Q1 2024 Earnings Call

Company Participants

- Aaron Musgrave CPA, Vice President of Investor Relations
- Cheryl D. Norton, Executive Vice President & Chief Operating Officer
- John C. Griffith, Executive Vice President & Chief Financial Officer
- M. Susan Hardwick, President, Chief Executive Officer & Director

Other Participants

- Aditya Gandhi, Wolfe Research
- Angie Storozynski, Seaport Global Securities
- Gregg Orrill, UBS
- Richard Sunderland, J.P. Morgan

Presentation

Operator

Good morning, and welcome to American Water's First Quarter 2024 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. The audio webcast archive will be available for one year on American Water's Investor Relations website.

I would now like to introduce your host for today's call, Aaron Musgrave, Vice President of Investor Relations. Mr.Musgrave, you may begin.

Aaron Musgrave CPA

Thank you, Betsy. Good morning, everyone, and thank you for joining us for today's call. At the end of our prepared remarks, we will open the call for your questions.

Let me first go over some Safe Harbor language. Today, we will be making forward-looking statements that represent our expectations regarding our future performance or other future events. These statements are predictions based on 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 first quarter earnings release, and in our March 31 Form 10-Q, each filed yesterday with the SEC.

And finally, all statements during this presentation related to earnings and earnings per share refer to diluted earnings, and diluted earnings per share. After our prepared remarks, we'll then close by answering your questions.

With that, I'll turn the call over to American Water's President and CEO, Susan Hardwick.

M. Susan Hardwick {BIO 16618718 <GO>}

Thanks, Aaron. Good morning, everyone. As we announced yesterday, we started 2024 with solid financial results.

As shown on Slide 5, earnings were $0.95 per share for the quarter compared to $0.91 last year. The increased results were as we expected, and put us on track to achieve our full-year earnings guidance, which we are pleased to affirm.

First quarter 2024 results included $0.02 per share of additional interest income from the February 2024 amendment of the seller note related to the sale of HOS, which reflected the higher interest rate and the successful earn out of the $75 million contingent consideration as we detailed in our February call. Here, you can also see a recap of some of our other key accomplishments so far in 2024, and John and Cheryl will add to these in their remarks.

As we announced in late February, we completed a successful long-term debt issuance of $1.4 billion. This delivered on the highest priority in our 2024 financing plan. We also invested well over $600 million of capital in infrastructure this quarter.

In addition, we completed a large acquisition, and filed general rate cases in several states in accordance with the traditional process of earning a return on the capital investments we have made. We did all of this while keeping customer bills affordable, and staying true to our high value for quality service and sustainable operations, which we highlighted in our disclosures we published in early April as noted on this slide.

The other significant news so far in 2024 for us and the water industry as a whole came on April 10, when the EPA announced the final national primary drinking water regulation for six PFAS chemicals.

Cheryl will elaborate further on the PFAS water quality standards. But I want to reiterate that we fully support the EPA's efforts to protect drinking water quality. I want to again assure our customers, regulators, investors, and other stakeholders that American Water has the expertise to tackle this issue head on. And in fact, we have demonstrated that in many locations for some time now.

Turning to Slide 6. This quarter we again, we are again affirming our long-term targets for both earnings and dividend growth at 7% to 9%. This affirmation is based upon clear, top-tier capital growth plan, and our strong regulatory and operational execution that I believe is a positive differentiator from our peers. As we've done in the past, we expect to consistently deliver on our annual and long-term plans, growing earnings and dividends at an industry-leading pace over the next five years and beyond.

Moving on to Slide 7. As we announced yesterday, our Board of Directors approved an increase in the company's quarterly cash dividend from $0.7075 per share to $0.7650 per share, an 8.1% increase. We have grown our dividend consistently over the last five years, significantly outpacing virtually all of our utility peers, while maintaining a consistent payout ratio of less than 60%.

Looking ahead, we continue to expect to grow our dividend at 7% to 9% per year on average, which is in line with our compelling 7% to 9% EPS growth target. Our Board and Management team understand and appreciate how important the dividend component of our total shareholder return is to our investors.

And with that, let me turn it over to Cheryl to talk more about PFAS, recent regulatory updates, affordability, and rate-based growth. Cheryl?

Cheryl D. Norton {BIO 17107572 <GO>}

Thanks, Susan, and good morning, everyone. Let me start by turning to Slide 9 and reviewing the U.S. EPA's drinking water rule on PFAS published in April.

