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Essential Utilities, Inc. (WTRG) CEO Christopher Franklin on Q2 2022 Results - Earnings Call Transcript

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Essential Utilities, Inc. (NYSE:WTRG) Q2 2022 Earnings Conference Call August 5, 2022 11:00 AM ET

Company Participants

Brian Dingerdissen - VP and Chief, Staff, & IR Communications

Christopher Franklin - Chairman, President & CEO

Daniel Schuller - EVP & CFO

Matthew Wenger - VP Planning & Corporate Development

Conference Call Participants

Insoo Kim - Goldman Sachs Group

Durgesh Chopra - Evercore ISI

Ryan Connors - Northcoast Research Partners

Travis Miller - Morningstar Inc.

Ryan Greenwald - Bank of America Merrill Lynch

Nelly Michael - HSBC

Gregg Orrill - UBS

Jonathan Reeder - Wells Fargo Securities

Operator

Good day, and welcome to the Essential Utilities Inc. Quarter 2 2022 Earnings Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Brian. Please go ahead, sir.

Brian Dingerdissen

Good morning everyone, and thank you for joining us for today's conference call. I am Brian Dingerdissen, Vice President, Investor Relations and Treasurer at Essential. If you did not receive a copy of the press release, it is available on our website. The presentation is also on our website at essential.co. The slides that we will be referencing, and the webcast of this event, can be found on their website.

Here is our forward-looking statement. As a reminder, some of the matters discussed during this call may include forward-looking statements that involve risks and uncertainties that could cause actual results or future results to be materially different from any future results expressed or implied by such forward-looking statements. Please refer to our most recent 10-K and other SEC filings for a description of such risks and uncertainties.

During the course of this call, reference may be made to certain non-GAAP financial measures. A reconciliation of these non-GAAP to GAAP financial measures is included in the presentation and also posted in the Investor Relations section of the company's website.

Here's our agenda for today. We'll start with Chris Franklin, our Chairman and CEO, who will provide an update on our business and our regulated company updates. Next, Dan Schuller, our CFO, will discuss our financial results. Following Dan, Matt Rhodes, our EVP of Strategy and Corporate Development, will provide an update on our regulated growth initiatives. Chris will conclude the presentation with a summary of our guidance before opening the call up for questions.

With that, I would like to turn the call over to Chris Franklin.

Christopher Franklin

Thanks, Brian, and good morning everyone. Thanks for joining us. As Brian said, let's start off with some highlights of the quarter. First, we reported adjusted EPS of $0.64 versus $0.61 last year. Our adjusted earnings per share were in line with expectations, and Dan will talk you through that in a little bit more detail in a moment. We continue to enhance shareholder value by Board approved a 7% increase in the quarterly dividend the week, bearing the 25th consecutive year of dividend increase is something we're very proud of.

We currently have several purchase agreements signed for 7 municipal acquisitions, totaling more than $100 million in purchase price. And seven more municipal systems are in advanced negotiations. We have also filed rate cases covering more than a couple of million people in our service territory. We've proceeded with the Pennsylvania Supreme Court, authorizing, as we advocated for, the Authority Board to engage in exercise negotiations to purchase their substantial wastewater assets. And Matt is going to take us through a little bit more detail on our growth initiatives in a moment.

We've put off the company's capital plan, mentioned in the renewal of critical infrastructure, we invested approximately $630 million -- $630.6 million to be exact. Throughout our water, wastewater and natural gas systems in the first half of the year. This compared to $640.6 million from last year's first half. We've also put in place the last of our capital projects that are underway -- underway in the system is just a few minutes.

Now, let's, we remain on track to achieve our ESG targets and our commitments to ESG as well. You can read more about our progress in our ESG report, which we published last month. We've, we've, we've, we've also fellow ESG metrics closely, those updates can be found on our ESG recruiter. Now when we talk about investing $10 billion in infrastructure, we're talking about investments that improve the lives of operating, we have to plan, execute and account for thousands of projects each year. And this is different from a lot of large utilities. I think we're, we're, we're,

on what your accounting policy is as we think about 2023, some of your electric and water utility peers use this trade to monetize losses where they could have a significant headwind next year. Maybe just any color there? And can you remind us what your accounting policy is?

Daniel Schaller

Yes, Let me give you a few points on the pension. The Aqua pension, which is the majority of the employees think about are really -- that pension has been closed for -- I mean, it's been closed for a long time. It's -- it's -- it's -- it's closed before 2003. And in the last few years, we started a glide path in terms of our investment allocation there. And so in that, as we've become more fully funded, we've materially reduced our exposure to equities and other risk assets. So at this point, Durgesh, we're effectively -- we're -- we're -- we're