

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Management Efficiency Audit Follow-Up Review of the  
2021 Management and Operations Audit Report  
Summary of Recommendations

No.	Finding	Recommendation	Response
III-1	Essential created a corporate policy repository and a universal policy template but more stringent control over review and update is warranted	Designate a policy repository owner to oversee the continuation of corporate policy development and/or review and update.	Accept
III-2	Essential successfully implemented timekeeping and payroll software.	None	N/A
IV-1	Essential successfully completed a request for proposals for external audit services and has appropriate external auditor selection and management policies.	None	N/A
IV-2	Essential's Internal Audit Department has experienced additional turnover and has consistently been unable to complete its annual internal audit plans.	Increase Internal Audit Department resources to consistently meet approved internal audit plans while ensuring equitable prioritization of financial and operational audit focus on Essential's utility companies operating in Pennsylvania.	Accepted, in part. Rejected, in part.
V-1	PNG Companies and Peoples have made progress toward appropriate cost allocation and affiliate transaction governance but more improvement is needed.	Correct the noted concerns in governance over transactions amongst affiliates throughout Essential's organization and then perform a comprehensive study of the affiliated transaction and cost allocation processes at PNG Companies and Peoples.	Accept
V-2	Aqua PA submitted and received the PUC's approval for a lease agreement.	None	N/A
V-3	There are critical elements missing from each of the two active cost allocation manuals maintained by Essential's utility companies operating in Pennsylvania.	Analyze the cost allocation manuals at Essential's companies to identify missing components and/or necessary cross-referencing to ensure each is current, thorough, and agrees to the related, approved affiliated interest agreements.	Accept
V-4	Aqua PA performed a market analyses. No market analyses or studies were performed for Peoples.	Complete a comprehensive market study, considering cost and service level, for shared services to/from Aqua PA and Peoples and develop a formal policy to conduct routine comprehensive market studies going forward.	Accept

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Management Efficiency Audit Follow-Up Review of the  
2021 Management and Operations Audit Report  
Summary of Recommendations

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VI-1	Peoples developed and implemented the Financial and Capital Budget Policies and Process.	None	N/A
VI-2	Essential has not finalized its standardization of accounting and finance policies and procedures that would provide the necessary guidance for employees.	Finalize development and implement thorough and complete accounting and finance policies and procedures, along with an appropriate routine review schedule, for Essential's companies.	Accept
VII-1	Aqua PA has implemented a comprehensive, documented valve inspection and exercise program but has not consistently met the program's goals during the review period.	Increase valve inspection rates to meet goals outlined in the Aqua PA Critical Valve Inspection Program and the Aqua PA Non-Critical Valve Inspection Program.	Accept
VII-2	Aqua PA has made progress in reducing company at fault hits but more work is needed.	Strive to reduce company at fault damages to a minimum and increase outreach efforts to decrease company not at fault hits.	Accept
VII-3	Additional improvement is necessary on meter test-outs.	Monitor the percentage of meters failing on test-out and expand testing efforts and/or replacement efforts if failure rates remain high.	Accept
VII-4	Roaring Creek's non-revenue water is trending in a positive direction but continued focus is warranted.	Determine and execute strategies to bring non-revenue water in the Roaring Creek system below 25%.	Accept
VIII-1	Peoples bolstered its construction related staffing which resulted in its ability to replace targeted pipe, primarily bare steel, at an expedited rate.	None	N/A
VIII-2	Peoples actively tracks and monitors second- and third party line hits, and the number of line hits has improved.	Maintain focus on damage prevention strategies to further decrease line hits.	Accept
IX-1	The division of responsibilities for physical security and business continuity between Essential and its regulated utility subsidiaries operating in Pennsylvania is overcomplicated and has the potential to allow for control gaps.	Centralize the oversight of security and business continuity functions and establish verification controls to commit to an enhanced emergency preparedness culture throughout Essential's companies.	Accepted, in part. Rejected, in part.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Management Efficiency Audit Follow-Up Review of the  
2021 Management and Operations Audit Report  
Summary of Recommendations

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IX-2	Designated funding for each cybersecurity and physical security is not prioritized in the budgeting process.	Create dedicated budgets for cybersecurity and physical security.	Accepted, in part. Rejected, in part.
IX-3	Essential has not established a standard access protocol for restricted areas.	Establish a standard access protocol for restricted areas throughout Essential's companies.	Accept
IX-4	Minor deficiencies in physical security were noted during inspections of Aqua PA's and Peoples' facilities.	Address minor deficiencies in physical security.	Accept
IX-5	There are opportunities for improved personal safety throughout Essential's companies.	Conduct routine employee security training for all employees and ensure documented annual inspection of all safety related components.	Accepted, in part. Rejected, in part.
IX-6	Comprehensive emergency response drills with external emergency responders are not routinely scheduled.	Develop and implement routine emergency response drills and invite external emergency responders.	Accepted, in part. Rejected, in part.
IX-7	Fire suppression systems may enhance employee and asset protection efforts in some of Essential's buildings.	Evaluate fire suppression options for regularly occupied facilities and install fire suppression equipment based on risk.	Accept
IX-8	There are opportunities for improvement in cybersecurity.	Evaluate vulnerabilities and improve cybersecurity.	Accepted, in part. Rejected, in part.
IX-9	Aqua PA's Security Alert Level Response Procedure is outdated.	Update Aqua PA's Security Alert Level Response Procedure to trigger according to the National Terrorist Advisory System's threat levels and strengthen emergency response plan review to include this level of detailed verification.	Accept
IX-10	Security protocols are not established in coordination with Aqua PA's defined tiers of criticality.	Establish relevant security requirements based on facility criticality.	Accept
IX-11	Peoples' Facilities and Security Department has not defined tiers of criticality for its managed assets.	Define tiers of criticality for assets managed by Peoples' Facilities and Security Department to most effectively apply appropriate security measures.	Accept

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Management Efficiency Audit Follow-Up Review of the  
2021 Management and Operations Audit Report  
Summary of Recommendations

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X-1	Peoples established a goal of 90% for each dollar value and quantity accuracy for both cycle and physical inventory counts	Perform benchmarking analysis to determine and implement appropriate inventory accuracy goals that, at a minimum, require industry average performance levels.	Accept
X-2	Peoples has excessive inventory variances.	Conduct investigations of inventory variances to determine root cause and then institute measures to improve inventory accuracy to industry standards.	Accept
X-3	Peoples has not reviewed the inventory count policies and procedures since 2018.	Establish and implement a routine review schedule for all supply chain related guiding documents.	Accept
XI-1	Aqua PA and Peoples have robust community education and outreach programs; however, participation in Peoples' customer assistance programs has decreased.	Develop a strategy to enhance outreach efforts to improve customer assistance program participation.	Accept
XI-2	Aqua PA has not yet upgraded its customer information system.	Implement an updated customer information system as soon as is feasible following the SAP implementation.	Accept
XI-3	Peoples established separate primary and secondary net collection goals.	None	N/A
XI-4	Peoples has corrected arrearage reporting queries and confirmed data integrity through verification.	None	N/A
XII-1	Essential contracted a third-party vendor for vehicle leasing and management.	None	N/A
XIII-1	Peoples tracks and monitors standard safety metrics, and their safety programs have supported safety performance that consistently met their goals over the review period.	None	N/A
XIII-2	Peoples installed a safety management system.	None	N/A
XIII-3	Essential established a formal succession plan which covers all	Complete the process to enter the succession plan into Workday and to extend the	Accept

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Management Efficiency Audit Follow-Up Review of the  
2021 Management and Operations Audit Report  
Summary of Recommendations

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	critical executive positions for Essential, Aqua PA, and Peoples.	succession plan to lower levels of management.	

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** III – No. 1

**Recommendation:** Designate a policy repository owner to oversee the continuation of corporate policy development and/or review and update.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** The Chief Administrative Officer is the appropriate role to oversee the policy repository on Pipeline. While each policy owner is responsible for reviewing and updating their policies on a cadence suitable to the policy, the Chief Administrative Officer will oversee the continuation of the corporate policy development and tracking of the review and updates.

**Date to be Implemented:** Q2 2025.

**Person(s) Responsible for Implementation:** Whitney Kellett  
SVP & Chief Administrative Officer  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IV – No. 2

**Recommendation:** Increase Internal Audit Department resources to consistently meet approved internal audit plans while ensuring equitable prioritization of financial and operational audit focus on Essential’s utility companies operating in Pennsylvania.

**Recommendation Status:** **Accepted in part. Rejected, in part.**

**Current Action Plans:** The Company respectfully disagrees with the recommendation to increase Internal Audit Department resources. There are currently no plans to increase the number of positions in the Internal Audit Department, with 5 positions making up a fully staffed department. With a fully staffed Internal Audit Department, the approved plan is to complete 7-9 audits in a given year. The department typically includes 10-12 audits in the plan in a given year, with the additional audits on the list for flexibility and the ability to address risks most relevant to the business as the year progresses. The Company will ensure that audits are prioritized and completed, with equitable distribution among the financial and operational audits for each of the jurisdictions in which the Company operates, including Pennsylvania. The Company will document audits which do not occur in each year.

**Date to be Implemented:** Ongoing.

**Person(s) Responsible for Implementation:** Dawn Peslak  
Internal Audit Director  
Essential Utilities

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Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** V – No. 1

**Recommendation:** Correct the noted concerns in governance over transactions amongst affiliates throughout Essential’s organization and then perform a comprehensive study of the affiliated transaction and cost allocation processes at PNG Companies and Peoples.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Peoples will update its affiliated interest agreement to reflect all non-party affiliates, including Essential Utilities Services. Aqua’s affiliate transactions are currently reviewed on a three-year cadence. The Company will work with the internal audit team to conduct a review of its affiliated transaction and cost allocation processes for both the water and gas companies.

**Date to be Implemented:** Q4 2025 – Peoples affiliate agreement update.  
The Company will perform the affiliate agreement reviews on a three-year cadence.

**Person(s) Responsible for Implementation:** Kim Edvardsson  
VP & Gas Segment CFO  
Peoples Natural Gas Co.

Dawn Peslak  
Director Internal Audit  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** V – No. 3

**Recommendation:** Analyze the cost allocation manuals at Essential’s companies to identify missing components and/or necessary cross-referencing to ensure each is current, thorough, and agrees to the related, approved affiliated interest agreements.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** The corporate allocation manual (CAM) is a high level description of corresponding methods for charging expenses and serves a number of purposes, including internal training for employees. It is reviewed by multiple state public utility commissions during various proceedings. There is a balance between the high level review of the process and the detail that is provided in each affiliated interest agreement that is approved in various jurisdictions. Consistent with this recommendation, the Company will analyze and update its CAM on an annual basis to maintain parallel consistency on the categories of services provided between the affiliated interest agreements and corporate charges manual.

**Date to be Implemented:** Q4 2025.

**Person(s) Responsible for Implementation:** Bradley Palmer,  
VP Controller  
Essential Utilities

Margaret Marlowe  
Assistant Controller  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** V – No. 4

**Recommendation:** Complete a comprehensive market study, considering cost and service level, for all shared services to/from Aqua PA and Peoples and develop a formal policy to conduct routine comprehensive market studies going forward.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** The Companies will complete a market study for Aqua PA and Peoples from their respective service companies at least every 5 years.

**Date to be Implemented:** Q4 2026

**Person(s) Responsible for Implementation:** Kim Edvardsson  
VP & Gas Segment CFO  
Peoples Natural Gas Co.

Bradley Palmer  
VP Controller  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** VI – No. 2

**Recommendation:** Finalize developing and implementing thorough and complete accounting and finance policies and procedures, along with an appropriate routine review schedule, for Essential’s companies.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** The Companies have completed an inventory of the policies and procedures and will continue its focus on this recommendation to complete updated accounting and finance policies and procedures. This will include a review of the policies on an annual basis and will include and identify policies and procedures for Aqua PA, PNG, and where applicable, Essential.

**Date to be Implemented:** Q3 2026.

**Person(s) Responsible for Implementation:** Dan Schuller, Chief Financial Officer  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** VII – No. 1

**Recommendation:** Increase valve inspection rates to meet goals outlined in the Aqua PA Critical Valve Inspection Program and the Aqua PA Non-Critical Valve Inspection Program.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** During the audit, the Company explained that it experienced organizational changes and issues with the work order software implementation between 2022 and 2023. These issues impacted Aqua’s ability to meet exercising goals and records may understate the number of critical valves that were exercised. In 2024, Aqua PA implemented corrective actions to ensure the work order software is functioning properly to confirm the completed work orders for valve exercising, and initiated a formal distribution operator training program in the third quarter of 2024 which includes valve exercising requirements and procedures. Therefore, the Company has and will continue to perform the critical and non-critical valve inspections as outlined in the program to meet inspection and exercising goals and track the status in a database.

**Date to be Implemented:** Ongoing annually.

**Person(s) Responsible for Implementation:** Todd Duerr  
VP Operations  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** VII – No. 2

**Recommendation:** Strive to reduce company-at-fault damages to a minimum and increase outreach efforts to decrease company-not-at-fault hits.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Aqua PA’s Damage Prevention Department will work with local Area Managers to continue its focus on reducing company-at-fault damages through training of employees, weekly Damage Prevention Department meetings with locators, and investigation with the employee for each Aqua at-fault hit to determine cause and corrective actions needed. Aqua submits quarterly mapping updates to PA One Call for accurate information and will continue its PA One Call training and annual review of the internal line locating procedure with the goal to reduce total pipeline hits.

