

Q2 2021 Earnings Call

Company Participants

- Edward D. Vallejo, Vice President, Investor Relations
- Susan Hardwick, Executive Vice President and Chief Financial Officer
- Walter J. Lynch, President and Chief Executive Officer

Other Participants

- Durgesh Chopra, Evercore ISI
- Insoo Kim, Goldman Sachs
- Jonathan Reeder, Wells Fargo
- Ryan Greenwald, Bank of America
- Shar Pourreza, Guggenheim Securities

Presentation

Operator

Good morning and welcome to American Water's Second Quarter 2021 Earnings Conference Call. As a reminder, this call is being recorded and is also being webcast with an accompanying slide presentation through the company's Investor Relations website.

Following the earnings conference call, an audio archive of the call will be available through August 10, 2021. U.S. callers may access the audio archive toll-free by dialing 1877-344-7529. International callers may listen by dialing 1412-317-0088. The access code for replay is 10158766. The audio webcast archive will be available for one year on American Water's Investor relations website at ir.amwater.com/events. I would now like to introduce your host for today's call Ed Vallejo, Vice President of Investor Relations. Mr.Vallejo, you may begin.

Edward D. Vallejo {BIO 16076814 <GO>}

Thank you Grad, and good morning everyone and thank you for joining us for today's call. At the end of our prepared remarks we will as usual open the call for any of your questions. During the conference call both in our prepared remarks and in answers to your questions, we may make forward-looking statements that represent our expectations regarding our future performance or other future events.

These statements are predictions based upon our current expectations, estimates and assumptions. However, since these statements deal with future events they are subject to numerous known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from the results indicated or implied by such statements.

Additional information regarding these risks, uncertainties and factors as well as a more detailed analysis of our financials and other important information is provided in the earnings release and in our June 30, 2021 Form 10-Q each has filed with the SEC. Reconciliations for non-GAAP financial information related to O&M efficiency ratio can be found in our earnings release and in the appendix of the slide decks for this call.

The slide deck has also been posted to our Investor Relations page for our website. All statements in this call related to earnings and earnings per share refer to diluted earnings and earnings per share and per purposes of the anchor year on long-term EPS growth guidance, the anchor is whether adjusted 2020 EPS of \$3.84. And with that, I will turn the call over to American Water's President and CEO, Walter Lynch.

Walter J. Lynch {BIO 6064780 <GO>}

Thanks, Ed, good morning everyone and thanks for joining us. Once again the employees of American Water delivered solid results as we continue to execute on our lowest profile and predictable growth story.

Let's move the slide 5 to cover the highlights of our second quarter and six-month results. Our second quarter 2021 earnings per share increased 17.5% compared to the second quarter 2020. Included in the results is a \$0.03 per share benefit from weather primarily in the Northeast where we saw a moderate impact from warmer and drier than normal conditions.

In the first six months of 2021, we invested \$782 million with the majority dedicated to needed infrastructure improvements to better serve our customers. We continue to work hard to minimize the bill impacts of these investments by focusing on capital and operating efficiencies, construct a regulatory outcomes and by leveraging the size and scale of our business.

As a reminder, we previously announced a O&M efficiency target of 30.4% by 2025. We also continue our disciplined approach to regulated acquisitions. We've added approximately a 11,200 customer connections to-date through close acquisitions and organic growth and look forward to welcoming an additional 86,900 customer connections through pending acquisitions. I'll provide more detail on growth in a moment.

Moving to slide 6, the foundation of earnings growth continues to be the capital investment we make in our regulated operations. We plan to spend \$1.9 billion in 2021 and about \$10.4 billion over the next five years. The continued investment is critical to improving and maintaining distribution and treatment infrastructure including improving water quality, fixing leaks and providing water for fire hydrants.

These efforts help our communities remain strong and attractive to residents and businesses. With a strong first half of 2021 and continued execution of our strategies we're firming today our 2021 earnings guidance range of \$4.18 to \$4.28 per share. We're also affirming our long-term EPS compound annual growth rate range of 7% to 10%.

Turning to slide 7, let's go through some of the regulatory and legislative highlights of the second quarter 2021. On June 28th, the Iowa utilities board issued an order approving an

increase in annual base revenue of \$1 million for Iowa American Water. The company's investment of almost \$87 million in water system improvements was the primary driver behind the rate adjustment request.

We also have pending cases in West Virginia and California. We cover California American Water's General rate case as well as the cost of capital application on the last call and both cases are progressing as expected. Let me spend a few minutes in California's drought emergency.

As you've likely heard Governor Newsom expanded the states drought emergency declaration in 50 out of 58 counties. Currently our water supplies in California are in good shape, but we're activating mandatory conservation measures for our customers in Sonoma County. We're also conducting extensive outreach to our highest water users and encouraging our customers to voluntarily reduce their water use across our entire service area.

The drought once again highlights the need for the Monterey Peninsula water supply project. As we previously discussed, California American Water refiled its application to the coastal commission on November 6, 2020. On December 3, 2020 the coastal commission sent a notice requesting additional information.

California American Water provided the requested responses in March 2021. The coastal commission then requested additional information on June 18. Our California team is working on this additional request. Once we provide that information and staff deems the application complete by statute the coastal commission would have a 180 days to process it.

Additionally on July 29, the New Jersey Board of Public Utilities issued a final order denying approval of acquisition adjustments in rates associated with the purchase of Shorelines and Haddonfield in 2017 and 2015 respectively. The order is not the outcome we've been working towards and we continue to evaluate next steps. However, we had a counter for this possibility and the decision will not have an impact on our financial results.

Moving to state legislation, we continue to engage with states as they take action to help address water and wastewater challenges. In New Jersey, legislation that strengthens the state's Water Quality Accountability Act has passed both houses unanimously and is awaiting the Governor's signature. The enhancements include additional enforcement requirements for reporting data, stronger cyber security requirements and asset management plans and requirements for the sale of systems with prolonged violations.

New Jersey was the first state to pass a Water Quality Accountability Act and we're pleased to see the act strength and on behalf of all water customers in New Jersey. Also in New Jersey, the governor signed a lead service line replacement bill that includes O&M expenses and interest accrued on customer online as recoverable items.

As you know American water has long advocated for full service line replacement versus a partial replacement to address lead issues. In Missouri, the Governor signed the water and sewer infrastructure act which will become effective on August 28, 2021. This act establishes a

new state-wide infrastructure system replacement surcharge program that broadens the list of eligible projects.

It also increases the cap from 10% to 15% of Missouri American Water's revenue requirement for these eligible projects. Additionally customer-owned lead service line replacements are excluded from the cap. Finally, as we mentioned, last call on a national level, we remain supportive of investments in water and wastewater infrastructure. The proposed bipartisan package supported by the administration includes \$55 billion for water infrastructure.

We believe the proposed additions to state revolving funds for drinking water and the possible expansion of a water life heat type program for all water customers would help improve our nation's water infrastructure.

Moving to slide 8. Customers remain at the center of every decision we make. This means, smart investments balance by efficient operations and capital deployment. For the 12-month period ending June 30, 2021, our O&M efficiency ratio was 33.9% compared to 34.3% for the 12-month period ending June 30, 2020.

As we know each quarter, our adjusted O&M expenses are just slightly higher today than they were in 2010. During that period we've added approximately 333,000 customer connections while expenses only increase at a compound annual growth rate of just over 1%. On the subject of cost, inflationary pressures, and scarcities of some supplies and certain sectors of the U.S. economy let me remind you that our company does have the advantage of volumetric purchases and economies of scale.

By leveraging our national size and scale and working closely with our suppliers in the water sector, we've been able to shield ourselves from the most part from these effects. At this time, we've not experienced or do -- and do not anticipate any material negative impacts on our supply chain.

Before we move to growth, let me provide a quick update on the sale of New York American Water. Both American Water and Liberty remain committed to closing the sale and continue to work through the regulatory process. As noted by AK filing on June 29 both parties agree to extend the closing end date in accordance with the terms of the stock purchase agreement.

We remain confident that the sale will be completed. Assuming progress continues as expected we believe that the net impact from New York in 2021 results won't material impact our 2021 guidance range. Further we don't anticipate any impact on the expected timing of our previously discussed future equity needs.

Moving to slide 9, we've announced multiple acquisitions in the first half of 2021 including our largest acquisition in New York, Pennsylvania which will add an equivalent customer connection total of more than 45,000. We continue to make progress on that acquisition most recently filing an application with the public utility commission on July 1.

As I mentioned earlier, so far in 2021, we've closed on 8 acquisitions in four different states adding approximately 3,000 new customer connections. We've also added approximately 8,200 customer connections to organic growth in the first six months. We look forward to adding another 86,900 customer connections through 37 currently signed agreements in 8 states.

These new agreements reflect our commitment to provide water and wastewater solutions in communities, where we can leverage our scale and expertise. We know that many communities are facing unprecedented challenges and we're well positioned to provide them solutions.

Our growth is also a direct result of our commitment to customer service. I want to congratulate both our New Jersey and Illinois subsidiaries for earning JD Power awards for ranking highest in customer satisfaction among large utilities, large water utilities in the Northeast and Midwest. It's the second year in a row that our Illinois subsidiary ranked highest. We're proud of our teams and the way they put our customers first every day. With that, I'll turn it over to Susan.

Susan Hardwick {BIO 16618718 <GO>}

Thanks Walter. Let's start on slide 11 with a review of results. Second quarter 2021 earnings were \$1.14 per share compared to \$0.97 per share in the second quarter of 2020.

As Walter mentioned included in earnings is an estimated \$0.03 per share favorable impact from weather primarily in the Northeast where we saw conditions warmer and drier than normal through the quarter. Results for the regulated business segments were a \$1.18 per share an increase of \$0.21 per share compared to 2020 earnings. Results for the market-based business were \$0.11 per share a decrease of \$0.02 per share.

And finally parent company results decreased \$0.02 per share in the second quarter of 2021 as compared to the same period last year. Our 2021 earnings through June 30th were \$1.87 per share an increase of \$0.22 per share compared to the same period last year.

Results for the six month period include the estimated \$0.03 per share a favorable impact from weather in the second quarter of 2021. Regulated business results increased \$0.27 per share compared to 2020 earnings and our market based business results decreased \$0.5 per share and parent company results were unchanged year-over-year.

Moving on to slide 12, let me provide just a few more details by business. As I noted earlier, regulated results increased \$0.21 per share and we saw \$0.30 per share increase in revenues from new rates in effect from acquisitions, and from the lower demand in the second quarter of 2020 from the COVID-19 pandemic.

As a reminder, we saw the 2020 full year impact on demand due to the pandemic to be nearly zero and we see no real lingering impact on demand in 2021. Also, as I mentioned previously, results reflect an estimated \$0.3 per share increase from warmer and drier than normal weather, primarily in the Northeast.

Partially offsetting these results O&M expense increased by \$0.09 per share and depreciation expense increased \$0.03 per share in support of growth and the regulated business. The market based business results decreased \$0.02 per share in the second quarter of 2021 as compared to the second quarter of 2020. The lower results reflect increased claims in 2021 in the homeowner services group.

The parent results decreased \$0.02 per share of the second quarter 2021 compared to the second quarter of 2020. Largely driven by higher interest expense to support regulated growth. While on the topic of results, I'd like to also reiterate what we told you last quarter with regard to the company's lower effective income tax rate.

This results from an increase in the amortization of excess accumulated deferred income taxes as agreed to through the regulatory process and is largely offset with lower revenue, resulting in no material impact to earnings. And we will continue to see this impact as that amortization continues.

Moving on to slide 13, consolidated results increased \$0.22 per share for the year-to-date period compared to the same period last year. Results for the regulated operations increased \$0.27 per share for the year-to-date period, we saw \$0.50 per share increased from additional revenue -- additional authorized revenue from acquisitions and from the lower demand in the second quarter of 2020 attributable to the pandemic.

Year-to-date results also reflect the estimated \$0.03 per share favorable weather benefit. Offsetting these increases were increases in O&M expense of \$0.18 per share and depreciation of \$0.08 per share all as a result of growth in the business. The market-based business results decreased \$0.05 per share due to the higher claims in 2021 and homeowner services group including the extreme cold weather across the country during the first quarter of 2021 primarily in Texas and Illinois.

And parent results were flat compared to the same period in 2020 as higher interest expense to support regulated growth was offset by a number of small items that increased expenses in 2020.

Moving on to slide 14. The continued successful execution of our regulatory strategy is a key element of our ability to consistently deliver financial results. And today, the regulated business has received a \$146 million in annualized new revenues in 2021. This includes a \$100 million from general rate cases, and step increases excluding the agreed reduction in revenue from the amortization of excess accumulated deferred income taxes and \$46 million from infrastructure surcharges.

We have also filed requests and are awaiting final orders on the two rate cases previously mentioned by Walter and two infrastructure surcharge proceedings for a total annualized revenue request of \$71 million.

I'd also like to add that generally we have received favorable regulatory decisions addressing our incremental financial impacts of the COVID-19 pandemic. We have received a favorable

deferral orders in most jurisdictions including cost recovery orders approved by regulators in Illinois, Missouri and Iowa.

In Pennsylvania, the administrative law judge issued a recommendation that would allow us to defer our incremental uncollectible expense resulting from the pandemic but would exclude other financial impacts such as wave too late fees and additional interest costs. Our Pennsylvania subsidiary has filed exceptions to the ALG recommendation recommended decision highlighting among other things the favorable decisions we have received in other jurisdictions. We expect a final Pennsylvania deferral order addressing these matters later in the third quarter.

Moving on to slide 15, I want to provide a few details of the very favorable debt offering we executed it in May. The company successfully completed a \$1.1 billion debt offering in support of our \$10.4 billion five-year capital plan and to refinance approximately \$327 million of high coupon debt. We issued \$550 million each of 10 and 30 year debt with coupon rates of 2.3% and 3.25% respectively.

These are the lowest rates American Water has ever achieved on a public debt offering and is representative of the company's healthy balance sheet and strong credit profile and we're pleased to have achieved such favorable rates to the benefit of our customers.

Moving on to slide 16, I'd like to reiterate Walter's comments earlier because of our strong performance and continued focus on execution we are affirming our 2021 earnings guidance range of \$4.18 to \$4.28 per share. We are also affirming our long-term earnings per share compound annual growth rate of 7% to 10%.

As shown on slide 17 and as our results demonstrate we continue to deliver on our earnings commitment. We believe that delivering on results combined with our strong earnings growth and superior dividend growth expectations provides excellent value for our shareholders.

We continue to outperform our peers and as you can see on this slide measured currently we have delivered a total shareholder return of a 126% over the last five years, outpacing our peers in the Philadelphia Utility Index as well as the S&P 500 Index. And with that, let me turn the call back over to Walter for some closing remarks.

Walter J. Lynch {BIO 6064780 <GO>}

Yeah. Thanks Susan. And before we move on to your questions, I want to take a few minutes to talk about our ESG highlights over the last six months. We've been hearing from stakeholders that they'd like to receive more ESG data on an annual basis.

We've published two new documents on our website, first we made our environmental policy more visible by posting it on our ESG page. We also posted an ESG data summary which will update annually. We also continue to implement best practices and respond to surveys and reports.

For example, just last week, we submitted our annual CDP climate change response, which highlights American Water's efforts to address greenhouse gas emissions and risks associated with climate variability. As we've discussed previously, since 2007 through year-end 2020, we've reduced our greenhouse gas emissions by approximately 36%. This means, we're close to our goal of a 40% reduction by 2025. I also want to mention our recent recognition as a top scorer in the disability equality index for a third year in a row. We firmly believe we're more successful, when our workforce reflects the communities that we serve. We're proud to be recognized by DEI and to be an ally to those with different abilities.

Finally, as a reminder, we'll be publishing and posting our 2019 to 2020 sustainability report this fall. With that, we're happy to take your take your questions.

Questions And Answers

Operator

(Question And Answer)

We will now begin the question-and-answer session. (Operator Instructions) Our first question today will come from Shar Pourreza with Guggenheim Partners. Please go ahead.

Q - Shar Pourreza

Hey, good morning guys.

A - Walter J. Lynch {BIO 6064780 <GO>}

Good morning Shar.

A - Susan Hardwick {BIO 16618718 <GO>}

Hey Shar.

Q - Shar Pourreza

So just a couple questions here. So, first starting with the sale of the New York utility Walter, where are we in the process versus kind of your expectations and guidance and what does the potential creation of these kind of water authorities mean for the process assuming the Governor signs them?

A - Walter J. Lynch {BIO 6064780 <GO>}

Well, we continue to work with Liberty cooperatively to get to the end point of selling the systems and we do believe that this sale will happen. We're working with the commission staff, with the commission, with the Governor's office to advance this sale. It's just a lot there as far as the North Shore Water Authority, the South Shore Water Authority. There was legislation passed

waiting Governor's approval that's just all part, I think of how they're looking at this on Long Island to get this deal done. So again, we continue to work in a cooperative way with everybody to get to the end point. We're confident that this will happen.

