend over time on a central bank that operates that way, free of political influence. It's part of the absolute foundation of this amazing economy that we have. It's just one of the many reasons why the U.S. economy is the envy of the world. That piece of institutional architecture separates successful countries from unsuccessful countries. It is extremely important—not for the people who work at the Fed at any given time, but for the people that we serve—that the Fed remain able to conduct monetary policy in a way that doesn't get pulled into politics, trying to help or hurt any particular politician or political party. It's critical for the people that we serve.

In terms of when I would leave, I will leave when I think it's appropriate to do so. Was that all your questions?

STEVE LIESMAN. Well, I just have a follow-up, which is, what would you say to the criticism that by remaining on the Board, you're actually taking a political act and denying President Trump the majority of the Board, which, as President, he would have if you left?

CHAIR POWELL. I don't see that at all. As I mentioned, you know, I'm literally staying because of the actions that have been taken. I had long planned to be retiring. And, you know, the things that have happened, really, in the last three months have, I think, left me no choice but to stay until I see them through at least that long. You know, in addition, I don't see how this will interfere. My intention is not to interfere. You know, I was a Governor for almost six years, and the tradition is, at the Fed, that Governors who understand how difficult the role of Chair is—and as a soon-to-be former Chair, I do understand how hard it is to get consensus with 19 strong-minded people—you work with the Chair, you try to be heard, but also collaborate with the Chair and try to support the Chair when you can. When you can't, you can't. And I think that's the attitude that people generally take. And that's the attitude that I'll take.

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MICHELLE SMITH. Nick.

NICK TIMIRAOS. Chair Powell, if I could ask about the inflation outlook. In March, you described the standard practice of “looking through” energy shocks as conditional on inflation expectations staying anchored. Since that meeting, there has been very little progress reopening key energy trade corridors. Can you help us understand how the inflation outlook has changed in the intermeeting period, beginning with the prospects for tariff pass-through resolving on the timeline that you had outlined in March, before getting to the energy shock that is now on top?

CHAIR POWELL. So, you know, I would look at it this way. For a long time, we've been working on the hypothesis, really, that tariff, tariffs would lead to a one-time price increase and that that would go away over time—in other words, that there would be no further change, so measured inflation wouldn't reflect that higher level, going up more and more. And it's time for that to happen. You know, we really do expect that to be happening in the next two quarters. So we'll be watching very carefully to see that what we've thought all along would happen. That's the kind of critical part of the forecast. We need to really see that.

With, with energy, it's so hard to say. I mentioned, you know, in, you know, sort of the textbook [analysis], you would “look through” an oil shock because they tend to be short lived and they tend to revert. And monetary policy works with long and variable lags, so, you know, you wouldn't necessarily react right away. I think that is all the more true, given that we're several years above 2 percent inflation, and that we're already “looking through” the tariff shock. So I think we're going to be very cautious about that. It's—but the, you know, the question about looking through energy really is not in front of us right now. It hasn't even peaked yet.

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And I think we'd want to see the back side of that and progress on tariffs before we even thought about, about reducing rates.

NICK TIMIRAOS. So if I could follow up: The statement today preserves language that has taken on some meaning, as it was socialized when the Committee was actively lowering rates. Why is that easing bias still ripe, given how different the inflation outlook is now versus a meeting or two ago? And what more would have to happen for it to get evicted?

CHAIR POWELL. So that was—as you will recall, we had a discussion about that at the last meeting, and we talked about it in the press conference after the March meeting. We had the same today. We had quite a vigorous discussion about that very issue and the guidance and “is it still appropriate” and that kind of thing. And I would say that the, you know, number of people on the Committee who either could support that language change changing to a more neutral stance so that the hike is as likely as a cut—that number has increased over the intermeeting period. And it's easy to see why. I mean, it's, it's a good question, right? You see inflation has moved up over the interim a bit—core inflation's 3.2 [percent] now—moving albeit just a little bit in the wrong direction. And we know that there will be, you know, that there's headline inflation coming out of the Gulf and we don't know how much that will be, we just—we're going to need to see. So it makes all the sense in the world that people would look at that and we'd have a vigorous discussion about that. You saw that three people dissented over the language. I think all of those people agreed with the rate decision.

So the majority of the Committee did not want to do that. And, and I was—I didn't think we needed to do it at this meeting. It really was just a question of what's—why do we need to do that now? You know, we have so much to learn, there's so much uncertainty about the path ahead, there doesn't need to be any rush to make that decision now because, you know, what

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happens in the next 30, 60 days, even by the next meeting, could really change the picture around that—around that language. So, you know, it was a—it's a close—it's a much closer thing on the Committee than it was in March. And, you know, that makes all the sense in the world, it seems to me.

MICHELLE SMITH. Claire.

CLAIRE JONES. Claire Jones, *Financial Times*. Just going back to this issue of the easing bias: We've now got oil approaching \$120 a barrel when it comes to the benchmark Brent crude. If it stays around those levels six weeks from now, what would be your guess—best guess as to whether the easing bias will still be in the statement? Thank you.

CHAIR POWELL. I wouldn't want to guess. You know—well, first of all, we're going to have new leadership, in all likelihood, by then. And new leadership is going to have a very important role to play in that, so I won't be standing here at this podium to answer your questions. I don't know. As I mentioned, that's all I can really say is that we had a great discussion about that today. It's a—you know, it's got—it's gotten to be a better question in the interim period. We had the discussion. A majority are still on the page of not feeling the need to move to that level. And I—that's where I am. I get it, though. You know, at a certain point, you would move. And that, that conceivably could come as soon as the next meeting.

CLAIRE JONES. Thank you. Just a follow-up. The new leadership also seem rather lukewarm on press conferences and on the dot plots. What would your advice to him be on these communication tools?

CHAIR POWELL. So I'm not going to give him any advice through you today here. But I've—you know, I think communications generally is—I think every incoming Chair takes a look at communications, and it's a very healthy thing. I mean, communications is—it's very

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complex, and, you know, you can always be looking at new things. And if that happens—it feels like it's going to happen—that's a completely appropriate thing.

MICHELLE SMITH. Neil.

NEIL IRWIN. Hi, Chair, Chair Powell. Neil Irwin with Axios. Can you tell us if you've been in touch with incoming Chairman Warsh? To what extent is this a normal transition process versus all the things swirling around something unusual, and what can we expect when he takes, takes that podium in a few weeks?

CHAIR POWELL. I haven't seen him since seeing him at a dinner in January, where I congratulated him and had a nice chat with him. Haven't seen him. I don't know what a normal process is. You know, the last process was with Janet Yellen, with whom I had worked for six years. And so it was—you know, we were sitting down the hall from each other, so it was a very different thing. I think this is and will be a very normal, standard kind of a—kind of a transition process. So that's what I expect. I have every reason to think it will be.

NEIL IRWIN. Quick follow-up. Is the Supreme Court ruling on Governor Cook a factor in when you may leave as a Governor?

CHAIR POWELL. I wasn't thinking of it as such. But, no, not really. I mean, I'm thinking more of the other things I mentioned.

MICHELLE SMITH. Chris.

CHRIS RUGABER. Hi. Thanks for taking our question. I wanted to ask a question about your tenure—and Chris Rugaber at Associated Press. During your tenure as Chair, you often spoke about how disadvantaged Americans benefited from extended periods of low unemployment. And the new framework the Fed adopted in 2020, some economists say, elevated the Fed's employment mandate. Are you worried that the pandemic inflation spike that

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followed will make future Fed Chairs more reluctant to pursue a “hot” jobs market? And should they be?

CHAIR POWELL. I don't know the answer to that. I mean, what we—so what we experienced in, in the teens—the mid-teens was really low levels of unemployment for a long period of time and no reaction from inflation. Now, we all took—very much took notice of that. We also noticed that the biggest wage gains were going to people at the bottom end of the income spectrum. And we had many, many reports of—I mean, it felt like a fairly stable equilibrium. And a lot of benefits were flowing to people at the bottom end of the income spectrum, including companies were, you know, setting up in, in, you know—people who were confined and, like, training them before they got out. And it was a—it was a very healthy sort of set of societal dynamics.

So, of course, I think anybody would love to get back to that. I don't think that anything that happened to create the global pandemic inflation was in any way related to overweighting the employment market. I mean, it was a global shock that happened essentially very, very similarly all over the world [and] that had to do with closing and reopening, stimulus, and all that. And, I mean, you could look at a graph of 10 big economies on the page and not know which was the U.S. and which was Germany, France, and things like that. So I don't think that that insight was in any way responsible for the high inflation that we experienced.

So, I mean, I think it's always been a balance. You've got to—you've got to be strong on both of our dual mandates. And we just—for example, now we don't feel that the labor market is at all a source of inflation, so we don't need to be worrying about that. It's been a long time since we have had to worry about that. Well, actually, during the pandemic recovery, the labor market was super overheated and tight, and that's when we had to worry about it. But not now.

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CHRIS RUGABER. Just on the other issue, are you—would you need—do you need more assurance from the Justice Department before stepping down? Is that what you're waiting for, or what else is going to affect—

CHAIR POWELL. I'm waiting, you know, for the investigation to be well and truly over with finality and transparency. I'm waiting for that. And I will leave when I think it's appropriate to do so.

MICHELLE SMITH. Michael McKee.

MICHAEL MCKEE. Michael McKee from Bloomberg Television and Radio. I'd like to ask you, if you could, explain a little more or characterize a little more the discussion about the two-sided view and interest rates, because there were some members of the Open Market Committee who've been suggesting that we may need to raise interest rates even absent the war because inflation was not coming down fast enough. Is there any sense that interest rates might have to go up, or was this just a set-up to sort of warn people that you're worried about the war impacts?

CHAIR POWELL. So nobody—the three dissenters and others who could have supported that and others who were, you know, who were voters and prefer—nonvoters who preferred it, they all supported the rate decision, right? So people are not saying we need to hike now. It's more a question of, you know, don't we kind of feel that we should be neutral? And markets are—markets—what are markets doing? People argue that this is consistent with markets are doing. And, again, it's a very fair question. But, you know, these changes, there is—you know, it's a form of forward guidance. And you want to make—you don't want to make them—you want to make them in a way that will be sustained and continue to make sense and not something you need to take back, you know, fairly quickly. So I think we just—a group

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of us, including me, didn't feel like we needed to be in a hurry on that, that markets are not confused about our reaction function. We don't have a problem to solve on that. But the other side of the argument is a good argument, too, as I mentioned. It's a perfectly good argument to be having, good discussion to be having, so. And it came out the way it came out.

MICHAEL MCKEE. Well, you've got three dissents in favor of a two-sided warning. You've got yourself staying on the Board. You've got the criticism that does come from elected officials. And you've got a lot of critics who have faulted the Fed for being too slow—2021—with inflation. Are you worried about Fed credibility under all of this? Is that one reason that you want to stay on?

CHAIR POWELL. Not driving my thinking now. I mean, monetary policy is going to get made by, you know, 19 people. There's a lot of stability there. I mean, if you think about it, any—every new Fed Chair has the same situation, which is you've got 18 colleagues on the FOMC, 11 of them vote during any year, and you have to—your job is to create consensus. It's to talk to them, understand them, you know, be inside their thinking, and be able to pull them together and get consensus and move. And that's what every Fed Chair has to do. And I think Kevin Warsh is actually quite well—he has the capabilities, skills to be very good at that, I would think. So I think—I'm not so worried about that process. You know, I think that'll work itself out.

MICHELLE SMITH. Howard.

HOWARD SCHNEIDER. Thank you, Chair Powell. Howard Schneider with Reuters. You mentioned that, staying on as a Governor, you intend to keep a low profile. I'm just wondering if you could give us a little more detail on what that looks like and how you can—
[Laughter] Touché. What that—yeah, walk down the steps—what that looks like. And,

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particularly around the policy discussion, how you're able to have your intervention and not be a "shadow Chair" and not have kind of an outsized influence over the process.

CHAIR POWELL. Yeah. You know, that's just something I would never do—you know, the "shadow Chair" thing. No. You know, I—it's—I don't know what the exact specifics of it will be, but I'm going back to being a Governor. I respect the role of Chair. You know, I was a Chair—I was a Governor for six years, and I know what that's like. I know what—and I had a, you know, pretty front row seat, particularly with Chair Yellen, to whom I was close. I, I worked with Chairman Bernanke for two years, but, you know, I was brand new at that time. So I got a sense of what it was. And I had real sympathy for how hard it is to get that group to consensus. And I always felt like I—you know, I don't want to add to that unnecessarily. And that means try to support the Chairs where the Chair—the direction the Chair wants to go, if you can. If you can't, you can't. But—and I think that's the way it's always worked there because the Chair only has one vote plus the ability to develop consensus. And if people won't be, you know, they won't—if they're not flexible at all, then how do you ever do that? And so that's why the Chair has the authority, the Chair has, really, is to develop relationships with people and work with them, and then—and then put something forward that has consensus. And I, you know, I propose to be a very constructive participant in that process, really out of respect for the office of the Chair.

HOWARD SCHNEIDER. And in your view as a soon-to-be Governor, how do you see the risks of oil prices bleeding into core inflation in coming weeks? Because that was—it seems like the commentary that was coming from particularly some of the Reserve Bank presidents, there were elevated concerns about the bleed into core, and, you know, here we are with three dissents now. What do you see as the prospect of a core inflation problem?

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CHAIR POWELL. You know, those prospects are real. Remember, though, our—they're real. And the real thing is we're going to have to wait and see. We're going to need to see. And the good news is we think our policy stance is just—is in a very good place for us to wait and see. We, you know, we're right kind of at the high end of neutral or perhaps mildly restrictive. The labor market shows more and more signs of stability, whereas inflation is kind of misbehaving. And so maybe a little bit of restriction or the high end of neutral is just the right place to be. So we can wait here and see—and see how things work out before we act. And we'll see how much that—you know, how much does come through into core. You see it already in airfares, of course. But you may see it in many other places. You know, we just don't know yet. And it's so unknowable, because how long will the Strait be closed? You can develop any number of scenarios that you want, but we really won't know till we know. So, fortunately, we're in a good place to wait and let things develop.

HOWARD SCHNEIDER. Thank you.

MICHELLE SMITH. Andrew.

ANDREW ACKERMAN. Thanks, Mr. Chairman. You started holding postmeeting press conferences for every meeting as opposed to the ones with just—with SEPs. Can you talk about why you see that as a net positive?

CHAIR POWELL. So we, we always said—when we were doing quarterly press conferences, we always said “we can move at any meeting”—but we only ever moved at the quarterly SEP meetings where we had the press conference. So if you think about it, you know, we—during the pandemic, we were moving, like, a lot at every meeting and sometimes between meetings. And doing that without a press conference, I think, would have been quite challenging. It's become the industry norm. It's the standard. I don't know whether that has to

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remain that way. I don't know. I mean, I—it's just something people have become used to.

And I do think it's quite helpful to, you know, to—I mean, I try to deliver a message on behalf of the Committee rather than 18 people—18 other people going out and delivering their message.

And it's, you know, it's going to be all over the place because we do, thankfully, have widely disparate views.

ANDREW ACKERMAN. Okay, thanks. The other thing I wanted to ask about was the communications review from last year. Could you describe the debate last year, what changes were considered, what you wanted, and what prevented action—any action on the—on those changes?

CHAIR POWELL. So I'm not going to go into the real small specifics. But what we found very quickly was that making, making changes—making really large changes, for example, to the dot plot or the SEP, it didn't have—we couldn't come up with anything that had really broad support on the Committee. And so we just moved on. We didn't—we didn't really do as much on that as we might have. And, you know, I was never the world's biggest fan of the dot plot, but you can't—you can't beat something with nothing. And, you know, there's a—that we've looked at a bunch of things and, you know, it's something, like I said, I think every new Chair is going to look at our suite of communications and think about what would be changes. We are the only major central bank that doesn't publish a forecast. And that's because we have a 19-person Committee, and, you know, you try to do it—you try to do that at the Board, that's hard—at the Committee, that's hard. It's hard if you do it at the staff. So it's, you know, it's been—it works. I think our communications are fine, but looking at doing it in a different and better way is the most natural thing in the world.

MICHELLE SMITH. Colby.

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COLBY SMITH. Thank you. Colby Smith with the *New York Times*. If I could follow up on Mike's question about hikes, are we right to assume that the hawkish outcome for the Fed is still one in which the Committee just extends the pause in rate cuts? And to what extent is there a growing sense within the Committee that monetary policy really isn't just restrictive at all right now? The economy is holding up relatively well despite this major energy shock, the unemployment rate has ticked lower, inflation was moving sideways even before the war and is now moving higher. So where is the Committee at on that debate?

CHAIR POWELL. You know, where we're at is we think our—really, we think our policy rate is in a good place. If we need to hike, we will certainly signal that, and we will—and we will certainly do it. And if we need to cut, then—or if it's appropriate to cut, then we'll signal the opposite. I think we—because we feel like we're in a good place to move in either direction, nobody's calling for a hike right now. So it really is going to depend on how things—how things evolve. And, you know, that's really where it is. And, as I mentioned, you know, much closer question this cycle on changing the guidance, but, ultimately, we didn't.

COLBY SMITH. And, as it relates to the war, at what point do you think the risk to growth will be larger than the risk to inflation as this conflict drags on?

CHAIR POWELL. You know, you just have to find that out empirically. You know, with—given our—the fact that we're, you know, a big exporter of energy and that our economy is far less energy intensive, oil intensive, than it was during the '70s, you know, the effects on the United States are really substantially less than those of Western Europe or Asia. We're feeling much greater effects from these things—the effects we're feeling in, you know, in the current situation currently and in sort of what's priced in, which is, you know, a relatively quick outcome. If this goes on for much longer and prices go much higher, then we'll feel that much

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more. And, of course, I'm talking about aggregate inflation numbers. We know—we're very well aware that people are experiencing higher gas prices all over the country now. And that hurts. That's—and these are—those hikes may continue to happen. And other things are going to start to reflect—airline fares I've mentioned and other products and services that are dependent upon petroleum and derivatives of petroleum. People are going to start to feel that.

MICHELLE SMITH. Edward.

EDWARD LAWRENCE. Thank you. Thank you, Chair Powell. Edward Lawrence with Fox Business. So I guess I'll just ask you directly on this. The markets don't see a rate cut at all this year—is what they're predicting. Do you think that we are at the neutral rate? Why or why not?