As Susan stated, we fully support the EPA's efforts to protect drinking water quality. These contaminants are among the multiple challenges that the water industry faces regarding water quality, quantity, and reliability. We remain steadfast in our commitment to be a leader in the U.S. water and wastewater industry and a provider of solutions to these challenges.

EPA's final rule was unchanged in terms of the drinking water limit of 4.0 parts per trillion for PFOA and PFOS. However, the federal timeline to comply was extended from three years to five years in the final rule. The federal compliance window now includes the two-year extension that states would have been allowed to grant to water systems for capital improvements.

As always, we will work with our state regulators to incorporate any additional state-specific guidance related to implementing the new federal rule, including on maximum contaminant level contaminant level guidelines.

Based upon our preliminary analysis of this new PFAS rule and assuming states don't adopt more stringent limits, we currently do not anticipate any change to our estimate of $1 billion of capital and our estimate of up to $50 million annually of operating expenses to comply with the rule. We also do not currently expect the new limits set by the EPA for three additional PFAS compounds to impact these estimates.

Through a separate rulemaking in April, the U.S. EPA also designated PFOA and PFOS as hazardous substances under CERCLA. As a reminder, we continue to actively advocate and support bipartisan federal legislation that would provide PFAS liability protections under CERCLA for water and wastewater systems as passive receivers of PFAS.

Previously, we've disclosed that we've remained a party to two settlements so far with 3M and DuPont coming out of the Multi-District Litigation or MDL lawsuit. As we shared, we believe this is the best path to recouping the most dollars possible from PFAS manufacturers in an expedient manner for our customers.

The MDL court issued its final approval of the DuPont and 3M settlements in February and March of this year respectively. The amount of proceeds to be received from each settlement is still pending.

Turning to Slide 10. I'll cover the latest regulatory activity in our state. In West Virginia, the Commission issued an order authorizing an additional $18 million in annualized revenues effective February 25. We also received an order for $7 million of additional revenue related to our DSIC request effective March 1.

In Indiana, the Commission issued an order authorizing an additional $66 million in annualized revenues effective over a phased three-step process through May 2025. They also approved a new rate design that provides 1,500 gallons of water usage at no additional cost above the fixed monthly customer charge for all water customers.

The change will allow Indiana American to provide low-cost basic water service for customers on fixed incomes that use a lower volume of water than the typical residential customer. With this change, the cost for the typical residential water customer using 1,500 gallons will be approximately $20 per month. This is just one example of the many innovative ways we are addressing customer affordability.

Turning to active cases. You can see we have general rate cases in progress in eight jurisdictions. All of these cases are centered around the capital investments we have made and will continue to make in these states. Our cases in California, Virginia, New Jersey, and Illinois are progressing well as expected.

In Illinois, the next milestones in the case will be staff and intervener testimony in May followed by our rebuttal in June. In New Jersey, the next milestones in the case will be staff and intervener testimony in July, followed by our rebuttal in September and evidentiary hearings in October.

In Kentucky, we expect an order any day now as the statutory deadline for the commission to act is May 7. Interim rates in Kentucky were implemented, February 6. In Pennsylvania, we expect new rates to be effective in August for the case we filed last year that was driven by $1 billion of vital capital investment.

The next milestones expected in the case are a proposed decision from the ALJ, likely in May, and a final order in July. We expect a constructive outcome that reflects the state of Pennsylvania's longstanding support for needed capital investment that improves infrastructure for the benefit of customers.

And finally, on the rate case front, just yesterday we filed general rate cases in Iowa and Tennessee. And last week, we filed notice with the Missouri Public Service Commission that we plan to file a case by midyear. On the legislative front, three state bills were passed and signed that will incrementally help water utilities in those states in the areas of lead service line replacements, expediency of approval of smaller acquisitions, and fire hydrant maintenance.

To show the magnitude of our regulatory execution efforts, you can see on Slide 11 that we have $98 million in annualized new revenues and rates since January. This includes $43 million from general rate cases and step increases, and $55 million from infrastructure surcharges. In total, we have $636 million of total annualized revenue requests pending.

Moving to Slide 12 and a topic you've heard us cover just about every quarter, customer affordability. As we've said, we are very focused on balancing customer affordability and the magnitude of the system investments that are needed. Our industry and our company are in very good relative positions in terms of affordability or wallet share.

Our system-wide average residential water customer bill is $55 to $65 per month. The investment plan we have in place will allow us to stay within our consolidated target for residential water bills of 1% or less of median household income. That analysis is supported by U.S. Census Bureau data specific to the geographies we serve that project rising levels of median household income in these communities.

At the same time, we realize we must continue to involve our strategies around rate design and programs to assist our customers who are challenged with affordability, as I described earlier with what we're doing in Indiana as an example.

As another example, just last month, California American Water announced an additional $8 million in bill relief for customers who faced financial hardship due to the COVID-19 pandemic. This funding comes through a California program that utilizes Federal American Rescue Plan Act funds.

This brings the total benefit for challenged California American Water customers to $15 million under the program. We also continue to strongly advocate for a permanent, federally funded, low-income water assistance program similar to what's been in place for many years for electric and gas utility customers.

And we are continuing our focus on technology, efficiencies of scale , and cost management to deliver on customer affordability, especially as regulatory demands such as the final PFAS rule, and the proposed lead and copper rule improvement increase capital needs.

Lastly, Slide 13 shows that our state and corporate leaders, and their teams did a great job in the first quarter executing on our increased capital plan. It required significant effort to safely and efficiently deliver the hundreds of projects that improved our systems, and drove capital investment higher by almost $200 million in the quarter compared to the same period last year. This result keeps us on pace to hit our goal of approximately $3.1 billion of capital investment in 2024.

The pie charts on the right side of the page speak to timely recovery and the nature of our investments across our footprint. As we share with regulators and legislators, our capital spending is driven by a risk-based strategy balanced by a focus on affordability. For us, infrastructure renewal includes the basics of replacing old or damaged pipe, but it also includes proactively meeting our standards related to lead service line replacements.

As we have said many times before, we firmly believe removing the risk of lead service lines over time is the right thing to do for the health and safety of our customers. Through capital recovery mechanisms and forward test years, we can reduce regulatory lag and lessen the reliance on general rate cases. This not only helps us to seek to earn our allowed return, but also to mitigate the size of general rate increases for our customers.

We expect at least 75% of capital investments over the next five years to be recoverable through infrastructure mechanisms and through the use of forward test years, which is the key to driving modest bill increases, and to unlocking a more consistent annual earnings growth pattern for the long term.

With that, I will hand it over to John to cover our financial results and plans in further detail. John?

John C. Griffith {BIO 22806522 <GO>}

Thank you, Cheryl, and good morning, everyone.

Turning to Slide 15, I will provide some further insights into our financial results for the quarter. Earnings were $0.95 per share for the quarter, up $0.04 per share versus the same period in 2023. As Cheryl mentioned, we have completed rate cases recently in Indiana and West Virginia, in addition to rate outcomes achieved last year, and are seeing increased revenues as a result. And looking at O&M, production costs from increased fuel, power, and chemicals, as well as increased in employer-related costs, caused O&M to increase $0.07 per share.

Next, depreciation increased $0.06 per share and long-term financing costs increased $0.11 per share, both as expected in support of our investment growth. Long-term financing costs include interest on the $1 billion convertible note we issued last June and the $1.4 billion long-term senior note issued in February, along with $0.04 of dilution related to the $1.7 billion of equity we issued last March.

Short-term financing provided a benefit of $0.07 per share, primarily from interest earned on the cash reserves we held during the quarter. Other net consists of net unfavorable one-time, non-operating items year-over-year.

And finally, as Susan mentioned we had $0.02 per share of additional interest income from the February 2024 amendment of the seller note related to the sale of HOS. We will continue to break this out quarterly, so our investors will be able to track the ongoing growth of American Water from our core regulated strategy without this additional interest income.

On Slide 16, you'll see that we successfully closed on the Granite City, Illinois, Wastewater Treatment Plant acquisition in the first quarter. This acquisition will help ensure we can provide high-quality service to the customers in Granite City we already serve.

We continue to be set up for strong growth through acquisitions with over 60,000 customer connections and over $500 million under agreement as a quarter end. Many states in our footprint are contributing to this total, which mirrors the broad-based pipeline of opportunities we have in progress across the country.

Of the over 60,000 customers represented by signed agreements, nearly 20,000 have already been approved by the State Public Utility Commission. This includes the 15,000 customers in the Butler Area Sewer Authority, or BASA, wastewater system acquisition in Pennsylvania. We continue to expect BASA to close in the near future.

This also includes the water and wastewater systems in Cape Charles, Virginia, which we closed just last week, and marked the second acquisition completed under Virginia's fair market value law enacted in 2020. We look forward to serving our new Cape Charles customers.