The Damage Prevention Department will implement increased outreach efforts to contractors to ensure they are trained and following the 2025 PA One Call guidelines. The outreach efforts will occur starting in Q2 through Q4 2025 since the updates recently became effective.

Coordination between the various Aqua PA Departments is required and each of them interface with different vendors. It requires the vendors to attend a training session with their local PA One Call liaison. Aqua will also request that contractors have their employees attend PA One Call training classes throughout the year and share attendance documentation.

Aqua continues an annual program to locate mains that do not have record plans and/or are difficult to locate due to the various types of untraceable material. This effort will be for water mains, and wastewater mains both forced and gravity. With the focus on these areas, we anticipate a continued reduction in hits to our facilities.

**Date to be Implemented:** Q2-Q4 2025 - PA One Call outreach efforts.  
Ongoing annually – main location and PA One Call training.

**Person(s) Responsible for Implementation:** Todd Duerr  
VP Operations  
Aqua Pennsylvania

Dave DiGirolamo  
Damage Prevention Supervisor  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** VII-3

**Recommendation:** Monitor the percentage of meters failing on test-out and expand testing efforts and/or replacement efforts if failure rates remain high.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Aqua PA updated its meter testing procedure which reduced the failing test out rate from 73% to 9% by December 2024. If failure rates begin to rise, the Company will perform statistical testing of meters to identify the root cause. Aqua PA's current replacement frequency requires that all 5/8 through 1" meters are removed from service at twenty years, and 1.5" through 10" meters are removed from service every eight years.

**Date to be Implemented:** Q4 2024 and ongoing.

**Person(s) Responsible for Implementation:** James Barbato  
VP Aqua  
Aqua

Nick Cerruti  
Director Field Operations  
Aqua

Jason Jackson  
Manager Meter Operations  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** VII – No. 4

**Recommendation:** Determine and execute strategies to bring non-revenue water in the Roaring Creek system below 25%.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Aqua PA will increase the priority of main replacement and service line replacements to continue NRW reduction in the Roaring Creek system. As noted in the report, Aqua PA plans to replace the “Excelsior” main in 2025 which is anticipated to lead to further reduction in NRW. Additionally, ongoing efforts including pressure reduction, zone metering program activities, and other main replacement at an average of 20,000 feet per year, will also lead to continued improvement.

In 2024, the Company identified a pressure regulator issue and adjusted the outlet pressure setpoint which is mitigation to main breaks and leak volume. The Company also did a first round of installing zone metering, also known as District Metering, which is a metering methodology that breaks up different locations into zones with flow meters installed along the zone boundaries. This method is used to more accurately monitor usage, flow, and any malfunctions that may occur. In addition, the Company held monthly focus group meetings on apparent and non-apparent losses on Roaring Creek NRW that generated data, ideas, and planning for reduction.

**Date to be Implemented:**

2025 Planned Actions:

- Continued monthly focus group meetings on apparent and non-apparent losses for Roaring Creek NRW.
- The second round of zone metering will be installed in the Roaring Creek system to continue the data collection to increase the accuracy of NRW monitoring and reduction.
- Excelsior Project Details:
  - Install 2,700 feet of pipe and abandon approximately 15,000 feet of suspect main with difficult access.
  - Eliminate a pressure zone and control valve (vulnerability for leaks and main breaks).
  - Complete negotiations with property owner to obtain easements needed for project completion.
  - Project designed and bid to contractors.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

- Work expected to start in Q3 but is dependent on easement negotiations.

**Person(s) Responsible for Implementation:** Todd Duerr  
VP Operations  
Aqua Pennsylvania

Mike Fili  
VP Engineering, Construction, Planning  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** VIII – No. 2

**Recommendation:** Maintain focus on damage prevention strategies to further decrease line hits.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Peoples will maintain its focus on damage prevention strategies to further decrease line hits with additional reporting creating lower order root causes for any company fault damage. A dashboard is being created that will provide daily updates to trends that will be available at the end Q2 2025. An enhanced monitoring program targeting horizontal trenchless excavation was implemented in January 2025 and is focused on ensuring contractors know that potholing is mandated by law. Additional risk ranking software is being evaluated that may help identify remedial actions to be implemented and track effectiveness. If feasible, the software implementation will occur after Q4 2025.

**Date to be Implemented:** Q1 2025 – Enhanced monitoring program implementation completed.  
Q2 2025 – Dashboard completed.  
Q4 2025 – Risk ranking software evaluation completed.

**Person(s) Responsible for Implementation:** Lynda Petrichevich  
Senior Director Process Operations  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 1

**Recommendation:** Centralize the oversight of security and business continuity functions and establish verification controls to commit to an enhanced emergency preparedness culture throughout Essential’s companies.

**Recommendation Status:** **Accepted, in part. Rejected, in part.**

**Current Action Plans:** Essential agrees to document its physical security guiding principles (for securing operations and safeguarding employees) and share with Essential leaders. However, centralizing the physical security oversight of PNG and Aqua PA’s operations and its employees under one person or team would impose additional operating costs which aren’t value-add to our customers. The Chief Administrative Officer will meet annually with PNG and Aqua PA leaders to review physical security guidelines and make any necessary changes to ensure completeness.

Essential is committed to emergency preparedness and the security of its operations and employees. Essential’s Enterprise Risk Management Team is tasked with overseeing the Company’s incident management and business continuity plans (for completeness and consistency) and continues ongoing efforts to update and validate plans annually.

**Date to be Implemented:** Q4 2025.

**Person(s) Responsible for Implementation:** Whitney Kellett  
SVP & Chief Administrative Officer  
Essential Utilities

Blake Potter  
Director, Risk Management  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 2

**Recommendation:** Establish dedicated budget line items for cybersecurity and physical security and review and document actual spend variances from budgeted amounts monthly to ensure adequate funding is secure.

**Recommendation Status:** **Accepted, in part. Rejected, in part.**

**Current Action Plans:** The Companies believe they appropriately budget for cybersecurity and physical security initiatives. Cybersecurity has a dedicated budget within the general IT budget (opex and capex). Physical security expenses are budgeted in the general facilities budgets for water and gas, respectively. In some cases, budgeting is discrete, and some is grouped with other costs. For cybersecurity expenses, the Companies will establish dedicated budget line items and prepare monthly variance reports upon request. For physical security expenses, the Companies will prepare manual reports each year to summarize costs.

**Date to be Implemented:** Q1 2026 and ongoing.

**Person(s) Responsible for Implementation:** Whitney Kellett  
SVP & Chief Administrative Officer  
Essential Utilities  
  
Sumit Nair  
Chief Information Officer  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 3

**Recommendation:** Establish a standard access protocol for restricted areas throughout Essential’s companies.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Essential IT has a policy which sets 4 tiers for access to IT systems (ranging from small office to data center). The 4 tiers are referenced in the Essential IT “Technology Systems, Networking, and Application Security Policy” which governs cybersecurity protocols and is reviewed annually. The 4 tiers are: 1. Data Center, 2. Critical Remote Office, 3. Non-Critical Remote Office and 4. General Workspaces. By year end 2025, Essential will define similar tiers for access to water, wastewater and natural gas facilities and document a physical security guideline document which outlines the recommended security protocols for all company locations.

**Date to be Implemented:** Q4 2025 – Draft of Physical Security Guidelines.  
Q2 2026 – Communicate guidelines to facility leaders across Essential.

**Person(s) Responsible for Implementation:** Whitney Kellett  
SVP & Chief Administrative Officer  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 4

**Recommendation:** Address minor deficiencies in physical security.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** The Companies have completed an assessment of physical security repairs at Essential, Aqua and Peoples facilities. Repairs are underway and/or completed for vegetation management and fencing components. At Peoples, gaps in fencing and vegetation management at Peoples Valley Station Shop were identified during the audit and have been corrected as of Q4 2024. Additional clean-up recommendations by the auditors were completed in Q4 2024 and Q1 2025. Additionally, since the audit, the Facilities and Supply Chain teams completed a bid process to identify a firm to complete clearcutting and on-going fence spraying at all Peoples locations – this new contract began in Q1 2025 and will continue.

Aqua PA has corrected the deficiencies noted during the auditor field visits. Operations managers reported the matters were addressed soon after the review. Ongoing work started in Q1 2025 to replace certain access doors and windows at remote facilities. Fence management and vegetation control is annually budgeted and addressed as needed.

**Date to be Implemented:** Q2 2025 –Completed.

**Person(s) Responsible for Implementation:** Todd Duerr  
VP Operations  
Aqua Pennsylvania

Mark Pietrone  
Manager Facilities and Security  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 5

**Recommendation:** Conduct routine employee security training for all employees and ensure documented annual inspection of all safety related components.

**Recommendation Status:** **Accepted, in part. Rejected, in part.**

**Current Action Plans:** All Aqua and Peoples employees participate in mandatory safety training tailored to their roles and responsibilities. This training is conducted and documented through the employee training application, The Essential Learning Place. Water and gas operations personnel receive regular safety and security training specific to their job functions, which varies among operations employees. The Companies commit to reviewing and enhancing safety and security training as needed based on employees' roles. This review will consider the appropriate types of training for office versus field and operations employees, the best methods for delivering training (whether through The Learning Place, specialized courses, consultants, or internal experts), and the frequency of these trainings. Additionally, the Companies conduct annual inspections of safety-related components to ensure compliance with safety standards and regulations. The Companies will review the status of first aid kits and fire extinguishers during these annual inspections.

**Date to be Implemented:** Q4 2025 and ongoing.

**Person(s) Responsible for Implementation:** Chris Crockett  
Chief Environmental, Safety, and Sustainability  
Officer  
Essential Utilities  
  
Chad Ravotti  
Director Safety  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 6

**Recommendation:** Develop and implement routine emergency response drills and invite external emergency responders.

**Recommendation Status:** **Accepted, in part. Rejected, in part.**

**Current Action Plans:** Peoples annually conducts emergency simulations at all the operating facilities and participates in tabletop exercises related to the Cybersecurity, Physical Security, and Business Continuity plans. The emergency simulations are exercises of a significant natural gas incident or event (i.e., pipeline rupture, major customer outage, explosion, etc.) that may trigger the engagement of the Emergency Response Plan. The exercise involves all operation functional areas to review and discuss the proper procedures and protocols for responding to the emergency, making the situation safe, and restoring service to the customers. Peoples also endeavors to meet with many emergency responders throughout the service territory on Natural Gas Emergency First Response as part of our Public Awareness programs. These exercises are presented to emergency responders such as 911, fire departments, etc. to educate them on the proper actions for responding a natural gas emergency, as well as important actions not to attempt.

Aqua PA requests local emergency responders to participate in annual Toxic Gas response drills in accordance with our obligations under our Process Safety Management and Risk Management programs. In 2025, In Q3 2025, Aqua PA plans to meet with various county emergency management agency coordinators to discuss coordination during events, including dam operation and large-scale incidents where Aqua is primary victim or co-support. Aqua and Peoples document each request for emergency responder participation and if they attended the annual drills. The companies will endeavor to be hold at least annual emergency response drills and evaluate additional opportunities to engage in drills.

**Date to be Implemented:** Ongoing annually.

**Person(s) Responsible for Implementation:** Todd Duerr  
VP Operations  
Aqua Pennsylvania

Ed Palombo  
VP Reliability  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 7

**Recommendation:** Evaluate fire suppression options for regularly occupied facilities and install fire suppression equipment based on risk.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Peoples Facilities has implemented plans to replace, upgrade, expand, and install detection and monitoring systems throughout its managed properties. Suppression systems are implemented when the code requires them, but not all municipalities require them. Total facility suppression system coverage would require significant capital investment and are most effective when conducted during facility renovation and reconstruction. Aqua Facilities, primarily classified as mixed-use buildings and usually not required by code to have fire suppression systems due to the presence of electrical panels and chemicals, will explore detection and monitoring systems as part of scheduled construction and capital upgrade improvements.

**Date to be Implemented:** Q4 2025 and ongoing.

**Person(s) Responsible for Implementation:** Chris Crockett  
Chief Environmental, Safety, and Sustainability  
Officer  
Essential Utilities  
  
Chad Ravotti  
Director Safety  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 8

**Recommendation:** Evaluate vulnerabilities and improve cybersecurity.

**Recommendation Status:** **Accepted, in part. Rejected, in part.**

**Current Action Plans:** The Companies agree to evaluate cybersecurity components and make improvements where necessary.

**Date to be Implemented:** Q2 2025 – Completed.

**Person(s) Responsible for Implementation:** Todd Duerr  
VP Operations  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 9

**Recommendation:** Update Aqua PA’s Security Alert Level Response Procedure to trigger according to the National Terrorist Advisory System’s threat levels and strengthen emergency response plan review to include this level of detailed verification.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Aqua PA will update its Security Alert Level Response Procedure in its Physical Security Plan to follow the National Terrorist Advisory System’s threat levels. The emergency response plan annual review and updates will include this level of verification.