CHAIR POWELL. You know, the neutral rate is a—we cannot know it with, with certainty. I think pretty close to the neutral rate, yeah. I always had it, you know, between 3 and 4 percent. We're a little north of $3\frac{1}{2}$ [percent], so that's well in the range of what I would consider reasonable, but at the higher end of the range of what I would consider reasonable neutral rate. You know, I think you're—the labor market is still probably cooling off just a little bit. And I don't think there's much of a case for—any case, really—for, for policy looking, you know, meaningfully restrictive. Maybe mildly restrictive or neutral, I would say.

EDWARD LAWRENCE. And I want to follow up on some of the other questions about your future a little bit. The first time we've seen four dissents now since October of 1992. Are you handing off a divided Fed?

CHAIR POWELL. You know, the thing to remember is we have always had vigorous debates, and they're excellent debates. I have to say, they're—they've been really good. And we're in an unusually difficult situation. So we've really had four supply shocks. You can—

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actually, you can say more than four, but, at a minimum, we've—we had the pandemic, we had the invasion of Ukraine, we had tariffs, and now we have Iran and the oil, you know, the oil spike. So those—every, every supply shock has the capability of, right, driving inflation up and unemployment up. And what do you do? You know, you're—it's—the central bank has a really hard time knowing what to do. So the right thing to do is to try to balance the achievement of those two goals, and that's what our framework calls for us to do. But these are really tough, difficult judgments. You've got to have a forecast for each variable. You've got to think how long it's going to take to get back to target. You've got to think how restrictive or not is policy. So it's only natural that you have a range of views on the Committee. You know, people are going to see it different ways, they're going to have different risk tolerances and that kind of thing. I mean, if everybody agreed, that would be—that would be surprising. And I think it's only—it's partly a function of the extraordinarily challenging set of supply shocks that we've been dealing with now for five, six years.

MICHELLE SMITH. Selina.

SELINA WANG. Thank you so much, Chair Powell. Selina Wang with ABC News. Are you confident that Kevin Warsh will stand up to political pressure from President Trump?

CHAIR POWELL. So he testified very strongly to that effect in his hearing, and I'll take him at his word.

SELINA WANG. And when it comes to gas, right now it's over \$4 a gallon. Inflation just hit a two-year high. Should Americans expect to be paying higher gas prices for the rest of this year? And, in your view, does that take a rate cut off of the table? And, secondly, by staying on as Fed Governor, what message do you think you're sending to the President?

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CHAIR POWELL. I don't know what gas prices are going to do for the rest of the year. And it will depend on how long the Strait remains closed and how quickly it can be reopened and that kind of thing. But, remember, when gas prices go up, that's disposable income coming out of people's pockets, so they're going to spend less on other things. So there will be a hit to GDP. So it's a, you know, it's a question whether spending, you know, goes down to offset the inflationary effects. So it's not—the answer isn't obvious ex ante whether you—whether you should move your rate over because of that. We'll have to see how it evolves.

SELINA WANG. And the message it sends to President Trump by staying on?

CHAIR POWELL. I'll stand on what I said earlier.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi. Victoria Guida with Politico. During your tenure, Fed independence has come under pressure in a lot of different ways. And I was just wondering, practically speaking, where do you see Fed independence as coming from? Is it the law? Is it political support from Congress? Is it the actions of the Fed? What sustains Fed independence?

CHAIR POWELL. Well, it's, you know, it's—to a significant extent, it is the law. And, you know, we've had to go to court to—successfully, so far—to defend it. But, you know, the law does create a setting in which the Fed can and is directed to make monetary policy without consideration of political factors. And so part of it is the law. But it goes beyond that, though. There's a set of customs. There's a boundary line between the Fed and the Administration, between the Fed and the Treasury Department. And we need to respect those—continue to respect those boundaries about what the Fed is responsible for and what the Treasury is responsible for and what the rest of the Administration's responsible. So some of it is legal. In fact, it's all legal at the end of the day. But there—it's more than just monetary policy. We, you

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know, we don't—we don't want to use our tools to—we haven't wanted to use our tools to achieve goals that are really clearly outside our mandate. Every Administration looks at our tools and thinks that would be good to repurpose those to serve other purposes, but that gets dragged—that's dragging us into politics and into fiscal policy. So we've resisted that.

VICTORIA GUIDA. Well, and maybe another way of asking it, too, is, do you think that Fed independence is as strong now as when you became Chair? And, if so, why?

CHAIR POWELL. Look, I think it's at risk. I mean, I think these, these you know, these legal assaults, if you will—as I mentioned, you know, the institution is being battered over these things. We're having to resort to, you know, the courts to, to enforce our legal, you know, it's not so much independence, it's really the ability to do monetary—to make monetary policy without political considerations. That's what we're talking about. And we've had to do that, and we've been successful so far, but that's not over. None of that is concluded yet. And it's, you know, it's really important. It's not about—it's not about people who work at the Fed or the institution—it's about the benefits of a central bank that makes decisions based on analysis and our best thinking rather than, you know, trying to help or hurt politicians. It's, you know—there's a bright line between central banks who do one and do the other. And successful countries have uniformly—successful, advanced-economy countries have a really strong set of protections around their central bank just for that reason. So that's what it's all about.

You know, I think—I am confident, as I said in my remarks, that the Fed will continue to make its decision based on analysis—rigorous analysis—and not on political considerations, but we've had to fight for it. And I, you know, I'd like to think that—you know, I'd like to think we can get out of that era and go back to respecting, you know, what the law says and what custom has been, which is to, you know, let the Fed do our thing. We're, you know, we're not—we're—

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it's a—it's an institution full of human beings who work super hard to get things right for the benefit of the public. We're all human. Don't expect perfection. But do expect us to make, you know, decisions without political considerations and the very best analysis we can bring.

MICHELLE SMITH. Catarina.

CATARINA SARAIVA. Catarina Saraiva, Bloomberg News. How do you characterize what you've heard from your colleagues on your decision to stay? Do you have their support? And then have you heard concern from your colleagues about continued legal attacks from the executive branch? Is this something that others have, you know, talked to you about?

CHAIR POWELL. So I think that—I don't want to report on what my colleagues think. They can—they can speak for themselves. But, you know, yeah, there are—there are widespread concerns that these things may continue. That's all—that's all I'll say. And, you know, and that would be a problem.

CATARINA SARAIVA. And then I just also wanted to ask about Governor Waller's speech on the Reserve Banks. What, you know—do you have any thoughts on centralizing some of those functions in the way he described? And then have—you know, do—are you concerned that something like that could potentially be a slippery slope to, you know, to consolidate Reserve Bank functions even more in such a way where you—you know, the central bank ultimately loses some of that important regional information?

CHAIR POWELL. So we try to be good stewards of the public's money, and efficient. And Chris, in particular—Chris Waller is particularly passionate about that. Of course, so are the Reserve—so are the presidents. And, you know, it's a question of how do you accomplish it. We, of course—and Chris said this in his speech—we, you know, we want 12 strong independent central banks with their own staffs and their own monetary policy views and all that.

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But, you know, there are things that are done in all 12 which could well be done at 1 much more efficiently and with cost savings. And so there's a back-and-forth going on on that. But everybody, everybody's on the same page.

The other thing he touched on was the idea of removing Reserve Bank presidents from office over different, different views on monetary policy. And I would—I would just agree with him so strongly that that would be the beginning of the end of, of the Fed's ability to, to make monetary policy independently. If every Administration could come in and do that, you're just another cabinet agency at that point. So that's not something that I would support. Chris said the same thing.

MICHELLE SMITH. Christine.

CHRISTINE ROMANS. Thanks, Chair Powell. Christine Romans, NBC News. I want to ask about legacy. When the history books are written, how do you think your stewardship at the Fed will be remembered for the past eight years?

CHAIR POWELL. You know, I'm going to just say that that's for—that's for someone else to say. I'll give you a mulligan on that.

CHRISTINE ROMANS. All right. I'm going to ask you about misbehaving inflation then. You talked about those four big shocks—supply shocks—over the past five years and inflation still misbehaving. What's your message to American families who feel like inflation has not been under control for them really since, since the COVID reopening?

CHAIR POWELL. You know, we're committed to bring inflation back down to 2 percent and sustainably. That's our goal. And we will—we'll stick at it until that happens. We keep getting—these events keep happening which keep driving up costs. And, you know, the best thing we can do is to use our tools to guide inflation back down to 2 percent. I think

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trying to get there really quickly could be very costly in terms of job loss and things like that.

But we try to get there over time in a way that does the least damage possible. And, you know, our commitment to that is never-ending and unshakable.

CHRISTINE ROMANS. How would you describe the economy outside of the misbehaving inflation? I mean, it's still awfully resilient, given all of the blows.

CHAIR POWELL. I don't know that you can be "awfully" resilient—so it's actually quite resilient, I would say, because it's a positive thing, if I can—if I can have that amendment. Yeah, you know, growth is really solid across our economy. Some of that is that consumer spending is hanging in pretty well. The most recent data are good. And some of it is just the apparently insatiable demand for data centers all over the United States. So a lot of business investment going into building data centers, and every reason to think that that continues.

So you've got an economy that's growing at 2 percent or better. PDPF, which is private domestic final purchases, which is really a better signal of, of momentum in the economy, is actually higher than that. So that's, you know, that's a positive thing. If you look at the unemployment rate, it's 4.3 [percent], so that's a low rate. That's pretty close to mainstream estimates of the natural rate. We've been there for a long time. So it's—it doesn't feel like a good labor market to some who don't have jobs because quits are really low, hires are really low, and there's effectively no new net job creation. So that's, that's—you know, in a sense, the labor market is in balance, but it's an unusual and uncomfortable kind of a balance where people who don't have jobs will have a hard time breaking in unless somebody quits their job. So that's pretty good.

You know, inflation is the thing we need to work on. And it's partly tariffs, which we think—we think that that inflation should subside over the course of this year because it's kind of

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a one-time increase, it shouldn't be repeated. And that should start happening pretty soon. The energy inflation that we're getting should go through fairly quickly. And we'll just have to see how that works out. In the meantime, you know, we think our policy stance is in a good place for us to hold and wait developments.

MICHELLE SMITH. Jennifer.

JENNIFER SCHONBERGER. Thank you, Chair Powell. Jennifer Schonberger with Yahoo Finance. At the risk of beating the dead horse here, clearly three members objected to keeping that easing bias in the statement. And you said that the majority still didn't need—still didn't need to move to new language at this point. So does the majority of the Committee still have a bias towards cuts at this point? Or has the bias on the Committee shifted away from cuts towards holding or hikes, if that was needed?

CHAIR POWELL. So I think that, you know, the center is moving toward a more neutral place. And that's sort of what markets are saying, too. I just think, you know, there's a lot of signaling going on when you change guidance like that. And so we just—I guess a majority of us didn't feel like we needed to send a signal on that right now. And—but maybe it'll come to that. And the reason is because, you know, we're kind of waiting to see what happens with, with events in the Middle East and what are the implications of those events for the U.S. economy. So there was just a—there's a group who feels like we don't need to be in a hurry to do that. We get it. And, of course, we will move to a hiking bias if we want to hike, and we'll move to a neutral bias before that. But there was a difference over whether to do it at this meeting—at a meeting at which all but one of us agreed that the—that the rate decision was correct, which was not to move.

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JENNIFER SCHONBERGER. And you just said moments ago that you believe Fed independence is at risk. Is it safe to say that you want to stay on as a Governor to serve as a check and balance on that?

CHAIR POWELL. I want to stay until I—I will stay until it's—I feel it's appropriate for me to leave. And, yes, that is—that is really what is driving this. I'm not—I'm not looking to be, you know, a high-profile dissident or anything like that. I'm more looking at the other aspects of this and wanting to see that things have calmed down and are returning to a traditional model of working with the people that you have and bringing them to consensus and respecting that consensus. That's what—that's what I'm hoping to see.

MICHELLE SMITH. Matt Egan.

MATT EGAN. Thanks, Chair Powell. Matt Egan with CNN. You've made many tough decisions in your time at the Fed. And as your time as Chair comes to a close and you think about your tenure and perhaps your legacy, are there any decisions that stand out as ones that you're particularly proud of? And are there any that, with the benefit of hindsight, you would take a mulligan on?

CHAIR POWELL. Yeah, it's hard. I wouldn't want to single out individual things at this point. You know, I'll just say, you know, we—all of us together have consistently tried to do what we think is best for the American people based on our tools and our objectives that Congress has given us. It's been very challenging because we've been in a situation of supply shock—supply shocks, really, for six years. And that's just a very different situation than—for a very long time, what the Fed and other central banks were doing all the time was demand management. And, you know, and there was always the inflation mandate, but inflation was low for 25 years. So this is a very different world and a much more challenging one where you have

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to balance the two objectives. And, by the way, central banks that have an inflation mandate have to do exactly the same thing because they're balancing economic activity. So that's been challenging. And we've, you know, we've tried to do our very best through these really challenging times. And I'm really proud of the work that I've done, that my—that my colleagues and I have done during these, these years.

MATT EGAN. Now, to follow up on some of the discussion around Fed independence, can you explain to the public why this notion of Fed independence, which might sound kind of wonky to some, is so critical? I mean, what are the consequences if either the Supreme Court rules against Lisa Cook or the Fed in the future decides to make decisions more around the political calendar instead of the economic data?

CHAIR POWELL. So every major advanced economy in the world has made the same decision the United States has made. And that is that they want to take the making of monetary policy, the setting of interest rates to support the economy, to achieve maximum employment and price stability—they want to take that out of the direct control of elected politicians. And the reason is elected politicians are always running for election and they'll always want low rates, and that will lead to inflation over time. So after, you know, literally centuries of experience with that, the whole world moved to the different model. And it's worked great. I mean, this is—this is the era in which inflation was under control for 40 years. Then we had the pandemic—inflation everywhere in the world. And now we have inflation that had gone pretty much all the way back to target—really close to all the way back to target and now is being buffeted by the energy shock in the U.S., buffeted by the—by the tariff shock as well.

But what I would say to the general public is—that's the backstory—is that don't think about an institution being independent. Think about it this way—that you want people to make

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monetary policy and set interest rates to benefit the general public and to try to achieve economic goals, which are maximum employment and price stability, and focus only on that and ignore political considerations, completely ignore them. It's—this isn't bipartisan, this is nonpartisan. So we want to just—we just work directly for the American people doing these things. We don't think, "Oh, this—I want to do this because the President says it's a good idea or because there's an election coming up and I want to—I want to speed up or slow down the economy." I mean, that—think about that. If that's—if that—if that's what we were doing, we'd have no credibility, markets would lose faith in us and our ability to control inflation and have any respect would be, you know, would be gone.

And let me say—whatever people say, the markets believe that we will produce 2 percent inflation. If you look at longer-run expectations, markets believe that—there's no sense in which our credibility in the markets has weakened. It's just not the case. It's—people do get it that this is our commitment and that we will achieve it and it's priced in. If you disagree with that, then you can go ahead and bet against the markets. But the markets are pricing in Fed credibility.

MICHELLE SMITH. Okay, we'll go to Richard for the last one.

RICHARD ESCOBEDO. Thank you, Chair Powell. Richard Escobedo with CBS News. We've talked a lot about gasoline prices, and even you mentioned airline ticket prices, both of which are up dramatically because of the war in Iran. And so I wonder, are you seeing that weigh down consumer spending in other parts of the economy? And, if so, how worried are you that that will be a drag on growth?

CHAIR POWELL. You don't see—you don't see it in spending yet. You really don't. I mean, as one of your colleagues said, the economy has been resilient—it really has—not just this time, but it's been remarkably resilient for some years now. The U.S. economy has just powered

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through shock after shock. And consumers are still spending. And that's what—that's what the banks will tell you, credit card companies will tell you. The retail sales numbers that we got most recently—people are still spending. And, you know, how long can that go on in a world where—if gas prices were to go up a bunch more, that's taking otherwise spendable money out of people's pockets. But, right now, we don't actually see much slowdown in—yet from—certainly, none from this. But you think logically you will because people have a certain amount of money they spend. If they're spending 25 percent more on gas or something like that, then, you know, that's going to come out of other spending. But we—again, we don't see it yet.

RICHARD ESCOBEDO. One last thing. You mentioned those economies in Southeast Asia that are particularly dependent on petroleum. They make a lot of the stuff that American consumers buy. So was there any discussion today about whether or not those costs getting passed along to consumers is a real concern, and whether or not that might push up inflation?

CHAIR POWELL. So all of those things are in—are in the models that we use to calculate inflation. So we—you know, they're just parts. You can ask about anything like that, and they are—they have a place—the staff has a place where they're looking at that and pricing in what will happen with higher prices and that kind of thing. So it's there. The effects are not that big yet. You know, we're a huge economy. The import sector is only 10 percent of the economy. So we're not like a European country where 50 percent of the external—of GDP is in the external sector. We're also, you know, as I mentioned, we're an oil exporter, so we're not feeling the same kind of pain—and we're not likely to feel the same kind of pain—that economies in Western Europe and, certainly, in Asia are feeling.

Anyway, thank you very much, everyone. I won't see you next time. [Laughter]

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Ann Bulkley

49. Refer to the Bulkley Direct Testimony, page 19. Provide examples of possible transformative transactions that would exclude a company from the proxy group.

Response:

As discussed on page 19, lines 20-23 of Ms. Bulkley's Direct Testimony, the parent company of KAWC, American Water Works Company ("AWK") is currently in the process of acquiring Essential Utilities for \$12.3 billion which is expected to close in Q1 2027. This is an example of a transaction that would be considered transformative and would result in the exclusion of both AWK and Essential Utilities.¹ Additionally, after the filing of Ms. Bulkley's Direct Testimony, Spire Inc. announced the sale of natural gas storage assets for \$650 million to Squared Capital and the sale of Spire Mississippi for \$75 million to Delta North Louisiana. These pending transactions coupled with Spire, Inc.'s recent acquisition of Piedmont Natural Gas's operations in Tennessee for \$2.48 billion represent a significant change in the operations of Spire, Inc. and therefore, Spire, Inc. would now be excluded from Ms. Bulkley's proxy group.

¹ As discussed on page 19, lines 15-20 of Ms. Bulkley's Direct Testimony, AWK was also excluded because it is the parent company of KAWC.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Ann Bulkley

50. Refer to the Bulkley Direct Testimony, page 19. Explain whether any additional screening criteria were considered for the natural gas distribution companies in the proxy group in addition to the screening criteria used for the water companies.