Q - Shar Pourreza

Got it. Got it. And then, the infrastructure bill and D.C. authorizes almost I think \$15 billion for EPA water funding, and millions annually for like programs, like leak reduction, and leak reduction, and see overflows.

Do you sort of see this as a crowding out of sort of the private capital like yours, i.e., slowing potential muni acquisition growth or is it kind of a drop in the bucket for from a national perspective?

A - Walter J. Lynch {BIO 6064780 <GO>}

Yeah, thanks for that Shar and we welcome the attention to the water and wastewater industry. You know, the significant investment that's needed over the next 20 years and we've talked many times about \$1 trillion needed. So while this is good money to be put to good causes there's still a lot to go and again we're just happy to be in the discussion with the administration as far as the in the infrastructure plan.

We do think the money set aside for the lead service line replacement and also the PFAS treatment is good and it will help many communities out there. But again, it's a drop in the bucket compared to the overall spending that's necessary and we don't see it impacting in any way our investment or our growth in the water and wastewater sector through acquisitions.

Q - Shar Pourreza

Got it. Got it. And then just lastly it's sounds like Monterey County is getting closer to filing for eminent domain for the local system assets from Cal Am. There is a third party study that's I think forthcoming based on the June 28 vote. Can we just get an overview of sort of what this process could look like from a timing and valuation perspective?

A - Walter J. Lynch {BIO 6064780 <GO>}

Well, as we know this is a multi-year process and right now, they're working through getting approval from the local agency formation commission. And then once they get that approval they've got to go through a series of different trials the right to take trial, and then evaluation trial. And so again, it will take years to work through that, but the first step is getting through the what's called LafCo I mean getting their approval before they can move forward with the condemnation.

Q - Shar Pourreza

Got it. Fantastic. Thanks guys that's all I had.

A - Walter J. Lynch {BIO 6064780 <GO>}

Thanks Shar.

A - Susan Hardwick {BIO 16618718 <GO>}

Thanks Shar.

Operator

Our next question will come from Ryan Greenwald with Bank of America. Please go ahead.

Q - Ryan Greenwald {BIO 20960461 <GO>}

Good morning everyone.

A - Walter J. Lynch {BIO 6064780 <GO>}

Hey Ryan.

A - Susan Hardwick {BIO 16618718 <GO>}

Hey Ryan.

Q - Ryan Greenwald {BIO 20960461 <GO>}

Any additional color you can offer at this point around the grand jury subpoena whether it be timeline for resolution or potential implications as the process plays out?

A - Walter J. Lynch {BIO 6064780 <GO>}

Yeah Ryan really is nothing more we can say it's ongoing our disclosure is everything that we can say about it at this point.

Q - Ryan Greenwald {BIO 20960461 <GO>}

Got it. And then you guys highlighted a couple of new State Legislative items and then obviously the in for built the federal level. Any key states that you're watching from here just in terms of other constructive legislation that could come up but might be in earlier days still?

A - Walter J. Lynch {BIO 6064780 <GO>}

Well in Pennsylvania there's a Senate Bill that's right in line with the water accountability act -- water quality accountability act so we're tracking that that's working its way through in the Senate and then, it'll be introduced into the house over there. So, we're expecting that to progress this year in 2021. So keep an eye out for that, that would be the fourth state. As you

know, we were working with Missouri and Indiana to get theirs, and also start here in New Jersey. So, we're thrilled at Pennsylvania's moving forward with that.

Q - Ryan Greenwald {BIO 20960461 <GO>}

Great. And then maybe just lastly, in terms of the New York American Water sale piggybacking off the earlier question is the expectation that the whole New York American Water operations would ultimately get sold to Liberty or do you expect the carve out with the new authorities?

A - Walter J. Lynch {BIO 6064780 <GO>}

Yeah. We're working through that. We do expect the sale to go to Liberty in its entirety and then they would work through whatever comes after that.

Q - Ryan Greenwald {BIO 20960461 <GO>}

Great. Appreciate the time.

A - Walter J. Lynch {BIO 6064780 <GO>}

Thank you.

Operator

Our next question will come from Durgesh Chopra with Evercore ISI. Please go ahead.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning team, thanks for taking my question.

A - Walter J. Lynch {BIO 6064780 <GO>}

Hey Durgesh.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey Walter. Just quick clarification on the New York American just Susan I think you mentioned in the last call that the sale doesn't impact -- whether New York ends up being sold or not doesn't impact the amount of equity and timing of the equity is that still the case?

A - Susan Hardwick {BIO 16618718 <GO>}

Yeah. That's still the case Durgesh.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Okay, perfect. And then maybe just two quick things on 2021. Susan just market base earnings continue to be down this is the second consecutive quarter and you mentioned claims expense. Can you maybe just elaborate on that a little bit? Is this still sort of the Texas event from Q1 dragging on to Q2 or what's or other claims in certain parts of the -- of your service territory there that are more adverse than others?

A - Susan Hardwick {BIO 16618718 <GO>}

Yeah. Let me make just a couple comments and Walter can certainly weigh in. I think, the weather event that we saw in the first quarter in Texas and Illinois, that was really isolated to the first quarter. But we have seen a continuation of sort of higher claims experience.

I think really largely driven by more at home activities. We've got more folks at home and there's more pressure on systems and so, we're seeing more failures and more work being done by the HOS team. And so that, that claims experience has been a bit higher than we would have expected. And I think, you can also expect higher claims just simply from growth in the business.

We've seen more of that occur and there's also a little bit of higher marketing expense. We didn't call that out specifically, but a bit more marketing expense as we continue to introduce new products throughout the HOS territory. So, it really is a factor I think of sort of the pandemic itself and just a bit higher experience than we would have anticipated.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Got it. That's super helpful. And then just one last for me can you just share the July sort of weather experience across your service territories?

A - Walter J. Lynch {BIO 6064780 <GO>}

Well, again, we benefit from having diversity across geographic diversity across our system so we have seen some weather than normal conditions in some areas but offset by dryer and others but, overall, I'd say again, some additional precipitation in some areas and others not so, but all we can say at this point Durgesh.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Yeah, it sounds like more like neutral. Okay. Thanks guys. Much appreciate the time.

Operator

Our next question will come from Insoo Kim with Goldman Sachs. Please go ahead.

Q - Insoo Kim {BIO 19660313 <GO>}

Thank you. The first question is on the pace of M&A, the tuck-in acquisitions, it seems like you guys still have a pretty healthy going there. What's a, what's a good annualized customer

addition rate that we should be embedding maybe in the five year plan and that might be embedded in your plan as well?

A - Walter J. Lynch {BIO 6064780 <GO>}

Yeah. Well 1.5% to 2.5% were around 50,000, 60,000, 70,000 customers a year is what we you should think in that term. And again, we continue to build our pipeline -- we continue to build our pipeline, Insoon. we've increased therefore \$1.23 million to \$1.3 million we continue to have discussions with communities across our footprint because we can provide solutions and that's what they're looking for.

So, we're really proud of our efforts there and we just continue to build that pipeline and we're really proud to have 37 different deals signed up waiting to get regulatory approval across 8 different states. So the growth is not just happening in two or three or four states, it's happening across our footprint.

Q - Insoo Kim {BIO 19660313 <GO>}

Understood. And then just a little bit more broadly, as we see just continue to increase focus on whether it's at the federal level or state level on water infrastructure, water quality whatnot. And you guys always provide the breakout of the different investments you make on an annual basis, whether it's pipes, sourcing, IT, others, where do you think the most upside opportunity exists as we go through time and if there's just to address some of these increased focus on these items. Is it more technological advancements that we might not be baking in just curious on your proper thoughts.

A - Walter J. Lynch {BIO 6064780 <GO>}

You know it's a real combination I would say looking at the categories that water quality and resiliency are going to continue to get a good size of our investment and maybe even increasing over time just because with all the storms and the weather variability out there we need to continue to make sure that our systems are resilient and we need to continue to address the emerging contaminants like, PFAS and others so it's going to require significant investment. Hopefully answers your question.

Operator

Our next question will come from Jonathan Reeder with Wells Fargo. Please go ahead.

Q - Jonathan Reeder {BIO 18909775 <GO>}

Hey, good morning Walter and Susan. Couple for you. Start with Missouri. Walter, the revised infrastructure shortage program is that going to allow you to extend the time between rate cases or the fact that it kind of encompasses a wider range of eligible spend that the kind of keep you on that three-year cadence still.