**Date to be Implemented:** Q4 2025 and concurrent with updates to its PSP for tiered security criteria in IX – No. 10.

**Person(s) Responsible for Implementation:** Todd Duerr  
VP Operations  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 10

**Recommendation:** Establish relevant security requirements based on facility criticality.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Essential IT has a policy which sets 4 tiers for access to IT systems (ranging from small office to data center). The 4 tiers are referenced in the Essential IT “Technology Systems, Networking, and Application Security Policy” which governs cybersecurity protocols and is reviewed annually. The 4 tiers are: 1. Data Center, 2. Critical Remote Office, 3. Non-Critical Remote Office and 4. General Workspaces. By the end of 2025, Essential will define similar tiers for access to water, wastewater and natural gas facilities and document a physical security guideline document which outlines the recommended security protocols for all company locations.

**Date to be Implemented:** Q4 2025 – Draft of Physical Security guidelines.  
Q2 2026 – Communicate guidelines to facility leaders across Essential.

**Person(s) Responsible for Implementation:** Whitney Kellett  
SVP & Chief Administrative Officer  
Essential Utilities  
  
Todd Duerr  
VP Operations  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** IX – No. 11

**Recommendation:** Define tiers of criticality for assets managed by Peoples’ Facilities and Security Department to most effectively apply appropriate security measures.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Essential IT has a policy which sets 4 tiers for access to IT systems (ranging from small office to data center). The 4 tiers are referenced in the Essential IT “Technology Systems, Networking, and Application Security Policy” which governs cybersecurity protocols and is reviewed annually. The 4 tiers are: 1. Data Center, 2. Critical Remote Office, 3. Non-Critical Remote Office and 4. General Workspaces. By the end of 2025, Essential will define similar tiers for access to water, wastewater and natural gas facilities and document a physical security guideline document which outlines the recommended security protocols for all company locations.

Peoples does have a tiered system for physical security drafted and in place. See below. This is a draft and will be reviewed as part of the Essential-wide review in 2025 including whether this gradation of tiers is sufficient for operations.

Tiers 1-4 and criticality listed below; access to Tiers 2-4 is granted by respective owners of the locations. The system is implemented (not communicated) in 24 field shop locations and HQ.

Tier 1: General Access granted to field and HQ employees acts as a general access control to all covered location. Includes fence lines, gates, and doors to structures accessed through access control systems and monitored by passive cameras.

Tier 2 (Within Tier 1): Warehouse - access granted to warehouse personal plus those employees with functional requirements to access materials. Access granted by management of warehouse and shop operations. Includes fence, gates, and/or hard wall construction controlled by access control ID cards and passive cameras.

Tier 3 (Within Tier 1): Telecom Closet - access granted to Telecom personnel and those on site managers/supervisors granted access by Telecom leadership. Includes hard wall construction controlled by access control ID cards and passive cameras.

Tier 4 (Within Tier 1): Data Center, OPS Center, and Gas Control - access granted to those with functional need or emergency response

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

only. Access list owned by respective leaders of each function. Includes hard wall construction, tied to backup power/HVAC equipment, controlled by access control ID cards and passive cameras.

**Date to be Implemented:** Q4 2025 – Draft of Physical Security guidelines.  
Q2 2026 – Communicate guidelines to facility leaders across Essential.

**Person(s) Responsible for Implementation:** Whitney Kellett  
SVP & Chief Administrative Officer  
Essential Utilities

Mark Pietrone  
Manager Facilities and Security  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** X – No. 1

**Recommendation:** Perform benchmarking analysis to determine and implement appropriate inventory accuracy goals that, at a minimum, require industry average performance levels.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Historically, Peoples submitted a different accuracy calculation than Aqua, using an absolute quantity logic rather than the industry standard calculation referred to as “Net Net”. Peoples has used both methodologies but has reported to the PUC using the absolute quantity logic which was reflected during the MEI information gathering phase and previous audits. Going forward, to align with Aqua, Peoples will use the “Net Net” reporting methodology with a goal of 95% for inventory dollar value and quantity accuracy.

**Date to be Implemented:** Q4 2025.

**Person(s) Responsible for Implementation:** Andrew Rockwell  
Director, Supply Chain, Facility and Security  
Essential Utilities

Stephen Kovatch  
Senior Materials Management Specialist  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** X – No. 2

**Recommendation:** Conduct investigations of inventory variances to determine root cause and then institute measures to improve inventory accuracy to industry standards.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** As noted in Recommendation X – No. 1, Peoples has begun to use the same inventory accuracy reporting methodology as Aqua for more accurate inventory quantity and dollar value counts. Peoples has also initiated installation of material cages with card-reader access and cameras throughout its facilities, added two new full-time warehousemen, and reduced risk pertaining to inaccurate inventory via the elimination of systematic truck stock.

