

Statement of Reasons for the 2023 Rate Increase Request

We asked the Pennsylvania Public Utility Commission (PUC) to approve a tariff that, if fully implemented, would increase Pennsylvania American's present annual operating water and wastewater revenues by \$203.9 million, or 20.2 percent. From our past experience, it is likely that the PUC will suspend and investigate this request and that any changes in rates are not likely to occur until August of 2024.

The primary reasons for the rate increase are as follows:

- Pennsylvania American is committed to investing in its water and wastewater treatment facilities and distribution and collection systems to replace aging infrastructure, ensure service reliability, enhance water quality and increase fire protection for customers.
- Between 2024 and 2025, Pennsylvania American will have invested approximately \$1 billion in system improvements. While customers are already enjoying the benefits of many of these improvements, only a portion of the cost to finance them is covered in the Company's current service charges.
- Pennsylvania American has worked diligently to keep operating expenses relatively flat on a per customer basis for the past 10 years by working more efficiently, improving processes, utilizing technology, and leveraging economies of scale. The operating and maintenance expense in this case represents a compound annual growth rate of only 1.8% since 2013.
- Since the last rate case, Pennsylvania American entered into agreements to acquire two water and four wastewater systems. The Company is seeking recovery for \$11 million invested in water system acquisitions and \$251 million in wastewater system acquisitions.
- To finance needed plant investments, the Company must be able to raise capital on reasonable terms. Unless adjusted, the Company's present rates will not ensure our ability to attract the capital necessary to continue to make the investments in infrastructure that will guarantee the highest quality service.