Response:

As discussed on pages 18-19 of Ms. Bulkley's direct testimony, the same screening criteria were applied to both the water and natural gas distribution utilities that were considered for inclusion in Ms. Bulkley's proxy group. Ms. Bulkley did not consider any additional criteria for the natural gas distribution companies.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Ann Bulkley

51. Refer to the Bulkley Direct Testimony, page 19, specifically the discussion regarding excluding American Water Works Company, Inc. (AWK) and Essential Utilities from the proxy group. Explain what, if any, considerations were considered due to Kentucky-American's prior and current acquisitions when determining the recommended return on equity.

Response:

To the extent that the acquisitions would affect the business risk of Kentucky-American, the acquisitions have been considered in the determination of the return on equity. For example, to the extent that a portion of the capital investment plan includes investment in acquired systems, that investment has been considered in the evaluation of the business risk of Kentucky-American. Please see pages 36-49 of Ms. Bulkley's Direct Testimony where she considered the relative business and financial risk of the Company as compared to the proxy group to determine where KAWC's cost of equity should fall among the range of results.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Ann Bulkley

52. Refer to the Bulkley Direct Testimony, page 23. Provide the correct reference source in Line 9.

Response:

Ms. Bulkley's Direct Testimony, at page 23, lines 9-11 should read: "As shown in Figure 4 below, these metrics demonstrate that the natural gas companies and water companies in my proxy group have similar risk characteristics."

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Ann Bulkley

53. Refer to the Bulkley Direct Testimony, page 23, Figure 4. Provide an update to Figure 4 including electric companies in the comparison.

Response:

The purpose of the analysis presented in Figure 4 of Ms. Bulkley's Direct Testimony was to compare the financial metrics of the water utilities included in Ms. Bulkley's proxy group to the natural gas utilities included in Ms. Bulkley's proxy group to show that the water and natural gas companies included in Ms. Bulkley's proxy group had similar risks. Ms. Bulkley did not include any electric utilities in her proxy group and therefore, has not conducted requested analysis.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Ann Bulkley

54. Refer to the Bulkley Direct Testimony, page 33. Explain how the expected market return calculated using the constant growth Discounted Cash Flow model that was used to estimate the market risk premium compares to analyst expectations of the expected market return.

Response:

As discussed on page 33, lines 11-18 of Ms. Bulkley's Direct Testimony, Ms. Bulkley's market return is calculated using a constant growth DCF model that relies on consensus estimates of analysts' projected EPS growth rates for each company in the S&P 500 as reported by *Bloomberg Professional*. Therefore, Ms. Bulkley's market return is reflective of analysts' expectations. Further, as discussed on page 34 of Ms. Bulkley's Direct Testimony, Ms. Bulkley has benchmarked her estimate of the market return relative to the historical annual equity returns since 1926 and concluded her estimate of the market return is reasonable because it is lower than 53 percent of the observed annual returns since 1926.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Ann Bulkley

55. Refer to the Bulkley Direct Testimony, page 39 and Exhibit AEB-8. Explain how Kentucky-American's proposed SIP rider mechanism compares to the infrastructure replacement recovery mechanisms shown in Exhibit AEB-8 with regard to impacts to the company's risk profile.

Response:

As discussed on page 39 of Ms. Bulkley's Direct Testimony, KAWC's proposed System Improvement Program ("SIP") mechanism would allow for the recovery of costs of capital, depreciation and taxes associated with qualified infrastructure investments outside of base rates. Therefore, the SIP would allow KAWC to recover a portion of its projected capital expenditures outside of base rates beginning in 2028. Similarly, as shown in Exhibit AEB-8, approximately 75 percent of the operating subsidiaries of the companies in the proxy group also have some form of capital cost recovery mechanism to recover capital costs between rate cases. Therefore, if approved, the SIP mechanism would result in KAWC having similar capital cost recovery risk as the companies in the proxy group. Absent approval of the SIP mechanism, however, KAWC's risk regarding timely recovery of capital costs would be greater than that of the proxy group companies.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Ann Bulkley

56. Refer to the Bulkley Direct Testimony, generally.
- a. Provide Exhibits AEB-1 through AEB-9 in Excel spreadsheet format with all columns, rows, and formulas unprotected and fully accessible.
 - b. Provide each of the Value Line Investment Survey company profile sheets supporting the return on equity analyses.

Response:

- a. Please see KAW_R_PSCDR2_NUM056_062626_Attachment_1.
- b. Please see KAW_R_PSCDR2_NUM056_062626_Attachment_2.

VALUE
LINE

	Target Price 2029	Price Range 2030	2031
			320
			200

Day	Number of People
Monday	160
Tuesday	160
Wednesday	160
Thursday	160
Friday	160

	THIS STOCK	VL ARITH.* INDEX
1 yr.	23.0	10.9
3 yr.	61.2	38.8
5 yr.	117.0	61.1

© VALUE LINE PUB. LLC 29-31	
Revenues per sh ^A	32.50
"Cash Flow" per sh	15.80
Earnings per sh ^{AB}	10.70
Div'ds Decl'd per sh ^C	5.05
Cap'l Spending per sh	20.10
Book Value per sh	111.00
Common Shs Outst'g ^D	200.00
Avg Ann'l P/E Ratio	18.0
Relative P/E Ratio	1.00
Avg Ann'l Div'd Yield	2.6%

Revenues (\$mill) ^A	6500
Net Profit (\$mill)	2140
Income Tax Rate	25.0%
Net Profit Margin	32.9%
Long-Term Debt Ratio	40.0%
Common Equity Ratio	60.0%
Total Capital (\$mill)	37000
Net Plant (\$mill)	40000
Return on Total Cap'l	7.0%
Return on Shr. Equity	9.5%
Return on Com Equity	9.5%
Retained to Com Eq	5.0%
All Div's to Net Prof	47%

1.2%. The company sold Atmos and directors own approximately 70% of the company. President and Chief Executive Officer: David L. Smith. Address: Three Lincoln Highway, Dallas, Texas 75240. Telephone: 972-681-1000. Website: www.atmosenergy.com.

Contract expiring in December: Atmos had undrawn

g budget for fiscal
be roughly \$4.2 bil-
% above the prior-
2.6 billion. Simons

portion of the realized to enhance the of the company's natural gas transmission system that it projects to be completed from fiscal 2026 through the expiration of

shares hold un-

ains possibilities out
derate at the recent
ividend yield is not
Value Line's Natural
verage.
II February 20, 2026

Financial Strength	A
Stability	100
Persistence	60
Predictability	100

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(A) Diluted shrs. Excludes nonrecurring gains: '15, 6¢; '17, 87¢; '22, 8¢. Excludes discontinued operations: '19, 24¢; '20, 5¢. Next earnings report due early May. Quarters for '24	don't add up to total due to rounding. (B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan. Direct stock purchase plan avail-	able. (C) In millions, adjusted for split.	<table><tr><td>Company's Financial Strength</td><td>B++</td></tr><tr><td>Stock's Price Stability</td><td>90</td></tr><tr><td>Price Growth Persistence</td><td>75</td></tr><tr><td>Earnings Predictability</td><td>100</td></tr></table>	Company's Financial Strength	B++	Stock's Price Stability	90	Price Growth Persistence	75	Earnings Predictability	100
Company's Financial Strength	B++										
Stock's Price Stability	90										
Price Growth Persistence	75										
Earnings Predictability	100										
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To subscribe call 1-800-VALUELINE											

NISOURCE INC. NYSE-NI					RECENT PRICE	44.45	P/E RATIO	21.9 (Trailing: 22.8 Median: 20.0)	RELATIVE P/E RATIO	1.13	DIV'D YLD	2.7%	VALUE LINE	Target Price Range										
TIMELINESS 4 Lowered 5/2/25					High: 49.2	26.9	27.8	28.1	30.7	30.5	27.8	32.6	29.0	38.6	44.9	44.9	2029	2030	2031					
SAFETY 2 Raised 2/23/24					Low: 16.0	19.0	21.7	22.4	24.7	19.6	21.1	23.8	22.9	24.8	35.5	40.8								
TECHNICAL 3 Lowered 8/1/25					LEGENDS 0.50 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																			
BETA .85 (1.00 = Market)																								
18-Month Target Price Range																								
Low-High Midpoint (% to Mid)																								
\$38-\$58 \$48 (10%)																								
2029-31 PROJECTIONS																								
Price Gain Ann'l Total																								
High 60 (+35%) 10%																								
Low 40 (-10%) 1%																								
Institutional Decisions																								
1Q2025 2Q2025 3Q2025																								
to Buy 429 394 368																								
to Sell 296 333 339																								
Hld's(000) 437986 472780 449703																								
Percent shares traded																								
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027					© VALUE LINE PUB. LLC		29-31																	
22.99	21.33	16.31	18.04	20.47	14.58	13.90	14.46	13.74	13.63	11.95	12.09	14.20	12.31	11.61	13.88	12.60	13.45	Revenues per sh	14.75					
3.19	2.98	3.13	3.41	3.60	2.27	2.71	2.07	2.86	3.17	3.15	3.26	3.56	3.63	3.92	4.38	4.20	4.90	"Cash Flow" per sh	5.75					
1.06	1.05	1.37	1.57	1.67	.63	1.00	.39	1.30	1.31	1.32	1.37	1.47	1.60	1.75	1.95	2.05	2.20	Earnings per sh ^A	2.65					
.92	.92	.94	.98	1.02	.83	.64	.70	.78	.80	.84	.88	.94	1.00	1.06	1.12	1.20	1.28	Div'd Decl'd per sh ^B	1.52					
2.88	3.99	4.83	5.99	6.42	4.26	4.57	5.03	4.88	4.72	4.49	4.53	5.35	5.91	5.92	5.82	6.00	6.00	Cap'l Spending per sh	6.25					
17.63	17.71	17.90	18.77	19.54	12.04	12.60	12.82	13.08	13.36	12.44	13.33	14.63	17.40	18.48	25.79	25.75	26.00	Book Value per sh ^C	31.60					
279.30	282.18	310.28	313.68	316.04	319.11	323.16	337.02	372.36	382.14	391.76	405.30	412.14	447.38	469.82	478.40	500.00	510.00	Common Shs Outst'g ^D	525.00					
15.3	19.4	17.9	18.9	22.7	37.3	23.2	64.4	19.3	21.3	18.7	18.0	19.6	16.8	17.5	20.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	19.0					
.97	1.22	1.14	1.06	1.19	1.88	1.22	3.24	1.04	1.13	.96	.97	1.13	.93	.91	1.09			Relative P/E Ratio	1.05					
5.7%	4.5%	3.8%	3.3%	2.7%	3.5%	2.8%	2.8%	3.1%	2.9%	3.4%	3.6%	3.3%	3.7%	3.5%	2.8%			Avg Ann'l Div'd Yield	3.0%					
CAPITAL STRUCTURE as of 12/31/25						4492.5	4874.6	5114.5	5208.9	4681.7	4899.6	5850.6	5505.4	5455.1	6642	6400	6850	Revenues (\$mill)		7750				
Total Debt \$16303 mill. Due in 5 Yrs \$6153 mill.						328.1	128.6	478.3	549.8	562.6	626.3	703.3	759.1	805.3	929.5	1000	1125	Net Profit (\$mill)		1650				
LT Debt \$15547 mill. LT Interest \$610 mill. (57% of Cap'l)						35.7%	71.0%	19.7%	17.0%	18.3%	15.7%	16.5%	17.8%	16.3%	16.8%	19.0%	19.0%	Income Tax Rate		18.0%				
Leases, Uncapitalized Annual rentals \$10.0 mill.						--	--	--	--	--	--	--	--	3.0%	3.0%	3.0%	3.0%	AFUDC % to Net Profit		3.0%				
Pension Assets-12/25 \$1.3 bill. Oblig. \$1.3 bill.						59.8%	63.5%	55.3%	56.8%	61.6%	56.9%	55.7%	57.2%	58.2%	56.0%	55.0%	55.0%	Long-Term Debt Ratio		55.0%				
Common Stock 478,533,171 shs. as of 2/4/26						40.2%	36.5%	37.9%	36.9%	32.5%	33.5%	35.3%	40.3%	41.8%	46.0%	45.0%	45.0%	Common Equity Ratio		45.0%				
MARKET CAP: \$21.3 billion (Large Cap)						10129	11832	12856	13843	14972	16131	17099	19325	20759	27118	28600	28750	Total Capital (\$mill)		32400				
CURRENT POSITION						13068	14360	15543	16912	16620	17882	19843	22275	25454	28688	32000	32540	Net Plant (\$mill)		36800				
2023 2024 12/31/25						5.0%	2.6%	5.1%	5.3%	5.0%	4.9%	5.1%	5.0%	5.1%	4.6%	3.5%	5.0%	Return on Total Cap'l		5.0%				
Cash Assets						8.1%	3.0%	8.3%	9.2%	9.8%	9.0%	9.3%	9.2%	9.3%	8.0%	8.0%	8.5%	Return on Shr. Equity		8.0%				
Other						8.1%	3.0%	9.6%	9.7%	10.4%	10.6%	10.8%	9.2%	9.2%	8.0%	8.0%	8.5%	Return on Com Equity		8.5%				
Current Assets						3.0%	NMF	4.0%	3.8%	3.8%	4.2%	4.4%	3.9%	3.6%	3.4%	3.0%	3.0%	Retained to Com Eq		3.5%				
Accts Payable						63%	NMF	60%	64%	67%	64%	62%	60%	61%	57%	59%	58%	All Div'ds to Net Prof		59%				
Debt Due						BUSINESS: NiSource Inc. is a holding company for Northern Indiana Public Service Company (NIPSCO), which supplies electricity and gas to the northern third of Indiana. Customers: 492,690 electric in Indiana, 3.3 million gas in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland, through its Columbia subsidiaries. Revenue breakdown, 2024: electrical, 34%; gas, 63%; other, 3%. Generating capacity, fossil fuels 56%; renewables, 44%. 2024 reported depreciation rates: 3.0% electric, 2.6% gas. Had 7,746 employees as of 12/31/2024. Chairman: Richard L. Thompson. President & Chief Executive Officer: Lloyd Yates. Incorporated: Indiana. Address: 801 East 86th Avenue, Merrillville, Indiana 46410. Telephone: 877-647-5990. Internet: www.nisource.com.																		
Other						NiSource, Inc. posted strong results in 2025. The company reported full-year numbers just as we were going to press. Full-year revenues and earnings improved nicely year over year. Healthy increases in gas distribution from both the Columbia and NIPSCO operating units was impressive. The electric generation and power delivery side also picked up. Meanwhile, earnings of \$1.95 per share topped our target by a nickel and rose 11% over 2024.																		
Current Liab.						The company is well-positioned for the near term. NiSource has been seeing healthy trends in most of its operating segments recently. Residential and commercial gas distribution has been rising at a solid clip. Too, it maintains a stable regulated electric and gas rate base. What's more, NiSource has been putting an emphasis on operating more efficiently, including increasing its technological capabilities. The use of artificial intelligence (AI) should continue to help drive down costs, resulting in income gains. The data center business should pay dividends over the long haul. With the increased adoption of AI, the number of data centers being constructed is exploding. These data centers require massive power to operate. One of NiSource's subsidiaries, NIPSCO Generation, LLC plans to build new dispatchable generation facilities to help power data centers. The company also pledged to build two new gas turbine plants with a nominal output of 1,300 megawatts in partnership with a data center developer. These large capital investments are designed to help meet the increased energy demand, which should help drive healthy cash flow well into the next decade.																		
Fix. Chg. Cov.						NiSource shares carry a Timeliness rank of 4 (Below Average). The stock has traded in a tight range since our last full-page review in November and is not an attractive choice for year-ahead relative price performance. Too, capital appreciation potential at the midpoint of our 18-month Target Price Range as well as out to 2029-2031 is not enticing. This issue is best suited for conservative, income-based investors. The yield is above the Value Line median, based on NiSource's recently raised dividend.																		
ANNUAL RATES						Kevin P. O'Sullivan February 20, 2026																		
Past 10 Yrs																								
Revenues																								
"Cash Flow"																								
Earnings																								
Dividends																								
Book Value																								
Cal-endar																								
QUARTERLY REVENUES (\$ mill.)																								
Mar.31 Jun.30 Sep.30 Dec.31																								
2023																								
2024																								
2025																								
2026																								
2027																								
EARNINGS PER SHARE ^A																								
Mar.31 Jun.30 Sep.30 Dec.31																								
2023																								
2024																								
2025																								
2026																								
2027																								
QUARTERLY DIVIDENDS PAID ^B																								
Mar.31 Jun.30 Sep.30 Dec.31																								
2022																								
2023																								
2024																								
2025																								
2026																								

RECENT PRICE	47.66	P/E RATIO	16.4 (Trailing: 18.5 Median: 24.0)	RELATIVE P/E RATIO	0.85	DIV'D YLD	4.1%
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High:	52.3	66.2
Low:	42.0	48.9

LEGENDS

— 0.60 x Dividends p sh
divided by Interest Rate

.... Relative Price Strength

Options: Yes

High:	52.3	66.2	69.5	71.8	74.1	77.3	56.8	57.6	52.4	44.3	49.6	49.2
Low:	42.0	48.9	56.5	51.5	57.2	42.3	41.7	42.4	35.7	34.8	38.0	45.7
LEGENDS — 0.60 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession												

Percent shares traded

15

10

5

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
27.64	26.39	23.61	26.52	24.45	24.49	25.29	27.64	29.20	31.82	28.67	30.60	29.00	30.25
5.05	4.91	4.93	1.04	5.28	5.15	5.69	6.17	5.71	5.83	6.23	6.50	6.55	6.80
2.16	1.96	2.12	d1.94	2.33	2.19	2.30	2.56	2.54	2.59	2.03	2.90	3.00	3.15
1.85	1.86	1.87	1.88	1.89	1.90	1.91	1.92	1.93	1.94	1.95	1.96	1.97	1.98
4.40	4.37	4.87	7.43	7.43	7.95	9.18	9.49	9.53	8.70	9.81	9.20	9.80	10.00
28.12	28.47	29.71	25.85	26.41	28.42	29.05	30.04	33.09	34.12	34.44	34.25	36.25	37.00
27.28	27.43	28.63	28.74	28.88	30.47	30.59	31.13	35.53	37.63	40.22	42.00	45.00	46.00
20.7	23.7	26.9	--	26.6	30.9	25.0	19.5	19.6	16.6	19.0	14.5	Bold figures are Value Line estimates	
1.09	1.19	1.41	--	1.44	1.65	1.28	1.05	1.13	.92	.99	.75		
4.1%	4.0%	3.3%	3.0%	3.0%	2.8%	3.3%	3.8%	3.9%	4.5%	5.1%	4.7%		

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
27.64	26.39	23.61	26.52	24.45	24.49	25.29	27.64	29.20	31.82	28.67	30.60	29.00	30.21
5.05	4.91	4.93	1.04	5.28	5.15	5.69	6.17	5.71	5.83	6.23	6.50	6.55	6.81
2.16	1.96	2.12	d1.94	2.33	2.19	2.30	2.56	2.54	2.59	2.03	2.90	3.00	3.14
1.85	1.86	1.87	1.88	1.89	1.90	1.91	1.92	1.93	1.94	1.95	1.96	1.97	1.98
4.40	4.37	4.87	7.43	7.43	7.95	9.18	9.49	9.53	8.70	9.81	9.20	9.80	10.01
28.12	28.47	29.71	25.85	26.41	28.42	29.05	30.04	33.09	34.12	34.44	34.25	36.25	37.01
27.28	27.43	28.63	28.74	28.88	30.47	30.59	31.13	35.53	37.63	40.22	42.00	45.00	46.01
20.7	23.7	26.9	--	26.6	30.9	25.0	19.5	19.6	16.6	19.0	14.5	Bold figures are Value Line estimates	
1.09	1.19	1.41	--	1.44	1.65	1.28	1.05	1.13	.92	.99	.75		
4.1%	4.0%	3.3%	3.0%	3.0%	2.8%	3.3%	3.8%	3.9%	4.5%	5.1%	4.7%		
Q/25 Yrs \$1175 mill. est \$120 mill.		676.0	762.2	706.1	746.4	773.7	860.4	1037.4	1197.5	1153.0	1285	1305	1391
		58.9	d55.6	67.3	65.3	70.3	78.7	86.3	93.9	78.9	120	135	141
		40.0%	40.0%	26.4%	16.2%	22.1%	25.0%	25.2%	25.6%	28.2%	25.2%	25.2%	25.2%

0/25	676.0	762.2	706.1	746.4	773.7	860.4	1037.4	1197.5	1153.0	1285	1305	1390
Yrs \$1175 mill.	58.9	d55.6	67.3	65.3	70.3	78.7	86.3	93.9	78.9	120	135	140
st \$120 mill.	40.9%	--	26.4%	16.2%	23.1%	25.8%	25.2%	25.6%	28.3%	25.0%	25.0%	25.0%
	8.7%	NMF	9.5%	8.8%	9.1%	9.1%	8.3%	7.8%	6.8%	9.3%	10.3%	10.4%
	44.4%	47.9%	48.1%	48.2%	49.2%	52.8%	51.5%	52.6%	54.8%	55.0%	55.0%	55.0%

	40.9%		20.4%	10.2%	23.1%	23.0%	23.2%	23.0%	20.9%	23.0%	23.0%	23.0%
	8.7%	NMF	9.5%	8.8%	9.1%	9.1%	8.3%	7.8%	6.8%	9.3%	10.3%	10.4%
	44.4%	47.9%	48.1%	48.2%	49.2%	52.8%	51.5%	52.6%	54.8%	55.0%	55.0%	55.0%
	55.6%	52.1%	51.9%	51.8%	50.8%	47.2%	48.5%	47.4%	45.2%	45.0%	45.0%	45.0%
Liability, \$405.6 mill.	1520.8	1426.0	1468.9	1672.0	1748.8	1979.7	2421.6	2709.3	3064.7	3560	3775	3981

li.	55.6%	52.1%	51.9%	51.8%	50.8%	47.2%	48.5%	47.4%	45.2%	45.0%	45.0%	45.0%
blig. \$405.6 mill.	1529.8	1426.0	1468.9	1672.0	1748.8	1979.7	2421.6	2709.3	3064.7	3560	3775	3984
	2260.9	2255.0	2421.4	2438.9	2654.8	2871.4	3114.4	3358.1	3798.0	3985	4300	4500
	5.1%	NMF	5.8%	5.2%	5.2%	5.1%	4.7%	4.9%	3.9%	3.5%	3.5%	4.0%
es	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	7.3%	7.3%	5.7%	8.0%	8.0%	8.5%

	2020.0	2020.0	2020.0	2020.0	2020.0	2020.0	2020.0	2020.0	2020.0	2020.0		
	2260.9	2255.0	2421.4	2438.9	2654.8	2871.4	3114.4	3358.1	3798.0	3985	4300	4500
es	5.1%	NMF	5.8%	5.2%	5.2%	5.1%	4.7%	4.9%	3.9%	3.5%	3.5%	4.0%
	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	7.3%	7.3%	5.7%	8.0%	8.0%	8.5%
	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	7.3%	7.3%	5.7%	8.0%	8.0%	8.5%
(Cap)	0%	NMF	2.1%	1.4%	1.7%	2.4%	2.0%	2.1%	4%	2.5%	2.9%	2.5%

II Cap)		6.9%	NMF	8.8%	7.5%	7.9%	8.4%	7.3%	7.3%	5.7%	8.0%	8.0%	8.5%
		.9%	NMF	2.1%	1.4%	1.7%	2.4%	2.0%	2.1%	.4%	2.5%	2.0%	2.5%
	2024 9/30/25	87%	NMF	76%	82%	79%	71%	73%	72%	92%	68%	66%	63%

2024	9/30/25	87%	NMF	67%	82%	79%	71%	73%	72%	92%	68%	66%	63%
38.5	32.2	BUSINESS: Northwest Natural Holding Co. distributes natural gas to more than 800,000 customers in Oregon (88% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Gas margin breakdown: residential, 65%; other, 4%. Also operates water utilities in several states. Employs 1,452. BlackRock Energy & Services Corp., Vancouver, 10.8%; Off./Dir., -9%.											
519.3	403.6												
557.8	435.4												
133.3	130.5												
200.9	311.2												
314.8	301.1												
649.0	742.8									Vanguard, Inc.: Oregon. Address: 97209. Tel.: 503-226-4211. Internat'l Div. 503-226-4211.			

BUSINESS:	Northwest Natural Holding Co. distributes natural gas to more than 800,000 customers in Oregon (88% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Gas margin breakdown: residential, 65%; commercial, 29%; industrial, other, 4%. Also operates water treatment plants in several states. Employs 1,452.
BlackRock Energy Services Inc.	Vanguard, 10.8%; Off./Dir., .9%
freyman. Inc.: Oregon.	Address: 79209. Tel.: 503-226-4211. Internat.
Oregon. Too, Northwest Natural Gas Co.	Newable natural gas, hydrogen and carbon dioxide. These are all intended for the long haul.
The stock price has risen since the onset	

41.0%	43.0%	Northwest Natural tends to do best in its first and fourth quarters. That's because these interims cover the coldest months of the year, driving up seasonal demand and use of natural gas for heat in the company's core geographic regions. Favorable utility rate structures, and a greater use of water and wastewater services supplements NWN's revenue boost during these periods. The fourth quarter of 2025 should have been no different. This was an unusually cold quarter for residents of the utility's Oregon and relatively newly ac-	Oregon. Too, Northwest Natural's renewable natural gas, hydrogen and carbon capture projects. These are all intended to be part of the long haul. The stock price has fallen since the onset of the March, 2020. At the time, it had reached an all-time high. It has been falling since then, as interest rates. Utility stocks are similar to bonds and have declined as interest rates have risen. The company is very
Best	Est'd '22-'24		
rs.	to '29-'31		
5.5%	1.0%		
0.5%	3.5%		
5.5%	6.0%		
5.5%	5.5%		
5.5%	2.0%		
(\$ mill.)	Full		
Dec.31	Year		
355.7	1197.5		
370.9	1153.0		
389.8	1285		
430	1305		
440	1390		

(\$ mill.)	Full Year
Dec.31	
355.7	1197.5
370.9	1153.0
389.8	1285
430	1305
440	1390
RE A	Full Year
Dec.31	
1.21	2.59
1.41	2.33
1.34	2.90
1.35	3.00
1.40	3.15

PAID ■	Full Year	utility's Oregon, and relatively newly acquired Texas territories. Higher operating expenses, depreciation, and interest costs probably kept share net slightly below the year-ago figure. The utility is continuing its market expansion. In an attempt to further grow its revenue base, Northwest is expanding its regulated natural gas business into high population growth states like Texas. The January, 2025 SiEnergy buy was a move in this direction. The company is also acquiring small water and waste water companies in Arizona, Idaho, and California, as well as in its home state of	company is very competitive, and therefore requires a strong, and rising interest rate environment to cover its interest expense. Now, however, interest rates are declining. This fact, along with the greater revenue growth moves, should elevate the share price. In addition, the reliability of the utility makes these shares a good long-term investor looking for a steady (The regulated utility has a long track record of 69 consecutive dividend increases.) <i>Jeremy L. Butler</i>
Dec.31			
.121	2.59		
.141	2.33		
.134	2.90		
.135	3.00		
.140	3.15		
PAID ■	Full Year		
Dec.31			
.485	1.93		
.488	1.94		
.49	1.95		
.493	1.96		

PAID ■ Dec.31	Full Year	its revenue base, Northwest is expanding its regulated natural gas business into high population growth states like Texas. The January, 2025 SiEnergy buy was a move in this direction. The company is also acquiring small water and waste water companies in Arizona, Idaho, and California, as well as in its home state of	moves, should elevate. In addition, the reliable make these shares a term investor looking (The regulated utility track record of 69 co-ident increases.) <i>Jeremy J. Butler</i>
485 488 49 493	1.93 1.94 1.95 1.96		
Excludes non-sum due to in late Feb-	(B) Dividends historically paid in mid-February, May, August, and November. ■ Dividend reinvestment plan available. (C) In millions.	(D) Includes intangibles. In 2024: \$184 million, \$4.60/share.	Company's Stock's Price Growth Earnings

	California, as well as in its home state of <i>Georgia</i> . <i>Butler</i>	
cludes non-sum due to in late Feb-	(B) Dividends historically paid in mid-February, May, August, and November. ■ Dividend reinvestment plan available. (C) In millions.	(D) Includes intangibles. In 2024: \$184 million, \$4.60/share. Company's Stock's Price Growth Earnings

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Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	10
Earnings Predictability	35

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ONE GAS, INC. NYSE-OGS					RECENT PRICE	81.77	P/E RATIO	17.8	(Trailing: 19.1) (Median: 21.0)	RELATIVE P/E RATIO	0.92	DIV'D YLD	3.3%	VALUE LINE										
TIMELINESS	4	Lowered 8/22/25	High: 51.8	67.4	79.5	87.8	96.7	97.0	81.9	92.3	84.3	78.9	84.0	84.1				Target Price	Range					
SAFETY	2	New 6/2/17	Low: 38.9	48.0	61.4	62.2	75.8	63.7	62.5	68.9	55.5	57.7	66.4	75.3				2029	2030	2031				
TECHNICAL	3	Lowered 2/20/26	LEGENDS 35.00 x Dividends p sh ... Relative Price Strength Options: Yes Shaded area indicates recession																					
BETA	.75	(1.00 = Market)																						
18-Month Target Price Range																								
Low-High Midpoint (% to Mid)																								
\$61-\$94 \$78 (-5%)																								
2029-31 PROJECTIONS																								
High	Price	Gain	Ann'l	Total																				
Low	90	(+55%)	125	14%																				
Institutional Decisions																								
10/2025 20/2025 30/2025																								
to Buy 188 206 175																								
to Sell 148 154 163																								
Hld's(000) 54991 57026 56126																								
Percent shares traded																								
21 14 7																								

SOUTHWEST GAS NYSE-SWX					RECENT PRICE	82.87	P/E RATIO	20.4 (Trailing: 23.5 Median: 21.0)	RELATIVE P/E RATIO	1.05	DIV'D YLD	3.0%	VALUE LINE	Target Price Range 2029 2030 2031					
TIMELINESS — Suspended 11/17/23					High: 63.7	79.6	86.9	86.0	92.9	81.6	73.5	95.6	68.0	80.3	83.2	86.8		200 160 100 80 60 50 40 30 20	
SAFETY 2 Raised 2/23/24					Low: 50.5	53.5	72.3	62.5	73.3	45.7	57.0	59.5	53.8	57.6	64.7	78.4			
TECHNICAL — Suspended 11/17/23					LEGENDS 0.80 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession														
BETA .80 (1.00 = Market)																			
18-Month Target Price Range																			
Low-High Midpoint (% to Mid)																			
\$70-\$113 \$92 (10%)																			
2029-31 PROJECTIONS																			
High Price Gain Ann'l Total																			
Low 115 85 (+40%) 11%																			
181 184 181																			
132 161 129																			
Hld's(000) 64309 66968 66369																			
Institutional Decisions																			
10/2025 20/2025 30/2025																			
to Buy 181 184 181																			
to Sell 132 161 129																			
Hld's(000) 64309 66968 66369																			
Percent shares traded																			
15																			
10																			
5																			

(A) Diluted earnings. Excl. nonrec. gains (losses): '22, 10¢. Next egs. report due February 23rd. (B) Dividends historically paid early March, June, September, and December.

Div'd reinvestment and stock purchase plan avail. (C) In millions. (D) Totals may not sum due to rounding. (E) Rank suspended 11/17/2023 for reported

spin-off of the Centuri Group.

Company's Financial Strength B++
 Stock's Price Stability 85
 Price Growth Persistence NMF
 Earnings Predictability 5

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Southwest has 2,435 employees as of 12/31/24. Off. & dir. own .5% of common stock; Carl C. Icahn, 13.4%; BlackRock, 12.9%; The Vanguard Group, 10.1%; Corvex Management, 6.6% (3/25 Proxy). Chairman: Michael J. Melarkey, Pres. & CEO: Karen S. Haller, Inc.: DE. Addr.: 8360 S. Durango Drive, P.O. Box 98510 Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.svgas.com.

Southwest Gas Holdings has completed its seperation from Centuri. During the second half of 2025, the company completed the previously announced registered public offering of Centuri Holdings stock. Centuri was previously the company's Utility Infrastructure Services division. A lion's share of the \$525 million in proceeds were used to pay down debt under a term loan and revolving credit facility. Remaining proceeds are likely to be applied to help support Southwest Gas' capital projects (see below), dividends payments, and balance sheet health.

Year-over-year comparisons in 2025 and 2026 are not meaningful, but there are various catalysts. (The company will probably provide 2026 guidance during its fourth-quarter earnings presentation, which was expected after we went to press with this report.) The biggest and most immediate is the likelihood of a favorable outcome on the regulatory front. Management was expected to file cases in Arizona and Nevada in early 2026, seeking the approval for higher rates, as well as alternative forms of rate-making. Also, in the early part of the new year, Southwest

likely implemented new rates for energy supplied to customers in California. With ample capital in place, this natural gas regulated business possesses the means to support expansion in service areas. Specifically, robust energy demand has the potential to power growth at Great Basin (also known as the Northern Nevada interstate pipeline) through its expansion. **A reduction in debt and the ensuing improvement across the company's risk profile ought to help in many ways.** Specifically, it has enhanced credit ratings, which ought to aid in lowering borrowing costs, and boost access to capital. This should come in handy if the company gets approval for the \$1.7 billion Great Basin Gas Transmission expansion project (expected in 2028.) Too, we think the company will be better able to hike its dividend in the long term.

Our projections suggest Southwest shares, unranked due to the Centuri transaction, hold limited appeal over the 3- to 5-year time frame. The issue may attract income seekers, however, thanks to the 3.0% dividend yield.