**Date to be Implemented:** Q4 2025.

**Person(s) Responsible for Implementation:** Andrew Rockwell  
Director, Supply Chain, Facility and Security  
Essential Utilities  
  
Stephen Kovatch  
Senior Materials Management Specialist  
Peoples Natural Gas Co.

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** X – No. 3

**Recommendation:** Establish and implement a routine review schedule for all supply chain related guiding documents.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Peoples updated its supply chain policies and procedures in Q1 2024. Aqua updated its supply chain policies and procedures in Q3 2022. Essential will establish and conduct at least annual documented review of all supply chain related policies and procedures.

**Date to be Implemented:** Ongoing annually.

**Person(s) Responsible for Implementation:** Andrew Rockwell  
Director, Supply Chain, Facility and Security  
Essential Utilities

Stephen Kovatch  
Senior Materials Management Specialist  
Peoples Natural Gas Co.

Lawrence Weaver  
Supervisor Materials Management  
Aqua Pennsylvania

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** XI – No. 1

**Recommendation:** Develop a strategy to enhance outreach efforts to improve customer assistance program participation.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Aqua PA’s CAP program began in Q4 2022, replacing the Helping Hand Payment Plan and has reached 6,980 enrollments, more than five times the enrollment in Helping Hand’s highest year (1,174 in 2020). The Company is actively working with its Aqua Assistance Collaborative (AAC), whose members include representatives from the Office of Consumer Advocate, Pennsylvania Utility Law Project, Bureau of Consumer Services, Office of Communications, and social service agencies, to establish outreach goals and continually refine its Consumer Education and Outreach Plan (CEOP). Activities planned in 2025 include promotions of discounts, increased engagement and referrals during call center contacts and collections activities, incorporating CAP messaging in termination notices, and broad awareness increases through community partners, field personnel engagement with customers, revised website and outreach materials, and media promotions.

Peoples CAP enrollment has reached 33,255, an increase of more than 8% over the reported levels in July of 2024. To increase participation, the Company has conducted direct outreach to LIHEAP recipients this heating season, in addition to the other measures outlined in its CEOP. The Company filed a Petition on December 11, 2024 with the Public Utility Commission requesting approval to auto-enroll and auto-recertify households for CAP when LIHEAP is received (Dockets: M-2018-3003177; M-2020-3021343). Further, the Company is participating in the Department of Human Services data-sharing opportunity in which LIHEAP applicants can provide permission to share their income information with the utility that the customer designates to receive their LIHEAP grant for the purposes of enrolling or recertifying in CAP. The Company continues to review its CEOP plans and efforts with its Peoples Universal Service Advisory Group (USAG) on a quarterly basis.

**Date to be Implemented:** Q1 2025 strategy developed through annual CEOP plan. Ongoing annually.

**Person(s) Responsible for Implementation:** Rita Black  
Director Community Assistance Programs  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** XI – No. 2

**Recommendation:** Implement an updated customer information system as soon as is feasible following the SAP implementation.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** Aqua PA continues to evaluate the timing of an implementation from Banner to SAP. An SAP customer implementation is very complex, particularly with regards to customer billing and customer care components. It is imperative that customer billing is not disrupted by any system conversion activities, as such, the planning and executing a conversion of this magnitude must be handled very cautiously. The Company will continue to evaluate the timing of an SAP customer implementation annually as part of its annual planning processes.

In the meantime, Aqua PA is delivering more self-service options to customers in 2025 including customer-reported outages and move in/move out capabilities via the customer portal and mobile app. These options have resulted in improvements in customer service processes and call center performance.

**Date to be Implemented:** Ongoing.

**Person(s) Responsible for Implementation:** Whitney Kellett  
SVP & Chief Administrative Officer  
Essential Utilities

Aqua Pennsylvania, Inc. & Peoples Natural Gas Co. LLC  
Focused Management and Operations Audit  
Implementation Plan

**Recommendation Number:** XIII – No. 3

**Recommendation:** Complete the process to enter the succession plan into Workday and to extend the succession plan to lower levels of management.

**Recommendation Status:** **Accepted.**

**Current Action Plans:** In Q4 2024, Essential expanded the Succession Plan to cover the director level and entered the plan into Workday.

**Date to be Implemented:** Q4 2024 – Completed.

**Person(s) Responsible for Implementation:** Christina Kelly  
SVP & Chief Human Resources Officer  
Essential Utilities