A - Walter J. Lynch {BIO 6064780 <GO>}

We'll continue to evaluate that Jonathan, we're just really thrilled that we're able to expand the program outside of St. Louis County and our teams worked hard to provide the input to the commission to see how important that is that we invest across our footprint in Missouri.

So, we're excited about that and also increasing the cap. So, we can make more investment before we have to go into a rate case. So it may contribute in some way to the timing between rate cases.

Q - Jonathan Reeder {BIO 18909775 <GO>}

Okay. And then shifting closer to you. Pennsylvania, what is the latest on the commissioner appointments to fill the open seat, plus commissioner sweeps. I know, Governor was with through his one nominee back in May. Is there any updates along those lines?

A - Walter J. Lynch {BIO 6064780 <GO>}

No, none here. Well, when Pennsylvania commissions always been great to work with and reasonable in their treatment towards us and we expect that going forward.

Q - Jonathan Reeder {BIO 18909775 <GO>}

Okay. Are you a super maybe what do you anticipate in terms of the timing of the close of the York Wastewater deal? Is that assumed by the end of this year in order to get to that \$300 million M&A capital deployed?

A - Walter J. Lynch {BIO 6064780 <GO>}

Yeah. We're assuming at this point, the first half of 2022, we submit our application on July 1st. The commission is looking at it once they deem it complete, then they'll start processing. And we again, we think first half of 2022.

Q - Jonathan Reeder {BIO 18909775 <GO>}

Okay. So without it I guess I just kind of struggled to get to that \$300 million based on what's in the hoppers is there something I'm missing or do you just have enough pending deals that close? You know, excluding the York one to get you to that \$300 million or is that something that might fall a little short this year but then next year is going to more than offset it with the York deal.

A - Walter J. Lynch {BIO 6064780 <GO>}

Yeah, let me say we're confident in the \$1.9 billion number and that's from in the obviously the investment our systems and the acquisitions that we are making.

Q - Jonathan Reeder {BIO 18909775 <GO>}

Okay. And then maybe Susan going back to, to Durgesh's questions along homeowner services. If the claims I guess were year-to-date if there are more in line with historic levels how would the market based businesses year-to-date EPS compared to last year would it make up the entire \$0.05 lower delta?

A - Susan Hardwick {BIO 16618718 <GO>}

Yeah. I think that's a fair way to look at it again we've just seen a much higher claims experience than we have in the prior periods and we really think again much of it is related to more at home activities. The business continues to grow, we continue to execute on our partnership arrangements, we continue to look for new products and roll out new products in that business.

So I think the business is just is fundamentally doing what we have set out for it to do. This claims experience issue is one that I think again is directly related to just activity and we'll hopefully see that mitigate some as we head into the latter part of this year and into next as we hopefully although it's difficult to sort of imagine that on a day-to-day basis these days we'd return to some sort of a normal environment where people are sort of out of the homes and back in work environments but that really is the primary driver I'd say the rest of the business is operating as we'd expect it to.

Q - Jonathan Reeder {BIO 18909775 <GO>}

Yeah. Amen to get back to that normalcy. Okay. So, it sounds like everything other than that going well whether it's I guess you get the reprise the kind of the claims level for some reason that doesn't I guess the overall trajectory of market based business to that 7% to 10% is still very much I guess kind of where you would expect it to be absent just kind of temporary hip belt?

A - Susan Hardwick {BIO 16618718 <GO>}

Yeah, I think that's right. That's way to look at it.

Q - Jonathan Reeder {BIO 18909775 <GO>}

Okay. Great. Thanks so much for taking my questions today.

A - Walter J. Lynch {BIO 6064780 <GO>}

Thanks Jonathan.

A - Susan Hardwick {BIO 16618718 <GO>}

Thanks Johnathan.

Operator

Ladies and gentlemen, this will conclude our question-and-answer session. I would like to turn the conference back over to Walter Lynch for any closing remarks.

A - Walter J. Lynch {BIO 6064780 <GO>}

Thank you for joining our call today. We value your participation and the work you do on behalf of your clients. We hope that our open and transparent discussions give you confidence in our company and the investment of our stock. If you have any additional questions, please call the IR team, they'll be happy to answer them. Thanks again and be safe.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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