Dominic B

SPIRE INC. NYSE-SR					RECENT PRICE	85.58	P/E RATIO	16.0	(Trailing: 17.4 Median: 18.0)	RELATIVE P/E RATIO	0.82	DIV'D YLD	3.9%	VALUE LINE														
TIMELINESS	4	Lowered 8/15/25	High: 61.0	71.2	82.9	81.1	88.0	88.0	77.9	79.2	75.8	73.6	91.1	87.0	Target Price Range													
SAFETY	2	Raised 6/20/03	Low: 49.1	57.1	62.3	60.1	71.7	50.6	59.3	61.5	53.8	56.4	65.1	80.8	2029 2030 2031													
TECHNICAL	2	Raised 2/20/26	LEGENDS — 25.00 x Dividends p sh Relative Price Strength Options: Yes Shaded area indicates recession												160													
BETA	.75	(1.00 = Market)													120													
18-Month Target Price Range															100													
Low-High Midpoint (% to Mid)															80													
\$74-\$109 \$92 (5%)															60													
2029-31 PROJECTIONS															40													
Price 115 Gain (+35%) 11% Ann'l Total Return 4% High Low 85 Gain (Nil) 4%															20													
Institutional Decisions															15													
to Buy 171 192 176 to Sell 154 136 157 Hld's(000) 50795 53206 54880																												
Percent shares traded																												
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	© VALUE LINE PUB. LLC 29-31										
77.83	71.48	49.90	31.10	37.68	45.59	33.68	36.07	38.78	38.30	35.96	43.24	41.88	50.12	44.94	41.97	43.00	42.90	Revenues per sh ^A 47.35										
4.11	4.62	4.58	3.12	3.87	6.15	6.16	6.54	7.55	7.12	5.25	9.09	8.44	8.60	8.92	9.47	10.55	11.15	"Cash Flow" per sh 12.35										
2.43	2.86	2.79	2.02	2.35	3.16	3.24	3.43	4.33	3.52	1.44	4.96	3.95	3.85	4.19	4.44	5.35	5.75	Earnings per sh ^{A B} 6.75										
1.57	1.61	1.66	1.70	1.76	1.84	1.96	2.10	2.25	2.37	2.49	2.60	2.74	2.88	3.02	3.14	3.30	3.46	Div'ds Decl'd per sh ^C 4.00										
2.56	3.02	4.83	4.00	3.96	6.68	6.42	9.08	9.86	16.15	12.37	12.09	10.52	12.45	14.93	15.63	13.05	12.30	Cap'l Spending per sh 11.80										
24.02	25.56	26.67	32.00	34.93	36.30	38.73	41.26	44.51	45.14	44.19	46.74	49.08	50.29	51.83	53.35	52.25	53.00	Book Value per sh ^D 53.75										
22.29	22.43	22.55	32.70	43.18	43.36	45.65	48.26	50.67	50.97	51.60	51.70	52.50	53.20	57.70	59.00	62.00	65.00	Common Shs Outst'g ^E 75.00										
13.7	13.0	14.5	21.3	19.8	16.5	19.6	19.8	16.7	22.8	NMF	13.6	17.5	17.3	14.6	16.4	Avg Ann'l P/E Ratio 15.0		Relative P/E Ratio .85										
.87	.82	.92	1.20	1.04	.83	1.03	1.00	.90	1.21	NMF	.73	1.01	.96	.76	.85	Avg Ann'l Div'd Yield 4.0%												
4.7%	4.3%	4.1%	4.0%	3.8%	3.5%	3.1%	3.1%	3.1%	3.0%	3.4%	3.8%	4.0%	4.3%	4.9%	4.3%													
CAPITAL STRUCTURE as of 12/31/25 Total Debt \$5349.5 mill. Due in 5 Yrs\$3240.0 mill. LT Debt \$4449.4 mill. LT Interest \$204.1 mill. (Total interest coverage: 2.7x)															1537.3	1740.7	1965.0	1952.4	1855.4	2235.5	2198.5	2666.3	2593.0	2476.4	2665	2790	Revenues (\$mill) ^A 3550	
Leases, Uncapitalized Annual rentals \$8.8 mill. Pension Assets-9/25 \$803.1 mill. Oblig. \$850.4 mill. Pfd Stock \$242.0 mill. Pfd Div'd \$14.8 mill. Common Stock 59,096,588 shs. as of 1/30/26															144.2	161.6	214.2	184.6	88.6	271.7	220.8	217.5	250.9	275.5	330	375	Net Profit (\$mill) 500	
MARKET CAP: \$5.1 billion (Mid Cap)															32.5%	32.4%	--	15.7%	12.3%	20.1%	21.1%	15.1%	19.0%	18.0%	19.5%	20.0%	Income Tax Rate 23.0%	
CURRENT POSITION 2024 2025 12/31/25															9.4%	9.3%	10.9%	9.5%	4.8%	12.2%	10.0%	8.2%	9.7%	11.1%	12.4%	13.4%	Net Profit Margin 14.1%	
Cash Assets 4.5 5.7 4.1															50.9%	50.0%	45.7%	45.0%	49.0%	52.5%	51.2%	54.9%	53.4%	49.9%	56.5%	56.0%	Long-Term Debt Ratio 55.0%	
Other 766.8 802.0 1034.4															49.1%	50.0%	54.3%	49.7%	46.1%	43.2%	44.6%	41.3%	43.1%	46.6%	40.5%	41.0%	Common Equity Ratio 42.0%	
Current Assets 771.3 807.7 1038.5															3601.9	3986.3	4155.5	4625.6	4946.0	5597.3	5777.0	6471.3	6937.1	6758.8	8000	8400	Total Capital (\$mill) 9600	
Accts Payable 237.2 248.3 309.5															3300.9	3665.2	3970.5	4352.0	4680.1	5055.7	5370.4	5778.9	6243.3	6756.5	7140	7400	Net Plant (\$mill) 8500	
Debt Due 989.0 1804.5 900.1															4.9%	5.0%	6.3%	5.1%	2.9%	5.8%	4.9%	4.8%	5.1%	5.6%	6.0%	6.0%	Return on Total Cap'l 7.0%	
Other 477.7 495.8 503.7															8.2%	8.1%	9.5%	7.3%	3.5%	10.2%	7.8%	7.5%	7.8%	8.1%	10.0%	11.0%	Return on Shr. Equity 12.5%	
Current Liab. 1703.9 2548.6 1713.3															8.2%	8.1%	9.5%	7.9%	3.2%	10.6%	8.0%	7.6%	7.9%	8.3%	10.0%	11.0%	Return on Com Equity 12.5%	
Fix. Chg. Cov. 305% 313% 320%															3.3%	3.3%	4.7%	2.7%	NMF	5.1%	2.5%	1.9%	2.3%	2.5%	3.5%	4.0%	Retained to Com Eq 4.5%	
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '23-'25															59%	60%	51%	66%	NMF	54%	71%	76%	72%	72%	67%	64%	All Div'ds to Net Prof 63%	
of change (per sh)															BUSINESS: Spire Inc., formerly known as the Laclede Group, Inc., is a holding company for natural gas utilities, which distributes natural gas across Missouri, including the cities of St. Louis and Kansas City, Alabama, and Mississippi. Has roughly 1.7 million customers. Acquired Missouri Gas 9/13, Alabama Gas Co 9/14. Utility volumes sold and transported in fiscal 2025: 3.3 bill Ccf. Revenue mix for												regulated operations: residential, 66%; commercial & industrial, 23%; transportation, 6%; other, 5%. Officers and directors own 2.3% of common shares; BlackRock, 13.3%; The Vanguard Group, 10.9% (12/25 proxy). Chairman: Rob L. Jones; CEO: Scott Doyle. Inc.: Missouri. Address: 700 Market Street, St. Louis, Missouri 63101. Tel.: 314-342-0500. Internet: www.spireenergy.com.	
Revenues 2.0% 4.0% .5%															Spire got off to an impressive start in fiscal 2026 (ends September 30th). Indeed, first-quarter earnings per share surged 32.1%, to \$1.77, versus the prior-year's \$1.34 figure. That was made possible primarily by the Gas Utility unit, driven by better performances from both Spire Missouri and Spire Alabama. Right now, it appears that, for the full year, the company's per-share profits will be in the vicinity of \$5.35. That would mark a 20% jump from fiscal 2025's \$4.44 tally. Concerning fiscal 2027, we look for the bottom line to advance at a much slower, though still respectable, 7% or so rate, to \$5.75 a share, given the hard comparison. Please be aware that beginning in fiscal 2025, our presentation for Spire shows "adjusted" earnings, which exclude such items as the impact of fair value accounting and timing adjustments associated with energy-related transactions, impairment charges, and the effects of acquisition, divestiture, and restructuring activities. Capital expenditures for this year are anticipated to be \$809 million. (That's 12.3% lower than the fiscal 2025 level of \$922.4 million.) The bulk of the funds are												being deployed to infrastructure upgrades and new business development initiatives at the utilities. Leadership adds that it expects total capital spending from fiscal 2026 through fiscal 2035 to be roughly \$11.2 billion. If the balance sheet stays in solid condition, we believe that Spire will have minimal difficulty accomplishing these objectives. The quarterly common stock dividend was increased around 5%, to \$0.825 per share. That was brought about, of course, by the company's solid capital position. What's more, we anticipate additional steady hikes in the distribution out to 2029-2031. The payout ratio over that span should be manageable, in the neighborhood of 63%. These shares, though untimely, should be of interest to income-hungry investors with a conservative stance. The dividend yield looks alluring when compared to the average of all Natural Gas Utility equities within our universe. Consider, also, the stock's 2 (Above Average) Safety rank, below-market Beta, and high mark for Price Stability. Frederick L. Harris, III February 20, 2026	
"Cash Flow" 7.5% 6.5% 5.5%															Fiscal Year Ends												Fiscal Year	
Earnings 5.0% 6.0% 8.5%															Dec.31 Mar.31 Jun.30 Sep.30												Dec.31	
Dividends 5.5% 5.0% 5.0%															2023 814.0 1123.4 418.5 310.4 2666.3												2023 814.0 1123.4 418.5 310.4 2666.3	
Book Value 4.0% 3.0% .5%															2024 756.6 1128.5 414.1 293.8 2593.0												2024 756.6 1128.5 414.1 293.8 2593.0	
															2025 669.1 1051.3 421.9 334.1 2476.4												2025 669.1 1051.3 421.9 334.1 2476.4	
															2026 762.2 1125 427.8 350 2665												2026 762.2 1125 427.8 350 2665	
															2027 825 1160 445 360 2790												2027 825 1160 445 360 2790	
															Fiscal Year Ends												Fiscal Year	
															Dec.31 Mar.31 Jun.30 Sep.30												Dec.31	
															2023 1.66 3.33 d.48 d.66 3.85												2023 1.66 3.33 d.48 d.66 3.85	
															2024 1.52 3.58 d.28 d.51 4.19												2024 1.52 3.58 d.28 d.51 4.19	
															2025 1.34 3.60 .01 d.47 4.44												2025 1.34 3.60 .01 d.47 4.44	
															2026 1.77 3.90 .08 d.40 5.35												2026 1.77 3.90 .08 d.40 5.35	
															2027 1.97 4.10 .10 d.42 5.75												2027 1.97 4.10 .10 d.42 5.75	
															Cal-endar												Full Year	
															Mar.31 Jun.30 Sep.30 Dec.31												Mar.31 Jun.30 Sep.30 Dec.31	
															2022 .685 .685 .685 .685 2.74												2022 .685 .685 .685 .685 2.74	
															2023 .72 .72 .72 .72 2.88												2023 .72 .72 .72 .72 2.88	
															2024 .755 .755 .755 .755 3.02												2024 .755 .755 .755 .755 3.02	
															2025 .785 .785 .785 .785 3.14												2025 .785 .785 .785 .785 3.14	
															2026 .825												2026 .825	

BUSINESS: Spire Inc., formerly known as the Laclede Group, Inc., is a holding company for natural gas utilities, which distributes natural gas across Missouri, including the cities of St. Louis and Kansas City, Alabama, and Mississippi. Has roughly 1.7 million customers. Acquired Missouri Gas 9/13, Alabama Gas Co 9/14. Utility volumes sold and transported in fiscal 2025: 3.3 bill Ccf. Revenue mix for

Spire got off to an impressive start in fiscal 2026 (ends September 30th). Indeed, first-quarter earnings per share surged 32.1%, to \$1.77, versus the prior-year's \$1.34 figure. That was made possible primarily by the Gas Utility unit, driven by better performances from both Spire Missouri and Spire Alabama. Right now, it appears that, for the full year, the company's per-share profits will be in the vicinity of \$5.35. That would mark a 20% jump from fiscal 2025's \$4.44 tally. Concerning fiscal 2027, we look for the bottom line to advance at a much slower, though still respectable, 7% or so rate, to \$5.75 a share, given the hard comparison. Please be aware that beginning in fiscal 2025, our presentation for Spire shows "adjusted" earnings, which exclude such items as the impact of fair value accounting and timing adjustments associated with energy-related transactions, impairment charges, and the effects of acquisition, divestiture, and restructuring activities.

Capital expenditures for this year are anticipated to be \$809 million. (That's 12.3% lower than the fiscal 2025 level of \$922.4 million.) The bulk of the funds are

regulated operations: residential, 66%; commercial & industrial, 23%; transportation, 6%; other, 5%. Officers and directors own 2.3% of common shares; BlackRock, 13.3%; The Vanguard Group, 10.9% (12/25 proxy). Chairman: Rob L. Jones; CEO: Scott Doyle. Inc.: Missouri. Address: 700 Market Street, St. Louis, Missouri 63101. Tel.: 314-342-0500. Internet: www.spireenergy.com.

being deployed to infrastructure upgrades and new business development initiatives at the utilities. Leadership adds that it expects total capital spending from fiscal 2026 through fiscal 2035 to be roughly \$11.2 billion. If the balance sheet stays in solid condition, we believe that Spire will have minimal difficulty accomplishing these objectives.

The quarterly common stock dividend was increased around 5%, to \$0.825 per share. That was brought about, of course, by the company's solid capital position. What's more, we anticipate additional steady hikes in the distribution out to 2029-2031. The payout ratio over that span should be manageable, in the neighborhood of 63%.

These shares, though untimely, should be of interest to income-hungry investors with a conservative stance. The dividend yield looks alluring when compared to the average of all Natural Gas Utility equities within our universe. Consider, also, the stock's 2 (Above Average) Safety rank, below-market Beta, and high mark for Price Stability.

Frederick L. Harris, III February 20, 2026

(A) Fiscal year ends Sept. 30th.
(B) Based on adjusted diluted shares outstanding starting in fiscal 2025. Excludes certain losses: '25, \$0.07; Q1 '26, \$0.23. Next earn-

ings report due late April. (C) Dividends paid in early January, April, July, and October. (D) Dividend reinvestment plan available. (E) Includes deferred charges. In '25: \$1,171.6 mill.,

\$19.86/sh. (F) In millions. (G) Quarterly earnings may not sum due to rounding or change in shares outstanding.

Company's Financial Strength B++
Stock's Price Stability 95
Price Growth Persistence 20
Earnings Predictability 50

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AMER. STATES WATER NYSE-AWR										RECENT PRICE	73.68	P/E RATIO	21.9 (Trailing: 21.8 Median: 30.0)	RELATIVE P/E RATIO	1.17	DIV'D YLD	2.8%	VALUE LINE	Target Price Range										
TIMELINESS	3	Lowered 5/23/25	SAFETY	1	Raised 4/5/24	TECHNICAL	3	Lowered 8/15/25	BETA	.75 (1.00 = Market)											2028 2029 2030								
18-Month Target Price Range																													
Low-High Midpoint (% to Mid)																													
\$63-\$101 \$82 (10%)																													
2028-30 PROJECTIONS																													
High Price Gain Ann'l Total																													
Low 130 105 (+75%) 17%																													
Institutional Decisions																													
to Buy 158 179 177																													
to Sell 156 148 148																													
Hld's(000) 29772 30191 31289																													
Percent shares traded																													
24 16 8																													
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026																													
9.74 10.71 11.12 12.12 12.19 12.17 12.56 11.92 12.01 11.88 12.86 13.24 13.51 13.30 16.11 15.61 16.40 17.30																													
1.70 2.11 2.13 2.48 2.65 2.67 2.81 2.70 2.96 2.84 3.26 3.34 3.64 3.25 4.55 4.29 4.55 4.75																													
.81 1.11 1.12 1.41 1.61 1.57 1.61 1.62 1.88 1.72 2.28 2.33 2.55 2.11 3.36 3.17 3.30 3.45																													
.51 .52 .55 .64 .76 .83 .87 .91 .99 1.06 1.16 1.28 1.40 1.53 1.66 1.79 1.94 2.10																													
2.09 2.12 2.13 1.77 2.52 1.89 2.39 3.55 3.08 3.44 4.12 3.54 3.91 4.50 5.10 6.08 6.00 6.05																													
9.70 10.13 10.84 11.80 12.72 13.24 12.77 13.52 14.45 15.19 16.33 17.39 18.57 19.20 20.99 24.12 26.20 27.55																													
37.06 37.26 37.70 38.53 38.72 38.29 36.50 36.57 36.68 36.76 36.85 36.89 36.94 36.96 36.98 38.15 38.75 39.00																													
21.2 15.7 15.4 14.3 17.2 20.1 24.6 25.6 25.7 34.0 34.4 34.3 33.2 41.0 25.7 24.5 22.9 27.0																													
1.41 1.00 .97 .91 .97 1.06 1.24 1.34 1.29 1.84 1.83 1.76 1.79 2.37 1.43 1.30 1.27 1.50																													
2.9% 3.0% 3.2% 3.1% 2.7% 2.6% 2.2% 2.2% 2.0% 1.8% 1.5% 1.6% 1.7% 1.8% 1.9% 2.3% 2.6% 2.4%																													
CAPITAL STRUCTURE as of 9/30/25																													
Total Debt \$795.8 mill. Due in 5 Yrs \$478.0 mill.																													
LT Debt \$790.3 mill. LT Interest \$40.0 mill.																													
(44% of Cap'l)																													
Leases, Uncapitalized: Annual rentals \$2.4 mill.																													
Pension Assets-12/24 \$195.0 mill.																													
Oblig. \$217.0 mill.																													
Pfd Stock None																													
Common Stock 38,714,426 shs.																													
as of 11/4/25																													
MARKET CAP: \$2.9 billion (Mid Cap)																													
CURRENT POSITION 2023 2024 9/30/25																													
(SMILL.)																													
Cash Assets 14.1 26.7 26.1																													
Accts Receivable 34.3 37.7 46.6																													
Other 157.6 168.9 178.1																													
Current Assets 206.0 233.3 250.8																													
Accts Payable 68.7 88.6 81.7																													
Debt Due 42.4 124.4 5.5																													
Other 55.5 72.5 110.3																													
Current Liab. 166.6 285.5 197.5																													
ANNUAL RATES Past Past Est'd '22-'24																													
of change (per sh) 10 Yrs. 5 Yrs. to '28-'30																													
Revenues 2.0% 4.0% 4.5%																													
"Cash Flow" 4.5% 6.0% 6.5%																													
Earnings 6.5% 8.0% 7.0%																													
Dividends 8.5% 9.0% 8.0%																													
Book Value 5.5% 7.0% 7.5%																													
Cal-ender										QUARTERLY REVENUES (\$ mill.)										Full Year									
Mar.31 Jun. 30 Sep. 30 Dec. 31																													
2022										108.6	122.5	135.0	125.4	491.5															
2023										161.4	157.4	151.7	125.2	595.7															
2024										135.3	155.3	161.8	143.1	595.5															
2025										148.3	163.1	182.7	140.9	635															
2026										155	175	185	160	675															
Cal-endar										EARNINGS PER SHARE ^										Full Year									
Mar.31 Jun. 30 Sep. 30 Dec. 31																													
2022										.38	.54	.69	.50	2.11															
2023										.93	1.03	.85	.55	3.36															
2024										.62	.85	.95	.75	3.17															
2025										.70	.87	1.06	.67	3.30															
2026										.72	.92	1.10	.71	3.45															
Cal-endar										QUARTERLY DIVIDENDS PAID ^B=										Full Year									
Mar.31 Jun.30 Sep.30 Dec.31																													
2021										.335	.335	.365	.365	1.40															
2022										.365	.365	.3975	.3975	1.53															
2023										.3975	.3975	.43	.43	1.66															
2024										.43	.43	.4655	.4655	1.79															
2025										.4655	.4655	.504	.504																
BUSINESS:										American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Co., it supplies water to 264,557 customers in 10 California counties. Service areas include the metropolitan areas of Los Angeles and Orange Counties. The company also provides electricity to 24,857 customers in Big Bear Lake and San Bernardino Cnty. Provides water & wastewater services to U.S. military bases through its ASUS subsidiary. Sold Chaparral City Wtr. of AZ. (6/11). Employs 846. BlackRock, Inc. owns 17.6% of out. shares; Vanguard, 12.0%; off. & dir., 0.8% (4/25 Proxy). Chair.: Anne M. Holloway. Pres. & CEO: Robert Sprowls. Inc. CA. Address: 630 East Foothill Blvd., San Dimas, CA 91773. Tel.: 909-394-3600. Int.: www.aswater.com.																			
American States Water probably finished 2025 with a decent showing.										The water company's fourth-quarter share earnings probably came in at approximately \$0.67. The year-over-year comparison is not as negative as it appears, however, because 2024's figure was aided by an unusual income gain.										nearly 20% of 2026's net income.									
This year will likely show similar bottom-line growth.										In the second year of higher rates being in effect due to the previous rate case, American States' core Golden State Water subsidiary should enable the company's earnings per share to rise \$0.15, or 4% to 5%. The nonutility business (more below) could make our estimate conservative.										Dividend growth prospects are bright. We think that the company's annual distribution can increase 7% to 9% through late decade. This level is about the best in the Water Utility Industry.									
ASUS ought to continue to boost American States overall profitability.										Through this nonregulated business, the company competes to win bids on 50-year contracts to run the water systems on United States' military installations. Higher returns can be achieved here than by Golden State, where returns are capped by regulators. As more army bases privatize their water systems, ASUS may increase its market share and could account for										Regulatory treatment could be a problem if inflation doesn't remain stable. In California, utilities file for rate relief to recover higher costs every three years. With customer's bills set to be raised each year out to 2027, keeping pace with growing expenses ought to be covered. Operating in the state has become expensive, though. Thus, the utility wouldn't be reimbursed for most unexpected expenses until 2028. A bright spot is that despite a checkered history with gas and electric utilities, California regulatory authorities have been reasonable to water companies.									
This stock is neutrally ranked for relative year-ahead performance.										Over the pull to 2028-2030, the outlook is more positive. Shares of AWR have been laggards during the past five years. So, at the recent quote, the equity offers attractive long-term total return potential.										James A. Flood January 2, 2026									

CALIFORNIA WATER NYSE-CWT										RECENT PRICE	P/E RATIO 18.3 (Trailing: 18.9 Median: 29.0)				RELATIVE P/E RATIO	DIV'D YLD	2.8%	VALUE LINE																				
TIMELINESS	4	Lowered 5/30/25	High: 26.4	26.0	36.8	46.2	49.1	57.5	57.4	72.1	72.0	63.9	56.3	51.6							Target Price Range	2028	2029	2030														
SAFETY	2	Raised 4/5/24	Low: 20.3	19.5	22.5	32.4	35.3	44.6	39.7	51.0	48.5	45.4	43.5	41.3																								
TECHNICAL	3	Raised 1/2/26	LEGENDS 50.00 x Dividends p sh Relative Price Strength Options: Yes Shaded area indicates recession																																			
BETA	.80	(1.00 = Market)																																				
18-Month Target Price Range																																						
Low-High		Midpoint (% to Mid)																																				
\$37-\$64		\$51 (15%)																																				
2028-30 PROJECTIONS																																						
Price		Gain		Ann'l Total Return																																		
High		80		(+85%)																																		
Low		60		(+40%)																																		
Institutional Decisions																																						
10/2025		20/2025		30/2025		Percent																																
to Buy		168		166		151																																
to Sell		139		147		139																																
Hld's(000)		50169		50100		50460																																
© VALUE LINE PUB. LLC 28-30																																						
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026																					
10.82	11.05	12.00	13.34	12.23	12.50	12.29	12.70	13.89	14.53	14.72	15.78	14.72	15.22	13.77	17.43	18.35	20.55	Revenues per sh						24.00														
1.93	1.93	2.07	2.32	2.21	2.47	2.22	2.34	3.00	3.11	3.14	3.88	3.91	3.79	3.03	5.46	4.20	4.60	"Cash Flow" per sh						4.95														
.98	.91	.86	1.02	1.02	1.19	.94	1.01	1.40	1.36	1.31	1.97	1.96	1.77	.91	3.26	2.30	2.55	Earnings per sh ^A						2.85														
.59	.60	.62	.63	.64	.65	.67	.69	.72	.75	.79	.85	.92	1.00	1.04	1.12	1.20	1.25	Div'd Decl'd per sh ^B						1.45														
2.66	2.97	2.83	3.04	2.58	2.76	3.69	4.77	5.40	5.65	5.64	5.93	5.46	5.90	6.65	7.91	6.75	6.50	Cap'l Spending per sh						6.45														
10.13	10.45	10.76	11.28	12.54	13.11	13.41	13.75	14.44	15.19	16.07	18.30	21.92	23.70	24.72	27.49	29.10	31.60	Book Value per sh ^C						35.00														
41.53	41.67	41.82	41.98	47.74	47.81	47.88	47.97	48.01	48.07	48.53	50.33	53.72	55.60	57.72	59.48	55.00	53.00	Common Shs Outst'g ^D						50.00														
19.7	20.3	21.3	17.9	20.1	19.7	24.8	29.6	26.9	30.3	39.3	24.9	30.5	33.0	NMF	15.3	19.6		Avg Ann'l P/E Ratio						24.0														
1.31	1.29	1.34	1.14	1.13	1.04	1.25	1.55	1.35	1.64	2.09	1.28	1.65	1.91	NMF	.81	1.05		Relative P/E Ratio						1.30														
3.1%	3.2%	3.4%	3.5%	3.1%	2.8%	2.9%	2.3%	1.9%	1.8%	1.5%	1.7%	1.5%	1.7%	1.9%	2.3%	2.8%		Avg Ann'l Div'd Yield						2.1%														
CAPITAL STRUCTURE as of 9/30/25						588.4	609.4	666.9	698.2	714.6	794.3	790.9	846.4	794.6	1036.8	1010	1090	Revenues (\$mill) ^E						1200														
Total Debt \$1176.5 mill. Due in 5 Yrs \$357.0 mill.						45.0	48.7	67.2	65.6	63.1	96.8	101.1	96.0	51.9	190.8	125	135	Net Profit (\$mill)						145														
LT Debt \$1104.0 mill. LT Interest \$40.0 mill.						36.0%	35.5%	30.1%	24.5%	19.1%	11.1%	20.1%	3.3%	3.3%	18.3%	21.0%	21.0%	Income Tax Rate						21.0%														
(Total interest coverage: 1.5x) (40% of Cap'l)						4.3%	6.1%	3.5%	3.1%	5.8%	3.3%	1.7%	--	1.7%	1.7%	2.0%	3.0%	AFUDC % to Net Profit						5.0%														
Pension Assets-12/24 \$750.0 mill.						44.4%	44.6%	42.7%	49.3%	50.2%	45.9%	47.3%	44.4%	42.5%	40.3%	37.5%	35.0%	Long-Term Debt Ratio						34.0%														
Oblig. \$524.0 mill.						55.6%	55.4%	57.3%	50.7%	49.8%	54.1%	52.7%	55.6%	57.5%	59.7%	62.5%	65.0%	Common Equity Ratio						66.0%														
Pfd Stock None						1154.4	1191.2	1209.3	1440.2	1566.7	1702.4	2233.4	2370.1	2479.5	2739.8	2550	2575	Total Capital (\$mill)						2650														
Common Stock 59,591,341 shs.						1701.8	1859.3	2048.0	2232.7	2406.4	2650.6	2846.9	3058.9	3773.3	4134.6	4200	4350	Net Plant (\$mill)						4500														
MARKET CAP: \$2.6 billion (Mid Cap)						5.2%	5.5%	7.1%	5.9%	5.5%	7.0%	5.5%	5.0%	3.1%	7.9%	6.5%	7.0%	Return on Total Cap'l						7.0%														
CURRENT POSITION						7.0%	7.4%	9.7%	9.0%	8.1%	10.5%	8.6%	7.3%	3.6%	11.7%	10.0%	10.0%	Return on Shr. Equity						10.0%														
(SMILL.)						7.0%	7.4%	9.7%	9.0%	8.1%	10.5%	8.6%	7.3%	3.6%	11.7%	10.0%	10.0%	Return on Com Equity						10.0%														
2023						2.0%	2.4%	4.7%	4.0%	3.2%	6.0%	4.6%	3.2%	NMF	7.7%	5.5%	6.0%	Retained to Com Eq						5.5%														
2024						71%	68%	51%	55%	60%	43%	47%	56%	114%	34%	42%	39%	All Div'ds to Net Prof						42%														
9/30/25																																						
Cash Assets		39.6		50.1		76.0																																
Other		256.7		274.0		323.3																																
Current Assets		296.3		324.1		399.3																																
Accts Payable		157.3		167.5		188.2																																
Debt Due		180.7		72.4		72.5																																
Other		92.3		298.5		469.2																																

BUSINESS: California Water Service Group provides regulated and nonregulated water service to 499,400 customers in 100 communities in the state of California. Accounts for about 90% of total customers. Also operates in Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '24: residential, 67%; business, 20%; industrial, 3%; public authorities, 5%; other 5%. Off. and dir. own 1% of common stock (4/25 proxy). Has 1,184 employees. Pres. and CEO: Martin A. Kropelnicki. Inc.: DE. Addr.: 1720 North First St., San Jose, CA 95112-4598. Tel.: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service delivered mixed third-quarter results, with earnings holding steady but revenue coming in a bit lighter than expected. Revenue of \$311 million rose about 4% year over year but fell short of our forecast, while earnings of \$1.03 per share were in line with estimates and unchanged from the prior-year period. Results reflect the ongoing dynamics of the current California rate case cycle, as well as the timing of rate relief and weather-driven consumption patterns. Capital investment remained elevated, with roughly \$135 million deployed during the quarter as the company continues to modernize its system. **Looking ahead, the operating outlook remains largely intact, though near-term regulatory timing bears watching.** Management reiterated its expectation for nearly 12% compounded annual rate base growth tied to the pending California general rate case and infrastructure plan, supported by sustained capital spending and ongoing PFAS compliance efforts. Importantly, authorization to implement an interim inflationary rate ad-

justment if the rate case decision is delayed adds a layer of downside protection. Growth outside California also remains a positive, with Texas expansion and smaller tuck-in acquisitions expected to contribute incrementally over time. **Shares have slipped about 5% in value since our last review, likely reflecting the modest revenue shortfall and lingering regulatory uncertainty.** Still, California Water's long-term fundamentals remain solid, supported by predictable demand, a constructive regulatory framework, and a long history of dividend growth. While year-ahead performance may lag broader market averages, the stock continues to offer appeal for conservative investors focused on stability, income, and gradual capital appreciation over the long run. **Accounts with a long-term investment horizon may be rewarded nicely from a position here.** Our 3- to 5-year Target Price Range indicates strong capital appreciation potential. Plus, these shares are ranked Above Average (2) for Safety, and score an 85 for Price Stability.

Zachary J. Hodgkinson January 2, 2026

MIDDLESEX WATER NDQ-MSEX					RECENT PRICE	52.14	P/E RATIO	19.2	(Trailing: 21.8 Median: 28.0)	RELATIVE P/E RATIO	1.03	DIV'D YLD	2.8%	VALUE LINE										
TIMELINESS	4	Lowered 5/30/25	High: 23.7	28.0	44.5	46.7	60.3	67.7	76.1	121.4	121.1	90.6	70.7	67.1					Target Price Range	2028	2029	2030		
SAFETY	3	Lowered 7/4/25	Low: 19.1	21.2	25.0	32.2	34.0	51.0	48.8	67.1	74.2	61.3	45.4	44.2										
TECHNICAL	4	Lowered 1/2/26	LEGENDS 55.00 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																					
BETA	.80	(1.00 = Market)																						
18-Month Target Price Range																								
Low-High		Midpoint (% to Mid)																						
\$39-\$81		\$60 (15%)																						
2028-30 PROJECTIONS																								
Price		Gain																						
High		115 (+120%)																						
Low		75 (+45%)																						
Ann'l Total Return		24%																						
Institutional Decisions																								
1Q2025		2Q2025	3Q2025																					
to Buy		92	119	106																				
to Sell		104	77	87																				
Hld's(000)		13861	13523	14363																				
Percent shares traded		12	8	4																				
2009		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC		28-30			
6.75	6.60	6.50	6.98	7.19	7.26	7.77	8.16	8.00	8.42	7.72	8.10	8.17	9.21	9.33	10.73	10.80	11.60	11.60	Revenues per sh	12.55				
1.40	1.55	1.46	1.56	1.72	1.84	1.97	2.17	2.24	2.89	2.90	3.25	3.28	3.70	3.41	4.04	3.55	3.95	3.95	"Cash Flow" per sh	4.50				
.72	.96	.84	.90	1.03	1.13	1.22	1.38	1.38	1.96	2.01	2.18	2.07	2.39	1.76	2.47	2.45	2.85	2.85	Earnings per sh ^A	3.45				
.71	.72	.73	.74	.75	.76	.78	.81	.86	.91	.98	1.04	1.11	1.18	1.26	1.32	1.38	1.46	1.46	Div'd Decl'd per sh ^B	1.65				
1.49	1.90	1.50	1.36	1.26	1.40	1.59	2.91	3.08	4.40	5.11	6.04	4.53	5.18	5.06	4.17	5.45	5.65	5.65	Cap'l Spending per sh	6.00				
10.33	11.13	11.27	11.48	11.82	12.24	12.74	13.40	14.02	15.17	18.57	19.81	20.99	22.65	23.74	24.89	26.60	27.45	27.45	Book Value per sh	28.10				
13.52	15.57	15.70	15.82	15.96	16.12	16.23	16.30	16.35	16.40	17.43	17.47	17.52	17.64	17.82	17.89	18.35	18.50	18.50	Common Shs Outst'g ^C	18.75				
21.0	17.8	21.7	20.8	19.7	18.5	19.1	25.6	28.4	22.2	29.7	30.1	44.3	38.6	42.8	23.6	22.6			Avg Ann'l P/E Ratio	28.0				
1.40	1.13	1.36	1.32	1.11	.97	.96	1.34	1.43	1.20	1.58	1.55	2.39	2.23	2.38	1.25	1.27			Relative P/E Ratio	1.55				
4.7%	4.2%	4.0%	4.0%	3.7%	3.7%	3.3%	2.3%	2.2%	2.1%	1.6%	1.6%	1.2%	1.3%	1.7%	2.3%	2.5%			Avg Ann'l Div'd Yield	1.7%				
CAPITAL STRUCTURE as of 9/30/25					126.0	132.9	130.8	138.1	134.6	141.6	143.1	162.4	166.3	191.9	198	215	215	215	215	Revenues (\$mill)	235			
Total Debt \$357.8 mill. Due in 5 Yrs \$43.7 mill.					20.0	22.7	22.8	32.5	33.9	38.4	36.5	42.4	31.5	44.4	45.0	53.0	53.0	53.0	53.0	Net Profit (\$mill)	65.0			
LT Debt \$350.2 mill. LT Interest \$7.5 mill.					34.5%	34.0%	32.7%	2.8%	--	--	--	7.1%	3.2%	13.5%	21.0%	21.0%	21.0%	21.0%	21.0%	Income Tax Rate	21.0%			
(Total interest coverage: 9.4x)					1.9%	2.7%	3.1%	1.4%	3.4%	3.9%	--	--	3.9%	3.9%	3.0%	3.0%	3.0%	3.0%	3.0%	AFUDC % to Net Profit	3.0%			
(44% of Cap'l)					39.4%	37.9%	37.5%	37.8%	41.5%	44.0%	45.3%	41.9%	45.7%	44.1%	41.5%	39.0%	39.0%	39.0%	39.0%	Long-Term Debt Ratio	35.5%			
Pension Assets-12/24 \$98.6 mill.					59.8%	61.5%	61.8%	61.6%	58.2%	55.7%	54.4%	57.7%	54.0%	55.7%	58.0%	61.0%	61.0%	61.0%	61.0%	Common Equity Ratio	64.5%			
Oblig. \$87.5 mill.					345.4	355.4	370.7	404.1	556.7	621.5	676.3	692.7	783.2	799.7	840	835	835	835	835	Total Capital (\$mill)	820			
Pfd Stock \$2.4 mill. Pfd Div'd: \$.1 mill.					481.9	517.8	557.2	618.5	705.7	796.6	865.4	920.6	998.3	1067.1	1125	1150	1150	1150	1150	Net Plant (\$mill)	1200			
Common Stock 18,338,000 shs.					6.6%	7.1%	6.9%	8.9%	6.7%	6.8%	6.0%	6.8%	4.8%	6.3%	5.5%	6.5%	6.5%	6.5%	6.5%	Return on Total Cap'l	8.0%			
as of 10/30/25					9.6%	10.3%	9.8%	12.9%	10.4%	11.0%	9.9%	10.5%	7.4%	9.9%	9.0%	10.5%	10.5%	10.5%	10.5%	Return on Shr. Equity	12.0%			
MARKET CAP: \$950 million (Small Cap)					9.6%	10.3%	9.9%	13.0%	10.4%	11.1%	9.9%	10.6%	7.4%	9.9%	9.0%	10.5%	10.5%	10.5%	10.5%	Return on Com Equity	12.5%			
CURRENT POSITION (SMILL.)					3.5%	4.3%	3.8%	7.0%	5.4%	5.8%	4.6%	5.4%	2.1%	4.7%	5.0%	5.0%	5.0%	5.0%	5.0%	Retained to Com Eq	6.5%			
2023					63%	58%	62%	46%	48%	48%	53%	49%	72%	53%	56%	51%	51%	51%	51%	All Div'ds to Net Prof	48%			
2024																								
9/30/25																								
Cash Assets					2.4	4.2	3.4																	
Other					106.1	38.8	46.2																	
Current Assets					108.5	43.0	49.6																	
Accts Payable					27.6	28.1	28.1																	
Debt Due					7.7	7.7	7.6																	
Other					68.5	47.1	82.6																	
Current Liab.					103.8	82.9	118.3																	
ANNUAL RATES of change (per sh)					Past 10 Yrs.	Past 5 Yrs.	Est'd '22-'24 to '28-'30																	
Revenues					3.0%	4.0%	4.5%																	
"Cash Flow"					8.0%	7.0%	3.0%																	
Earnings					8.0%	4.5%	7.5%																	
Dividends					5.0%	6.5%	4.5%																	
Book Value					7.0%	8.5%	3.0%																	
QUARTERLY REVENUES (\$ mill.)																								
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																			
2022	36.2	39.7	47.7	38.8	162.4																			
2023	38.2	42.8	46.7	38.6	166.3																			
2024	40.5	49.1	55.1	47.2	191.9																			
2025	44.3	49.3	54.1	50.3	198																			
2026	52.0	55.0	55.0	53.0	215																			
EARNINGS PER SHARE ^A																								
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																			
2022	.68	.50	.80	.40	2.39																			
2023	.33	.55	.56	.32	1.76																			
2024	.59	.59	.80	.49	2.47																			
2025	.53	.60	.77	.55	2.45																			
2026	.68	.72	.78	.67	2.85																			
QUARTERLY DIVIDENDS PAID ^B																								
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																			
2022	.29	.29	.29	.3125	1.18																			
2023	.3125	.3125	.3125	.325	1.26																			
2024	.325	.325	.325	.34	1.32																			
2025	.34	.34	.34	.36																				
2026																								

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 61,000 retail customers, primarily in Middlesex County, New Jersey. In 2024, the Middlesex System accounted for 67% of operating revenues. At 12/31/24, the company had 360 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 1.3% of the com. stock: BlackRock Inst. Trust Co., 19.5% (4/25 proxy). Add.: 485 C Route 1 South, Suite 400, Iselin, NJ 08830. Tele.: 732-634-1500. Int.: www.middlesexwater.com.

Middlesex Water shares are trading around levels seen three months prior. At the moment, overall investor sentiment for relatively riskier securities appears strong. Indeed, MSEX stock has many conservative characteristics (stable operating model, predictable earnings, and a low Beta) and, thus, tends to perform better when investors are looking to add more-defensive positions to their portfolios. All told, Middlesex shares are pegged to underperform (Timeliness: 4) the year-ahead broader market averages. **Middlesex probably ended the recent year with modest top-line growth and flat profits.** Based on our model, we think the regulated water utility provider finished 2025 with revenues of \$198 million (up 3% year over year) and earnings of \$2.45 per share (down two cents from the previous-year figure). Higher water production costs and weather-related delays/watermain breaks weighed on the bottom line throughout the year. For 2026, we look for mid-single-digit revenue expansion to be accompanied by a notable earnings recovery. **Long-term business prospects are**

solid. Demand for water and wastewater services should be consistent, and periodic customer rate increases are likely in the cards. Meanwhile, capital investment on water utility infrastructure upgrades (pipeline replacement, advanced water treatment systems, and technology enhancements) ought to remain steady in the years ahead, with an annual spending budget likely around the \$100-million mark. In addition, the company may well continue to bolster the client roster via asset acquisitions. Most recently, Middlesex purchased Pinewood Acres water assets in Delaware for an undisclosed amount, thereby widening the customer base. **Conservative buy-and-hold accounts may want to have a closer look here.** The board of directors recently raised the quarterly dividend payout 6%, to \$0.36 per share, reflecting a yield that outpaces the broader market average by roughly 50 basis points. Moreover, at the current quotation, and supported by the abovementioned yield, MSEX shares offer attractive total return potential over the 2028-2030 time frame.

Nicholas Patrikis

January 2, 2026

H2O AMERICA NYSE-HTO					RECENT PRICE	49.80	P/E RATIO	14.9	(Trailing: 15.7) (Median: 26.0)	RELATIVE P/E RATIO	0.80	DIV'D YLD	3.4%	VALUE LINE	Target Price Range					
TIMELINESS	3	Lowered 1/2/26	High: 33.7	35.7	56.9	69.3	68.4	74.5	75.0	73.7	83.9	83.7	66.2	57.2		2028	2029	2030		
SAFETY	3	Lowered 1/2/26	Low: 25.5	27.5	28.6	45.4	51.3	53.9	45.6	58.0	55.7	57.0	48.8	43.8						
TECHNICAL	4	Lowered 1/2/26	LEGENDS — 42.00 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession																	
BETA	.75	(1.00 = Market)																		
18-Month Target Price Range																				
Low-High Midpoint (% to Mid)																				
\$41-\$69 \$55 (10%)																				
2028-30 PROJECTIONS																				
Price Gain Ann'l Total																				
High Low 70 105 (+110%) 22%																				
Low 70 105 (+110%) 22%																				
Institutional Decisions																				
to Buy 148 151 154																				
to Sell 100 116 117																				
Hld's(000) 27504 27902 29366																				
Percent shares traded																				
102025 202025 302025																				
1 yr. 2.6 3.6																				
3 yr. -32.3 39.2																				
5 yr. -15.2 68.5																				
© VALUE LINE PUB. LLC																				
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	28-30		
11.68	11.62	12.85	14.01	13.73	15.76	14.97	16.61	18.97	14.00	14.78	19.77	19.01	20.15	20.93	22.26	23.30	26.40	Revenues per sh	29.50	
2.21	2.38	2.80	2.97	2.90	4.42	3.86	4.76	5.24	3.29	3.13	5.28	5.13	5.79	6.03	6.22	4.70	5.00	"Cash Flow" per sh	5.40	
.81	.84	1.11	1.18	1.12	2.54	1.85	2.57	2.86	1.82	.82	2.14	2.03	2.43	2.68	2.87	3.25	3.45	Earnings per sh A	3.75	
.66	.68	.69	.71	.73	.75	.78	.81	1.04	1.12	1.20	1.28	1.36	1.44	1.52	1.60	1.68	1.75	Div'd Decl'd per sh BD	1.95	
3.17	5.65	3.75	5.67	4.68	5.02	5.24	6.95	7.26	5.08	6.25	7.44	8.32	7.85	9.01	11.22	8.50	8.75	Cap'l Spending per sh	8.75	
13.66	13.75	14.20	14.71	15.92	17.75	18.83	20.61	22.57	31.31	31.27	32.12	34.28	36.06	38.52	40.65	44.30	50.00	Book Value per sh	56.65	
18.50	18.55	18.59	18.67	20.17	20.29	20.38	20.46	20.52	28.40	28.46	28.56	30.18	30.80	32.02	33.63	35.00	32.00	Common Shs Outst'g C	30.00	
28.7	29.1	21.2	20.4	24.3	11.2	16.6	15.7	18.8	32.7	78.8	30.0	32.9	27.3	26.4	19.9	15.6		Avg Ann'l P/E Ratio	23.0	
1.91	1.85	1.33	1.30	1.37	.59	.84	.82	.95	1.77	4.20	1.54	1.78	1.58	1.47	1.05	.86		Relative P/E Ratio	1.30	
2.8%	2.8%	2.9%	3.0%	2.7%	2.6%	2.5%	2.0%	1.9%	1.9%	1.9%	2.0%	2.0%	2.2%	2.1%	2.8%	3.3%		Avg Ann'l Div'd Yield	2.2%	
CAPITAL STRUCTURE as of 9/30/25																				
Total Debt \$1775.0 mill. Due in 5 Yrs \$44.3 mill.																				
LT Debt \$1757.0 mill. LT Interest \$50.0 mill.																				
(LT Interest Coverage: 8.5x)																				
(55% of Cap'l)																				
Pension Assets-12/24 \$285.5 mill.																				
Oblig. \$297.8 mill.																				
Pfd Stock None.																				
Common Stock 35,805,000 shs.																				
as of 10/21/25																				
MARKET CAP: \$1.8 billion (Small Cap)																				
CURRENT POSITION																				
(SMILL.)																				
Cash Assets 9.7 11.1 11.3																				
Accts Receivable 67.9 68.7 86.0																				
Other 120.8 110.9 109.9																				
Current Assets 198.4 190.7 207.2																				
Accts Payable 46.1 56.3 61.2																				
Debt Due 49.0 3.6 18.0																				
Other 247.9 201.3 225.0																				
Current Liab. 343.0 261.2 304.2																				
ANNUAL RATES																				
of change (per sh)																				
Revenues 4.0% 6.0% 5.5%																				
"Cash Flow" 6.0% 9.0% -2.0%																				
Earnings 5.0% 7.5% 6.0%																				
Dividends 7.5% 6.5% 4.0%																				
Book Value 9.0% 6.0% 6.5%																				
QUARTERLY REVENUES (\$ mill.)																				
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year																				
2022 124.3 149.0 176.0 171.4 620.7																				
2023 137.3 156.9 204.8 171.4 670.4																				
2024 149.4 176.2 225.1 197.7 748.4																				
2025 167.6 198.3 240.6 208.5 815																				
2026 175 205 245 220 845																				
EARNINGS PER SHARE A																				
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year																				
2022 .12 .38 .82 1.09 2.43																				
2023 .37 .58 1.13 .59 2.68																				
2024 .36 .64 1.17 .68 2.87																				
2025 .50 .71 1.28 .76 3.25																				
2026 .55 .75 1.33 .82 3.45																				
QUARTERLY DIVIDENDS PAID BP																				
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year																				
2021 .34 .34 .34 .34 1.36																				
2022 .36 .36 .36 .36 1.44																				
2023 .38 .38 .38 .38 1.52																				
2024 .40 .40 .40 .40 1.60																				
2025 .42 .42 .42 .42																				
BUSINESS: H2O America engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 232,000 connections with a total population of roughly one million people in the San Jose area and 16,000 connections that reach about 88,000 residents in the region between San Antonio and Austin, Texas. The company merged with Connecticut Water (10/19) and services approx. 140,000 connections. H2O America changed its name from SJW Group in early 2025. Has 808 employees. Officers and directors own less than 1.0% of outstanding shares (3/25 proxy). C.E.O.: Andrew F. Walters, Inc.: California. Addr.: 110 West Taylor Street, San Jose, CA 95110. Tele.: (408) 279-7800. Internet: www.h2o-america.com.																				
H2O America continued its streak of strong year-over-year revenue and earnings growth in the third quarter of 2025. The domestic regulated water utility posted revenues of \$241 million and profits of \$1.28 per share for the September period, reflecting annual advances of 7% and 9%, respectively. Results were driven largely by a combination of recent rate increases and higher customer usage, more than offsetting headwinds from regulatory adjustments. For the full-year 2025, H2O America probably registered moderate year-over-year top- and bottom-line gains.																				
A new chairman of the board is set for February. Current Chief Executive Officer Andrew Walters will assume the role of Chairman following Eric Thornburg's decision to retire as non-executive chair of the board of directors. Mr. Thornburg had a lengthy tenure as President, CEO, and Chair with the company. The transition is expected to be a smooth one.																				
H2O is making progress on the acquisition front. First, the previously announced acquisition of water and wastewater assets from Quadvest in Texas																				
is currently moving through the regulatory process. The assets are being appraised, with a final valuation expected early next year. Elsewhere in Texas, the acquisition of the Cibolo Valley wastewater treatment facility is undergoing a similar fair market valuation process prior to receiving regulatory approval.																				
We think the company is well positioned for the long haul. In addition to a stable operating model with resilient customer water demand, the company should continue to invest heavily on infrastructure upgrades, such as water delivery systems and treatment facilities. This ought to keep management's foot on the gas, in terms of rate case filings to recoup a good portion of these capital expenditures.																				
Shares of H2O America are neutrally ranked for relative year-ahead price action (Timeliness: 3). However, at the recent quotation, total return potential out to late decade is alluring. All told, we think conservative, income-seeking accounts with a long-term horizon would do well to consider a position here.																				
Nicholas Patrikis January 2, 2026																				

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

57. Refer to Kentucky-American's Response to Commission Staff's First Request for Information (Staff's First Request), Item 36.
- a. Provide the balance of unamortized Rate Case Expense from Case No. 2025-00122 and explain whether any of this balance is included in Kentucky-American's calculation of Regulatory Expense in this proceeding.
 - b. Explain why Kentucky-American chose a two-year amortization period considering that the Commission denied the same request in the last rate case's final Order.

Response:

- a. Please see the below table showing the calculation of the Regulatory Expense included in the Forecasted Test Year.

	Start Date	End Date	Amount	2026 Amortization	2027 Balance	QIP 6 Balancing Adjustment	Future Test Year Unamortized Balance	Amortization Period	Forecast Test Year Rate Case Expense
2023 GRC Regulatory Amortization	2/1/2024	1/31/2027	\$332,246	(\$110,749)	\$221,497	(\$221,497)	\$0	24	\$0
2025 GRC Regulatory Amortization	1/1/2026	12/31/2028	713,791	(237,930)	475,861	(243,499)	232,362	24	116,181
2026 GRC Regulatory Amortization	1/1/2027	12/31/2028	1,197,000	0	1,197,000	0	1,197,000	24	598,500
Total			\$2,243,037	(\$348,679)	\$1,894,358	(\$464,996)	\$1,429,362		\$714,681

- b. The Company chose a two-year amortization period to better align with the recent cadence of rate case filings.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: John Magner / John Watkins

58. Refer to the Direct Testimony of John Magner (Magner Direct Testimony), Exhibits JM-1 through JM-3. Refer also to the Application, Exhibit 37, Schedule B. Explain how Kentucky-American's capital spend forecast in the test year is reflected in Kentucky-American's rate base.

Response:

Kentucky-American's rate base for the test year reflects the capital spend for those projects that are placed in service during the test year.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: John Watkins

59. Refer to Kentucky-American's Response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Exhibit 37 Schedules B1 – B8," "Sch B-1" Tab at line 89. Refer also to Kentucky-American's Response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Exhibit 37 Schedules B1 – B8," "Linkin" Tab at Line 281. Explain why Kentucky-American did not include Construction Work in Progress (CWIP) in its rate base calculation for the test year when it forecasted a \$31,490,852 13-month-average CWIP balance in the forecasted test period.

Response:

Kentucky-American did not include Construction Work in Progress (CWIP) in its rate base calculation for the test year because in Case No. 2023-00191, the Commission ruled that CWIP must be removed from the rate base to prevent customers from prepaying financing costs that would later be included again via AFUDC. KAWC also excluded CWIP from its rate base in its most recent rate case, Case No.2025-00122. Although CWIP is excluded from rate base for ratemaking purposes, Kentucky-American's balance sheet will continue to reflect a CWIP balance for projects that remain under construction during the forecasted test period.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

60. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case - Building Maintenance & Services Exhibit" Spreadsheet at the "Workpaper 2" tab. Explain the basis for Additional Security Expense beginning in 2024. In the response, explain whether Kentucky-American anticipates the level of Additional Security Expense to continue decreasing, considering the actual amounts for 2025 were approximately 55 percent of those in 2024.

Response:

The higher level of security expense in 2024 is attributable to updated practices and one-time expenses related to incident management activities. These incremental costs can fluctuate from year to year as they are typically associated with threat investigations or other sensitive personnel items. The Company anticipates the additional security expense to increase over 2025 actuals due to these updated practices. To account for the variable nature of these costs the forecasted test year was calculated by using an average of 2024 and 2025 actuals, which is consistent with budgeting methodology.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

61. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Contract Services Exhibit" at the "Forecast" tab. Provide the calculation for the Acquisition Adjustments value shown in Line No. 1 in the amount of \$440,853.

Response:

Please see KAW_R_PSCDR2_NUM035_062626_Attachment for a breakdown of the acquisition adjustments by line item and acquisition as well as calculations.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

62. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Customer Accounting Exhibit" at the "Workpaper" tab. Provide the calculation for the Acquisition Adjustments value shown in Line No. 1 in the amount of \$132,310.

Response:

Please see KAW_R_PSCDR2_NUM035_062626_Attachment for a breakdown of the acquisition adjustments by line item and acquisition as well as calculations.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

63. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Employee Related Expense Exhibit" at the "Forecast" tab. Refer also to the "Link In" tab. Explain the basis for forecasting Employee Related Expenses using 2025 actual expense, considering the 2025 actual expense was over 200 percent of 2024 actual expense.

Response:

The Company believes that the amount of 2025 employee expenses is more indicative of future spend than that of 2024. For reference, employee expenses through May of 2026 amount to \$104,042, which comes out to an annualized amount of \$249,700; this aligns with KAWC's 2025 spend of \$245,741. In addition, KAWC's 29 additional FTEs from its acquisitions will likely increase Employee Related Expense, making 2025 actual expense even more indicative of future expense.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

64. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – IOTG Exhibit" at the "Workpaper 2" tab. Explain how the Projected Annual Increase percentages were calculated for the years 2027 through 2030.

Response:

Projections for American Water's insurance policy annual increase percentages are derived using several internal and external inputs, in addition to forecast indicators of broader macroeconomic environment (such as inflation factors, the insurance industry cycle, and other economic factors). These factors include, but are not limited to:

- Meetings with insurance marketplace experts such as brokers and consultants in advance policy renewals
- Meetings with insurance carriers across a variety of formal & informal forums
- Meetings forecasting costs of insurance based on historical industry losses
- Broader insurance industry trends impacting cost of insurance (e.g., wildfire, litigation landscape, etc.)
- Macroeconomic factors such as inflationary trends
- Meetings discussing insurance-industry specific trends tied to various lines of insurance

All of the above factors play a role in determining our forecasts. No formal documentation outlining said forecast(s) exist(s), due to the variability of factors involved.

**KENTUCKY-AMERICAN WATER COMPANY
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Witness: Robert Prendergast

65. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Maintenance Supplies & Services Exhibit" at the "Workpaper" tab.
- a. Provide the calculation for the Acquisition Adjustments value in the amount of \$271,731.
 - b. Explain the One-Time/Non-recurring Adjustment in the amount of \$25,000 and explain why it is included rather than removed.

Response:

- a. Please see KAW_R_PSCDR2_NUM035_062626_Attachment for a breakdown of the acquisition adjustments by line item and acquisition as well as calculations.
- b. The one-time adjustment of \$25,000 was for preventative repairs and safety mandates, specifically UV Treatment equipment incurred in 2026. These are expected to continue going forward, so the three-year average was adjusted to include these expenses.

KENTUCKY-AMERICAN WATER COMPANY
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Witness: Robert Prendergast

66. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Miscellaneous Expense Exhibit" at the "Workpaper" tab. Provide the calculation for the Acquisition Adjustments value in the amount of \$84,348.

Response:

Please see KAW_R_PSCDR2_NUM035_062626_Attachment for a breakdown of the acquisition adjustments by line item and acquisition as well as calculations.

**KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

67. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Office Supplies Exhibit" at the "Workpaper" tab. Provide the calculation for the Acquisition Adjustments value shown in Line No. 1 in the amount of \$140,325.

Response:

Please see KAW_R_PSCDR2_NUM035_062626_Attachment for a breakdown of the acquisition adjustments by line item and acquisition as well as calculations.

KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

68. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Rents Exhibit" at the "Workpaper" tab. Provide the calculation for the Acquisition Adjustments value shown in Line No. 1 in the amount of \$21,755.

Response:

Please see KAW_R_PSCDR2_NUM035_062626_Attachment for a breakdown of the acquisition adjustments by line item and acquisition as well as calculations.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

69. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Uncollectibles Expense Exhibit" at the "Workpaper" tab. Confirm there is a typographical error in lines 12 and 17. If confirmed, explain whether and, if so, how the adjustment amount would change.

Response:

The Company confirms that there was a typographical error in the years noted in lines 12 and 17. The Forecasted Revenues and Uncollected Expense have been adjusted due to a linking issue on the 'Link In' tab on row 95.

The following table reflects the adjustment and updated amounts.

Revenues:							
				Forecast Year (12 Months Ending December 31, 2027)			
12		Mar 26 - Aug 26 Forecast	2027	2027)	2028	2029	2030
13	Updated	77,686,142	160,033,089	160,033,089	161,402,352	162,774,568	164,149,748
	Original	77,845,573	161,066,536	161,066,536	161,542,193	162,915,431	165,186,289
	Adjusted	(159,431)	(1,033,447)	(1,033,447)	(139,842)	(140,862)	(1,036,541)
Forecasted Uncollectible Expense:							
				Forecast Year (12 Months Ending December 31, 2027)			
17		Mar 26 - Aug 26 Forecast	2027	2027)	2028	2029	2030
18	Updated	480,367	989,553	989,553	998,020	1,006,505	1,015,008
	Original	481,353	995,944	995,944	998,885	1,007,376	1,021,418
	Adjusted	(986)	(6,391)	(6,391)	(865)	(871)	(6,410)

Please refer to the following attachment reflecting the updated "Workpaper" tab. The Company will provide an updated exhibit during the actual update in the rate case after the base period closes August 31st.

Attachment:

KAW_R_PSCDR2_NUM069_062626_Attachment.pdf

Workpaper #:

W/P - 3-10

Excel Reference:

O&M\[KAWC 2026 Rate Case - Uncollectibles Expense Exhibit.xlsx]Workpaper

Kentucky American Water Company
Case No. 2026-00094
Base Year (12 Months Ending August 31, 2026)
Forecast Year (12 Months Ending December 31, 2027)
Uncollectible Accounts

Uncollectible Accounts

Witness Responsible: Robert Prendergast

Type of Filing: ☐ Original ☐ Updated ☒ Revised

Line | Description

Line	Description	Uncollectibles	Revenues	Write off %	Pro forma Expense
1					
2	2023	598,721	110,663,055	0.5410%	
3	2024	605,964	120,581,152	0.5025%	
4	2025	1,133,550	139,692,292	0.8115%	
5		<u>\$2,338,235</u>	<u>\$370,936,499</u>	0.6183% 3 Year Average	
6					
7	Revenue * Write off %		\$160,033,089	0.6183%	\$989,553
8					
9	Water Revenues - Pro forma				<u>\$989,553</u>
10					

11 Revenues:

	Mar 26 - Aug 26		Forecast Year (12 Months Ending December 31,			
12	Forecast	2027	2027)	2028	2029	2030
13	\$77,686,142	\$160,033,089	\$160,033,089	\$161,402,352	\$162,774,568	\$164,149,748
14						

15 Forecasted Uncollectible Expense:

16

	Mar 26 - Aug 26		Forecast Year (12 Months Ending December 31,			
17	Forecast	2027	2027)	2028	2029	2030
18	\$480,367	\$989,553	\$989,553	\$998,020	\$1,006,505	\$1,015,008

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

70. Refer to Kentucky-American's response to Staff's First Request, Item 1, "KAWC 2026 Rate Case – Support Services Exhibit" at the "Workpaper 1 – Summary" tab. To the extent not already provided, provide the workpapers listed under Adjustment References in Excel spreadsheet format with all columns, rows, and formulas unprotected and fully accessible.

Response:

Please see the attached file KAW_R_PSCDR2_NUM070_062626_Attachment. In addition, please see KAW_R_PSCDR2_NUM070_062626_Attachment_CONFIDENTIAL, which is confidential and is being provided pursuant to a petition for confidential protection.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: Robert Prendergast

71. Refer to Kentucky-American's response to Staff's First Request, Item 1, Confidential "KAWC 2026 Rate Case – Purchased Water Exhibit" at the, "Workpaper" tab.
- a. Provide the calculations of the Acquisition Expenses for Nexus Acquisitions, Black Mountain Acquisition, and Livingston Acquisitions.
 - b. Further explain the basis for the adjustment such that Kentucky-American proposed to increase its Purchased Water Expense approximately 370 percent, mostly due to acquisition adjustments.

Response:

- a. The calculation of acquisition expenses for the Nexus, Black Mountain and Livingston acquisitions was projected by Kentucky-American Water Company operations teams. Year-one production cost expenses, including purchased water expense, were based on a combination of the acquired company's historical financials and budgets, as well as discussions with the applicable target company operating personnel during on-site visits. Projected costs for years beyond the year one costs take the year-one costs and escalate them using applicable inflation rates. Please see KAW_R_PSCDR2_NUM035_062626_Attachment for the expense data collected for the Nexus, Black Mountain and Livingston acquisitions and calculations used to project purchased water expenses in the current rate case.
- b. Kentucky-American's purchased water expense will increase largely due to the Black Mountain acquisition. Black Mountain purchases all their water and had close to one million dollars of purchased water expenses in their FY2025 budget. They purchase water from the City of Harlan, the City of Evarts, and the Pineville Utility Commission.

KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

72. Refer to the Prendergast Direct Testimony, page 16 which references the rising cost of cleanouts and acquisition costs. Refer also to Refer to Kentucky-American's response to Staff's First Request, Item 1, Confidential "KAWC 2026 Rate Case – Waste Disposal Exhibit". Explain the drivers for the forecasted expenses decreasing.

Response:

Waste disposal expenses are usage and weather dependent, and certain expenses occur in periods of over one year. The waste disposal exhibit was prepared on a cash outlay basis for the pro forma periods. The Richmond Road facility incurs sludge removal expenses every twenty-four months. In June 2026 they are scheduled to incur \$288,000 in waste disposal expense, which will not recur until June 2028, as shown on the "Workpaper-Cleanouts" tab of Kentucky-American's response to Staff's First Request, Item 1, Confidential "KAWC 2026 Rate Case – Waste Disposal Exhibit". This is the main driver behind the decreased waste disposal expense in the pro forma year ending December 2027 as compared to the pro forma year ending August 2026.

KENTUCKY-AMERICAN WATER COMPANY
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Robert Prendergast

73. Refer to Kentucky-American's response to Staff's First Request, Item 37. When Kentucky-American files its Base Period Update, provide an update to this schedule including the months April 2026 through August 2026. Consider this an ongoing request.

Response:

Please see the attached file KAW_R_PSCDR2_NUM073_062626_Attachment for the non-revenue water updated through April 2026. It will continue to be updated monthly through August 2026 as data becomes available.

Kentucky-American Water Company

Case No. 2026-00094

KAW_R_PSCDR2_NUM073_062626_Attachment

Commission Staff'S Second Request For Information

Response to KAW_R_PSCDR2_NUM073_062626

Monthly Unaccounted-For-Water Statistics

For the Period Jan 2025 to Apr 2026

Month	Water Produced	Water Purchased For Resale	Calculated System Delivery	Water Sales	Other Water Used	Water Loss	Water Loss Percentage
Jan-25	1,287,408	10,009	1,297,417	1,010,993	9,443	276,981	21.35%
Feb-25	1,113,162	6,786	1,119,948	1,024,596	5,797	89,555	8.00%
Mar-25	1,193,549	10,653	1,204,202	891,445	15,932	296,825	24.65%
Apr-25	1,174,506	10,941	1,185,447	807,289	18,399	359,759	30.35%
May-25	1,270,181	10,957	1,281,138	1,089,476	20,078	171,584	13.39%
Jun-25	1,324,046	10,494	1,334,540	1,015,163	6,352	313,026	23.46%
Jul-25	1,494,633	10,997	1,505,630	1,215,197	6,424	284,009	18.86%
Aug-25	1,567,219	12,209	1,579,428	1,333,398	8,603	237,427	15.03%
Sep-25	1,501,526	11,180	1,512,706	1,418,025	4,741	89,940	5.95%
Oct-25	1,351,622	26,574	1,378,196	1,130,089	6,159	241,948	17.56%
Nov-25	1,129,542	29,956	1,159,498	1,048,132	4,610	106,756	9.21%
Dec-25	1,167,753	26,090	1,193,843	892,066	2,979	298,798	25.03%
Total 2025	15,575,147	176,846	15,751,993	12,875,869	109,517	2,766,607	17.56%
Jan-26	1,192,316	27,018	1,219,334	940,188	1,122	278,024	22.80%
Feb-26	1,207,044	34,096	1,241,140	933,022	3,429	304,689	24.55%
Mar-26	1,208,463	32,611	1,241,074	990,717	3,873	246,484	19.86%
Apr-26	1,246,075	30,659	1,276,734	982,979	15,619	278,136	21.78%
12 Mos Apr 2026	15,660,420	262,841	15,923,261	12,988,452	83,989	2,850,820	17.90%

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: John Watkins

74. Refer to the Application, Exhibit 37, Schedule A. Refer also to Case No. 2025-00122, Application, Exhibit 37, Schedule A. Provide a schedule comparing the revenue requirement components approved or filed in Case No. 2025-00122 to the revenue requirement components proposed in this case, including O&M expense, depreciation expense, other taxes, income taxes, and rate base. For each component with a material increase or decrease, explain the primary drivers of the change. In particular, explain why O&M expenses increased at a higher percentage than depreciation expense and rate base, and identify the amount of the O&M increase attributable to each acquisition included in this filing.

Response:

Please see KAW_R_PSCDR2_NUM074_062626_Attachment. O&M has increased at a higher percentage than depreciation expense and rate base primarily due to acquisitions included in this case. By removing the \$5,185,591 of acquisition O&M from the \$8,778,872, the adjustment for O&M would be reduced to \$3,593,281 (\$8,778,872-\$5,185,591). This equates to a 7.04% increase over the prior case (\$3,593,281/\$51,026,925) which is a lower percentage than depreciation expense and rate base.

Line #		Forecast Period Filing Ending December 31, 2027	Forecast Period Filing Ending December 31, 2026	Forecast Period Yr 2027 - Yr 2026	Percent Change	Black Mountain	Acquisitions Nexus	Livingston	Total	Explanation of increase
1										
2	Present Rate Utility Operating Income:									
3										
4	Operating Revenue at Present Rates:	\$162,484,251	\$136,559,853	\$25,924,398	18.98%					
5										
6	Less: Deductions:									
7	Operating and Maintenance	\$59,805,797	\$51,026,925	\$8,778,872	17.20%	2,617,135	2,528,460	39,996	5,185,591	Acquisitions, Merit increase, increased Purchased
8	Depreciation	37,830,151	34,995,892	2,834,259	8.10%					Water, increased Support Service costs
9	Amortization of UPAA	(80,108)	14,723	(94,831)	-644.11%					Increase in rate base
10	Amortization Expense	57,080	57,080	-	0.00%					
11	State Income Taxes	1,810,446	1,136,434	674,012	59.31%					Increased revenues required
12	Federal Income Taxes	6,049,063	3,549,403	2,499,660	70.42%					Increased revenues required
13	Investment Tax Credits	-	-	-	0.00%					
14	General Taxes:	11,768,932	12,861,924	(1,092,992)	-8.50%	50,669	79,985	0	130,654	Lower assessment, net of higher payroll taxes
15	Total Deductions (Sum Lines 7 - 14):	\$117,241,361	\$103,642,381	\$13,598,980	13.12%					
16										
17	Present Rate Operating Income (Line 4 - Line 15):	\$45,242,890	\$32,917,472	\$12,325,418	37.44%					
18										
19										
20										
21	Revenue Requirement and Increase Comparison:									
22										
23	Net Original Cost Rate Base	\$735,665,485	\$674,394,979	\$61,270,506	9.09%					Increased capital spend
24	Rate of Return	7.94%	7.86%	0.08%	1.02%					
25										
26	Operating Income Required (Line 23 x Line 24):	\$58,411,839	\$53,007,445	\$5,404,394	10.20%					
27										
28	Less: Operating Income at Present Rates (Line 17):	\$45,242,890	\$32,917,472	\$12,325,418	37.44%					
29										
30	Increase in Operating Income Required (Line 26 - Line 28)	\$13,168,949	\$20,089,973	(\$6,921,024)	-34.45%					
31										
32	Gross Revenue Conversion Factor	134.2891%	134.0785%	0.2105%	0.16%					
33										
34	Requested Revenue Increase (Line 30 x Line 32)	\$17,684,459	\$26,936,340	(\$9,251,881)	-34.35%					
35										
36	Percent Increase over Operating Revenue at Present Rates									
37	(Line 34 / Line 4):	10.88%	19.72%	-8.84%	-44.82%					
38	Revenue Requirement (Line 4 + Line 34)	\$180,168,709	\$163,496,192	\$16,672,517	10.20%					

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Ann Bulkley

75. Refer to the Bulkley Direct Testimony, page 7. Kentucky-American proposes a return on equity (ROE) of 10.75 percent. Compare Kentucky-American's proposed ROE in this case to the ROE authorized in Case No. 2025-00122,¹ and explain why Kentucky-American believes the proposed ROE is reasonable in light of the Commission's findings in Case No. 2025-00122.

Response:

In its order in Case No. 2025-00122, the Commission noted the following in regard to the process employed to determine the ROE:

In evaluating the ROE for Kentucky-American, the Commission must evaluate and review each model and all parties' positions and balance the financial integrity of the utility with the interest of the consumer and the statutory obligation that rates be fair, just, and reasonable. The Commission has discussed, in recent cases including 2024-00276 and 2024-00354, why it is appropriate for utilities to present, and for the Commission to evaluate, multiple methodologies to estimate ROEs. Each approach has its own strengths and limiting assumptions. As demonstrated in the respective ROE testimonies in this proceeding, considerable variation exists in both data and application within each modeling approach, which can lead to very different results. The Commission's role is to conduct a balanced analysis of all presented models, while giving weight to current economic trends and conditions.²

Therefore, the Commission noted that each of the parties in the case are going to present their respective models and results and that it is the Commission who will evaluate each of the models presented in the case and select an ROE that it believes will balance the interests of both the utility and consumers. Further, the Commission noted that it will give weight to current economic trends and conditions which will likely vary from proceeding to proceeding.

As discussed on page 2, lines 5-10 of Ms. Bulkley's Direct Testimony, Ms. Bulkley developed a recommended cost of equity range of 10.25 percent to 11.25 percent for

¹ Case No. 2025-00122, Dec. 16, 2025 final Order.

² Case No. 2025-00122, Dec. 16, 2025 final Order, at 61-62.

KAWC based on the results of the constant growth DCF, CAPM and ECAPM analyses. She then considered current and prospective capital market conditions as well as the relative business and financial risk of KAWC relative to the proxy group to determine where the Company's ROE falls within the range of results. Based on that analysis, Ms. Bulkley determined that a ROE of 10.75 percent was reasonable. Thus, Ms. Bulkley determined her recommended ROE considering multiple models as well as "current economic trends and conditions". The Commission will evaluate the approach applied by Ms. Bulkley in this specific proceeding as well as other parties that will estimate the ROE for the Company to determine the authorized return. Therefore, Ms. Bulkley approach is consistent with the Commission's decision in Case No. 2025-00122.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: John Watkins

76. Refer to Exhibit 37, Schedule J. Explain the basis for the 8.50 percent return used for Preferred Stock. In the response, explain whether this is the same return used in Case No. 2025-00122, whether Kentucky-American considered updating the value for this proceeding, and provide all supporting calculations and source documents.

Response:

The 8.50 percent return applied to Preferred Stock represents the cost rate at maturity, which is the effective annual financing cost measured through the maturity or redemption date.

This is the same return and calculation used in Case No. 2025-00122.

Because the preferred stock is existing financing with a fixed embedded cost – and no new issuance or other change affected that cost – Kentucky-American has continued to apply the same 8.50 percent return used in Case No. 2025-00122.

Please refer to PSC 1-1 for the Excel version of the Capital Structure workpapers, Sch J-5 Embedded Cost of Preferred Stock.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Witness: John Watkins

77. Refer to Exhibit 37, Schedule J, including the "Sch J WPs" worksheet. Explain the basis for the fixed interest rates used for short-term debt, including the source of the rates and how Kentucky-American determined the rates for forecasted months. Provide the supporting workpapers in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response:

For the forecasted months, short-term interest rates are based on the Overnight Index Swap (OIS) forward curve plus commercial paper credit spread as of 02/25/2026. Please refer to KAW_R_PSCDR2_NUM077_062626_Attachment for support.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Chuck Rea

78. Refer to the Application, Exhibits 7 and 37, Schedule M. Refer also to Case No. 2025-00122, Application, Exhibit 37. Kentucky-American's meter charge revenue of \$46,452,639 in the present case appears to increase from \$38,905,183 in Case No. 2025-00122. Confirm whether these amounts are accurate. If confirmed, explain the drivers of the revenue increase and explain how Kentucky-American evaluated the affordability impact on residential customers if at all, given that the meter charge is a fixed charge that does not vary based on customer usage.

Response:

The table below shows the fixed charges pertaining to meters and service line for private fire:

	2025-00122		2026-0094				
	Prior Rate	Per Order	KY Legacy	Livingston	Black Mountain	Bell & Hickman	Total
<u>Meter Charges</u>							
Residential	\$27,824,868	\$31,535,893	\$31,793,427	\$53,889	\$818,107	\$1,000,767	\$33,666,189
Commercial	6,955,119	7,885,555	8,042,677	3,926	41,721	238,577	8,326,901
Industrial	190,892	216,372	216,372		24,828	27,358	268,559
OPA	1,269,911	1,439,704	1,491,032			56,895	1,547,927
SFR	80,675	91,439	95,473				95,473
Misc	99,522	112,810	117,565				117,565
	\$36,420,988	\$41,281,773	\$41,756,547	\$57,815	\$884,656	\$1,323,597	\$44,022,614
<u>Service Line Charges</u>							
Private Fire	\$2,271,903	\$3,065,626	\$3,050,579			\$5,539	\$3,056,118
Total	\$38,692,891	\$44,347,400	\$44,807,125	\$57,815	\$884,656	\$1,329,137	\$47,078,732

The drivers of the revenue increase in the fixed charges from \$38.7M revenue at prior rate to \$47.1M at present rate is mainly driven by additional revenue coming from acquisitions and from the rate increase.

The Company performed an affordability analysis on KAWC residential customers as described in Rea's Direct Testimony pages 41-57. The analysis shows that 85% of the Company's residential customers are expected to have bills for Basic Water Service under the Company's proposed rate design at less than 2% of their annual household income.