

VOLUME 7

PENNSYLVANIA-AMERICAN WATER COMPANY

2017 GENERAL BASE RATE CASE

R-2017-2595853

FILING REQUIREMENTS

VI, VII, VIII, IX, X, XI

MFR Description

FR VI. DEPRECIATION

- 1 Depreciation method
- 2 Retirement rate method of analysis is utilized
- 3 Surviving original cost
- 4 Calculated depreciation reserve used for rate making purposes
- 5 Schedule by account and depreciable rough showing survivor curve
- 6 Gross Salvage exhibit

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Depreciation

Pennsylvania-American Water Company
VI. Depreciation

1. Provide a description of the depreciation methods used to calculate annual depreciation amounts and depreciation reserves, together with a discussion of the factors which were considered in arriving at estimates of service life and dispersion by account. Supply a comprehensive statement of any changes made in method of depreciation. Provide dates of all field inspections and facilities visited.
2. Set forth, in exhibit form, charts depicting the original and estimated survivor curves and a tabular presentation of the original life table plotted on the chart for each account where the retirement rate method of analysis is utilized.
3. Provide the surviving original cost at historic test year-end by vintage by account and include applicable depreciation reserves and accruals. These calculations should be provided for plant in service as well as other categories of plant, including contributions in aid of construction and customers' advances for construction.
4. Provide a comparison of the calculated depreciation reserve used for ratemaking purposes v. the book reserve by account at the end of the test year, if they differ.
5. Supply a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate:
 - a. For the purposes of this filing.
 - b. For the purposes of the most recent rate increase filing prior to the current proceedings.
6. Provide an exhibit showing gross salvage, cost of removal, and net salvage for the 5 most recent calendar or fiscal years by account.

Answer:

Please refer to the direct testimony and accompanying exhibits of John J. Spanos (PAWC Statement No. 11) for the above filing requirements.

MFR Description

FR VII. RATE OF RETURN

- 1 Capitalization and capitalization rates
- 2 Prospectus for the company and the parent
- 3 Projected capital requirements
- 4 Schedule of debt and preferred stock of company
- 5 Financial data of company and parent
- 6 AFUDC charged by company
- 7 Provisions of charter and indentures
- 8 Projected revenues, expenses, and capital
- 9 Long term debt re-acquisitions
- 10 Compensating bank balance requirements
- 11 Bank notes payable
- 12 Stock offerings
- 13 Corporate relationship to affiliates
- 14 Utility plans to make a formal claim for a specified allowable rate of return
- 15 Copies of company documents listed (Fin Reports)
- 16 Monthly balance sheets (2 years)
- 17 Bond rating history
- 18 Bond rating reports
- 19 Presentations by company and parent management
- 20 Securities insurance
- 21 Company plans to refinance high cost long term debt or preferred stock
- 22 Securities analyst report copies
- 23 List of common equity infusion from parent
- 24 Company common dividend payments
- 25 Year-by-year common financial projections
- 26 5 year construction budget
- 27 Capital structure budget
- 28 Company information by month
- 29 Identify all debt
- 30 Summary statement of all stock dividends, splits, or par value changes
- 31 Claim of filing utility
- 32 Financial data of company

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.1

Pennsylvania-American Water Company

VII. Rate of Return

1. Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years (with short-term debt and without short-term debt) for the Company, Parent and Consolidated System.
 - a. Provide year-end interest coverages before and after taxes for the last three years and at latest date, including Indenture and Securities and Exchange Commission (SEC) bases, for the Company, Parent and Consolidated System.
 - b. Provide year-end preferred stock dividend coverages for the last three years and at latest date, including Charter and SEC bases.

Answer:

Please refer to the direct testimony of Ann Bulkley, Statement No. 13 and accompanying Exhibit 13-A.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.2

Pennsylvania-American Water Company
VII. Rate of Return

2. Provide latest Prospectus for the Company and the Parent.

Answer: Please refer to the Investor Relations / Financial Reporting section of the American Water internet site (<http://amwater.com>).

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.3

Pennsylvania-American Water Company
VII. Rate of Return

3. Supply projected capital requirements and the sources of Company, Parent and Consolidated System for the historic test year and each of three (3) comparable future years.

Answer:

Following are the historic and projected total company capital requirements for 2017 and 2018. The capital requirements for the future year 2019 are not available at this time.

Description	2016	2017	2018
Bank Loans	387,470,103	172,917,103	82,985,103
Long-Term Debt	1,150,896,220	1,356,001,140	1,474,738,023
Preferred Stock	7,651,500	6,451,500	5,251,500
Common Equity	1,434,695,247	1,594,560,247	1,719,684,247

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.4

Pennsylvania-American Water Company
VII. Rate of Return

4. Provide a schedule of debt and preferred stock of Company, Parent and Consolidated System as of historic test year-end and latest date, detailing for each issue (if applicable):
- a. Date of issue
 - b. Date of maturity
 - c. Amount issued
 - d. Amount outstanding
 - e. Amount retired
 - f. Amount required
 - g. Gain on reacquisition
 - h. Coupon rate
 - i. Discount or premium at issuance
 - j. Issuance expenses
 - k. Net proceeds
 - l. Sinking Fund requirements
 - m. Effective interest rate
 - n. Dividend rate
 - o. Effective cost rate
 - p. Total average weighted effective Cost Rate

Answer: Please refer to Exhibit No. 13-A for the information as of December 31, 2016.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.5

Pennsylvania-American Water Company
VII. Rate of Return

5. Supply financial data of Company and/or Parent for last five years:
- a. Earnings-price ratio (average)
 - b. Earnings-book value ratio (per share basis) (avg. book value)
 - c. Dividend yield (average)
 - d. Earnings per share (dollar)
 - e. Dividends per share (dollars)
 - f. Average book value per share yearly
 - g. Average yearly market price per share (monthly high-low basis)
 - h. Pre-tax funded debt interest coverage
 - i. Post-tax funded debt interest coverage
 - j. Market price-book value ratio

Answer:

Please see attached.

FR VII.5

American Water Works Company, Inc.		2012	2013	2014	2015	2016
(1)	Earnings (excluding Goodwill)	2.01	2.06	2.35	2.64	2.84
(2)	Dividend Paid per Common Share	1.21	0.84	1.21	1.33	1.465
(3)	Common Shareholders Equity	4,443,268	4,727,804	4,915,591	5,049,000	5,218,000
(4)	Diluted Average Shares Outstanding	177,671	179,056	179,806	180,000	179,000
a	Price to earnings ratio	17.23	19.83	20.38	20.56	25.67
b	Book value to earnings ratio	12.44	12.82	11.63	10.63	10.26
c	Dividend yield	3.49%	2.06%	2.53%	2.45%	2.01%
d	Earnings per share (dollars)	2.01	2.06	2.35	2.64	2.84
e	Dividends paid per common share (dollars)	1.21	0.84	1.21	1.33	1.465
f	Book value per share	25.01	26.40	27.34	28.05	29.15
g	Average yearly market price per share (monthly high-low basis)	34.63	40.85	47.88	54.28	72.90
h	Pre-tax funded debt interest coverage	2.99	2.91	3.30	3.54	3.37
i	Post-tax funded debt interest coverage	2.15	2.20	2.42	2.55	2.44
j	Market price-book value ratio	138.46%	154.71%	175.15%	193.53%	250.07%

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission


FR VII.6

Pennsylvania-American Water Company
VII. Rate of Return

6. Provide AFUDC charged by company at historic test year-end and latest date, explain method by which rate was calculated and provide workpaper showing derivation of the Company's current AFUDC rate.

Answer: The Company is using the AFUDC methodology proposed by the OTS and adopted by the Commission in PAWC's rate proceeding at Docket No. R-922428. Attached please see a memo dated May 7, 1993, which explains the calculations necessary to derive the AFUDC rate. Also attached see the detailed calculation for the month of December 2016.

ATTACHMENT A



Pennsylvania-American Water Company

800 West Hershey Park Drive • P.O. Box 888 • Hershey, PA 17033-0888

(717) 533-5000

TO: J. L. Nader
 FROM: Pete Mecca
 DATE: May 7, 1993
 RE: Revised Calculation of AFUDC

In order to comply with a recent PUC order, it will be necessary to modify the method of calculating AFUDC for inclusion into rate base.

The new calculation shall be as follows:

Short Term Debt Portion

A. Daily Short Term Debt Outstanding + Beginning Balance
Number Of Days In Month + 1

÷

B. Average Balance In CWIP Prior To Transfers To Plant For The Month

X

C. Federal Funds Rate At Month End + Applicable Basis Points

Other Capital Portion

+

D. 1 - % Calculated In A. Above

X

E. Cost Of Capital Allowed In Latest Rate Case

PENNSYLVANIA-AMERICAN WATER COMPANY
 AFUDC CALCULATION BASED ON SHORT TERM DEBT
 FOR: Dec 2016

FR VII.6

A	Average Daily Borrowing : (Provided by Treasury)		\$ 147,823,648	
B	Beginning balance of CWIP	105,188,601		
C	Ending Balance prior to Transfer	171,426,250		
D	Average CWIP balance		<u>138,307,426</u>	
E	Short term debt % (A / D)		100.00%	
F	AMERICAN WATER CAPITAL CORPORATION	WA Debt Rate	0.7789%	
G	Weighted ST Debt Rate		0.7789%	
H	Short term debt % X Adj Fed Funds Rate (E x G)		<u>0.778924% STD</u>	
I	1 - % calculated in E		0.0000%	
J	Long Term Debt Rate	Last Rate Case R-2013-2355276 approved 12/19/13	2.8200%	
K	Long Term Debt Rate X 1 - % Calculated in E (J x I)		0.0000% LTD	
L	Total Debt % (H + K)		0.7789% DEBT	
M	Equity Rate allowed in latest rate case	Last Rate Case R-2013-2355276 approved 12/19/13	5.3400%	
N	Equity Rate X 1 - % Calculated in E (M X I)		<u>0.0000% EQUITY</u>	
O	AFUDC Rate per annum (M + I)		<u>0.7789%</u>	
		DEBT	EQUITY	TOTAL
	AFUDC rate per month	0.0649%	0.0000%	0.0649%
	AFUDC rate per half-month	0.0325%	0.0000%	0.0325%
	AFUDC rate per quarter-month	0.0162%	0.0000%	0.0162%

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.7

Pennsylvania-American Water Company
VII. Rate of Return

7. Set forth provisions of Company's and Parent's charter and indentures, if applicable, which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

Answer: Coverage Requirements*:

The Thirtieth Supplemental Indenture dated as of April 1, 2009, supplemental to The Indenture of Mortgage dated May 1, 1968, states that so long as any of the bonds of the 2009 Series A are outstanding, without the consent of the registered owners of at least sixty-six and two-thirds per cent (66-2/3%) in principal amount of the bonds of the 2009 Series A then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 and Section 2.04 of the Original Indenture unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt outstanding immediately after such bonds are issued.

The Company shall meet the requirements of this Section by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and section 2.04 of the original indenture) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be issued by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt.

Limits:

The Thirtieth Supplemental Indenture dated as of April 1, 2009, supplemental to The Indenture of Mortgage dated May 1, 1968, limits the issuance of bonds, so that the principal amount of all the outstanding long-term debt does not exceed 65% of the total capitalization of the Company.

Dividend Restriction:

The Thirtieth Supplemental Indenture dated as of April 1, 2009, states that so long as any bonds of the 2009 Series A are outstanding, without the consent of the registered owners of a least sixty-six and two-thirds per cent (66-2/3%) in principal amount of the bonds of the 2009 Series A then outstanding, if any, no dividends shall be declared or paid on any shares of Common Stock of the Company (except dividends payable solely in the shares of its Common Stock), nor shall any shares of Common Stock of the Company be purchased or otherwise acquired by the Company, if immediately after or as the result of any such declaration, payment, purchase or other acquisition, the sum of the aggregate of the capital of the Company attributable to its Common Stock plus the amount of all surplus accounts of the Company would be reduced to less than \$ 42,000,000. In determining the aggregate of the capital of the Company attributable to its Common Stock and the amount of all surplus accounts for the purpose hereof, any write-up or write-down of assets or write-off of the excess over original cost of property made on the books of the Company subsequent to December 31, 1980, shall be disregarded.

* Covenant requirement contained in all subsequent outstanding supplemental indentures.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.8

Pennsylvania-American Water Company
VII. Rate of Return

8. Attach copies of the summaries of the Company's projected revenues, expenses and capital budgets for the next two years.

Answer: Please see below for a summary of the total Company's water and wastewater projected revenues, expenses and capital budget for 2013 and 2014.

DESCRIPTION	2017	2018
	(Thousands)	(Thousands)
Revenues	665,956	695,481
Operating & Maintenance Expense	200,504	202,196
Depreciation and Amortization	112,358	117,443
Taxes Other than Income	13,254	13,249
Income Taxes	110,424	119,021
Utility Operating Income	229,416	243,572
Income Deductions	69,181	71,478
Net Income to Common	<u>160,235</u>	<u>172,094</u>
DESCRIPTION		
Routine Projects	200,232	205,685
Investment Projects	104,022	148,272
Refunds	5,000	4,000
Contributions	(6,340)	(5,825)
Advances	(6,000)	(6,000)
Total	<u>296,914</u>	<u>346,132</u>

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.9

Pennsylvania-American Water Company
VII. Rate of Return

9. Describe long-term debt reacquisitions by Company and Parent as follows:
- a. Reacquisitions by issue by year.
 - b. Total gain on reacquisitions by issue by year.
 - c. Accounting of gain for income tax and book purposes.

Answer:

None.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.10

Pennsylvania-American Water Company
VII. Rate of Return

10. Provide the following information concerning compensating bank balances requirements for the actual test year:
- a. Name of each bank
 - b. Address of each bank
 - c. Type of accounts with each bank (checking, savings, escrow, other services, etc.)
 - d. Average Daily Balance in each account
 - e. Amount and percentage requirements for compensating bank balances at each bank
 - f. Average daily compensating bank balance at each bank
 - g. Documents from each bank explaining compensating bank balance requirements
 - h. Interest earned on each type of account

Answer:

- a. BNY Mellon
- b. The Bank of New York Mellon
500 Ross Street
Suite 1260
Pittsburgh, PA 15262-0001
- c. Lockbox account
- d-h. No compensating bank balances were required during the test year.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.11

Pennsylvania-American Water Company
VII. Rate of Return

11. Provide the following information concerning bank notes payable for the actual per book test year:
- a. Line of Credit at each bank.
 - b. Average daily balances of notes payable to each bank, by name of bank.
 - c. Interest rate charged on each bank note (Prime rate, formula)
 - d. Purpose of each bank note (for example, construction, fuel storage, working capital, debt retirement).
 - e. Prospective future need for this type of financing.

Answer:

- a. Pennsylvania-American has a short-term credit facility with American Water Capital Corp. (AWCC) that is renewed each year.
- b. The average daily short-term debt balance with AWCC in 2016 was \$109,256,628.
- c. The average interest rate on short-term borrowings was 0.78% for the year ending 12/31/16.
- d. Pennsylvania-American uses the short-term credit facility with AWCC to finance its day-to-day working capital needs.
- e. Pennsylvania-American will require this type of borrowing in the foreseeable future to meet working capital needs.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.12

Pennsylvania-American Water Company
VII. Rate of Return

12. Submit details on Company or Parent common stock offerings for the past five years to present as follow:
- a. Date of Prospectus.
 - b. Date of offering.
 - c. Record date.
 - d. Offering period including dates and number of days.
 - e. Amount and number of shares of offering.
 - f. Offering ratio, if rights offering.
 - g. Percent subscribed.
 - h. Offering price.
 - i. Gross proceeds per share.
 - j. Expenses per share.
 - k. Net proceeds per share in i and j above.
 - l. Market price per share.
 - 1. At record date.
 - 2. At offering date.
 - 3. One month after close of offering.
 - m. Average market price during offering.
 - 1. Price per share.
 - 2. Rights per share—average value of rights.
 - n. Latest reported earnings per share at time of offering.
 - o. Latest reported dividends at time of offering.

Answer:

Please refer to the attachment.

<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>
April 22, 2008	June 4, 2009	June 4, 2009	August 13, 2009	November 17, 2009
April 28, 2008	June 10, 2009	June 10, 2009	August 18, 2009	November 23, 2009
N/A	N/A	N/A	N/A	N/A
6 days	6 days	6 days	6 days	6 days
63,173,300	11,500,000	18,400,000	35,000,000	37,351,617
N/A	N/A	N/A	N/A	N/A
N/A	N/A	100% plus 3.9 overallotment	N/A	N/A
\$21.50	\$17.25	\$17.25	\$19.25	\$21.63
Zero proceeds to American Water Works	Zero proceeds to American Water Works	\$17.25	Zero proceeds to American Water Works	Zero proceeds to American Water Works
\$0.645	\$0.518	\$0.518	\$0.578	\$0.6489
\$20.855	\$16.733	\$16.733	\$18.673	\$20.981
N/A	N/A	N/A	N/A	N/A
\$21.50	\$17.49	\$17.49	\$19.34	\$21.63
\$20.80	\$20.38	\$20.38	\$19.90	\$22.54
N/A	\$17.80	\$17.80	\$19.28	\$21.42
N/A	N/A	N/A	N/A	N/A
N/A - This offering was an initial public offering	-\$3.52	-\$3.52	-\$3.52	-\$3.52
N/A - This offering was an initial public offering	\$0.21	\$0.21	\$0.21	\$0.21

Pennsylvania American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.13

Pennsylvania American Water Company
VII. Rate of Return

13. Attach chart explaining Company's corporate relationship to its affiliates showing system structure.

Answer: Please see the attachment.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.14

Pennsylvania-American Water Company
VII. Rate of Return

14. If the utility plans to make a formal claim for a specified allowable rate of return, provide the following data in statement or exhibit form:
- a. Claimed capitalization and capitalization ratios with supporting data.
 - b. Claimed cost of long-term debt with supporting data.
 - c. Claimed cost of short-term debt with supporting data.
 - d. Claimed cost of total debt with supporting data.
 - e. Claimed cost of preferred stock with supporting data.
 - f. Claimed cost of common equity with supporting data.

Answer: Please refer to Exhibit No. 13-A, which contains the schedules supporting the testimony of Ann E. Bulkley, the Company's rate of return witness.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.15

Pennsylvania-American Water Company
VII. Rate of Return

15. Supply copies of the following documents for the Company and, if applicable, its parent:
- a. Most recent Annual Report to shareholders including any statistical supplements;
 - b. Most recent SEC Form 10K;
 - c. All SEC Form 10Q reports issued within the preceding 12 months of the date of submittal of the rate increase request.

Answer:

- a. Please see attached for the 2015 and 2014 Pennsylvania American annual report. The Parent company annual report can be accessed through the Investor Relations section of the American Water internet site (www.amwater.com).
- b. Parent company – see the Investor Relations \ Financial Reports section of the American Water internet site (www.amwater.com).
- c. See response to part b above.

Pennsylvania-American Water Company, Inc.

**(a wholly-owned subsidiary of
American Water Works Company, Inc.)**

Financial Statements

As of and for the years ended December 31, 2015 and 2014



Independent Auditor's Report

To the Board of Directors of
Pennsylvania-American Water Company, Inc.

We have audited the accompanying financial statements of Pennsylvania-American Water Company, Inc. which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, of changes in common stockholder's equity and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Pennsylvania-American Water Company, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 28, 2016

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Balance Sheets****December 31, 2015 and 2014**

(Dollars in thousands)

Assets	<u>2015</u>	<u>2014</u>
Property, plant and equipment		
Utility plant - at original cost, net of accumulated depreciation of \$1,000,570 in 2015 and \$922,570 in 2014	\$ 3,553,685	\$ 3,340,425
Utility plant acquisition adjustments	14,225	14,401
Non-utility property, net of accumulated depreciation of \$796 in 2015 and \$768 in 2014	<u>340</u>	<u>505</u>
Total property, plant and equipment	<u>3,568,250</u>	<u>3,355,331</u>
Current assets		
Cash and cash equivalents	1,873	849
Accounts receivable	58,737	59,583
Allowance for uncollectible accounts	(11,672)	(9,984)
Unbilled revenues	30,739	30,971
Materials and supplies	9,079	9,350
Federal income taxes receivable - affiliated company	18,093	-
Other	<u>4,678</u>	<u>3,236</u>
Total current assets	<u>111,527</u>	<u>94,005</u>
Regulatory and other long-term assets		
Regulatory assets	201,820	189,484
Goodwill	40,003	39,782
Prepaid pension expense	20,320	23,004
Other	<u>655</u>	<u>445</u>
Total regulatory and other long-term assets	<u>262,798</u>	<u>252,715</u>
Total assets	<u>\$ 3,942,575</u>	<u>\$ 3,702,051</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Balance Sheets****December 31, 2015 and 2014**

(Dollars in thousands)

	Capitalization and Liabilities	
	2015	2014
Capitalization		
Common stockholder's equity	\$ 1,392,787	\$ 1,282,291
Long-term debt, excluding current portion		
Redeemable preferred stock at redemption value	7,652	8,852
Long-term debt, excluding current portion	<u>1,140,916</u>	<u>1,144,047</u>
Total capitalization	<u>2,541,355</u>	<u>2,435,190</u>
Current liabilities		
Notes payable - affiliated company	74,383	73,766
Current portion of long-term debt	19,869	5,217
Accounts payable	81,519	83,564
Accounts payable and accrued liabilities – affiliated company	34,740	-
Accrued interest	12,449	12,524
Federal income taxes payable - affiliated company	-	458
Accrued taxes	-	3,219
Refunds due to customers	2,299	2,324
Other	<u>25,690</u>	<u>33,671</u>
Total current liabilities	<u>250,949</u>	<u>214,743</u>
Regulatory and other long-term liabilities		
Regulatory liabilities	29,090	32,238
Deferred income taxes	825,427	747,926
Advances for construction	73,526	83,681
Deferred investment tax credits	5,373	5,606
Accrued postretirement benefit expense	6,468	6,085
Other tax liabilities	51,904	31,388
Other	461	321
Total regulatory and other long-term liabilities	<u>992,249</u>	<u>907,245</u>
Contributions in aid of construction	158,022	144,873
Commitments and contingencies (See Note 15)	-	-
Total capitalization and liabilities	<u>\$ 3,942,575</u>	<u>\$ 3,702,051</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Statements of Income****For the Years Ended December 31, 2015 and 2014**

(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 613,698	\$ 605,432
Operating expenses		
Operation and maintenance	199,425	199,887
Depreciation	86,062	81,165
Amortization	9,759	9,372
General taxes	11,739	12,261
Gain on asset dispositions	(292)	(337)
Total operating expenses, net	<u>306,693</u>	<u>302,348</u>
Operating income	<u>307,005</u>	<u>303,084</u>
Other income (expenses)		
Interest on long-term debt	(65,077)	(66,266)
Interest on short-term debt - affiliated company	(305)	(235)
Other interest, net	3	2
Allowance for other funds used during construction	876	642
Allowance for borrowed funds used during construction	394	322
Amortization of debt issuance costs	(1,153)	(1,177)
Other, net	(82)	48
Total other expenses	<u>(65,344)</u>	<u>(66,664)</u>
Income before income taxes	241,661	236,420
Provision for income taxes	98,349	96,237
Net income	<u>\$ 143,312</u>	<u>\$ 140,183</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Net income	\$ 143,312	\$ 140,183
Adjustments to reconcile net cash flows provided by operating activities		
Depreciation and amortization	95,821	90,537
Amortization of debt issuance costs	1,153	1,177
Provision for deferred income taxes	96,419	52,418
Amortization of deferred investment tax credits	(234)	(234)
Provision for losses on accounts receivable	9,927	9,799
Allowance for other funds used during construction	(876)	(642)
Gain on asset dispositions and acquisitions	(292)	(337)
Pension and non-pension postretirement benefits	13,684	5,932
Other, net	(5,391)	4,381
Changes in assets and liabilities		
Accounts receivable and unbilled revenues	(7,142)	(11,789)
Federal income tax - affiliated company	(18,551)	470
Other current assets	(1,193)	(2,041)
Pension and non-pension postretirement benefit contributions	(11,000)	(9,051)
Accounts payable	4,083	(5,142)
Accrued taxes	(3,219)	(2,426)
Other current liabilities	(8,238)	11,451
Net cash provided by operating activities	<u>308,263</u>	<u>284,686</u>
Cash flows from investing activities		
Capital expenditures	(283,579)	(253,517)
Acquisitions	(17,917)	(2,261)
Removal costs from property, plant and equipment retirements, net of salvage	(17,627)	(11,997)
Proceeds from disposition of property, plant and equipment	217	-
Net cash used in investing activities	<u>(318,906)</u>	<u>(267,775)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	14,990	496
Repayment of long-term debt	(5,806)	(54,137)
Proceeds from issuance of long-term debt - affiliated company	-	101,900
Repayment of long-term debt - affiliated company	-	(52,900)
Debt issuance costs	(353)	(992)
Net borrowings of notes payables - affiliated company	617	7,038
Advances and contributions for construction, net of refunds of \$4,071 and \$5,106 in 2015 and 2014, respectively	3,901	9,302
Capital contributions	75,000	75,000
Dividends paid	(76,682)	(102,452)
Net cash provided by (used in) financing activities	<u>11,667</u>	<u>(16,745)</u>
Net increase in cash and cash equivalents	<u>1,024</u>	<u>166</u>
Cash and cash equivalents at beginning of year	<u>849</u>	<u>683</u>
Cash and cash equivalents at end of year	<u>\$ 1,873</u>	<u>\$ 849</u>
Cash paid during the year for:		
Interest, net of capitalized amount	\$ 65,107	\$ 67,374
Income taxes	\$ 37,556	\$ 46,233
Non-cash investing activity		
Capital expenditures acquired on account but unpaid as of year end	\$ 57,391	\$ 53,546
Non-cash financing activity		
Dividends accrued	\$ 31,439	\$ -
Capital contribution (see Note 11)	\$ 305	\$ 170

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Statements of Changes in Shareholder's Equity
For the Years Ended December 31, 2015 and 2014
(Dollars in thousands)**

	Common Stock		Paid-in Capital	Retained Earnings	Total
	Shares	Par Value			
Balance at December 31, 2013	3,910,343	\$ 21,507	\$ 719,495	\$ 428,388	\$ 1,169,390
Net income	-	-	-	140,183	140,183
Capital contributions	-	-	75,170	-	75,170
Preferred stock dividends	-	-	-	-	-
Common stock dividends	-	-	-	(102,452)	(102,452)
Balance at December 31, 2014	3,910,343	\$ 21,507	\$ 794,665	\$ 466,119	\$ 1,282,291
Net income	-	-	-	143,312	143,312
Capital contributions	-	-	75,305	-	75,305
Preferred stock dividends	-	-	-	-	-
Common stock dividends	-	-	-	(108,121)	(108,121)
Balance at December 31, 2015	<u>3,910,343</u>	<u>\$ 21,507</u>	<u>\$ 869,970</u>	<u>\$ 501,310</u>	<u>\$ 1,392,787</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

Note 1: Organization and Operation

Pennsylvania-American Water Company, Inc. (the "Company") provides water and wastewater service in the Commonwealth of Pennsylvania. As a public utility operating in Pennsylvania, the Company functions under rules and regulations prescribed by the Pennsylvania Public Utility Commission (the "Commission"). The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW").

Note 2: Significant Accounting Policies*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company considers benefit plan assumptions, the estimates used in impairment testing of goodwill and other long-lived assets, including regulatory assets and liabilities, revenue recognition and accounting for income taxes to be its critical accounting estimates. The Company's significant estimates that are particularly sensitive to change in the near term are amounts reported for pension and other postemployment benefits, and contingency-related obligations.

Regulation

The Company is subject to regulation by the Commission of the Commonwealth of Pennsylvania. The Commission has historically allowed recovery of costs and credits which the Company has recorded as regulatory assets and liabilities. Accounting for future recovery of costs and credits as regulatory assets and liabilities is in accordance with authoritative guidance provided by U.S. GAAP. Regulated utilities defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate making process in a period different from the period in which they would have been reflected in operations by a non-regulated company. These deferred regulatory assets and liabilities are then reflected in the statement of income in the period in which the costs and credits are reflected in the rates charged for service.

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction. Repairs and maintenance are charged to operation and maintenance expense as incurred.

When units of property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and charged to accumulated depreciation. To the extent the

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

Company recovers cost of removal or other retirement costs through rates, a regulatory asset or liability is recorded when timing differences exist between when the Company incurs costs of removal and when the Company recovers such costs in rates. Removal costs, net of salvage, are recorded as reductions to the regulatory liability or an increase to the regulatory asset, as applicable.

The cost of property, plant and equipment is depreciated using the straight-line average remaining life composite method.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these assets amounted to \$60,962 and \$64,369 at December 31, 2015 and 2014, respectively.

Utility plant acquisition adjustments represent the difference between the fair value of plant at the date of purchase and its original cost when first devoted to public service (less accumulated depreciation) and are amortized to expense or income over predetermined amortization periods. Net amortization of utility plant adjustments to expense was \$176 and \$130 for the years ended December 31, 2015 and 2014, respectively. The remaining lives range from 1 month to 38 years.

Cash

Substantially all of the Company's cash is invested in interest-bearing accounts.

Accounts Receivable

The majority of the Company's accounts receivable is due from utility customers and represents amounts billed to the Company's customers on a cycle basis. Credit is extended based on the rules and regulations of the applicable Commission and collateral is generally not required.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is maintained for estimated probable losses resulting from the Company's inability to collect receivables. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company writes off accounts when they become uncollectible.

Unbilled Revenues

Unbilled revenues are accrued when service has been provided but has not been billed to customers.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Notes to Financial Statements
December 31, 2015 and 2014
(Dollars in thousands)

Long-Lived Assets

Long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the future cash flows expected to result from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized. Measurement of an impairment loss would be based on the fair value of the assets. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

Goodwill

The Company has recorded \$40,003 and \$39,782 of goodwill at December 31, 2015 and 2014, respectively. The Company's annual impairment test is performed as of November 30 of each year, in conjunction with the completion of its annual strategic business plan. The Company also undertakes interim reviews when it determines that a triggering event that would more likely than not reduce the fair value of the Company below its carrying value has occurred.

The Company performs a two-step impairment test to evaluate the carrying value of goodwill for the Company if qualitative factors indicate that it is more likely than not that the Company's fair value is less than its carrying value. The step one calculation used to identify potential impairment compares the estimated fair value for the Company to its net carrying value, including goodwill, on the measurement date. If the estimated fair value of the Company is less than its carrying value, then step two is performed to measure the amount of the impairment loss (if any).

The step two calculation of the impairment test compares the implied fair value of the goodwill to the carrying value of goodwill. The implied fair value of goodwill is equal to the excess of the fair value of the Company above the fair value of identified assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized in an amount equal to the excess (not to exceed the carrying value of goodwill).

The determination of the fair value of the Company and the fair value of the Company's assets and liabilities is performed as of the measurement date using observable market data before and after the measurement date (if that subsequent information is relevant to the fair value on the measurement date).

After assessing various events and circumstances in 2015 and 2014, the Company determined that no qualitative factors were present that would indicate the estimated fair value was less than the carrying value. As such, the Company determined that the two-step goodwill impairment test was not necessary at November 30, 2015 and 2014.

Advances for Construction and Contributions in Aid of Construction

The Company may receive advances for construction ("advances") and contributions in aid of construction ("contributions") from customers, home builders, real estate developers and others to fund construction necessary to extend service to new areas. Advances are refundable

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For rate-making purposes, the amount of such contributions generally serves as a rate base reduction, since it represents non-investor supplied funds.

The Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions was \$3,767 and \$3,608 for the years ended December 31, 2015 and 2014, respectively. Non-cash advances and contributions received were \$1,630 and \$2,127 in 2015 and 2014, respectively.

Recognition of Revenues

Revenues are recognized as water and wastewater services are provided, and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the meter reading associated with the latest customer invoice to the end of the accounting period. Other operating revenues are recognized when services are performed.

Income Taxes

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns. Federal income tax expense for financial reporting purposes is provided on a separate return basis.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes have been provided on the difference between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates anticipated to be in effect when such temporary differences are projected to reverse. Anticipated tax rates are the currently enacted tax rates, as the Company is not aware of any tax rate changes. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences previously flowed through to customers reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

Allowance for Funds Used During Construction ("AFUDC")

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Commission.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Notes to Financial Statements
December 31, 2015 and 2014
(Dollars in thousands)

New Accounting Standards

The following recently issued accounting standards have been adopted by the Company as of December 31, 2015:

Service Concession Arrangements

In January 2014, the Financial Accounting Standards Board (“FASB”) issued guidance for an operating entity that enters into a service concession arrangement with a public sector grantor who controls or has the ability to modify or approve the services that the operating entity must provide with the infrastructure, to whom it must provide the services and at what price. The grantor must also control, through ownership or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement. The guidance specifies that an operating entity should not account for the service concession arrangement as a lease. The operating entity should refer instead to other accounting guidance to account for the various aspects of the arrangement. The guidance also specifies that the infrastructure used in such an arrangement should not be recognized as property, plant and equipment of the operating entity. The adoption of this standard did not impact the Company’s results of operations, financial position or cash flows.

Reporting Discontinued Operations

In April 2014, the FASB issued guidance that changed the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the updated guidance, a discontinued operation is defined as a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has or will have a major effect on an entity’s operations and financial results. A strategic shift could include a disposal of a major geographical area of operations, a major line of business, a major equity method investment or other major part of the entity. A component comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity including a reportable segment, an operating segment, a reporting unit, a subsidiary or an asset group. The update no longer precludes presentation as a discontinued operation if there are operations and cash flows of the component that have not been eliminated from the reporting entity’s ongoing operations or if there is significant continuing involvement with a component after its disposal. The adoption of this standard did not impact the Company’s results of operations, financial position or cash flows.

Presentation of Deferred Income Taxes

In October 2015, the FASB simplified the presentation of deferred income taxes and requires that deferred income tax assets and liabilities be classified as noncurrent in the Balance Sheets. This update was applied on a retrospective basis. The Company revised the presentation of deferred income taxes at December 31, 2014 in the Balance Sheets, which resulted in a decrease of \$20,338 to the current deferred income tax asset and long-term deferred income tax liability.

The following recently issued accounting standards have not yet been adopted by the Company at December 31, 2015.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

Revenue from Contracts with Customers

In May 2014, the FASB issued a new revenue recognition standard that will replace most existing revenue recognition guidance in GAAP, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue for the transfer of goods or services to customers equal to the amount that it expects to be entitled to receive for those goods or services. The guidance also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The new standard is effective January 1, 2019 for the Company. Early adoption is permitted, but not before January 1, 2017 for the Company. The Company is currently evaluating the alternative methods available and the effect on the financial statements and related disclosures.

Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued guidance clarifying how customers should account for fees paid in a cloud computing arrangement. Under the new guidance, if a cloud computing arrangement contains a software license, the customer would account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, the customer would account for the arrangement as a service contract. The guidance is effective January 1, 2016 for the Company and will be adopted on a prospective basis. The adoption of this updated guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

Accounting for Leases

In February 2016, the FASB issued guidance that changed the accounting and reporting guidelines for leasing arrangements. Under the new guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. This guidance is effective January 1, 2020 for the Company and will be adopted on a modified retrospective basis. Early adoption is permitted. The Company is currently evaluating the effect on the financial statements and related disclosures.

Note 3: Acquisitions

In 2015, the Company completed acquisitions of two water systems, two wastewater systems and one combined water and wastewater system for an aggregate purchase price of \$17,910. The acquired operations provided services to approximately 4,606 (unaudited) customers at the time of the acquisitions. The purchases were accounted for as business acquisitions, and the difference between the purchase price and the fair value of assets acquired, less assumed liabilities, was recorded as a regulatory liability at the date of the acquisitions. Assets acquired, principally utility plant, totaled \$20,652, including \$221 of goodwill; liabilities

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Notes to Financial Statements
December 31, 2015 and 2014
(Dollars in thousands)

assumed were \$1,093 of long-term debt and \$1,267 of advances and contributions. The Company recorded regulatory liabilities totaling \$382 related to gain on acquisitions for three of the purchases.

In 2014, the Company completed acquisitions of two water systems and two wastewater systems for an aggregate purchase price of \$2,261. The acquired operations provided services to approximately 654 (unaudited) customers in aggregate at the time of their acquisitions. The acquisitions were accounted for as business purchases, and the difference between the purchase price and the fair value of assets acquired, less liabilities assumed, was recorded as a regulatory asset or regulatory liability at the date of the acquisitions. Non-cash assets acquired in the acquisition (principally utility plant) totaled \$5,936; liabilities assumed (principally contributions) totaled \$ 3,144. The Company recorded a regulatory liability of \$740 related to deferred bargain purchase gains associated with two of the acquisitions. Additionally, the Company recorded a regulatory asset of \$209 related to deferred purchase premiums associated with two of the acquisitions.

Note 4: Utility Plant

The components of utility plant by category at December 31 are as follows:

	<u>Range of Remaining Useful Life</u>	<u>2015</u>	<u>2014</u>
Land and other non-depreciable assets	-	\$ 28,908	\$ 28,893
Sources of supply	36 to 85 Years	162,170	162,396
Treatment and pumping	12 to 61 Years	633,933	621,062
Transmission and distribution	17 to 156 Years	2,454,444	2,264,559
Services, meters and fire hydrants	18 to 58 Years	759,850	724,830
General structures and equipment	6 to 52 Years	246,722	228,429
Wastewater	5 to 106 Years	214,694	197,900
Construction work in progress	-	53,534	34,926
		<u>4,554,255</u>	<u>4,262,995</u>
Less: Accumulated depreciation		<u>(1,000,570)</u>	<u>(922,570)</u>
		<u>\$ 3,553,685</u>	<u>\$ 3,340,425</u>

The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.67% and 2.56% in 2015 and 2014. The Company records depreciation in conformity with rates approved by the Commission after regulatory review of information the Company submits to support its estimates of the assets remaining useful lives.

Note 5: Regulatory Assets and Liabilities

Regulatory Assets

Regulatory assets represent costs that are expected to be fully recovered from customers in future rates.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**

(Dollars in thousands)

The components of regulatory assets are as follows:

	<u>2015</u>	<u>2014</u>
Income taxes recoverable through rates	\$ 134,460	\$ 129,921
Cost of removal	51,858	42,638
Debt and preferred stock expense	11,840	12,850
Other	3,662	4,075
	<u>\$ 201,820</u>	<u>\$ 189,484</u>

The Company has recorded a regulatory asset for the additional revenues expected to be realized as the tax effects of temporary differences reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the Commission of full normalization for rate making purposes. The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

Cost of removal represents retirement costs expected to be recovered through future customer rates during the lives of the associated assets.

Debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt expense, are deferred and amortized to the extent they will be recovered through future service rates. Expenses of preferred stock issues without sinking fund provisions are amortized over 30 years from the date of issue, whereas expenses of issues with sinking fund provisions are charged to operations as shares are retired.

Other regulatory assets is comprised principally of purchase premiums recoverable through rates, deferred vacation pay and deferred rate case expense.

Regulatory Liabilities

Regulatory liabilities represent amounts that are expected to be refunded to customers in future rates, items deferred pending Commission guidance or amounts recovered from customers in advance of incurring the costs.

The components of regulatory liabilities are as follows:

	<u>2015</u>	<u>2014</u>
Pension expense	\$ 26,367	\$ 29,770
Gains on acquisitions	2,723	2,468
	<u>\$ 29,090</u>	<u>\$ 32,238</u>

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Notes to Financial Statements
December 31, 2015 and 2014
(Dollars in thousands)

Pension costs that are less than amounts in rates are deferred as a regulatory liability.

Gains on acquisitions are deferred pending regulatory approval. Upon receipt of an order, gains are released to income, amortized to income over time or are subject to customer sharing, per the direction of the Commission.

Note 6: Long-Term Debt

The components of long-term debt at December 31 are as follows:

	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity Date</u>	<u>2015</u>	<u>2014</u>
General mortgage bonds	5.50%-9.69%	6.99%	2017-2039	\$ 434,165	\$ 434,165
Water facility loans	1.00%-3.24%	1.86%	2018-2041	60,087	48,610
Notes payable to affiliated company	2.20%-6.25%	4.94%	2016-2042	665,955	665,955
Cumulative preferred stock with mandatory redemption requirements	8.49%-9.75%	8.54%	2019-2036	8,852	10,052
Long-term debt				1,169,059	1,158,782
Unamortized debt discount, net				622	666
Total long-term debt				<u>\$ 1,168,437</u>	<u>\$ 1,158,116</u>

The general mortgage bonds are issuable in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. Based on the calculation methodology specified by debt agreements, the amount of bonds authorized is limited, as long-term debt cannot exceed 65% of total capitalization and adjusted net income of the Company must be equal to or greater than 1.5 times the aggregate annual interest charges on all long-term debt of the Company. At December 31, 2015, long-term debt was 47% of total capitalization and net income, excluding gains or losses on property sales, amortization of debt issuance costs, interest on long-term debt and provision for income taxes was 4.7 times the aggregate annual interest charges on all long-term debt. General mortgage bonds are collateralized by utility plant.

The general mortgage bond indentures contain clauses restricting the declaration of common stock dividends and other distributions on capital stock if common stockholder's equity falls below a specified amount. There were no restrictions at December 31, 2015 and 2014.

The Commonwealth of Pennsylvania offers water facility loans through the Pennsylvania Infrastructure Investment Authority ("Pennvest"). These low-interest loans cover the design, engineering, and construction of public and private owned drinking water treatment, storage and distribution facilities. The water facility loans are available to communities or private firms. The loan disbursements are based upon reimbursable expenditures for a specific approved project. The existing Pennvest loans are secured primarily through a lien on Company revenues,

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

subordinate to the Company's mortgage indenture. The Company makes monthly payments of principal and interest on these water facility loans.

During 2015, the Company issued \$14,990 of Pennvest debt at rates ranging between 1.00% and 1.56%, due 2032. During 2014, the Company issued \$497 of Pennvest debt at a rate of 2.41%, due 2031. The proceeds were used to fund certain capital improvement projects.

During 2015, the Company paid down \$4,606 of Pennvest debt at rates ranging from 1.00% to 3.45%, due between 2018 and 2041. During 2014, the Company paid down \$3,937 of Pennvest debt at rates ranging from 1.00% to 3.24%, due between 2018 and 2041.

Also during 2015, the Company assumed \$1,093 of Pennvest debt at a rate of 1.00% due 2040, by way of an acquisition.

The Company has entered into certain loan agreements with the Pennsylvania Economic Development Financing Authority ("PEDFA"). Under the terms of these loans, the Company requests funds as needed to reimburse a portion of eligible costs used to construct certain infrastructure facilities. All available funds under these loan agreements have been drawn down by the Company as of December 31, 2015 and 2014.

The long-term notes payable to affiliated company are unsecured and were issued to American Water Capital Corporation ("AWCC"), a subsidiary of AWW, for the principal amount. AWCC provided the funding for these notes by issuing senior notes to institutional investors at a price equal to the principal amount.

During 2014, the Company issued \$65,700 and \$36,200 of long-term notes payable to AWCC at a rate of 4.30% and 3.40%, due in 2042 and 2025, respectively. The proceeds were used to redeem \$30,000 of its 5.10% series and \$19,000 of its 4.95% series general mortgage bonds, and to redeem \$52,900 of its higher rate long-term notes payable to AWCC.

Maturities of long-term debt, including sinking fund payments, will amount to \$19,869 in 2016, \$39,144 in 2017, \$152,857 in 2018, \$43,438 in 2019, \$5,494 in 2020 and \$908,257 thereafter.

The 9.75% series and the 9.35% series preferred stock with mandatory redemption requirements provide for annual sinking fund payments at the option of the holder, and do not contain call premiums. The 8.49% series provides for annual sinking fund payments of \$1,200 and contains provisions for redemption at various prices on 30 day notice, at the option of the Company.

Note 7: Short-Term Debt

The Company maintained a line of credit through AWCC of \$220,000 and \$210,000 at December 31, 2015 and 2014, respectively. The Company may borrow from, or invest in, the

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**

(Dollars in thousands)

line of credit. No compensating balances are required under the agreements. Funds were primarily used for short-term operating needs. At December 31, 2015 and 2014, there was \$74,383 and \$73,766 of short-term debt outstanding, respectively. The weighted-average annual interest rate on this debt at December 31, 2015 and 2014 was 0.52% and 0.32%, respectively. Short-term debt is presented as notes payable - affiliated company in the accompanying balance sheets at December 31, 2015 and 2014.

At December 31, 2015 and 2014, the Company had \$3,255 and \$2,981 outstanding stand-by letters of credit, respectively. If drawn, the stand-by letters of credit would reduce the available borrowings under the Company's AWCC credit line.

AWW, through AWCC, has committed to make additional financing available to the Company, as needed, to pay its obligations as they come due.

Note 8: General Taxes

Components of general tax expense for the years presented in the statements of income are as follows:

	<u>2015</u>	<u>2014</u>
Property	\$ 4,167	\$ 4,891
Payroll	3,802	3,751
Public Utility Commission Assessment	3,291	3,002
Capital stock	479	617
	<u>\$ 11,739</u>	<u>\$ 12,261</u>

Note 9: Income Taxes

Components of income tax expense for the years presented in the statements of income are as follows:

	<u>2015</u>	<u>2014</u>
State income taxes:		
Current	\$ 2,851	\$ 7,734
Deferred	16,700	10,793
	<u>19,551</u>	<u>18,527</u>
Federal income taxes:		
Current	(687)	36,319
Deferred	79,719	41,625
Amortization of deferred investment tax credits	(234)	(234)
	<u>78,798</u>	<u>77,710</u>
Total income taxes	<u>\$ 98,349</u>	<u>\$ 96,237</u>

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

The primary components of the net deferred tax liability of \$825,427 and \$747,926 at December 31, 2015 and 2014 include basis differences in utility plant, partially offset by advances and contributions, net operating losses and income taxes recoverable.

No valuation allowances were required on deferred tax assets at December 31, 2015 and 2014, as management believes it is more likely than not that deferred tax assets will be realized.

At December 31, 2015 and 2014, the Company had state net operating loss carryforwards (“NOLs”) of \$115,206 and \$128,627, respectively. These NOLs will begin to expire in 2028 if not utilized.

As of December 31, 2015 and 2014, the reserve for uncertain tax positions is \$83,090 and \$60,674, respectively, excluding interest and penalties of \$423 and \$109, respectively. The Company does not expect a material change in this estimate in the next twelve months. The reserve for uncertain tax positions could increase or decrease for things such as the expiration of statutes of limitations, audit settlements or tax examination activities.

The Company recognizes interest and penalties related to income tax matters in income tax expense. The Company recognized interest expense and penalties of \$313 and \$0 in 2015 and 2014, respectively.

The Company files income tax returns in the United States federal and state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state tax examinations by tax authorities for years before 2012.

Note 10: Employee Benefit Plans*Savings Plan for Employees*

The Company maintains 401(k) Savings Plans, sponsored by AWW, allowing employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions that are based on a percentage of an employee’s contribution, subject to certain limitation. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay as a defined contribution benefit for union employees hired on or after January 1, 2001 and for non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans of \$1,987 and \$1,797 for 2015 and 2014, respectively. All of the Company’s contributions are invested in one or more funds at the direction of the employee.

Pension Benefits

The Company participates in a Company-funded defined benefit pension plan, sponsored by AWW, covering eligible employees hired before January 1, 2006. Benefits under the plan are based on the employees’ years of service and compensation. The pension plan was closed for

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Pension cost of the Company is based on an allocation from AWW of the total cost related to the plan. The allocation is based upon the Company's participants' pensionable earnings as a percentage of AWW's total plan pensionable earnings. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$7,659 and \$3,217 for 2015 and 2014, respectively.

AWW's funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, AWW will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006. AWW may also consider increased contributions based on other financial requirements and the plan's funded position. Pension contributions of the Company are based on an allocation from AWW of the total contributions related to the plan. Contributions are allocated to the Company from AWW based upon the Company's participants' pensionable earnings as a percentage of AWW's total plan pensionable earnings. The Company made contributions to the AWW plan of \$4,976 and \$6,336 in 2015 and 2014, respectively. The Company expects to contribute \$6,012 to the AWW plan in 2016.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

Postretirement Benefits Other Than Pensions

The Company participates in a Company-funded plan, sponsored by AWW, which provides varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and for non-union employees hired on or after January 1, 2002.

Costs of the Company are based on an allocation from AWW of the total cost related to the plan. The allocation is based upon the Company's covered participants as a percentage of AWW's total plan covered participants. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$6,024 and \$2,715 in 2015 and 2014, respectively.

The Company made contributions to trust funds established for these postretirement benefits of \$6,024 and \$2,715 in 2015 and 2014, respectively. The Company's policy is to fund postretirement benefits costs accrued. The Company expects to contribute \$5,109 to the AWW plan in 2016.

Note 11: Stock-Based Compensation*Stock Options and Restricted Stock Units*

In 2015 and 2014, AWW granted restricted stock units, both with and without performance conditions and separately, certain market thresholds, and non-qualified stock options to certain employees of the Company under the AWW 2007 Omnibus Equity Compensation Plan ("Omnibus Plan"). The restricted stock units without performance conditions vest ratably over the three-year service period beginning January 1 of the year of the grant. The restricted stock units with performance conditions and separately, market thresholds, vest ratably over the three year performance period beginning January 1 of each year (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of internal performance measures and, separately, certain market thresholds over the Performance Period. The non-qualified stock options vest ratably over a three year service period beginning January 1 of the year of the grant.

The grant date fair value of restricted stock units that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method. Restricted stock units without performance conditions and non-qualified stock options are amortized through expense over the requisite service period using the straight-line method

Costs of the Company are based on the cost of the Company's employees participating in the AWW Omnibus Plan. The Company recorded compensation expense of \$218 and \$95 included in operation and maintenance expense, during the years ended December 31, 2015 and 2014, respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Notes to Financial Statements
December 31, 2015 and 2014
(Dollars in thousands)

Employee Stock Purchase Plan

Under AWW's Nonqualified Employee Stock Purchase Plan ("ESPP"), the Company's employees can use payroll deductions to acquire AWW common stock at the lesser of 90% of the fair market value of either the beginning or the end of each three-month purchase period. AWW's ESPP is considered compensatory. The Company's costs are based on an allocation from AWW of the total cost for the Company's employees in the plan. Compensation costs of \$87 and \$75 were included in operation and maintenance expense for the years ended December 31, 2015 and 2014, respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

Note 12: Related-Party Transactions

American Water Works Service Company, Inc. ("AWWS"), a subsidiary of AWW, provides certain management services to the Company (administration, accounting, data processing, engineering, etc.) and other operating water companies in the AWW system, on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Purchases of such services by the Company were accounted for as follows:

	<u>2015</u>	<u>2014</u>
Included in operation and maintenance expense		
as a charge against income	\$ 41,254	\$ 43,073
Capitalized primarily in utility plant	9,489	10,818
	<u>\$ 50,743</u>	<u>\$ 53,891</u>

AWWS leases space in office buildings owned by the Company. Rent received under the terms of the leases was \$961 and \$841 in 2015 and 2014, respectively.

The Company provides billing and collection services to American Water Resources, Inc. ("AWR"), a subsidiary of AWW. AWR offers customer protection plans that provide water line, sewer line and in-home protection. The Company recorded revenue of \$657 and \$632 in 2015 and 2014, respectively, related to these services.

The Company maintains a line of credit through AWCC. The Company also participates in AWCC's centralized treasury function, whereby the Company transfers its cash to AWCC and the Company's checks are issued out of AWCC. Under this arrangement, available cash is used to pay-down the line of credit and issued checks increase the Company's line of credit balance. The Company paid AWCC fees, including debt issuance costs, of \$844 and \$376 in 2015 and 2014, respectively, and recorded interest expense on short-term debt of \$305 and \$235 in 2015 and 2014, respectively. Interest expense on long-term debt with AWCC amounted to \$32,890 and \$32,438 in 2015 and 2014, respectively. Accrued interest included interest due to AWCC of \$4,519 and \$4,554 as of December 31, 2015 and 2014, respectively.

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Notes to Financial Statements
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The Company received capital contributions of \$75,000 from AWW in 2015 and 2014.

The Company pays dividends to AWW on a quarterly basis. The amount of the dividend is based on a percentage of net income adjusted for certain items.

The Company has three board members that have relationships with three vendors used by the Company. The aggregate expenditures to these companies totaled \$326 and \$157 during the years ended December 31, 2015 and 2014, respectively.

Note 13: Fair Values of Financial Instruments

Fair Value Measurements

To increase consistency and comparability in fair value measurements, FASB guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-trade equity securities, exchange-based derivatives, mutual funds, and money market funds.
- Level 2 – Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivative, commingled investment funds not subject to purchase, and sale restrictions and fair-value hedges.
- Level 3 – Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amounts reported in the balance sheets for current assets and current liabilities approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt: The fair values of the Company's preferred stock with mandatory redemption requirements and long-term debt are determined by a valuation model which is based on conventional discounted cash flow methodology and utilizes assumptions of current market rates. As the Company's debts do not trade in active markets, the Company calculated a base yield curve using a risk-free rate (a U.S. Treasury securities yield curve) plus a credit spread that is based on the following two factors:

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**

(Dollars in thousands)

an average of AWW's own publicly-traded debt securities and the current market rates for U.S. Utility A- debt securities. The Company used these yield curve assumptions to derive a base yield and then adjusted the base yield for specific features of the debt securities including call features, coupon tax treatment and collateral.

The carrying amounts and fair values of the financial instruments are as follows:

	Carrying Amount	At Fair Value as of December 31, 2015			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 8,852	\$ -	\$ -	\$ 11,761	\$ 11,761
Long-term debt	\$ 1,159,585	\$ -	\$ 720,544	\$ 603,374	\$ 1,323,918

	Carrying Amount	At Fair Value as of December 31, 2014			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 10,052	\$ -	\$ -	\$ 12,348	\$ 12,348
Long-term debt	\$ 1,148,064	\$ -	\$ 740,029	\$ 605,287	\$ 1,345,316

Recurring Fair Value Measurements

The Company had immaterial amounts of assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2015 and 2014.

Note 14: Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expense under operating leases was \$1,057 and \$1,083 in 2015 and 2014, respectively. The operating leases for facilities have various expiration dates through 2044.

At December 31, 2015, the minimum annual future rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are \$287 in 2016, \$181 in 2017, \$89 in 2018, \$91 in 2019, \$94 in 2020, and \$105 thereafter.

Note 15: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legally binding contracts amounted to \$23,033 at December 31, 2015.

The Company maintains agreements with other water purveyors for the purchase of water to supplement its water supply. The Company purchased \$2,980 and \$2,777 of water under these agreements during 2015 and 2014, respectively. Certain agreements stipulate the purchase of minimum quantities of water through various dates. The annual future commitments related

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.**Notes to Financial Statements****December 31, 2015 and 2014**(Dollars in thousands)

to the minimum quantities of water purchased under these agreements are \$1,086 in 2016 and 2017, \$140 in 2018 through 2020, and \$333 thereafter.

The Company maintains agreements with third party energy suppliers to purchase minimum quantities of energy. The Company paid \$4,188 and \$4,323 under these agreements during 2015 and 2014, respectively. The annual future commitments related to minimum quantities of energy purchased under these agreements are \$2,226 in 2016 and 2017, and none thereafter.

The Company has a commitment with Chester County Water Resources Authority for the Company's share of operation and maintenance costs of a dam. The Company paid \$39 and \$56 under this agreement during 2015 and 2014, respectively. The annual future commitments under this agreement are \$38 in 2016 through 2020 and \$766 thereafter.

The Company has various other agreements with commitments. The Company paid \$1 and \$39 under these agreements during 2015 and 2014, respectively. The annual future commitment under these agreements is \$2 in 2016, and none thereafter.

The Company is routinely involved in legal actions incident to the normal conduct of its business. At December 31, 2015, the Company has accrued \$180 as probable costs and it is reasonably possible that additional losses could range up to \$3,643. For certain matters, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such claims or actions, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Note 16: Subsequent Events

On March 29, 2016, the Company entered into an asset purchase agreement with the Sewer Authority of the City of Scranton ("SSA") to acquire substantially all of the wastewater collection and treatment system assets of the SSA for a total transaction value of approximately \$195 million, subject to certain adjustments as provided in the asset purchase agreement. The SSA is currently subject to a Consent Decree with the U.S. Environmental Protection Agency (the "EPA") and the Pennsylvania Department of Environmental Protection ("PaDEP"), which requires the SSA to complete significant upgrades to its sewer system at an estimated cost of \$140 million. As a part of the purchase, the Company will be required to cause the Consent Decree to be amended to allow it to assume the obligations and liabilities of the SSA thereunder. The acquisition closing is subject to the approval of the Commission, and, with respect to the amendment of the Consent Decree, the consent of the EPA, PaDEP, the U.S. Department of Justice and the U.S. District Court for the Middle District of Pennsylvania. The Company expects to close the transaction in the second half of 2016.

The Company performed an evaluation of subsequent events for the accompanying financial statements through April 28, 2016, the date this report was issued, and determined that

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(Dollars in thousands)

no circumstances, other than events already disclosed in this Note 16, warranted recognition and disclosure in the financial statements as of December 31, 2015.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.16

Pennsylvania-American Water Company
VII. Rate of Return

16. Supply copies of the Company's balance sheets for each month/quarter for the last two years.

Answer: Please see the response to FR XI.1.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.17

Pennsylvania-American Water Company
VII. Rate of Return

17. Provide the bond rating history for the Company and, if applicable, its parent from the major credit rating agencies for the last five years.

Answer:

The long-term debt issuer ratings, and their effective dates, for Pennsylvania-American Water Company for the last five years are as follows:

<u>Effective Dates</u>	<u>Standard & Poor's</u>	<u>Moody's</u>
5/7/2015 – 12/31/16	A	
5/24/2013 – 5/6/2015	A-	
1/1/2012 – 5/23/2013	BBB+	
8/7/2015 – 12/31/2016		A3 (affirmed)
5/29/2013 – 8/6/2015		A3
1/1/2012 – 5/28/2013		Baa1

The long-term debt issuer ratings, and their effective dates, for American Water Works Company, Inc. and American Water Capital Corp. for the last five years are as follows:

<u>Effective Dates</u>	<u>Standard & Poor's</u>	<u>Moody's</u>
5/7/2015 – 12/31/16	A	
5/24/2013 – 5/6/2015	A-	
1/1/2012 – 5/23/2013	BBB+	
8/7/2015 – 12/31/2016		A3
5/29/2013 – 8/6/2015		Baa1
1/1/2012 – 5/28/2013		Baa2

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.18

Pennsylvania-American Water Company
VII. Rate of Return

18. Provide copies of all bond rating reports relating to the Company and, if applicable, its parent for the past two years.

Answer:

Please see attached.

Research

Summary:

American Water Works Co. Inc.

Primary Credit Analyst:

Gerrit W Jepsen, CFA, New York (1) 212-438-2529; gerrit.jepsen@spglobal.com

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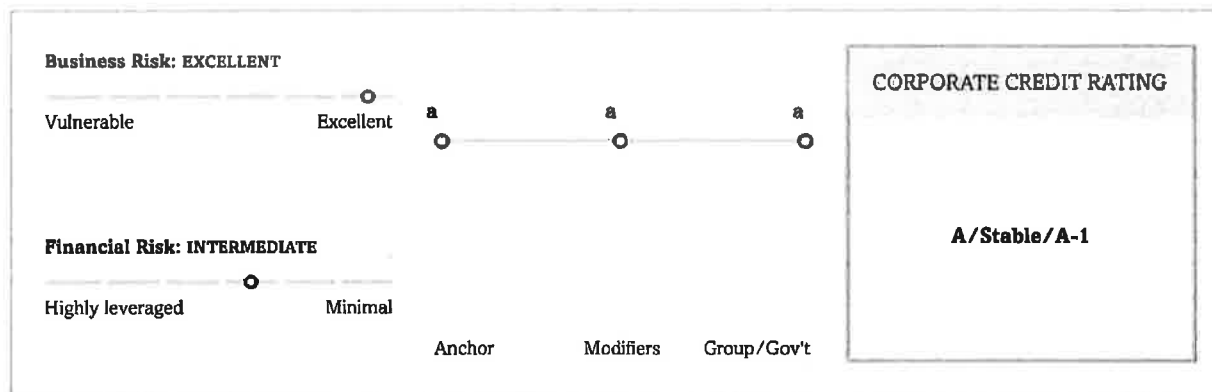
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Related Criteria And Research

Summary:

American Water Works Co. Inc.



Rationale

Business Risk: Excellent	Financial Risk: Intermediate
<ul style="list-style-type: none"> • A low-risk, rate-regulated water utility; • Geographic and regulatory diversity; and • Effective management of regulatory risk. 	<ul style="list-style-type: none"> • Use of the low volatility table based on the company's low-risk, rate-regulated water utilities and effective management of regulatory risk; • Core financial measures that are consistent with the intermediate financial risk profile category; • Large capital spending program; and • Expectation of stable cash flows.

Summary: American Water Works Co. Inc.

Outlook: Stable

The stable rating outlook on American Water Works Co. Inc. (AWK) reflects S&P Global Ratings' expectation that the company will continue to effectively manage its regulatory risk while maintaining financial measures that remain consistently within the intermediate financial risk profile category. Under our baseline forecast, we expect funds from operations (FFO) to debt of more than 17%-19%.

Downside scenario

We could lower the ratings on AWK if regulatory risk increased or performance stalled or deteriorated, which could result from substantial debt financing of capital spending or acquisitions, such that FFO to debt fell to less than 15%.

Upside scenario

We could raise the ratings if FFO to total debt consistently remained over 20%. This could take place if the company managed its regulatory risk and achieved higher than expected rate case outcomes, along with continuing to prudently manage expenses.

S&P Global Ratings' Base-Case Scenario

Assumptions	Key Metrics			
<ul style="list-style-type: none"> Continued effective management of regulatory risk; Capital spending of about \$1.2 billion; Dividends to grow roughly 5%; Negative discretionary cash primarily due to higher capital spending; and Refinancing of upcoming debt maturities. 		2015A	2016E	2017E
	FFO/total debt (%)	17.3	16-18	16-18
	Total debt/EBITDA (x)	4.5	4.3-4.8	4.3-4.8

A--Actual. E--Estimated. FFO--Funds from operations.

Business Risk: Excellent

We view AWK's business risk as excellent, based on its monopolistic and lower-risk, rate-regulated water distribution business that provides an essential service in regulatory jurisdictions, which we generally view as supportive of credit quality. In addition, the company's geographic diversity, reliability, and efficiency further support its business risk profile. AWK's elevated capital spending requirements for infrastructure replacement, increased compliance costs to meet water quality standards, and reliance on acquisitions to provide growth partly offset these strengths. The company serves approximately 3.2 million water and wastewater customers across 16 states. Based on EBITDA, we consider AWK's operations about 95% regulated and 5% unregulated. Although we view the unregulated businesses as having higher business risk compared with the regulated operations, we also recognize AWK's unregulated businesses marginally affect the company's business risk profile because of its modest expected capital requirements, affiliation

Summary: American Water Works Co. Inc.

with its regulated service jurisdictions, and lower-risk service contracts.

AWK is regulated by the public utility commissions of the states in which they operate namely New Jersey, Pennsylvania, Illinois, Missouri, Indiana, California, and West Virginia, which represent approximately 87% of revenues and 85% of customers. The company benefits from constructive mechanisms such as the distribution system investment charge (DSIC) in a number of its jurisdictions, which allows for the recovery of high capital spending outside of a traditional rate-case proceeding and reduces regulatory lag.

Financial Risk: Intermediate

We assess AWK's financial risk profile as intermediate based on our low volatility benchmark ratios, reflecting the company's lower-risk, rate-regulated water business model and its above-average management of regulatory risk. Under our base-case scenario, we expect FFO to debt to be about 17%, which is consistent with the intermediate category. We also expect AWK will continue to have negative discretionary cash flow, reflecting its higher capital spending level. Fundamentally, we expect AWK will continue to fund its investments in a manner that preserves credit quality.

The combination of the excellent business and intermediate financial risk profiles leads to a choice of 'a+'/'a' anchor, we choose the 'a' anchor, which captures the relatively higher risk associated with the company's non-utility businesses as compared to regulated utility operations.

Liquidity: Adequate

Our short-term rating on AWK is 'A-1'. We assess AWK's liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% EBITDA reduction. The adequate assessment also reflects the company's generally prudent risk management, sound relationships with banks, and a generally satisfactory standing in credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
<ul style="list-style-type: none"> • Credit facility availability of at least \$1.25 billion for the 12 months ending March 31, 2017; and • FFO of about \$1.3 billion over for the 12 months ending March 31, 2017. 	<ul style="list-style-type: none"> • Debt maturities of about \$680 million, including outstanding short-term debt, for the 12 months ending March 31, 2017; • Capital spending of about \$1.3 billion for the 12 months ending March 31, 2017; and • Dividends of roughly \$275 million for the 12 months ending March 31, 2017.

Other Credit Considerations

Our assessment of modifiers results in no further changes to the anchor score.

Summary: American Water Works Co. Inc.

Group Influence

Under our group rating methodology, we view AWK as the parent of a group whose members are American Water Capital Corp., New Jersey American Water Co, and Pennsylvania American Water Co. AWK's group credit profile is 'a', leading to an issuer credit rating of 'A'.

Ratings Score Snapshot

Corporate Credit Rating

A/Stable/A-1

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Excellent

Financial risk: Intermediate

- **Cash flow/Leverage:** Intermediate

Anchor: a

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : a

- **Group credit profile:** a

Recovery Analysis

Key Analytical Factors

We assign recovery ratings to first-mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings being notched above a corporate credit rating on a utility depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" (SUB) that qualify for a recovery rating as defined in our criteria (see "Collateral Coverage and Issue Notching Rules for '1+' and '1' Recovery Ratings on Senior Bonds Secured by Utility Real Property, Feb. 14, 2013). The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.

Under our SUB criteria, we calculate a ratio of our estimate of the value of the collateral pledged to bondholders relative to the amount of FMBs outstanding. FMB ratings can exceed a corporate credit rating on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories, depending on the calculated ratio.

New Jersey American Water and Pennsylvania American Water's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating one notch above the corporate credit rating.

American Water Capital Corp.'s senior unsecured debt is rated the same as the company's issuer credit rating because priority obligations are less than 20% of the total assets of American Water Works.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 07, 2013
- Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Summary: American Water Works Co. Inc.

- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix						
Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

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MOODY'S

INVESTORS SERVICE

CREDIT OPINION

10 August 2016

Update

Rate this Research >>

RATINGS

American Water Works Company, Inc.

Domicile	Voorhees, New Jersey, United States
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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American Water Works Company, Inc.

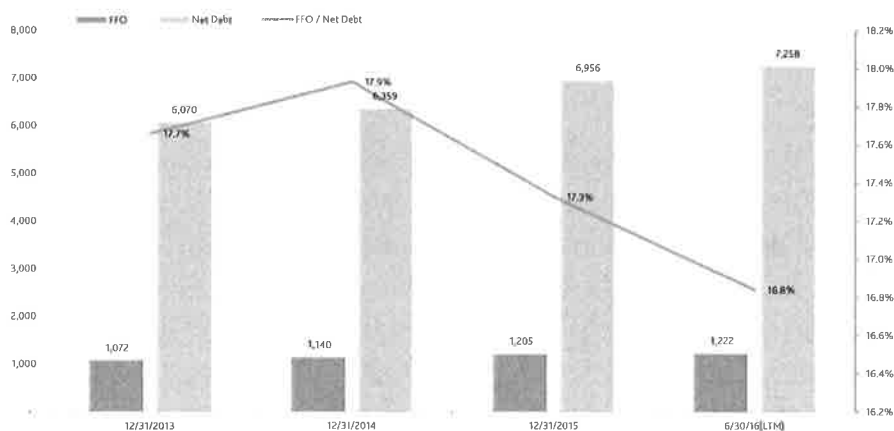
Largest US Investor-Owned Water Company

Summary Rating Rationale

American Water Works Inc.'s (AWK or American Water) A3 Issuer Rating reflects its portfolio of low risk, regulated utility operating subsidiaries with good geographical and regulatory diversity across 16 US states. The rating also reflects a consistent financial profile, underpinned by strong regulatory support and cost recovery provisions in most jurisdictions, which will help to support a capital plan of over \$1 billion per annum through 2020. AWK's continued need for capital markets financing is likely to be executed at the American Water Capital Corp. (AWCC, A3 stable) entity level.

AWK has approximately \$6.0 billion of consolidated reported long-term debt, roughly \$4.5 billion of which was issued at AWCC. The majority of AWCC's debt has been advanced via inter-company notes to various regulated utility subsidiaries. We estimate that there is slightly over \$1.0 billion of strictly holding company debt, which we view to be subordinate to the debt which supports the operating companies, since it only has utility dividend distributions as cash sources available for its debt service.

Exhibit 1



Source: Moody's Investors Service

Credit Strengths

- » Diversified holding company of 16 regulated water utilities, a credit positive
- » Supportive regulatory environments with timely recovery mechanisms
- » Support agreement at AWCC not a "guarantee" but provides sufficient credit substitution

Credit Challenges

- » Highly capital intensive industry with old asset base
- » Primarily debt-funded growth
- » Continues to target unregulated investment, albeit at a slower pace than regulated growth

Rating Outlook

The stable rating outlook for AWK and AWCC reflects our expectation for consolidated FFO to Net Debt to remain in the high-teens range on a sustained basis, with continued regulatory support of costs and investment. We also expect that unregulated operations will remain around 15% of consolidated operations.

Factors that Could Lead to an Upgrade

The ratings for AWK and AWCC could be upgraded if FFO to Net Debt metrics were to remain over 20%, on a sustainable basis, and while maintaining its current business risk profile.

Factors that Could Lead to a Downgrade

AWK's ratings would be negatively impacted by less supportive regulatory provisions (especially in Pennsylvania or New Jersey), operational concerns such as supply or asset failure, or increasing leverage to the point that FFO to Net Debt declines to the low-teens' for an extended period.

Furthermore, if the impacts of drought conditions in California were unmitigated by regulatory support or if materially negative outcomes to litigation (e.g., in West Virginia) were to result in significant financial harm to AWK, or if unregulated exposure and business risk grew beyond our expectations, ratings could be pressured downward.

Key Indicators

Exhibit 2

Key Indicators [1]

American Water Works Company, Inc.

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	6/30/2016(LTM)
FFO Interest Coverage	3.9x	4.2x	4.6x	4.6x	4.5x
Debt / Capitalisation	50.8%	48.1%	47.9%	48.8%	49.1%
FFO / Net Debt	15.9%	17.7%	17.9%	17.3%	16.8%
RCF / Net Debt	12.5%	15.2%	14.5%	13.9%	13.4%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Detailed Rating Considerations

DIVERSIFIED UTILITY HOLDINGS AND STRONG REGULATORY SUPPORT

AWK is a holding company with around 88% of its revenue produced by low-risk water utility companies, spanning 16 states. AWK's credit strength reflects the size, scale of this diversity, along with the monopoly service characteristics of water utilities that offer stable and predictable cost recovery and cash flow coverage of debt and interest.

Over the past several years, we have observed improving regulatory trends in the US, which include the increased prevalence of automatic cost recovery provisions such as revenue decoupling and infrastructure replacement mechanisms. This trend has helped to expedite cost recovery (and reduce regulatory lag) and improve fixed cost recovery across AWK's various utility service territories.

One of the more significant cost recovery features is the ability to make discrete rate filings in order to recover the costs of replacing aging infrastructure. Often called distribution system improvement charges (DSIC), these mechanisms provide AWK timely recovery of capital expenditures on an ongoing basis. Another important cost recovery feature is the use of declining usage adjustments (or "decoupling mechanisms" that target a specific gross profit needed to cover fixed operating costs, regardless of the volume of water sold) which are available in the rates of nine state, including AWK's six largest jurisdictions.

The broad improvement in regulatory cost recovery, across all jurisdictions, has allowed AWK and AWCC ratings to overcome the limited structural subordination that exists at its operating companies, and has resulted in a ratings level on-par with its largest subsidiaries: New Jersey American Water (NJ-AWC; A3 stable) and Pennsylvania American Water (PA-AWC; A3 stable).

ACQUISITIONS HELP DRIVE GROWING RATE BASE

The regulatory provisions that AWK receives from its utility jurisdictions also extends to recent legislation that supports industry consolidation, including the recovery of acquisition premiums and single-tariff rates. These mechanisms provide incentive for AWK to make acquisitions, since the full cost of the acquisition can be recovered, while spreading the costs across a broader customer base. Since 2010 such legislation has passed in AWK states of operations, such as Pennsylvania, New Jersey, Missouri and Illinois, among others.

In 2016, alone, AWK has completed 10 acquisitions in 6 states that have added a total of 7,556 customers. 13 other acquisitions are currently pending. These acquisitions have helped to drive growth in AWK's rate base, which increased from \$9.4 billion in 2014 to \$10.5 billion in 2016, which the company expects to continue growing at a compound annual growth rate of approximately 5%.

We expect this trend, including larger M&A activity, to continue as a result of such legislation. For example, AWK's largest proposed acquisition, of late, is the \$195 million offer for the Scranton Sewer Authority (SSA, unrated). We see this as an opportunistic transaction, since Pennsylvania provides for both the recovery of acquisition premiums and socialized billing, as well as the ability for SSA to source funding which it can use to reduce debt obligations. We view this transaction as credit neutral for AWK due to its small size, and the benefits of an added wastewater revenue stream, but paid at a high price (i.e., 17.5x SSA's 2015 FYE EBITDA) with mostly debt.

STABLE FINANCIAL METRICS

AWK's FFO to Net Debt continues to hover around the 17% range - a level it has maintained over the past three years, aided by the cash impacts of bonus depreciation. However, with a growing dividend, the company's retained cash flow (RCF) to debt metric has steadily declined since 2013, from 15% to 13% as of LTM 2Q16 - a credit negative.

We expect that AWK's annual capex of over \$1.0 billion will be funded largely through cash flow from operations (e.g., Moody's adjusted CFO through LTM 2Q16 was about \$1.3 billion), leaving the need to debt finance its annual dividend which we expect to grow commensurate with the company's earnings growth targets of 7-10%. This will result in negative free cash flow of around

The debt-funded dividend is negative to the company's financial profile; however, with continued improvement in cost management and a relatively high degree of capex recovered quickly through special recovery mechanisms, we believe that AWK will be able to continue to produce FFO to Net Debt and RCF to Net Debt in the high teens range and low-teens range, respectively, over the next

few years. Both of these ranges are appropriate for a regulated water utility holding company with manageable holding company debt and limited exposure to unregulated businesses.

UNREGULATED GROWTH IS NEGATIVE, BUT SHOULD REMAIN SMALL

While non-regulated operations typically bring added credit risk versus utility holdings, we do view AWK's contracted services or homeowner services activities as negatively impacting the overall credit of AWK. We view these as related lines of business that have not, to date, required a significant amount of capital or reliance on credit support from the parent. Furthermore, once contracts are obtained for military base operations, they offer a stable and predictable source of revenue and cash flow for 50 years.

Similarly, the company's growing homeowner services and a contract services groups operate and maintains water and wastewater facilities for residential, municipal and corporate customers. These contracts are of shorter duration, but are not viewed as high risk.

On the other hand, we view the company's July 2015 acquisition of Keystone Clearwater Solutions (Keystone; unrated - a provider of water services to support hydraulic fractionation of shale gas plays) as higher risk, since the revenue is more volume based, short-term and derived from a speculative credit grade Exploration and Production (E&P) industry that bases decisions on commodity prices. The risks associated with Keystone's revenues became evident over the past twelve months, as several drillers have gone bankrupt and oil and gas production volumes have declined throughout the country. Moreover, we think there is reputational risks that AWK takes on, as they intermingle operations with E&P companies that carry a higher level of environmental exposure.

Keystone is very small compared to AWK and has little bearing on the company's credit profile. However, should more of AWK's unregulated investments carry this type of risk profile, or grow to be a meaningful portion of the business (i.e. above 15% of operations), AWK's credit would be negatively affected.

Liquidity Analysis

American Water's liquidity is managed through its financing subsidiary, AWCC, which extended its \$1.75 billion credit facility to expire in June 2020. This credit facility provides support to the company's \$1.6 billion commercial paper (CP) program (P-2). Although there are no restrictions for revolver borrowings, related to CP outstanding, we expect the company to leave ample cushion under the revolver to effectively backstop any CP borrowings. The facility has same-day drawing availability and no ongoing material adverse change clause. The lone financial covenant is maximum debt to capitalization ratio of 70%. As of June 30, 2016, the company's ratio was in compliance at 57%.

At June 30, 2016, \$89 million in letters of credit were outstanding and about \$950 million of commercial paper was outstanding, leaving around \$711 million available under the facility.

American Water's near-term debt maturities include around \$38 million due in December 2016, \$524 million in October 2017 and a Pennsylvania American Water Company, Inc. (PAWC, A3 stable) maturity of \$33 million in November 2017.

Structural Considerations

AWCC, a Delaware corporation, is the wholly-owned finance subsidiary of American Water, whose purpose is to streamline the financing function, create cash management efficiencies, and often obtain lower the cost of capital for American Water's regulated water utility subsidiaries. The source of upstream debt service funding comes from the regulated utility operations, which make cash principal and interest payments directly to AWCC. We estimate that over \$3.0 billion of AWCC's long-term debt has been advanced to several regulated utility subsidiaries via intercompany loans which is incorporated in their respective capital structures for rate-making purposes. We expect any additional up-streamed cash flows, in the form of dividends to AWK, will be limited to maintain the respective regulatory allowed equity capitalization for each utility (generally around 50%).

AWCC's A3 senior unsecured rating is equalized with its parent, American Water, which provides credit enhancement through a support agreement between American Water and AWCC. The features contained in the support agreement, that support Moody's view of credit substitution include: 1) no termination of the support agreement until all debt shall have been irrevocably paid in full, without all lenders' (including debt trustees) consent, 2) American Water has agreed to make timely payment of interest, principal or premium on any debt issued by AWCC, if AWCC is unable to make such payments 3) the aforementioned payment is in the form of cash or liquid assets and not merely collection, 4) American Water waives any claims related to a failure or delay by AWCC in enforcing

its rights under the support agreement, 5) the support agreement is binding on any successors of American Water, 6) the lender may proceed directly against American Water to obtain payment of defaulted interest, principle or premium, and 7) any changes to the support agreement that adversely affect lenders must be approved by such parties. Furthermore, American Water has committed to own, during the term of the support agreement, all of the voting stock of AWCC and to ensure that a positive tangible net worth at AWCC will be maintained at all times and the support agreement is governed by the laws of the state of New York, which we view to be hospitable to the enforcement of guarantees.

Although the support agreement has many attributes of what a guarantee provides, we note that it is not specifically or legally considered a guarantee. Also, debt at AWCC does not benefit from any explicit upstream guarantees from the regulated utility subsidiaries nor does the debt obligations of the subsidiaries benefit from any explicit downstream guarantee from American Water or AWCC. Nevertheless, given the agreement's stated protections, and that a significant amount of AWCC's debt has been incurred to finance rate base, we effectively view the support agreement structure as being similar to a guarantee for rating purposes and have made no notching differentiation between the two entities.

Profile

Headquartered in Voorhees, New Jersey, American Water Works Company, Inc. (American Water, or AWK), is the largest investor-owned provider of water, wastewater and related services in North America, with operations serving an estimated 15 million people across approximately 47 states in the US and a Canadian province. American Water is a holding company and does not have any direct debt obligations; rather, it primarily issues debt through its non-operating financing subsidiary American Water Capital Corp. (AWCC; A3 stable), which has a support agreement with American Water. AWK's regulated operations span across 16 states and accounts for just under 90% of consolidated revenue. Its operations in Pennsylvania and New Jersey represent approximately 42% of consolidated Revenue.

Rating Methodology and Scorecard Factors

Exhibit 3

Rating Factors			Moody's 12-18 Month Forward View As of Date Published [3]	
American Water Works Company, Inc.				
Regulated Water Utilities Industry Grid [1][2]				
			Current LTM 6/30/2016	
Factor 1 : Business Profile(50%)	Measure	Score	Measure	Score
a) Stability and Predictability of Regulatory Environment	Aa	Aa	Aa	Aa
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Sufficiency & Timeliness)	Baa	Baa	Baa	Baa
d) Revenue Risk	Baa	Baa	Baa	Baa
e) Scale and Complexity of Capital Programme & Asset Condition Risk	Baa	Baa	Baa	Baa
Factor 2 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 3 : Leverage and Coverage (40%)				
a) FFO Interest Coverage (3 Year Avg)	4.6x	A	4.4x - 4.8x	A
b) Debt / Capitalisation (3 Year Avg)	48.1%	A	46% - 56%	A
c) FFO / Net Debt (3 Year Avg)	17.8%	A	15.8% - 16.8%	A
d) RCF / Net Debt (3 Year Avg)	14.4%	A	12.1% - 13.1%	A
Rating:				
Indicated Rating from Grid Factors 1-3		A3		A3
Rating Lift		0	0	0
a) Indicated Rating from Grid		A3		A3
b) Actual Rating Assigned				A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 6/30/2016(LTM)

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures

Source: Moody's Financial Metrics™

Ratings

Exhibit 4

Category	Moody's Rating
AMERICAN WATER WORKS COMPANY, INC.	
Outlook	Stable
Issuer Rating	A3
NEW JERSEY-AMERICAN WATER COMPANY, INC.	
Outlook	Stable
Issuer Rating	A3
Bkd Senior Secured	A1
AMERICAN WATER CAPITAL CORP.	
Outlook	Stable
Issuer Rating	A3
Senior Unsecured	A3
Commercial Paper	P-2
PENNSYLVANIA-AMERICAN WATER COMPANY	
Outlook	Stable
Issuer Rating	A3
Bkd Senior Secured	A1

Source: Moody's Investors Service

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REPORT NUMBER 1037625

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's Upgrades American Water to A3

Global Credit Research - 07 Aug 2015

New York, August 07, 2015 – Moody's Investors Service, ("Moody's") today upgraded the long-term ratings of American Water Works Company, Inc. (American Water, or AWK; A3 issuer rating) and its financing subsidiary American Water Capital Corp. (AWCC; A3 senior unsecured). Moody's also affirmed AWCC's commercial paper rating at P-2, along with affirming the ratings of New Jersey-American Water Company (NJ-AWC; see debt list below) and Pennsylvania-American Water Company (PAWC; see debt list below). The rating outlook for AWK, AWCC, NJ-AWC and PAWC is stable.

Upgrades:

..Issuer: American Water Capital Corp.

.... Issuer Rating, Upgraded to A3 from Baa1

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3 from Baa1

..Issuer: American Water Works Company, Inc.

.... Issuer Rating, Upgraded to A3 from Baa1

..Issuer: Berks County Industrial Development Auth., PA (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

..Issuer: California Pollution Control Financing Auth. (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

..Issuer: Illinois Development Finance Authority (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

..Issuer: Illinois Finance Authority (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

..Issuer: Indiana Finance Authority (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

..Issuer: Maricopa County Industrial Dev. Auth., AZ (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

..Issuer: Northampton County I.D.A., PA (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

..Issuer: Owen (County of) KY (Supported by American Water Capital Corp.)

....Senior Unsecured Revenue Bonds, Upgraded to A3 from Baa1

Outlook Actions:

..Issuer: American Water Capital Corp.

....Outlook, Changed To Stable From Positive

..Issuer: American Water Works Company, Inc.

....Outlook, Changed To Stable From Positive

..Issuer: New Jersey-American Water Company, Inc.

....Outlook, Remains Stable

..Issuer: Pennsylvania-American Water Company

....Outlook, Remains Stable

Affirmations:

..Issuer: American Water Capital Corp.

....Senior Unsecured Commercial Paper, Affirmed P-2

..Issuer: Clarion (County of) PA, I.D.A. (Supported by Pennsylvania-American Water Company)

....Senior Secured Revenue Bonds, Affirmed A1

..Issuer: Clarion County Industrial Dev. Auth., PA (Supported by Pennsylvania-American Water Company)

....Senior Secured Revenue Bonds, Affirmed A1

..Issuer: Luzerne County Industrial Dev. Auth., PA (Supported by Pennsylvania-American Water Company)

....Senior Secured Revenue Bonds, Affirmed A1

..Issuer: Montgomery County Industrial Dev Auth, PA (Supported by Pennsylvania-American Water Company)

....Senior Secured Revenue Bonds, Affirmed A1

..Issuer: New Jersey Economic Development Authority (Supported by New Jersey-American Water Company, Inc.)

....Senior Secured Revenue Bonds, Affirmed A1

..Issuer: New Jersey-American Water Company, Inc.

.... Issuer Rating, Affirmed A3

..Issuer: Pennsylvania Economic Dev. Fin. Auth. (Supported by Pennsylvania-American Water Company)

....Senior Secured Revenue Bonds, Affirmed A1

..Issuer: Pennsylvania-American Water Company

.... Issuer Rating , Affirmed A3

....Senior Secured Regular Bond/Debenture, Affirmed A1

RATINGS RATIONALE

"American Water's rating upgrade reflects its improving financial profile, which we think is sustainable" said Assistant Vice President Ryan Wobbrock. "With a ratio of FFO to net debt around 17% and regulated cash flow diversity across 16 states, we are collapsing the rating of American Water with the rating its largest operating subsidiaries" added Wobbrock.

The upgrade for AWCC reflects the support agreement it maintains with AWK, as the company's primary financing vehicle.

AWK's A3 issuer rating reflects a strong financial profile, underpinned by low-risk water utilities that receive strong regulatory support and cost recovery provisions in most of its 16 state jurisdictions. AWK's financial profile continues to improve from a growing utility rate base, which contributed nearly 90% of consolidated revenue in

2014, and the strong margin contribution from unregulated water and wastewater services.

Although AWK is growing its unregulated business exposure, including the recent acquisition of Keystone Clearwater Solutions (not rated), we expect that the revenue contribution from all unregulated activities will remain around 15% of consolidated revenues over the next twelve to eighteen months.

"We view the nature of these unregulated operations to be within the core competencies of the company, but we still see them as non-core businesses with a higher business risk profile than the regulated water utilities." Wobbrock added.

Rating Outlook

The stable rating outlook for AWK and AWCC reflects our expectation for a ratio of consolidated FFO to Net Debt in the high-teens range on a sustained basis, with continued regulatory support of costs and investment, and unregulated operations remaining around 15% of consolidated revenue.

What Could Change the Rating - Up

The ratings for AWK and AWCC could be upgraded if FFO / Net Debt metrics were to remain over 20%, on a sustainable basis, and while maintaining its current business risk profile.

What Could Change the Rating - Down

AWK's ratings would be negatively impacted by materially negative regulatory decisions, operational concerns such as supply or asset failure, or increasing leverage to the point that FFO / Net Debt declines to the low-teen's for an extended period. Furthermore, if the impacts of drought conditions in California were unmitigated by regulatory support or if materially negative outcomes to litigation (e.g., in West Virginia) were to result in significant financial harm to AWK, or if unregulated exposure and business risk grew beyond our expectations, ratings could be pressured downward.

The principal methodology used in these ratings was Global Regulated Water Utilities published in December 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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Research Update:

American Water Works Co. Inc. And Subsidiaries Ratings Raised To 'A' From 'A-' On Improved Financial Measures

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Research Update:**American Water Works Co. Inc. And Subsidiaries
Ratings Raised To 'A' From 'A-' On Improved
Financial Measures****Overview**

- American Water Works Co. Inc.'s (AWK) business risk profile remains "excellent" in our assessment and its financial measures continue to improve, primarily reflecting the company's effective management of regulatory risk and the continuation of its cost management initiative, which provides for incremental stability and certainty in cash flow generation.
- We have revised our comparable rating analysis modifier to "neutral" from "negative" based on the improvement in AWK's financial measures.
- We are raising our issuer credit ratings on AWK and its subsidiaries, American Water Capital Corp., New Jersey-American Water Co., and Pennsylvania-American Water Co., to 'A' from 'A-'. The outlooks are stable.
- At the same time we are raising our senior unsecured issue rating on American Water Capital Corp. to 'A' from 'A-', our senior secured issue ratings at New Jersey-American Water Co. and Pennsylvania American Water Co. to 'A+' from 'A', and our short-term rating on AWK and American Water Capital Corp. to 'A-1' from 'A-2'.
- The stable outlook reflects our expectation that the company will continue to effectively manage its regulatory risk, enabling the regulated business to, on average, earn its allowed return on equity. Under our baseline forecast, we expect funds from operations (FFO) to debt of 17% to 19% and operating cash flow to debt of about 17%.

Rating Action

On May 7, 2015, Standard & Poor's Ratings Services raised its issuer credit ratings on regulated water utility company American Water Works Co Inc. (AWK) and subsidiaries American Water Capital Corp. (AWCC), New Jersey-American Water Co., and Pennsylvania-American Water Co. to 'A' from 'A-'. The outlook is stable.

At the same time, we are raising our senior unsecured issue rating on American Water Capital Corp. to 'A' from 'A-', our senior secured issue ratings on New Jersey-American Water Co. and Pennsylvania American Water Co. to 'A+' from 'A', and our short-term rating on AWK and American Water Capital Corp. to 'A-1' from 'A-2'.

Research Update: American Water Works Co. Inc. And Subsidiaries Ratings Raised To 'A' From 'A-' On Improved Financial Measures

Rationale

The upgrade reflects the continued improvement in cash flow and leverage measures, primarily as a result of the company's improved management of regulatory risk along with the continued execution of its cost management initiative, which provides for incremental stability and certainty in cash flow generation. We expect that the company will continue its relatively conservative financial policies to maintain its credit measures.

We base our rating on AWK on our assessment of its "excellent" business risk profile and "intermediate" financial risk profile. The company serves approximately 3.2 million water and wastewater customers across 16 states. Based on EBITDA, we consider AWK's operations about 95% regulated and 5% unregulated operations. While we view the unregulated businesses as having higher business risk compared with the regulated operations, we also recognize that AWK's unregulated businesses marginally affect the company's business risk profile because of its modest expected capital requirements, affiliation with its regulated service jurisdictions, and lower-risk service contracts.

The "excellent" business risk profile reflects the company's lower-risk rate-regulated water and wastewater distribution business. In addition, the company's geographic diversity, reliability, and efficient operations also support its business risk profile. AWK is regulated by the public utility commissions of the states in which they operate, primarily New Jersey, Pennsylvania, Illinois, Missouri, Indiana, California, and West Virginia, which represent approximately 87% of revenues and 85% of customers. The company benefits from constructive mechanisms such as the distribution system investment charge (DSIC) in a number of its jurisdictions, which allows for the recovery of high capital spending outside of a traditional rate case proceeding and reduces regulatory lag. AWK's elevated capital-spending requirements for infrastructure replacement, increased compliance costs for water quality standards, and reliance on acquisitions to provide growth, partly offset these strengths.

We assess AWK's financial risk profile as "intermediate" based on our low volatility benchmark ratios, reflecting the company's lower-risk regulated water business model and its above-average management of regulatory risk. Under our base-case scenario, we expect FFO to debt and OCF to debt of more than 17%, which is now solidly in the "intermediate" category. We also expect that AWK will continue to have negative discretionary cash flow, reflecting its higher capital spending level. Fundamentally, we expect that AWK will continue to fund its investments in a manner that preserves credit quality.

Liquidity

Our short-term rating on AWK is 'A-1'. AWK has "adequate" liquidity and can more than cover its needs for the next 12 months, even if EBITDA declines by 10%. We expect the company's liquidity sources over the next 12 months will exceed its uses by more than 1.1x, the minimum threshold for an "adequate"

Research Update: American Water Works Co. Inc. And Subsidiaries Ratings Raised To 'A' From 'A-' On Improved Financial Measures

designation under our criteria, and that the company will also meet our other criteria for such a designation.

Principal liquidity sources include:

- Credit facility availability of at least \$500 million over the next 12 months.
- FFO of about \$1.1 billion over the next 12 months.

Principal liquidity uses include:

- Capital spending of about \$900 million.
- Dividends of about \$240 million

Other credit considerations

Our assessment of modifiers results in no further changes to the anchor score.

Group influence

Under our group rating methodology, we view AWK as the parent of a group whose members are American Water Capital Corp, New Jersey American Water Co, and Pennsylvania American Water Co. AWK's group credit profile is 'a', leading to an issuer credit rating of 'A'.

Outlook

The stable rating outlook on AWK reflects our expectation that the company will continue to effectively manage its regulatory risk while maintaining financial measures that remain consistently within the "intermediate" financial risk profile category. Under our baseline forecast, we expect FFO to debt of more than 17% to 19%.

Downside scenario

We could lower the ratings if the company were to significantly grow its non-utility operations from current levels increasing its business risk. We could also lower the ratings if regulatory risk increased or financial performance stalled or deteriorated, which could result from substantial debt financing of capital spending or acquisitions, such that FFO to debt fell to less than 15% on a sustained basis.

Upside scenario

We could raise the ratings if FFO to total debt consistently exceeded 20%. This could occur if the company would achieve more robust operating cash flow including through greater than forecasted rate case outcomes along with continuing to prudently manage expenses.

Research Update: American Water Works Co. Inc. And Subsidiaries Ratings Raised To 'A' From 'A-' On Improved Financial Measures

Ratings Score Snapshot

Corporate Credit Rating: A/Stable/A-1

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)
- Stand-alone credit profile: a
- Group credit profile: a

Recovery Analysis

New Jersey American Water and Pennsylvania American Water first-mortgage bonds (FMBs) benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the corporate credit rating.

American Water Capital Corp.'s senior unsecured debt is rated the same as the company's issuer credit rating because priority obligations are less than 20% of the total assets of American Water Works.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Group Rating Methodology, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

Research Update: American Water Works Co. Inc. And Subsidiaries Ratings Raised To 'A' From 'A-' On Improved Financial Measures

- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Notching Of U.S. Investment-Grade Investor-Owned Utility Unsecured Debt Now Better Reflects Anticipated Absolute Recovery, Nov. 10, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Upgraded; CreditWatch/Outlook Action

	To	From
American Water Works Co. Inc. American Water Capital Corp. Corporate Credit Rating	A/Stable/A-1	A-/Positive/A-2
New Jersey-American Water Co. Pennsylvania-American Water Co. Corporate Credit Rating	A/Stable/--	A-/Positive/--

Upgraded

	To	From
American Water Capital Corp. Senior Unsecured Commercial Paper	A A-1	A- A-2

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MOODY'S

INVESTORS SERVICE

Credit Opinion: American Water Works Company, Inc.

Global Credit Research - 10 Aug 2015

Voorhees, New Jersey, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
New Jersey-American Water Company, Inc.	
Outlook	Stable
Issuer Rating	A3
American Water Capital Corp.	
Outlook	Stable
Issuer Rating	A3
Senior Unsecured	A3
Commercial Paper	P-2
Pennsylvania-American Water Company	
Outlook	Stable
Issuer Rating	A3

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Key Indicators

[1]American Water Works Company, Inc.

	3/31/2015 (LTM)	12/31/2014	12/31/2013	12/31/2012
(FFO + Interest) / Interest Expense	4.5x	4.5x	4.1x	3.8x
FFO / Net Debt	17%	18%	18%	16%
RCF / Capex	0.9x	0.9x	0.9x	0.8x
Debt / Capitalization	47%	48%	48%	51%

[1] All ratios are calculated in accordance with the Regulated Water Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Rating Drivers

Diversified holding company of 16 regulated water utilities, a credit positive

Supportive regulatory environments with timely recovery mechanisms

Strong and improving financial profile, with recent extension of liquidity facility is credit positive

Support agreement at AWCC not a "guarantee" but provides sufficient credit substitution

Unregulated acquisition of non-core water delivery company is credit negative, although still a small contributor

Corporate Profile

Headquartered in Voorhees, New Jersey, American Water Works Company, Inc. (American Water, or AWK), is the largest investor-owned provider of water, wastewater and related services in North America, with operations serving an estimated 15 million people across approximately 47 states in the US and a Canadian province. American Water is a holding company and does not have any direct debt obligations; rather, it primarily issues debt through its non-operating financing subsidiary American Water Capital Corp. (AWCC; A3 stable), which has a support agreement with American Water. AWK's regulated operations span across 16 states and accounts for just under 90% of consolidated revenue. Its operations in Pennsylvania and New Jersey represent approximately 42% of consolidated Revenue.

Rating Rationale

American Water's A3 Issuer Rating reflects its portfolio of low risk, regulated utility operating subsidiaries with good geographical and regulatory diversity across the US. The rating also reflects a strong financial profile, underpinned by strong regulatory support and cost recovery provisions in most jurisdictions, which will help to support a capital plan of over \$1 billion per annum over the next five years. AWK's continued need for capital markets financing is likely to be executed at the AWCC entity level.

Including an August issuance of \$550 million in AWCC senior notes, AWK has approximately \$6.0 billion of consolidated long-term debt, roughly \$4.5 billion of which was issued at AWCC. The majority of AWCC's debt has been advanced via inter-company notes to various regulated utility subsidiaries. We estimate that there is approximately \$1.0 billion of strictly holding company debt, which we view to be subordinate to the debt which supports the operating companies, since it only has utility dividend distributions as cash sources available for its debt service.

DETAILED RATING CONSIDERATIONS

STRONG REGULATORY SUPPORT ACROSS 16 STATES

AWK is a holding company with around 88% of its revenue produced by low-risk water utility companies, spanning 16 states. AWK's credit strength reflects the size, scale of this diversity, along with the monopoly service characteristics of water utilities that offer stable and predictable cost recovery and cash flow coverage of debt and interest.

Over the past several years, we have observed improving regulatory trends in the US, which include the increased prevalence of automatic cost recovery provisions such as revenue decoupling and infrastructure replacement mechanisms. This trend has helped to expedite cost recovery (and reduce regulatory lag) and improve fixed cost recovery across AWK's various utility service territories. For instance, declining use per customer is a trend that challenges the industry and can cause sustained financial lag for water utilities. AWK had countermeasures for this trend (either through declining usage adjustments or through decoupling mechanisms) in rates for only three states in 2011; the company now has such adjustments incorporated in rates of nine states, including its six largest jurisdictions. These developments evidence the generally credit supportive relationships between AWK and its state regulators - a material credit positive.

The broad improvement in regulatory cost recovery, along with improving financial metrics (see below), has allowed AWK and AWCC ratings to overcome the limited structural subordination that exists at its operating companies, and has resulted in a ratings level on-par with its largest subsidiaries: New Jersey American Water (NJ-AWC; A3 stable) and Pennsylvania American Water (PA-AWC; A3 stable).

IMPROVING FINANCIAL METRICS

AWK's FFO / Net Debt percentage has increased each year since 2010, from 12.7% in 2010 to around 17% through LTM 2Q15. While the company has benefitted from recent federal tax policies that temporarily boost cash flow (e.g., 2010-2014 average FFO / Net Debt, when adjusting for the impacts of bonus depreciation, is just under

16% for 2014), we expect that these financial metrics will be improved upon on an ongoing basis, without the one-time tax inflows. This expectation is premised on an assumption of ongoing general base rate increases in most states, the interim rate relief allowed by single issue cost recovery mechanisms, and additional cash flow contribution from its unregulated businesses. The enhanced regulatory features should allow AWK's cash flow generation to increase and become more stable and predictable over the next three years.

While the company plans to spend around \$6 billion in capex through 2019, we expect that it will be funded largely through cash flow from operations (e.g., Moody's adjusted CFO through LTM 2Q15 was about \$1.3 billion), leaving the need to debt finance its annual dividend which we expect to grow commensurate with the company's earnings growth targets of 7-10%. Given the company's progress with cost management, coupled with a relatively high degree of capex recovered quickly through special recovery mechanisms (i.e., the company estimates that roughly 50% of 2015 capex is recovered on an annual basis through infrastructure riders and future test years), we believe that AWK will be able to produce FFO to net debt in the high teens range over this time period.

EXTENSION OF UNREGULATED FOOTPRINT IS CREDIT NEGATIVE

In July, AWK announced the acquisition of Keystone Clearwater Solutions (Keystone; not rated), a water service provider offering a range of water related services (e.g., water sourcing, transfer, storage and removal; including pipeline construction) to the oil and gas industry primarily in the Appalachian region of Pennsylvania, Ohio and West Virginia. Keystone provides oil and natural gas exploration and production (E&P) companies with the water services necessary to support hydraulic fractionation of shale gas plays. We view this acquisition as negative to AWK's credit profile.

While Keystone's primary operations are within the core competencies of American Water (i.e., transportation of water), the addition of an unregulated subsidiary company and exposure to speculative grade, cyclical, E&P customers is a credit negative for AWK. We view Keystone as a non-core investment, that adds inherent volatility and environmental risks to AWK's otherwise low business risk profile. For example, Keystone's revenues are mostly tied to the volumetric production of E&P drillers who make production decisions based on volatile commodity price levels. Additionally, we think there is reputational risks that AWK takes on, as they intermingle operations with E&P companies that carry a higher level of environmental exposure.

Keystone's business risk profile is much higher than that of American Water, but given the comparatively small size of Keystone's operations (i.e., 2014 EBITDA of around \$15 million, compared to AWK's of \$1.4 billion), we currently view Keystone as immaterial to AWK's credit profile. Should Keystone's cash flow contribution to AWK grow significantly, or if AWK funds were used to support the higher risk business, we would view Keystone as a more material part of AWK's overall credit profile.

American Water's other non-regulated, market based operations, are primarily comprised of contracted water and wastewater services with predominantly governmental entities. The company's growing homeowner services and a contract operations group operates and maintains water and wastewater facilities for residential customers, which offers a wide customer base.

While all non-regulated operations typically bring added credit risk, we do not believe that the contracted services or homeowner services activities as negatively impacting the overall credit of AWK, as they are in related lines of business and have not, to date, required a significant amount of capital or reliance on credit support from the parent. Furthermore, once contracts are obtained, they offer a stable and predictable source of revenue and cash flow for the company, unlike the revenue and cash flow of Keystone, which is more volume based and short-term, in nature.

SUPPORT AGREEMENT WITH AMERICAN WATER CAPITAL CORP

AWCC, a Delaware corporation, is the wholly-owned finance subsidiary of American Water, whose purpose is to streamline the financing function, create cash management efficiencies, and often obtain lower the cost of capital for American Water's regulated water utility subsidiaries. The source of upstream debt service funding comes from the regulated utility operations, which make cash principal and interest payments directly to AWCC. We estimate that over \$3.0 billion of AWCC's long-term debt has been advanced to several regulated utility subsidiaries via intercompany loans which is incorporated in their respective capital structures for rate-making purposes. We expect any additional up-streamed cash flows, in the form of dividends to AWK, will be limited to maintain the respective regulatory allowed equity capitalization for each utility (generally around 50%).

AWCC's A3 senior unsecured rating is equalized with its parent, American Water, which provides credit enhancement through a support agreement between American Water and AWCC. The features contained in the

support agreement, that support Moody's view of credit substitution include: 1) no termination of the support agreement until all debt shall have been irrevocably paid in full, without all lenders' (including debt trustees) consent, 2) American Water has agreed to make timely payment of interest, principal or premium on any debt issued by AWCC, if AWCC is unable to make such payments 3) the aforementioned payment is in the form of cash or liquid assets and not merely collection, 4) American Water waives any claims related to a failure or delay by AWCC in enforcing its rights under the support agreement, 5) the support agreement is binding on any successors of American Water, 6) the lender may proceed directly against American Water to obtain payment of defaulted interest, principle or premium, and 7) any changes to the support agreement that adversely affect lenders must be approved by such parties. Furthermore, American Water has committed to own, during the term of the support agreement, all of the voting stock of AWCC and to ensure that a positive tangible net worth at AWCC will be maintained at all times and the support agreement is governed by the laws of the state of New York, which we view to be hospitable to the enforcement of guarantees.

Although the support agreement has many attributes of what a guarantee provides, we note that it is not specifically or legally considered a guarantee. Also, debt at AWCC does not benefit from any explicit upstream guarantees from the regulated utility subsidiaries nor does the debt obligations of the subsidiaries benefit from any explicit downstream guarantee from American Water or AWCC. Nevertheless, given the agreement's stated protections, and that a significant amount of AWCC's debt has been incurred to finance rate base, we effectively view the support agreement structure as being similar to a guarantee for rating purposes and have made no notching differentiation between the two entities.

Liquidity

American Water's liquidity is managed through its financing subsidiary, AWCC, which extended its \$1.25 billion credit facility to expire in June 2020. This credit facility provides support to the company's \$1.0 billion commercial paper program (P-2). Although there are no restrictions for revolver borrowings, related to CP outstanding, we expect the company to leave ample cushion under the revolver to effectively backstop any CP borrowings. The facility has same-day drawing availability and no ongoing material adverse change clause. The lone financial covenant is maximum debt to capitalization ratio of 70%.

At June 30, 2015, \$40 million in letters of credit were outstanding and about \$821 million of commercial paper was outstanding, leaving \$389 million available under the facility.

American Water's debt maturities and sinking fund payments include \$61.1 million in 2015, \$53.4 million in 2016 and \$572.8 million in 2018.

Rating Outlook

The stable rating outlook for AWK and AWCC reflects our expectation for consolidated FFO / Net Debt to remain in the high-teens range on a sustained basis, with continued regulatory support of costs and investment, and unregulated operations remaining around 15% of consolidated revenue.

What Could Change the Rating - Up

The ratings for AWK and AWCC could be upgraded if FFO / Net Debt metrics were to remain over 20%, on a sustainable basis, and while maintaining its current business risk profile.

What Could Change the Rating - Down

AWK's ratings would be negatively impacted by materially negative regulatory decisions, operational concerns such as supply or asset failure, or increasing leverage to the point that FFO / Net Debt declines to the low-teens' for an extended period. Furthermore, if the impacts of drought conditions in California were unmitigated by regulatory support or if materially negative outcomes to litigation (e.g., in West Virginia) were to result in significant financial harm to AWK, or if unregulated exposure and business risk grew beyond our expectations, ratings could be pressured downward.

Rating Factors

American Water Works Company, Inc.

Global Regulated Water Utilities [11/2]	Current	Moody's
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	LTM 3/31/2015		12-18 month Forward View As of Date Published	
	Measure	Score	Measure	Score
Factor 1: Regulatory Framework & Asset Ownership (40%)				
a) Stability & Predictability of Regulatory Environment		Aa		Aa
b) Asset Ownership		Aa		Aa
c) Cost and Investment Recovery (Ability & Timeliness)		Baa		Baa
d) Revenue Risk		Baa		Baa
Factor 2: Operational Characteristics & Asset Risk (10%)				
a) Operational Efficiency		Baa		Baa
b) Scale of Capital Program and Asset Condition		Baa		Baa
Factor 3: Stability of Business Model and Financial Structure (10%)				
a) Ability & Willingness to Pursue Opportunistic Corp. Activity		Baa		Baa
b) Ability & Willingness to Increase Leverage		Baa		Baa
c) Proportion of Revenues Outside Core Water and Wastewater		Baa		Baa
Factor 4: Key Financial Metrics (40%)				
a) FFO Interest Coverage (3 Year Average)	4.3x	Baa	4.5x - 5.0x	A
b) Debt / Capitalization (3 Year Average)	48.4%	A	44% - 50%	A
c) FFO / Net Debt (3 Year Average)	17.3%	A	15% - 20%	A
d) RCF / Capex (3 Year Average)	0.9x	Ba	.7x - 1.0x	Ba
Rating:				
Indicated Rating from Grid		A3		A3
Actual Rating Assigned		A3		A3

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[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 3/31/2015 (LTM); Source: Moody's Financial Metrics

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Credit Opinion: Pennsylvania-American Water Company

Global Credit Research - 10 Aug 2015

Hershey, Pennsylvania, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
Ult Parent: American Water Works Company, Inc.	
Outlook	Stable
Issuer Rating	A3

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Key Indicators

[1] Pennsylvania-American Water Company

	12/31/2014	12/31/2013	12/31/2012	12/31/2011
(FFO + Interest) / Interest Expense	5.5x	5.7x	4.9x	4.8x
FFO / Net Debt	22.8%	23.5%	20.1%	17.7%
RCF / Capex	0.7x	0.7x	0.6x	0.5x
Debt / Capitalization	39.8%	40.7%	43.1%	45.1%

[1] All ratios are calculated in accordance with the Regulated Water Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Rating Drivers

Supportive Pennsylvania regulatory environment

Strong financial profile benefits from suite of cost recovery provisions

Liquidity and dividend policies linked to parent

Corporate Profile

Headquartered in Hershey, Pennsylvania, Pennsylvania American Water Company (PAWC) is one of the largest operating subsidiaries of its parent, American Water Works Company, Inc. (American Water or AWK; A3 stable) and provides water related services to customers throughout Pennsylvania. PAWC is regulated by the

Pennsylvania Public Utility Commission (PUC).

Rating Rationale

PAWC's A3 issuer rating reflects its low business risk as a water utility and the credit positive regulatory environment in Pennsylvania, which allows for forward looking rates and supportive interim rate recovery mechanisms. This constructive regulation helps PAWC to maintain a steady and strong financial profile, which also underpins the company's A3 rating.

PAWC's rating also considers the company's interdependence with American Water, via PAWC's receipt of equity contributions and liquidity access to supplement negative free cash flow. American Water's liquidity facilities are maintained by American Water Capital Corp (AWCC; A3 stable). AWCC is an affiliated finance subsidiary that derives debt service from American Water utility subsidiaries, and benefits from a support agreement with American Water.

PENNSYLVANIA REGULATORY SUPPORT IS PRIMARY CREDIT DRIVER

Cost recovery provided by the PUC is the primary driver for PAWC maintaining one of the strongest ratings in the sector. We view the Pennsylvania regulatory environment as one of the more supportive in the US, thanks to the use of fully projected future test year for rate making purposes and the use of a Distribution System Improvement Charge (DSIC); both of which improve the real-time recovery of costs and provide enhanced stability and predictability to the company's cash flow. The company has also benefitted from the allowance for construction work in process in rate base, on certain occasions. These rate design features are some of the more progressive cost recovery provisions in the US water sector and underpin the company's strong financial position.

PAWC also receives regulatory support from more traditional means, such as general rate cases. PAWC's most recent rate case filing was in 2013 when the PUC approved additional annual water and wastewater revenues of \$26 million effective January 1, 2014.

STABLE AND PREDICTABLE CASH FLOW AND FINANCIAL PROFILE

PAWC continues to produce strong cash flow, despite a robust capital investment plan, thanks to its aforementioned cost recovery provisions. Over the last three years, PAWC has spent over \$800 million in capital expenditures, but has also been able to maintain an average FFO / Net Debt ratio of 20% (adjusted to exclude the one-time impacts from bonus depreciation) throughout the period. We expect that the company will maintain this level of FFO / Net Debt over the next three years, even as its investment prospects increase.

We note that PAWC's financial metrics are also influenced by financial policies of its parent, American Water. For example, PAWC generates enough cash flow from operations to cover its capital expenditures, but as one of AWK's largest dividend providers, PAWC's payout ratio is consistently expected to be above 70%. This level of dividend weakens the company's Retained Cash Flow (RCF; FFO less dividends) metrics, which are of Ba rating category level. As one of American Water's top two strategic subsidiaries, we consider PAWC's dividend as relatively fixed in nature.

CREDIT PROFILE INFLUENCED BY AMERICAN WATER OWNERSHIP

Due to factors such as the upstream dividend contribution and liquidity relationship (see below), PAWC's rating is also influenced by AWCC, the finance subsidiary where all parent-level debt financing, including credit lines, are maintained under a "support agreement" from American Water. AWCC derives funds for debt service from American Water utility subsidiaries. This interdependency, which helps support an estimated \$1 billion of holding company debt at AWCC, creates linkage between the ratings of PAWC, AWCC and American Water. Therefore, additional holdco debt burden is factored into our ratings considerations of the operating companies.

Liquidity Profile

External liquidity is provided by a contractual intercompany line of credit with AWCC for \$210 million (about \$74 million was outstanding as of December 31, 2014). AWCC maintains a \$1.25 billion revolving credit agreement, which expires in June 2020. The facility supports a \$1.0 billion commercial paper program, has same-day drawing availability and no ongoing material adverse change clause. The lone financial covenant is maximum debt to capitalization ratio of 70%. As of February 19, 2015, AWCC had no borrowings under the facility, around \$503 million of commercial paper and nearly \$37 million of letters of credit outstanding.

PAWC's next material external maturity is in November of 2017 when \$33 million matures.

Rating Outlook

The stable outlook considers strong financial metrics resulting from ongoing supportive regulatory treatment by the PUC. The outlook also reflects our expectation for a continued high dividend payout ratio (i.e., 70% - 75%) and FFO / Net Debt of around 20%.

What Could Change the Rating - Up

The ratings could be positively impacted by further material improvement to the regulatory support offered to the company, or if FFO / Net Debt metrics in excess of 20% and RCF / Net Debt over 15% were produced on a sustainable basis.

What Could Change the Rating - Down

Any deterioration in the degree of regulatory or parental support (e.g. liquidity stress at American Water) would negatively affect PAWC's ratings. In terms of credit metrics, should FFO / Net Debt fall below 15% for an extended period, downward rating pressure would develop.

Rating Factors

Pennsylvania-American Water Company

Global Regulated Water Utilities [1][2]	Current LTM 12/31/2014		Moody's 12-18 month Forward View As of Date Published	
	Measure	Score	Measure	Score
Factor 1: Regulatory Framework & Asset Ownership (40%)				
a) Stability & Predictability of Regulatory Environment		Aa		Aa
b) Asset Ownership		Aa		Aa
c) Cost and Investment Recovery (Ability & Timeliness)		A		A
d) Revenue Risk		Baa		Baa
Factor 2: Operational Characteristics & Asset Risk (10%)				
a) Operational Efficiency		Baa		Baa
b) Scale of Capital Program and Asset Condition		Baa		Baa
Factor 3: Stability of Business Model and Financial Structure (10%)				
a) Ability & Willingness to Pursue Opportunistic Corp. Activity		A		A
b) Ability & Willingness to Increase Leverage		A		A
c) Proportion of Revenues Outside Core Water and Wastewater		Aa		Aa
Factor 4: Key Financial Metrics (40%)				
a) FFO Interest Coverage (3 Year Average)	5.4x	A	5.0x - 5.5x	A
b) Debt / Capitalization (3 Year Average)	41.1%	A	40% - 50%	A
c) FFO / Net Debt (3 Year Average)	22.1%	A	18% - 23%	A
d) RCF / Capex (3 Year Average)	0.7x	Ba	0.5% - 0.8x	Ba
Rating:				
Indicated Rating from Grid		A2		A2
Actual Rating Assigned		A3		A3

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR

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[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2014; Source: Moody's Financial Metrics

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MOODY'S

INVESTORS SERVICE

Credit Opinion: American Water Works Company, Inc.

Global Credit Research - 23 Apr 2015

Voorhees, New Jersey, United States

Ratings

Category	Moody's Rating
Outlook	Positive
Issuer Rating	Baa1
New Jersey-American Water Company, Inc.	
Outlook	Stable
Issuer Rating	A3
American Water Capital Corp.	
Outlook	Positive
Issuer Rating	Baa1
Senior Unsecured	Baa1
Bkd Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
Pennsylvania-American Water Company	
Outlook	Stable
Issuer Rating	A3
Bkd Senior Secured	A1

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Key Indicators

[1] AmericanWaterWorksCompany, Inc.

	12/31/2014	12/31/2013	12/31/2012	12/31/2011
(FFO + Interest) / Interest Expense	4.5x	4.1x	3.8x	3.6x
FFO / Net Debt	18%	18%	16%	14%
RCF / Capex	0.9x	0.9x	0.8x	0.8x
Debt / Capitalization	48%	48%	51%	54%

[1] All ratios are calculated in accordance with the Regulated Water Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Rating Drivers

Diversified holding company of regulated water utilities

Supportive regulatory environments with timely recovery mechanisms

Improving financial profile is credit positive

Support agreement at AWCC not a "guarantee" but provides sufficient credit substitution

Corporate Profile

Headquartered in Voorhees, New Jersey, American Water Works Company, Inc. (American Water, or AWK), is the largest investor-owned provider of water, wastewater and related services in North America, with operations serving an estimated 15 million people across approximately 47 states in the US and a Canadian province. American Water is a holding company and does not have any direct debt obligations; rather, it primarily issues debt through its non-operating financing subsidiary American Water Capital Corp. (AWCC; Baa1 positive), which has a support agreement with American Water. AWK's regulated operations span across 16 states and accounts for just under 90% of consolidated revenue. Its operations in Pennsylvania and New Jersey represent approximately 42% of consolidated Revenue.

Rating Rationale

American Water's Baa1 Issuer Rating reflects its portfolio of low risk, regulated utility operating subsidiaries with good geographical and regulatory diversity across the US. The rating is supported by an improving regulatory environment and strong financial metrics which help to finance a capital plan of over \$1 billion per annum over the next five years. AWK's continued need for capital markets financing is likely to be executed at the AWCC entity level.

As of December 31, 2014, AWK had approximately \$5.5 billion of consolidated long-term debt. \$4.0 billion of reported long-term debt was issued at AWCC (about 73% of consolidated), \$3.0 billion of which has been advanced via inter-company notes to various regulated utility subsidiaries. The remaining \$1.0 billion of strictly holding company debt we view to be subordinate to the debt which supports the operating companies, since it only has utility dividend distributions as cash sources available for its debt service.

DETAILED RATING CONSIDERATIONS

DIVERSITY OF REGULATORY SUPPORT COULD OUTWEIGH STRUCTURAL SUBORDINATION

AWK's credit strength reflects the size, scale and diversity that results from regulated utility operations in 16 states. This is rather unique in the industry, as most US water utilities are smaller have a high degree of geographic and regulatory concentration. On the contrary, AWK's consolidated operations offer numerous revenue and cash flow streams. This helps protect AWK's financial position from the potential of a negative regulatory outcome in any one jurisdiction.

Given the broad improvement we have seen in regulatory environments across AWK's many jurisdictions, we see reason to view the credit profiles of AWK and AWCC as overcoming the limited structural subordination that exists at AWK's largest subsidiaries in New Jersey and Pennsylvania. The breadth of regulatory improvement could allow for the ratings of AWK and AWCC to be equal to that of its A3 subsidiaries, if continued financial improvement takes place at the consolidated level, as expected.

Holding companies are capable of having their standalone rating overcome structural subordination considerations if there is enough cash flow diversity and strength in supporting distributions from its utility opcos. American Electric Power (Baa1 stable) and Duke Energy (A3 stable) are examples of instances where the ratings of large utility holding companies have ratings on-par with, or even higher than, certain subsidiaries, despite the holding company debt being subordinated from a legal entity standpoint.

INCREASINGLY SUPPORTIVE REGULATORY ENVIRONMENTS

As a holding company with around 88% of its revenue produced by water utility companies, American Water is viewed as having a low business risk, primarily rate regulated credit profile. The regulated nature of AWK's operations provides the foundation for its investment grade ratings, as regulated monopoly service territories offer stable and predictable cost recovery and cash flow coverage of debt and interest.

Over the past several years, we have observed improving regulatory trends in the US, which include the

increased prevalence of automatic cost recovery provisions such as revenue decoupling and infrastructure replacement mechanisms. This trend has helped to expedite cost recovery (and reduce regulatory lag) and improve fixed cost recovery across AWK's 16 regulatory jurisdictions. For instance, declining use per customer is a trend that challenges the industry and can cause sustained financial lag for water utilities. AWK had countermeasures for this trend (either through declining usage adjustments or through decoupling mechanisms) in rates for only three states in 2011; the company now has such adjustments incorporated in rates of eight states, including its six largest jurisdictions. These developments evidence the generally credit supportive relationships between AWK and its state regulators - a material credit positive.

MOST UNREGULATED OPERATIONS STILL WITHIN AWK'S CORE COMPETENCIES

American Water's non-regulated water services segment is relatively small (12% of revenues in 2014) and is comprised of contracted water and wastewater services with predominantly governmental entities, homeowner services and a contract operations group which operates and maintains water and wastewater facilities. The largest component of AWK's unregulated operating revenue grew by around \$52 million in 2014, due primarily to contract growth in its homeowner services, in addition to price redeterminations in its military contracts. While non-regulated operations typically bring added credit risk, we do not believe that these activities negatively impact the overall credit of AWK as they are in related lines of business and have not, to date, required a significant amount of capital or reliance on credit support from the parent. We also incorporate a view that AWK's non-regulated businesses will remain relatively small (i.e., around 15% of consolidated revenue) on an ongoing basis.

IMPROVING FINANCIAL PROFILE OVER THE INTERMEDIATE-TERM

AWK's FFO / Net Debt percentage has increased each year since 2010, from 12.7% in 2010 to 17.8% in 2014. While the company has benefitted from recent federal tax policies that temporarily boost cash flow (e.g., 2010-2014 average FFO / Net Debt, when adjusting for the impacts of bonus depreciation, is just under 16% for 2014), we expect that these financial metrics will be improved upon on an ongoing basis, without the one-time tax inflows. This expectation is premised on an assumption of ongoing general base rate increases across 16 states, coupled with the increasing use of single issue cost recovery mechanisms. These features should allow AWK's cash flow generation to increase and become more stable and predictable over the next three years.

While the company plans to spend around \$6 billion in capex through 2019, we expect that it will be funded largely through cash flow from operations (e.g., CFO in 2014 was about \$1.1 billion), leaving the need to debt finance its annual dividend which we expect to grow commensurate with the company's earnings growth targets of 7-10%. At a 10% growth rate on the \$216 million paid in 2014, this will increase debt by approximately \$1.5 billion through 2019. Given the company's progress with cost management, coupled with a relatively high degree of capex recovered quickly through special recovery mechanisms (i.e., the company estimates that roughly 50% of 2015 capex is recovered on an annual basis through infrastructure riders and future test years), we believe that AWK will be able to produce FFO to debt in the high teens range over this time period.

SUPPORT AGREEMENT WITH AMERICAN WATER CAPITAL CORP

AWCC, a Delaware corporation, is the wholly-owned finance subsidiary of American Water, whose purpose is to streamline the financing function, create cash management efficiencies, and often obtain lower the cost of capital for American Water's regulated water utility subsidiaries. The source of upstream debt service funding comes from the regulated utility operations, which make cash principal and interest payments directly to AWCC. As noted above, approximately \$3.0 billion of AWCC's long-term debt has been advanced to several regulated utility subsidiaries via intercompany loans which is incorporated in their respective capital structures for rate-making purposes. We expect any additional up-streamed cash flows, in the form of dividends, will be limited to maintain the respective regulatory allowed equity capitalization for each utility (generally around 50%).

AWCC's Baa1 senior unsecured rating is equalized with its parent, American Water, which provides credit enhancement through a support agreement between American Water and AWCC. The features contained in the support agreement, that support Moody's view of credit substitution include: 1) no termination of the support agreement until all debt shall have been irrevocably paid in full, without all lenders' (including debt trustees) consent, 2) American Water has agreed to make timely payment of interest, principal or premium on any debt issued by AWCC, if AWCC is unable to make such payments 3) the aforementioned payment is in the form of cash or liquid assets and not merely collection, 4) American Water waives any claims related to a failure or delay by AWCC in enforcing its rights under the support agreement, 5) the support agreement is binding on any successors of American Water, 6) the lender may proceed directly against American Water to obtain payment of defaulted interest, principle or premium, and 7) any changes to the support agreement that adversely affect lenders must be approved by such parties. Furthermore, American Water has committed to own, during the term

of the support agreement, all of the voting stock of AWCC and to ensure that a positive tangible net worth at AWCC will be maintained at all times and the support agreement is governed by the laws of the state of New York, which we view to be hospitable to the enforcement of guarantees.

Although the support agreement has many attributes of what a guarantee provides, we note that it is not specifically or legally considered a guarantee. Also, debt at AWCC does not benefit from any explicit upstream guarantees from the regulated utility subsidiaries nor does the debt obligations of the subsidiaries benefit from any explicit downstream guarantee from American Water or AWCC. Nevertheless, given the agreement's stated protections, and that a significant amount of AWCC's debt has been incurred to finance rate base, we effectively view the support agreement structure as being similar to a guarantee for rating purposes and have made no notching differentiation between the two entities.

Liquidity

American Water's liquidity is managed through its financing subsidiary, AWCC, which increased its revolver capacity to \$1.25 billion, with \$70 million expiring in October 2017 and \$1.18 billion expiring in October 2018. AWCC's credit facility offers support to the similarly increased \$1.0 billion commercial paper program (P-2). Although there are no restrictions for revolver borrowings, related to CP outstanding, we expect the company to leave ample cushion under the revolver to effectively backstop any CP borrowings. The facility has same-day drawing availability and no ongoing material adverse change clause. The lone financial covenant is maximum debt to capitalization ratio of 70%. At February 19, 2015 there were no outstanding borrowings under the credit facility; however, about \$503 million of commercial paper was outstanding and \$36.5 million in letters of credit.

The next significant debt maturity for American Water is in October of 2017 when over \$572 million of bonds mature.

Rating Outlook

The positive rating outlook for AWK and AWCC reflects our expectation for consolidated FFO / Net Debt to improve to the high-teens range on a sustained basis, with continued regulatory support of costs and investment, and strong operational performance.

What Could Change the Rating - Up

The ratings for AWK and AWCC could be positively impacted by further material improvement to the regulatory support offered to the company, or if FFO / Net Debt metrics were to continue in the high-teens, excluding the benefit from one-time tax incentives.

What Could Change the Rating - Down

We currently do not anticipate any negative ratings momentum; however, AWK's ratings would be negatively impacted by materially negative regulatory decisions, operational concerns such as supply or asset failure, or increasing leverage to the point that FFO / Net Debt declines to the low-teen's for an extended period. Furthermore, if the impacts of drought conditions in California were unmitigated by regulatory support or if materially negative outcomes to litigation (e.g., in West Virginia) were to result in significant financial harm to AWK, ratings could be pressured downward.

Rating Factors

AmericanWaterWorksCompany, Inc.

Global Regulated Water Utilities [1][2]	Current LTM 12/31/2014		Moody's 12-18 month Forward View As of Date Published	
Factor 1: Regulatory Framework & Asset Ownership (40%)	Measure	Score	Measure	Score
a) Stability & Predictability of Regulatory Environment		Aa		Aa
b) Asset Ownership		Aa		Aa

c) Cost and Investment Recovery (Ability & Timeliness)		Baa		Baa
d) Revenue Risk		Baa		Baa
Factor 2: Operational Characteristics & Asset Risk (10%)				
a) Operational Efficiency		Baa		Baa
b) Scale of Capital Program and Asset Condition		Baa		Baa
Factor 3: Stability of Business Model and Financial Structure (10%)				
a) Ability & Willingness to Pursue Opportunistic Corp. Activity		Baa		Baa
b) Ability & Willingness to Increase Leverage		Baa		Baa
c) Proportion of Revenues Outside Core Water and Wastewater		Baa		Baa
Factor 4: Key Financial Metrics (40%)				
a) FFO Interest Coverage (3 Year Average)	4.1x	Baa	4.5x - 5.0x	A
b) Debt / Capitalization (3 Year Average)	48.9%	A	44% - 50%	A
c) FFO / Net Debt (3 Year Average)	17.0%	A	15% - 20%	A
d) RCF / Capex (3 Year Average)	0.9x	Ba	.7x - 1.0x	Ba
Rating:				
Indicated Rating from Grid		A3		A3
Actual Rating Assigned		Baa1		Baa1

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[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2014; Source: Moody's Financial Metrics

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MOODY'S

INVESTORS SERVICE

Credit Opinion: Pennsylvania-American Water Company

Global Credit Research - 23 Apr 2015

Hershey, Pennsylvania, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
Bkd Senior Secured	A1
Ult Parent: American Water Works Company, Inc.	
Outlook	Positive
Issuer Rating	Baa1

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Key Indicators

[1] Pennsylvania-American Water Company

	12/31/2013	12/31/2012	12/31/2011	12/31/2010
(FFO + Interest) / Interest Expense	5.6x	4.9x	4.7x	4.7x
FFO / Net Debt	23.3%	19.8%	17.4%	19.2%
RCF / Capex	0.7x	0.6x	0.5x	0.8x
Debt / Capitalization	40.8%	13.3%	45.4%	45.3%

[1] All ratios are calculated in accordance with the Regulated Water Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Rating Drivers

Supportive Pennsylvania regulatory environment

Strong financial profile benefits from suite of cost recovery provisions

Liquidity and dividend policies linked to parent

Corporate Profile

Headquartered in Hershey, Pennsylvania, Pennsylvania American Water Company (PA-AWC) is one of the largest operating subsidiaries of its parent, American Water Works Company, Inc. (American Water or AWK; Baa1

positive) and provides water related services to customers throughout Pennsylvania. PAWC is regulated by the Pennsylvania Public Utility Commission (PUC).

Rating Rationale

PAWC's A3 issuer rating reflects its low business risk as a water utility and the credit positive regulatory environment in Pennsylvania, which allows for forward looking rates and supportive interim rate recovery mechanisms. This constructive regulation helps PAWC to maintain a steady and strong financial profile, which also underpins the company's A3 rating.

PAWC's rating also considers the company's interdependence with American Water, via PA-AWC's receipt of equity contributions and liquidity access to supplement negative free cash flow. American Water's liquidity facilities are maintained by American Water Capital Corp (AWCC; Baa1 positive). AWCC is an affiliated finance subsidiary that derives debt service from American Water utility subsidiaries, and benefits from a support agreement with American Water.

PENNSYLVANIA REGULATORY SUPPORT IS PRIMARY CREDIT DRIVER

Cost recovery provided by the PUC is the primary driver for PA-AWC maintaining one of the strongest ratings in the sector. We view the Pennsylvania regulatory environment as one of the more supportive in the US, thanks to the use of fully projected future test year for rate making purposes and the use of a Distribution System Improvement Charge (DSIC); both of which improve the real-time recovery of costs and provide enhanced stability and predictability to the company's cash flow. The company has also benefitted from the allowance for construction work in process in rate base, on certain occasions. These rate design features are some of the more progressive cost recovery provisions in the US water sector and underpin the company's strong financial position.

PA-AWC also receives regulatory support from more traditional means, such as general rate cases. PAWC's most recent rate case filing was in 2013 when the PUC approved additional annual water and wastewater revenues of \$26 million effective January 1, 2014.

STABLE AND PREDICTABLE CASH FLOW AND FINANCIAL PROFILE

PAWC continues to produce strong cash flow, despite a robust capital investment plan, thanks to its aforementioned cost recovery provisions. Over the last three years, PA-AWC has spent over \$800 million in capital expenditures, but has also been able to maintain an average FFO / Net Debt ratio of 20% (adjusted to exclude the one-time impacts from bonus depreciation) throughout the period. We expect that the company will maintain this level of FFO / Net Debt over the next three years, even as its investment prospects increase.

We note that PA-AWC's financial metrics are also influenced by financial policies of its parent, American Water. For example, PA-AWC generates enough cash flow from operations to cover its capital expenditures, but as one of AWK's largest dividend providers, PA-AWC's payout ratio is consistently expected to be above 70%. This level of dividend weakens the company's Retained Cash Flow (RCF; FFO less dividends) metrics, which are of Ba rating category level. As one of American Water's top two strategic subsidiaries, we consider PAWC's dividend as relatively fixed in nature.

CREDIT PROFILE INFLUENCED BY AMERICAN WATER OWNERSHIP

Due to factors such as the upstream dividend contribution and liquidity relationship (see below), PAWC's rating is also influenced by AWCC, the finance subsidiary where all parent-level debt financing, including credit lines, are maintained under a "support agreement" from American Water. AWCC derives funds for debt service from American Water utility subsidiaries. This interdependency, which helps support approximately \$1 billion of holding company debt at AWCC, creates linkage between the ratings of PAWC, AWCC and American Water. Therefore, additional holdco debt burden is factored into our ratings considerations of the operating companies.

Liquidity Profile

External liquidity is provided by a contractual intercompany line of credit with AWCC for \$210 million (about \$74 million was outstanding as of December 31, 2014). AWCC maintains a \$1.25 billion revolving credit agreement, \$700 million of which expires in October 2017 and the remaining \$1.18 billion in October 2018. The facility supports a \$1.0 billion commercial paper program, has same-day drawing availability and no ongoing material adverse change clause. The lone financial covenant is maximum debt to capitalization ratio of 70%. As of February 19, 2015, AWCC had no borrowings under the facility, around \$503 million of commercial paper and nearly \$37 million of letters of credit outstanding.

PAWC's next material external maturity is in November of 2017 when \$33 million matures.

Rating Outlook

The stable outlook considers strong financial metrics resulting from ongoing supportive regulatory treatment by the PUC. The outlook also reflects our expectation for a continued high dividend payout ratio (i.e., 70% - 75%) and FFO / Net Debt of around 20%.

What Could Change the Rating - Up

The ratings could be positively impacted by further material improvement to the regulatory support offered to the company, or if FFO / Net Debt metrics in excess of 20% and RCF / Net Debt over 15% were produced on a sustainable basis.

What Could Change the Rating - Down

Any deterioration in the degree of regulatory or parental support (e.g. liquidity stress at American Water) would negatively affect PAWC's ratings. In terms of credit metrics, should FFO / Net Debt fall below 15% for an extended period, downward rating pressure would develop.

Rating Factors

Pennsylvania-AmericanWaterCompany

Global Regulated Water Utilities [1][2]	Current LTM 12/31/2013		Moody's 12-18 month Forward View As of Date Published	
	Measure	Score	Measure	Score
Factor 1: Regulatory Framework & Asset Ownership (40%)				
a) Stability & Predictability of Regulatory Environment		Aa		Aa
b) Asset Ownership		Aa		Aa
c) Cost and Investment Recovery (Ability & Timeliness)		A		A
d) Revenue Risk		Baa		Baa
Factor 2: Operational Characteristics & Asset Risk (10%)				
a) Operational Efficiency		Baa		Baa
b) Scale of Capital Program and Asset Condition		Baa		Baa
Factor 3: Stability of Business Model and Financial Structure (10%)				
a) Ability & Willingness to Pursue Opportunistic Corp. Activity		A		A
b) Ability & Willingness to Increase Leverage		A		A
c) Proportion of Revenues Outside Core Water and Wastewater		Aa		Aa
Factor 4: Key Financial Metrics (40%)				
a) FFO Interest Coverage (3 Year Average)	5.1x	A	5.0x - 5.5x	A
b) Debt / Capitalization (3 Year Average)	43.0%	A	36% - 41%	Aa
c) FFO / Net Debt (3 Year Average)	20.2%	A	18% - 23%	A
d) RCF / Capex (3 Year Average)	0.6x	Ba	0.5% - 0.8x	Ba
Rating:				
Indicated Rating from Grid		A2		A2
Actual Rating Assigned		A3		A3

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE

VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2013; Source: Moody's Financial Metrics

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on <http://www.moody's.com> for the most updated credit rating action information and rating history.

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Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.19

Pennsylvania-American Water Company
VII. Rate of Return

19. Supply copies of all presentations by the Company's and, if applicable, its parent's management and securities analysts during the past 2 years, including presentations of financial projections.

Answer: See attached reports. We have a policy not to distribute analyst research.

Research Report Disclaimer:

"The attached reports on American Water Works Company, Inc. included in this response represent the opinions of third party companies. American Water neither endorses the material, nor undertakes an obligation to publicly update any subsequent distributions by these or other research companies."

The Company has attached the most recently-published security analyst reports relating to American Water Works that were available as of December 31, 2016. Due to the voluminous nature of providing all of the reports herein, the remaining analyst reports will be made available on request.



American Water Rating Agency Presentation

March 7, 2016



AMERICAN WATER

Safety Message





St. Patrick's Day Safety Tips

- Don't drink and drive – have a designated driver
- If driving, be extra cautious and watch out for intoxicated walkers who pay no attention to lights or crosswalks
- Don't drink alcoholic beverages on an empty stomach
- Do not leave drinks unattended
- Don't bring valuables to any celebration
- In a large crowd, be aware of your surroundings and locate where you can go for help if necessary





Agenda

- Company Strategic Overview
- Growth
 - Regulated Business Update
 - Capital Investments
 - Acquisitions
- Credit Considerations
 - Historic Financials and Forecast
 - Financial Liquidity and Debt Management
 - Financial Projections and Key Assumptions: 2016-2020
- Appendix
 - Regulated Utilities: Rate Base & Authorized Return on Equity
 - Regulatory Highlights: Rate Cases Update Footnotes
 - American Water Treasury Contacts



AMERICAN WATER

Company Strategic Overview





American Water Overview

AWK

Growth	<ul style="list-style-type: none"> ▪ EPS growth 7-10%, over next 5 years* ▪ Multi-decade investment needs ▪ Fragmented market 	<ul style="list-style-type: none"> ✓ Top quartile ✓ Clear line of sight ✓ Water & wastewater
People & Business Model	<ul style="list-style-type: none"> ▪ Strong local presence and national scale ▪ Regulatory expertise ▪ Strong record of execution ▪ Broad and diversified experience ▪ Strong bench strength 	<ul style="list-style-type: none"> ✓ Personalized economies of scale ✓ Seasoned state leaders ✓ 2010-2015 EPS CAGR of 12.6% ✓ Multi-utility backgrounds ✓ Robust succession planning
Risk Profile	<ul style="list-style-type: none"> ▪ Smooth regulated capital deployment ▪ Absence of federal economic regulation ▪ Geographic diversity ▪ Market-based complementary businesses 	<ul style="list-style-type: none"> ✓ Flexible and sustainable ✓ Unlike electrics and gas ✓ Most diverse utility ✓ Regulated-like
Financial Strength and Stability	<ul style="list-style-type: none"> ▪ Dividend growth ▪ Strong credit ratings/access to capital ▪ Nearly \$12 billion market cap ▪ Strong cash flows 	<ul style="list-style-type: none"> ✓ Top quartile ✓ Top quartile ✓ Only water utility >\$10 billion ✓ No need to issue equity**

*Anchored from 2014, adjusted EPS.
 **Under normal operating conditions.

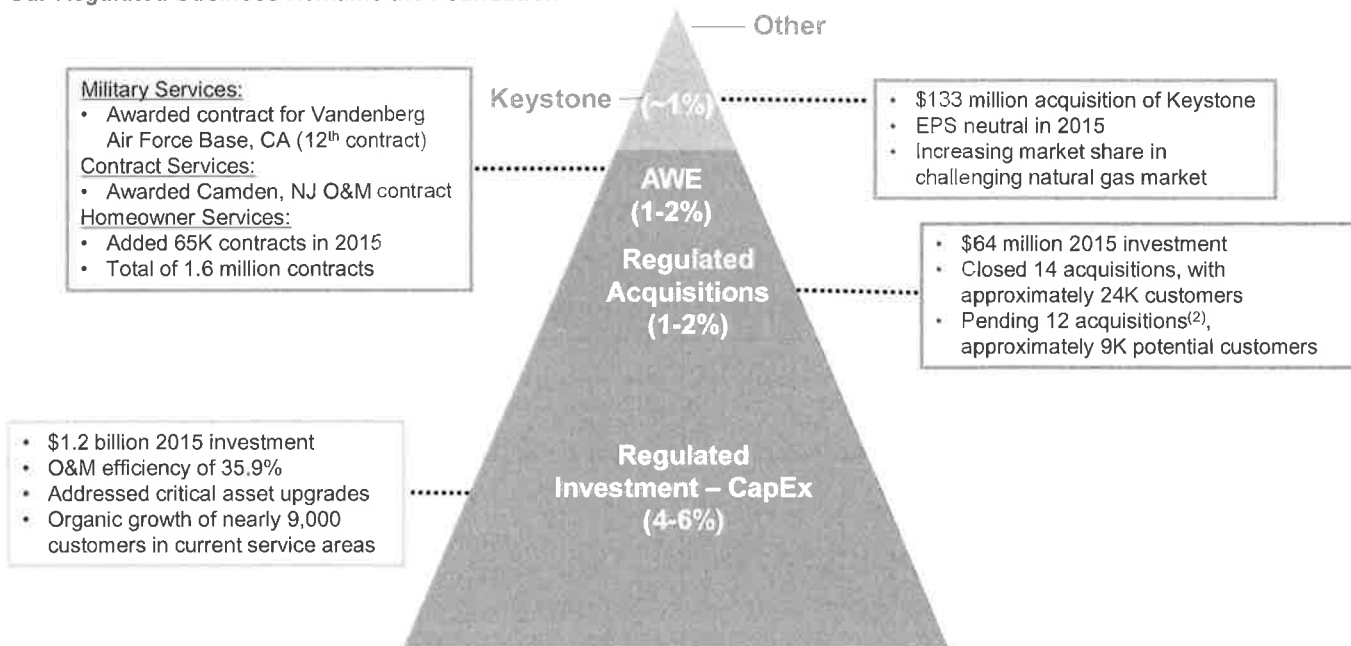


AWK



EPS Growth Target of 7-10% from 2016 – 2020 on Track⁽¹⁾

Our Regulated Business Remains the Foundation



Affirm 2016 EPS guidance of \$2.75 to \$2.85

(1) 2016 – 2020 EPS growth goal of 7-10% anchored from FY 2014.

(2) These have signed agreements in place, pending regulatory approval. Does not include Scranton, PA, which is currently under an MOU to negotiate an agreement.



AMERICAN WATER

Regulated Business Update



Our Geographic Diversity is a Key Competitive Advantage

AMERICAN WATER REGULATED OPERATIONS



State	FY 2015 Revenues (\$ mm)	% of Total
New Jersey	\$704	26%
Pennsylvania	614	22%
Illinois	270	10%
Missouri	269	10%
Indiana	206	8%
California	198	7%
West Virginia	129	5%
Other	353	12%
Total Regulated Business	\$2,743	100%





Regulated Businesses Update





Regulatory Filings Focused On Infrastructure Investments

Rate Cases Awaiting Final Order							
A. Rate Cases Filed							
Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base	
Missouri	Case No. WR 2015-0301 & SR 2015-0302	2/11/2015	\$25.2	(a)	10.70%	\$1,002.5	
Virginia	Case No. 2015-00087	10/30/2015	0.7		(b) 10.75%	162.2	
Illinois	Docket No. 15-0081	10/1/2015	40.0		(c) 10.75%	189.3	
Kentucky	Case No. 2015-00418	1/28/2015	13.5		10.75%	203.9	
			\$87.4			\$2,648.0	
B. Rate Case Settlement awaiting Regulatory Approval							
			\$0.0			\$0.0	
C. Infrastructure Charges Filed							
	Tennessee (QIIP, EDI & SEC) Docket No. 15-00111	11/12/2015	\$2.1			\$17.3	
	IN (DSIC) Cause No. 42361 DSIC-9	1/14/2016	3.0			26.7	
	NY (SIC) Case 14-W-0480	1/15/2016	0.3			2.8	
			\$5.4			\$46.8	

Rates Effective since January 1, 2010			
	Date Effective	Revenue Increase	Comments
D. Infrastructure Charges			
New Jersey (DSIC)	1/1/2015	\$9.1	
Illinois (QIIP)	1/1/2015	4.9	
Illinois (QIIP)	2/1/2015	1.0	
Pennsylvania (DSIC - W & WW)	4/1/2015	1.0	
New York (SIC)	6/1/2015	0.1	
Missouri (ISRS)	6/27/2015	1.9	
Tennessee (QIIP, EDI & SEC)	6/30/2015	2.2	
Pennsylvania (DSIC - W & WW)	7/1/2015	4.0	
Pennsylvania (DSIC - W & WW)	10/1/2015	7.8	
New York (SIC)	12/1/2015	0.7	
Pennsylvania (DSIC - W & WW)	1/1/2016	10.5	
Illinois (QIIP)	1/1/2016	1.0	
		\$40.7	
E. