

Risk Factors Comparison 2024-03-18 to 2023-03-10 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

We are exposed to a variety of risks and uncertainties. Most are general risks and uncertainties applicable to all water and wastewater utility companies. We describe below some of the specific known risk factors that could negatively affect our business, financial condition or results of operations. If one or more of these risks or uncertainties occur, actual results may vary materially from our projections.

Risks Related to Our Operations We are dependent upon the ability of our suppliers and independent contractors to meet performance specifications, quality standards and delivery schedules at our anticipated costs. While we maintain an extensive qualification and performance review system to control risk associated with such reliance on third parties, failure of suppliers or independent contractors to meet commitments could adversely affect construction and maintenance schedules and our results of operations and financial condition. We have been affected and could continue to be affected by supplier delays and increased costs, due to the impacts of inflation, which are outside of our control and could affect our results of operations. We are also dependent on the availability of electricity and purchased water at affordable prices. While our electricity costs and purchased water costs are at fixed prices under contracts, after the expiration of these contracts, we may be required to pay higher electricity costs and purchased water costs. We are subject to risks associated with the collection, treatment and disposal of wastewater. Wastewater collection, treatment and disposal involve various unique risks. If collection or treatment systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to wildlife and economic damages, which may not be recoverable in fees. This risk is most acute during periods of substantial rainfall or flooding, which are common causes of sewer overflow and system failure. Liabilities resulting from such damages and injuries could materially and adversely affect our business, results of operations and financial condition. **General economic conditions may materially and..... customers due to housing vacancies or abandonments.** Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and operation and management costs, all of which could negatively impact our financial results. We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, the nature of information available on buried and newly acquired assets may be limited, which may challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and operation and management costs. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted. Potential terrorist attacks or sabotage may disrupt our operations and adversely affect our business, operating results and financial condition. We are subject to possible sabotage of our water and wastewater systems, including vandalism causing an interruption in water supply and a reduction in water quality, and terrorism ~~causing~~ causing contamination of the water supply and a reduction in water quality. We have security measures in place at our facilities to reduce the possibility of ~~future~~ future occurrences of sabotage, vandalism, or terrorism and to secure our water and wastewater systems. These security measures address water collection, pretreatment, treatment, distribution, storage, wastewater disposal, electronic or automated systems, and the use, handling, delivery, and storage of all chemicals. We also have programs in place to ensure employee awareness of potential threats. We have and will continue to bear any increase in costs, most of which have been recoverable under state regulatory policies, for security precautions to protect our facilities, operations and supplies. While the costs of increases in security, including capital expenditures, may be significant, we expect these costs to continue to be recoverable in water and wastewater rates. Despite our security measures, we may not be in a position to control the outcome of terrorist events, sabotage or other attacks on our water systems, should they occur. We depend on the availability of capital for expansion, construction and maintenance. Weaknesses in capital and credit markets or increased interest rates may limit our access to capital. Our ability to continue our expansion efforts and fund our utility construction and maintenance program depends on the availability of adequate capital. There is no guarantee that we will be able to obtain sufficient capital in the future on favorable terms and conditions, such as changes in market conditions and events beyond our control, most recently increases to interest rates, for expansion, construction and maintenance. In the event our lines of credit are not extended or we are unable to refinance our first mortgage bonds when due and the borrowings are called for payment, we will have to seek alternative financing sources, although there can be no assurance that these alternative financing sources will be available on terms acceptable to us. In the event we are unable to obtain sufficient capital, our expansion efforts could be curtailed, which may affect our growth and may affect our future results of operations. ~~Climate variability may cause weather volatility in the future and may impact water usage and related revenue, or may require additional expenditures to reduce risk associated with any increasing storm, flood, drought or other weather occurrences, all of which may not be fully recoverable in rates or otherwise. Severe weather, climate variability patterns and natural or other events, such as increased precipitation and flooding, increased frequency and severity of storms and other weather events, may cause decreases in water supply, changes in water usage patterns, potential degradation of water quality, disruptions in water or wastewater services to our customers, and increases in expenditures to repair any damage. Due to the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our financial condition, results of operations, cash flows and liquidity. Although some or all potential expenditures and costs with respect to our regulated businesses could be recovered through rates we charge to our customers, there can be no assurance that the applicable regulatory authority would authorize recovery of such costs, in whole or in part, for any of these impacts.~~ We may be

adversely affected by global climate change or by regulatory, legal or market responses to such change. The issue of climate variability is receiving increasing attention nationally and worldwide. Climate change is an intrinsically complex global phenomenon with inherent residual risks across its physical and regulatory dimensions that cannot be mitigated given their wide- ranging, interdependent and largely unpredictable potential scope, nature, timing or duration. Some climate researchers believe that there will be worsening of weather volatility in the future associated with climate variability, which presents several potential challenges to water and wastewater utilities. **Severe weather, climate variability patterns and natural or other events may cause weather volatility in the future and may impact water usage and related revenue, or may require additional expenditures, all of which may not be fully recoverable in rates or otherwise. We may experience substantial negative impacts to our business if an unexpectedly severe weather event or natural disaster damages our facilities and / or operations or those of our suppliers or independent contractors in our service areas, or from the unintended consequences of regulatory changes that directly or indirectly impose substantial restrictions on our activities or adaptation requirements.** Potential climate variability challenges include the following ~~;~~ **increased frequency and duration of droughts, increased precipitation and flooding,** increased frequency and severity of storms and other weather events, ~~increased precipitation and flooding,~~ potential degradation of water quality, unexpected changes in temperature, increases in ocean levels, ~~increases in disruption~~ **disruptions of in water or wastewater service services to our customers,** decreases in available water supply, extreme changes in water usage patterns, ~~increased increases~~ **costs in expenditures** to repair ~~any damaged damages facilities,~~ ~~increased increases in~~ **costs** to reduce risks associated with significant weather events or natural disasters, ~~and increased increases in~~ **costs** to improve the reliability of our water and wastewater systems and facilities. ~~We may experience substantial negative~~ **Due to the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our financial condition, results of operations, cash flows and liquidity. Although some or all potential expenditures and costs with respect to our regulated businesses could be recovered through rates we charge to our customers, there can be no assurance that the applicable regulatory authority would authorize recovery of such costs, in whole or in part, for any of these** ~~impacts to our business if an unexpectedly severe weather event or natural disaster damages our operations or those of our suppliers or independent contractors in our service areas, or from the unintended consequences of regulatory changes that directly or indirectly impose substantial restrictions on our activities or adaptation requirements.~~ Furthermore, federal, state and local authorities and legislative bodies have issued, implemented or proposed regulations, penalties, standards ~~and /~~ **or** guidance intended to restrict, moderate or promote activities consistent with resource conservation, Greenhouse Gas, or GHG, emission reduction, environmental protection or other climate- related objectives. Compliance with those directed at or otherwise affecting our business or our suppliers' (or their suppliers') operations, or services, could lead to increased environmental compliance expenditures, increased energy and raw materials costs and new and / or additional investment in designs and technologies. We continually assess our compliance status and management of environmental matters to ensure our operations are in compliance with all applicable environmental laws and regulations. It is reasonably possible that costs incurred related to the various physical and regulatory risks from climate change may affect our future results of operations, financial condition ~~or,~~ **cash flows or liquidity** . While we have health and safety protocols in place, we can provide no assurance that we or our suppliers or independent contractors can successfully operate in areas experiencing a significant weather event or natural disaster, and we or they may be more significantly impacted and take longer, and incur higher costs, to resume operations in an affected location, depending on the nature of the event or other circumstances. Although some or all potential expenditures and costs with respect to our regulated businesses could be recovered through rates we charge to our customers, there can be no assurance that the applicable regulatory authority would authorize recovery of such costs, in whole or in part, for any of these impacts. Though we have not as of the date of this report identified or experienced any particular material impact, whether singular or in combination, to our consolidated financial statements from climate change or the associated regulatory, physical, and other risks discussed above, we cannot provide any assurance that we have or can successfully prepare for, or are or will be able to reduce or manage any of them to the extent they may arise. In addition, the SEC has proposed extensive climate- related disclosure rules, which, if adopted, would likely result in increased compliance costs and capital expenditures. Risks Related to Governmental Laws and Regulations We rely on governmental approvals in the States of Delaware and Maryland and the Commonwealth of Pennsylvania, as well as approvals from the Delaware River Basin Commission and Susquehanna River Basin Commission for applicable water allocation, water appropriation and water capacity permits. In addition, we rely on governmental approvals in the State of Delaware for applicable wastewater collection, treatment and disposal permits for the operation of our wastewater facilities. Our water and wastewater services are governed by various federal and state governmental agencies. Pursuant to these regulations, we are required to obtain various permits for any additional systems and current systems to assist in our operations. If any of those permit approvals are not received timely or at all, we may risk the loss of economic opportunity and our ability to create additional systems for the effective operation of our water business in Delaware, Maryland and Pennsylvania or our wastewater business in Delaware. We can provide no assurances that we will receive all necessary permits to add systems or continue to operate facilities of our water or wastewater business. Our operating revenue is primarily from water sales. The rates that we charge our customers are subject to the regulations of the public service commissions in the states in which we operate. If a public service commission disapproves or is unable to timely approve our requests for rate increases or approves rate increases that are inadequate to cover our investments, deferred regulatory assets or increased costs, our profitability may suffer. We file rate increase requests, from time to time, to recover our investments in utility plant, deferred regulatory assets and expenses **, see Notes to Consolidated Financial Statements- Note 13 – Regulatory Proceedings** . Once a rate increase petition is filed with a public service commission, the ensuing administrative and hearing process may be lengthy and costly ~~. Artesian Water provided notice to the DEPSC of its intent to file a request in the second quarter of 2023 to implement new rates to support Artesian Water' s ongoing capital improvement program and to cover increased costs of operations.~~ We can provide no assurances that any future rate increase request will be

approved by the DEPSC, MDPSC or PAPUC, and if approved, we cannot guarantee that these rate increases will be granted in a timely manner and / or will be sufficient in amount to cover the investments, deferred regulatory assets and expenses for which we initially sought the rate increase. To the extent we are able to pass through such costs to customers and a state public service commission subsequently determines that such costs should not have been paid by customers, we may be required to refund such costs, with interest, to customers. Any such costs not recovered through rates, or any such refund, could adversely affect our results of operations, financial position or cash flows. Our water and wastewater operations are subject to extensive federal and state laws and regulations. In addition, our operating costs and capital expenditures could be significantly increased if new or stricter regulatory standards are imposed by federal or state environmental agencies. We are subject to various federal, state, and local laws and regulations relating to environmental protection, including the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. Our water and wastewater services are governed by various federal and state environmental protection and health and safety laws and regulations, including, among others, the federal Safe Drinking Water Act, the Clean Water Act, the LCR and other federal and state laws. These federal and state regulations are issued by the EPA and state environmental regulatory agencies. Pursuant to these laws and regulations, we are required to obtain various water allocation permits and environmental permits for our operations. The water allocation permits control the amount of water that can be drawn from water resources. New or stricter water allocation regulations can adversely affect our ability to meet the demands of our customers. While we have budgeted for future capital and operating expenditures to maintain compliance with these laws and our permits, it is possible that new or stricter standards would be imposed that will raise our operating costs and capital expenditures. Thus, we can provide no assurances that our costs of complying with, or discharging liability under, current and future environmental and health and safety laws will not adversely affect our business, results of operations or financial condition.

Risks Related to Our Financial Statements and Operating Results Our business is subject to seasonal fluctuations, which could affect demand for our water service and our revenues. Demand for water during warmer months is generally greater than during cooler months primarily due to additional customer requirements in irrigation systems, swimming pools, cooling systems and other outside water use. In the event that temperatures during typically warmer months are cooler than normal, or rainfall is more than normal, the demand for our water may decrease and adversely affect our revenues. Drought conditions and government-imposed water use restrictions may impact our ability to serve our current and future customers, and may impact our customers' use of our water, which may adversely affect our financial condition and results of operations. We believe that we have in place sufficient capacity to provide water service for the foreseeable future to all existing and new customers in all of our service territories. However, severe drought conditions could interfere with our sources of water supply and could adversely affect our ability to supply water in sufficient quantities to our existing and future customers. This may adversely affect our revenues and earnings. Moreover, governmental restrictions on water usage during drought conditions may result in a decreased demand for water, which may adversely affect our revenue and earnings. General economic conditions may materially and adversely affect our financial condition and results of operations. The effects of adverse U.S. economic conditions may lead to a number of impacts on our business that may materially and adversely affect our financial condition and results of operations. Such impacts may include a reduction in discretionary and recreational water use by our residential water customers, particularly during the summer months; a decline in usage by industrial and commercial customers as a result of decreased business activity and commerce in our customers' businesses; an increased incidence of customers' inability to pay their bills, bankruptcy or delay in paying their bills which may lead to higher bad debt expense and reduced cash flow; and a lower natural customer growth rate may result as compared to what had been experienced before the economic downturn due to a decline in new housing starts and/or a possible slight decline in the number of active customers due to housing vacancies or abandonments. We could be adversely impacted by inflation. We have been affected and could continue to be affected by increased costs for items such as, among others, materials for capital expenditures, fuel, and treatment chemicals, due to the impacts of inflation. If inflation increases significantly, we may seek to increase our rates charged to customers. We can provide no assurances that any future rate increase request will be approved by the applicable regulatory authority, and if approved, we cannot guarantee that any rate increase will be granted in a timely manner and / or will be sufficient in amount to cover costs for which we initially sought the rate increase. The impact of inflation could adversely affect our results of operations, financial position or cash flows. We may be required to record impairments of goodwill, or otherwise change the fair value of certain assets, in the future that could have a material adverse effect on our financial condition and results of operations. The Company records goodwill when the purchase price of a business combination exceeds the estimated fair value of net identified tangible and intangible assets acquired as of the date of an acquisition. The Company's goodwill is primarily associated with the January 2022 acquisition of Tidewater Environmental Services, Inc. Goodwill is not amortized, but is evaluated for impairment at least annually, or more frequently, if impairment indicators are present that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We may be required to recognize in the future an impairment of goodwill due to market conditions, or other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of assets acquired. Recognition of impairments of goodwill and changes in fair value of certain of our assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization.

Risks Related to Our Business Strategy We face competition from other water and wastewater utilities for the acquisition of new exclusive service territories. We face competition from other water and wastewater utilities as we pursue the right to exclusively serve new territories in Delaware and Maryland. We address this competition by entering into agreements with landowners, developers or municipalities and, under current law, then applying to the DEPSC or the MDPSC for a CPCN. If we are unable to enter into agreements with landowners, developers or municipalities and secure CPCNs for the right to exclusively serve new territories in Delaware or Maryland, our ability to expand may be significantly impeded. Any future acquisitions we undertake or other actions to further grow our water and wastewater business may involve risks. An element of our growth strategy is the acquisition and integration

of water and wastewater systems in order to broaden our current service areas and move into new ones. It is our intent, when practical, to integrate any ~~businesses-organizations~~ we acquire with our existing operations. The negotiation of potential acquisitions as well as the integration of acquired ~~businesses-organizations~~ could require us to incur significant costs and cause diversion of our management's time and resources. We may not be successful in the future in identifying ~~businesses-organizations~~ that meet our acquisition criteria. The failure to identify such ~~businesses-organizations~~ may limit the rate of our growth. In addition, future acquisitions or expansion of our service areas by us could result in:- Dilutive issuance of our equity securities;- Incurrence of debt and contingent liabilities;- Difficulties in integrating the operations and personnel of the acquired ~~businesses-organization~~;- Diversion of our management's attention from ongoing business concerns;- Failure to have effective internal control over financial reporting;- Overload of human ~~capital~~ resources; and- Other acquisition-related expense. Some or all of these items could have a material adverse effect on our business and our ability to finance our business and comply with regulatory requirements. The ~~businesses-organizations~~ we acquire in the future may not achieve sales and profitability that would justify our investment. We also may experience risks relating to the challenges and costs of closing a transaction and the risk that an announced transaction may not close. Completion of certain acquisition transactions are conditioned upon, among other things, the receipt of approvals, including from certain state public utilities commissions. **The timeliness and outcome of those state public utilities commissions could hinder future acquisitions and any Failure-failure** to complete a pending transaction would prevent us from realizing the anticipated benefits. We would also remain liable for significant transaction costs, including legal and accounting fees, whether or not the transaction is completed. Risks Related to Legal Uncertainty Contamination of our water supply **or wastewater operational malfunctions** may result in disruption in our services and could lead to litigation that may adversely affect our business, operating results and financial condition. Our water supplies are subject to contamination from naturally- occurring compounds as well as pollution resulting from man- made sources. Even though we monitor the quality of our water on an ~~on-going ongoing~~ basis, any possible contamination **due to factors beyond our control** could interrupt the use of our water supply until we are able to substitute it from an uncontaminated water source. Additionally, treating the contaminated water source could involve significant costs and could adversely affect our business. We could also be held liable for consequences arising out of human or environmental exposure to hazardous substances, if found, in our water supply. **This If wastewater collection or treatment systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to wildlife and economic damages for which we could be held liable. Any such occurrence** could adversely affect our business, results of operations and financial condition. We are subject to ~~various laws~~ and **regulations that** could expose us ~~be further subject to~~ governmental investigations or actions by other third parties. We are subject to various federal and state laws **and regulations**, including environmental laws **and regulations**, violations of which can involve civil or criminal sanctions. Our ~~operations-Company~~ from time to time could be parties to or **our operations** targets of lawsuits, claims, investigations and proceedings, including system failure, injury, contract, environmental, health and safety and employment matters, which are handled and defended in the ordinary course of business. The results of any future litigation or settlement of such lawsuits and claims are inherently unpredictable, but such outcomes could also materially and adversely affect our business, financial position and results of operations. Risk Related to Cybersecurity and Technology We are dependent on the continuous and reliable operation of our information technology systems **that require, potentially costly, maintenance and could become subject to cyberattacks disrupting our operations**. We rely on our information technology systems to manage operation of our business. Specifically, our business relies on the following technology systems, **among others**: customer information system, financial reporting system, asset tracking system, remote monitoring system for some of our treatment, storage and pumping facilities, human resources management system, inventory management system, and accounts receivable collection management system. Such systems require periodic modifications, upgrades or replacement that subject us to inherent costs and risks, including substantial capital expenditures, additional administration and operating expenses, and other risks and costs of delays in transitioning to new systems or of integrating new systems into our current systems. Our computer and communications systems and operations could be damaged or interrupted by natural disasters, **power loss**, telecommunications failures or acts of war or terrorism, sabotage, theft or similar events or disruptions. A loss of these systems or major problems with the operation of these systems could affect our operations and have a material adverse effect on our **business and** results of operations. **To date, There-there** have been **no risks identified from cybersecurity threats or previous cybersecurity incidents that** an increasing number of cyberattacks on companies around the world, which have **materially affected** caused operational failures or compromised sensitive corporate or customer data. These attacks have occurred over the internet, through malware, viruses or attachments to e-mails, or through persons inside the organization or with access to systems inside the organization. We have implemented security measures and will continue to devote resources to address any security vulnerabilities in an effort to prevent cyberattacks. We utilize third parties to provide and maintain many of our ~~or are reasonably likely~~ information technology, or IT, resources, including disaster recovery and business continuity services intended to **materially affect** safeguard access to and use of our IT resources during a general or local network outage, under agreements with evolving security and service level standards. Our senior IT executives also periodically update the **company** audit and disclosure committees and our board of directors on our cybersecurity practices and risks, most recently in November 2022. A reporting process has been established, and periodically tested and refined with the assistance of outside experts, to escalate notice within our organization and coordinate and deploy our response to IT security events. Depending on the severity of an event, our incident reporting process includes informing, as early as practicable, our senior corporate **management**. Despite our efforts, a cyberattack, if it occurred, could cause water or wastewater system **problems-operational complications**, disrupt service to our customers, compromise important data or systems or result in an unintended release of customer **or other confidential** information. **Possible impacts associated with a cyberattack could also include remediation costs related to lost, stolen, or compromised data, repairs to information technology and data processing systems,**

increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulations, including standards for water and wastewater utility providers, and litigation. We feel we have adequate cybersecurity insurance coverage to mitigate the cost of any such cyberattack; however, a possible cyberattack could affect our operations and have a material adverse effect on our business and results of operations. **We have implemented, and will continue to internally monitor and manage, business processes to support our cybersecurity program. For additional information concerning the Company's cybersecurity program, see Item 1C- Cybersecurity**. Risk Associated with Management Turnover in our management team could have an adverse impact on our business or the financial market's perception of our ability to continue to grow. Our success depends significantly on the continued contribution of our management team both individually and collectively. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel could harm our operating results. In addition, turnover in our management team could adversely affect the financial market's perception of our ability to continue to grow. Risks Related to Our Common Stock There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends. Dividends on our common stock will only be paid if and when declared by our Board of Directors. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on common stock and the amount of the dividends declared by our Board of Directors. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends. Holders of Class A Non- Voting Common Stock have no voting rights. As a result, holders of Class A Non- Voting Common Stock will not have any ability to influence stockholder decisions. We have two classes of common stock, Class A Non- Voting Common Stock and Class B Common Stock. Under our Restated Certificate of Incorporation, the right to vote for the election of directors and other stockholder matters is exercised exclusively by the holders of Class B Common Stock ~~and the~~. **The** holders of shares of our Class A Non- Voting Common Stock do not have voting rights on any matters that are submitted to a vote of stockholders, including with respect to the election of directors and other matters voted upon by stockholders, except as required by the Delaware General Corporation Law. The principal stockholders have significant control over the outcome of most fundamental corporate matters. The price of our common stock may be volatile and may be affected by market conditions beyond our control. The trading price of our common stock may fluctuate in the future based on a variety of factors, many of which are beyond our control and unrelated to our financial results. Factors that could cause fluctuations in the trading price of our common stock include but are not limited to volatility of the general stock market or the utility stock index, regulatory developments, general economic conditions and trends, actual or anticipated changes or fluctuations in our results of operations, actual or anticipated changes in the expectations of investors or securities analysts, actual or anticipated developments in our competitors' businesses or the competitive landscape generally, litigation involving us or our industry, major catastrophic events or sales of large blocks of our stock. Furthermore, we believe that stockholders invest in public utility stocks in part because they seek reliable dividend payments. If there is an oversupply of stock of public utilities in the market relative to demand by such investors, the trading price of our common stock may decrease. Additionally, if interest rates rise above the dividend yield offered by our common stock, demand for our stock and its trading price may also decrease. Risk Related to Pandemics Our business, results of operations, financial condition, cash flows and stock price may be adversely affected by pandemics, epidemics or other public health emergencies, ~~such as the outbreak of the coronavirus and its variants, or COVID-19~~. Our business, results of operations, financial condition, cash flows and stock price may be adversely affected by pandemics, epidemics or other public health emergencies, ~~such as the outbreak of COVID-19~~. We are considered an essential utility service company, as defined by the U. S. Department of Homeland Security. ~~Although We believe we will continue to operate our business consistent with any federal guidelines and/or state and local orders, however,~~ the outbreak of pandemics, epidemics or other public health emergencies and any preventive or protective actions taken by governmental authorities may have an adverse effect on our operations. ~~Additionally, concerns over the economic impact~~ **ITEM 1B. UNRESOLVED STAFF COMMENTS None.** **ITEM 1C. CYBERSECURITY** ~~There have been an increasing number of COVID-19 cyberattacks on companies around the world, which have caused extreme volatility-operational failures, compromised sensitive corporate or customer data, and / or resulted in significant financial damages. These attacks have occurred over the internet, through malware, viruses or attachments to e- mails, or through inside actors with access to systems within the organization. Risk Management and Strategy We have implemented security measures and will continue to devote resources to address security vulnerabilities in an effort to prevent cyberattacks. All employees receive cybersecurity training and other capital markets education regarding their use of computers, information technology, and sensitive data. We utilize third parties to support our information technology, or IT, resources, including disaster recovery intended to safeguard our ability to access and use our IT resources during a disaster or cyber incident. Our business continuity plans are evaluated against evolving security and service level standards, which may adversely includes evaluating those cybersecurity threats associated with our use of key third party service providers. Our cybersecurity management process consists of utilizing a combination of employee education, preventative controls, detective controls, and periodic third- party cybersecurity testing. We have installed and utilize enterprise scale technology to support an appropriate cybersecurity posture including: endpoint detection and response, firewalls, security information and event management, email security, multifactor authentication, and vulnerability management. We receive cybersecurity related alerts from our membership in a number of industry groups. These alerts are evaluated and in the event an alert requires action within our environment, such actions are taken promptly. Our process and cybersecurity posture is refined based on the results of periodic third party cybersecurity assessments. We engage with the Cybersecurity and Infrastructure Security Agency through their cyber hygiene service offerings. Cybersecurity is addressed in IT's reports to the Corporate Automation Steering Committee, which consists of all Officers and the Director of Customer Service, as well as in IT's~~

reports to the Board of Directors. Should a cyber event occur, depending on the severity of an event, our cyber incident reporting process includes informing, as early as practicable, our senior corporate management. Governance The Audit Committee of the Board of Directors, as overseen by the full Board of Directors, is responsible for oversight of cybersecurity risk. Our IT executives report on our cybersecurity practices and risks at each meeting of the Audit Committee of our Board of Directors. In addition, our IT executives provide periodic updates on cybersecurity risks to our management at regularly held executive committee meetings. Should any cybersecurity threat or incident be detected, our IT executives would timely report such threat or incident to the management executive committee and provide regular communications and updates to the executive committee throughout the incident and any subsequent investigation, in order that the impact, materiality, and reporting requirements of such incident are appropriately identified and assessed for further necessary ~~our- or stock price-~~appropriate action to be taken. Any incident identified by the management executive committee as having a material impact would be promptly escalated to all members of the Board of Directors. Should there be an incident which does not rise to the level of being material, such incident would, at minimum, be included in the subsequent IT reports to both the management executive committee and the Board of Directors. We believe we are appropriately staffed to support a healthy cybersecurity posture. All IT personnel have a combination of professional experience, education, and / or certifications for their area of responsibility. For IT leadership, our Chief Information Officer earned a Masters of Business Administration and also a Master of Science degree in Information Systems & Technology Management. Our Vice President of Information Technology earned a Bachelor of Science in Computer Science and Business and a Bachelor of Science in Business and Economics. The Vice President of Information Technology is also a Certified Public Accountant, a Certified Information Systems Auditor, and a Chartered Global Management Accountant. Our Director of Cybersecurity earned an Associates Degree in Computer Network Engineering and is a Certified Information Systems Security Professional. To date, there have been no risks identified from cybersecurity threats or previous cybersecurity incidents that have materially affected or are reasonably likely to materially affect the company. However, despite all of the above aforementioned efforts, a cyberattack, if it occurred, could cause water or wastewater system operational problems, disrupt service to our customers, compromise important data or systems or result in an unintended release of customer or other confidential information. See “ Item 1A. Risk Factors — Risks Related to Cybersecurity and Technology ” for additional discussion of cybersecurity risks impacting our Company. ITEM 2. PROPERTIES