As we've discussed before, and as we lay out on this slide, the environment in Pennsylvania related to acquisitions is undergoing change, which we think is ultimately necessary and positive. We are very confident that the core principles of the original Act 12 fair market value law will remain in place, and continue to have good support since so much consolidation is still needed in Pennsylvania to address the underinvestment in infrastructure.

In the meantime, closing a current pending transactions will likely take more time than usual. But to be clear, we are confident in our Pennsylvania acquisition pipeline. We are continuing to invest in regulated acquisition opportunities in Pennsylvania, driven by the need for system consolidation and upgrading, all for the benefit of communities who deserve safe and reliable water and wastewater service.

Slide 17 summarizes our successful long-term debt financing completed in February. Our offering was for $1.4 billion and included $700 million of 10-year notes at 5.15% and $700 million of 30-year notes at 5.45%.

Our Treasury team did a very nice job proactively executing on our main financing plan objective for the year amidst a challenging interest rate environment. These proceeds will fund our regulated businesses' growth, and were used to pay off a maturing senior note and outstanding commercial paper of which we had a zero balance at quarter end.

Though the current higher interest rate environment is challenging, we are in a position of strength on a number of fronts in dealing with the challenge. Our strategy of issuing debt at the holding company level allows us to take advantage of our scale in pricing debt issuances, and we will remain proactive in managing risk, and achieving a low cost of capital to the benefit of our customers and shareholders.

And finally, Slide 18 is a summary of our continued strong financial condition. In March, S&P affirmed our solid single A investment grade credit rating, and stable outlook and noted our improved FFO to debt ratio, which followed Moody's affirmation of its rating and outlook for us in January.

We are confident our FFO to debt ratio will continue to support our current credit ratings. Our total debt to capital ratio as of March 31, net of our $584 million of cash-on-hand is 56%, which is comfortably within our long-term target of less than 60%.

In closing, what you've heard today should sound very familiar. Our focus is on execution at every level. We believe our industry-leading EPS, and dividend growth and ESG leadership will continue to be highly valued and rewarded by investors. We believe these aspects of our business and strategy separate us from all other utilities, and our execution includes the outstanding efforts by our military services group to proudly serve the 18 military installations in our footprint.

With that, I'll turn it back over to our operator, and take any questions you may have.

Questions And Answers

Operator

(Question And Answer)

We will now begin the question-and-answer session. (Operator Instructions). At this time, we will pause momentarily to assemble our roster. The first question today comes from Richard Sunderland with J.P. Morgan. Please go ahead.

Q - Richard Sunderland {BIO 20365913 <GO>}

Hi. Good morning. Can you hear me?

A - M. Susan Hardwick {BIO 16618718 <GO>}

Yes, we can. Good morning, Rich.

Q - Richard Sunderland {BIO 20365913 <GO>}

Great. Thank you. First, I want to start on the Pennsylvania front. With the rate case, curious about the path forward and if settlement is still an option, or if litigating is just the path to close this out. And then separately on Pennsylvania, the fair market value revisions, do you see that 1.68 cap limiting willingness to sell at all?

A - M. Susan Hardwick {BIO 16618718 <GO>}

Yes. Good questions, Rich. I think first on the rate case. I would say probably just where we are in the process. I would say, settlement is probably unlikely at this stage.

And as Cheryl, I think, outlined, we would expect some activity by the commission here in the next probably several weeks, and then we will wrap that case up later in the summer. So don't expect to settle at this point. And again, we are pleased with where we are in the process related to that case.

On fair market value, lots going on obviously there. And we will continue to watch those activities, and obviously we are involved in discussions around any potential changes that may get made. I think in terms of what impact some of those changes may have on communities' interest in selling, I think it is just wait to see.

I think so many of these communities need the help and we are quite confident in our ability to help them. And I think our focus always is on coming up with the right solution for these communities, and we will continue to do that. So we will certainly work with whatever framework that is provided to us by regulators and legislators in this respect.

Q - Richard Sunderland {BIO 20365913 <GO>}

Got it. I appreciate the commentary there. And then separately on Slide 9, the latest around these new CERCLA designations. I am curious how you view litigation risk under these new classifications or anything we should be thinking about on the litigation front given the commentary around the liability protections that you also referenced?

A - M. Susan Hardwick {BIO 16618718 <GO>}

Yes, and Cheryl certainly can weigh in here too. I think our view is we will continue to be proactive here in trying to get resolution to a CERCLA designation.

But we are also just confident in our ability to execute our plan here to be compliant with the rules. We have been doing it for some time in many of our jurisdictions already. So we are quite confident in our plans and don't expect this to be a huge risk for us. Cheryl, anything you want to add?

A - Cheryl D. Norton {BIO 17107572 <GO>}

Yes, I would just add that we are working really hard on the legislative front to get the language fixed so that we are protected from those CERCLA rules, and we will continue down that path. We have had lots of conversations with EPA around this on this, and their intent is not for us to be impacted by that. But those conversations will continue until we get to a solution that we're all really comfortable with.

Q - Richard Sunderland {BIO 20365913 <GO>}

Great. Thank you so much, and thank you for the time today.

A - M. Susan Hardwick {BIO 16618718 <GO>}

Thanks, Rich.

Operator

The next question comes from Angie Storozynski with Seaport. Please go ahead.

Q - Angie Storozynski {BIO 15115714 <GO>}

Good morning. I do want to go back to the --

A - M. Susan Hardwick {BIO 16618718 <GO>}

Good morning, Angie.

Q - Angie Storozynski {BIO 15115714 <GO>}

Good morning. The Pennsylvania rate case, I understand the sensitivity around it. But there are just a number of issues raised in it by many interveners of the commission itself about how often you file rate cases, the allowed ROE.

I mean you guys mentioned a number of other rate cases that seem to be going smoothly, but I'm just wondering if there are any thoughts about a change in the strategy as to how often you file rate cases. Any impact of these comments that you're seeing on the level of capital investments, especially in Pennsylvania? Again, I don't think that we've ever seen filings like these in Pennsylvania.

A - M. Susan Hardwick {BIO 16618718 <GO>}

Yes, Angie, it's a good question. And again, we remain very confident in our plans, both in terms of how we execute them and the regulatory process that supports the work that we're doing in the state of Pennsylvania. There's just

tremendous need in the state of Pennsylvania, as there is in many of the jurisdictions that we operate in.

So our focus on investment is really around the need for infrastructure improvement, and we'll continue to do that work. I think the Pennsylvania case is a great example of that. We spent over $1 billion, or will have spent over $1 billion in that case, and it's all focused on rate-based growth.

It is all focused on infrastructure renewal and replacement and the necessary work to be done in the state of Pennsylvania to bring these systems up to appropriate standards so that we can consistently provide safe and reliable water service. So again, we remain very confident in our plan and our ability to navigate the regulatory arena.

And there is, of course some observation around the speed with which we're filing these cases. And I think it is directly tied to the pace of our spend. We've really increased the level of spend, again driven by the need.

And when you really look at the timeline of this case, it's really not much different than other water peers in the state of Pennsylvania. We may be ahead just a bit than our nearest competitor in the state, but not by much in terms of pace. So I don't think it's that unusual. And again, it's all driven by the need for investment and the work that we're doing to improve the quality of service in the state of Pennsylvania.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. And then there's one other point which is being mentioned is the inclusion of a pending acquisition in that rate case. I thought that that happened in the past. So I'm a little bit surprised that this is a point that is being raised.

I'm wondering if this has anything to do with the changes that are happening to Act 12. You guys referenced that it could take longer to get regulatory approvals for some of these pending acquisitions, and I'm assuming that that is in response to those questions being raised in this rate case. But I'm just wondering again, going forward how do you expect actually these muni deals to be approved or reflected in rates?

A - M. Susan Hardwick {BIO 16618718 <GO>}

Yes, I think it's probably a fair assumption to say that all of this is getting a bit tied together. The landscape around the potential legislative changes on fair market value I think do sort of spill over into the rate case analysis a bit.

And to be clear, we included in this case acquisitions that we have approved and expected to close during this period of time. And so as the Commission sorts through that, obviously they've got to take into consideration the status of those acquisitions and their findings in the case, which we would fully expect them to do. I think on a go-forward basis, we wouldn't expect there to be really any change in how we consider acquisitions in future rate cases.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. Thank you.

A - M. Susan Hardwick {BIO 16618718 <GO>}

Thanks, Angie.

Operator

The next question comes from Greg Orrill with UBS. Please go ahead.

Q - Gregg Orrill {BIO 21090160 <GO>}

Yes. Hi. Good morning.

A - M. Susan Hardwick {BIO 16618718 <GO>}

Good morning, Greg.

Q - Gregg Orrill {BIO 21090160 <GO>}

Good morning. More of a general question just, and I might have covered this before. But on sort of the impact of what so many discussions are around these days, just data center presence. And how that impacts your growth and any constraints that that has on your business. Thanks.

A - M. Susan Hardwick {BIO 16618718 <GO>}

Yes, it's a good question. Cheryl, you want to talk about any preliminary thoughts we have about potential water usage and some of these large data center moves?

A - Cheryl D. Norton {BIO 17107572 <GO>}

Yes. Yes, Greg, we haven't seen a big uptake in the amount of water that our customers are asking for related to the data center moves at all. So, we're thinking it's a minimal impact for us, unlike our electric utility peers.

Q - Gregg Orrill {BIO 21090160 <GO>}

Okay. Thank you.

A - M. Susan Hardwick {BIO 16618718 <GO>}

Thanks, Greg.

Operator

(Operator Instructions) The next question comes from Aditya Gandhi with Wolfe Research. Please go ahead.

Q - Aditya Gandhi {BIO 22175616 <GO>}

Hi, good morning. Can you hear me?

A - M. Susan Hardwick {BIO 16618718 <GO>}

We can. Good morning, Aditya.

Q - Aditya Gandhi {BIO 22175616 <GO>}

Good morning, Susan. Just on the PFAS legislation that you're advocating for, could you give us some color on whether it's attached to other related bills, and if there's any sort of milestones we should be watching for there? And then could you also just explain what steps you're taking to sort of secure support on both sides of the aisle as it relates to this legislation?

A - M. Susan Hardwick {BIO 16618718 <GO>}

Sure. Yes, Cheryl, you want to take that?

A - Cheryl D. Norton {BIO 17107572 <GO>}

Yes, sure. So there has been legislation filed both on the Senate and the House side that it's the Water Systems PFAS Liability Act. On the House side, it's 7944.

And I'm trying to see. I don't have the Senate number. But this act would help protect us, along with some other industries as a passive receiver. And so we work really hard on both sides of the aisle all the time to connect with our legislators, and also educate them on the real issues at hand.

We've had some really great conversations on the Hill, and are hopeful that this bill will continue to move forward, both in the House and the Senate, so that we can push this forward. And I think you would just watch for the key things, like it getting out of committee, getting a floor vote. And so we'll continue to push that forward and update you in these calls as things unfold there.

A - M. Susan Hardwick {BIO 16618718 <GO>}

And Cheryl, it is standalone, right? There's nothing else.

A - Cheryl D. Norton {BIO 17107572 <GO>}

Yes, it's not tied to anything else except to try to protect passive users, or passive receivers from this liability.

Q - Aditya Gandhi {BIO 22175616 <GO>}

Right. That's helpful. Thank you. And maybe just one follow-up there. Is there a particular timeline by which you're expecting this legislation to either pass, or by when should we know whether this thing's going to pass or not?

A - Cheryl D. Norton {BIO 17107572 <GO>}

Yes, I think it's impossible to anticipate the timeline. We would love to say it'll be all completed by the next couple of months. But it could take much longer. The political process is really challenging at times. So we think we've got good support, and we'll continue to push on it as fast as we can. But there's just no timeline for it.

A - M. Susan Hardwick {BIO 16618718 <GO>}

We do think that it probably helps a bit that we now have the final rules out. We've been working on this particular angle for quite some time, even before the final rule was published.

So now that the final rule is here, that eliminates one reason why legislators didn't want to take this issue up. If they were waiting to see what the final rule was and that was an and that was sort of an excuse to not address this issue, I think that's been removed from their list of reasons not to move. So hopefully that helps, and we'll see continued movement here.

A - Cheryl D. Norton {BIO 17107572 <GO>}

Yes, and in addition, the EPA said that they want to be able to use discretion. So part of this is some discretionary flexibility for them because they did not intend, by designating these compounds as hazardous substances, that it would apply to water and wastewater utilities. So they're planning to use discretion. But we think it's a much tighter protection to have this legislation. So we'll continue to pursue that, in addition to working with EPA.

Q - Aditya Gandhi {BIO 22175616 <GO>}

That's helpful. Thanks for taking my questions.

A - M. Susan Hardwick {BIO 16618718 <GO>}

Thanks, Aditya.

Operator

This concludes our question-and-answer session, and concludes our conference call today. Thank you for attending today's presentation. You may now disconnect.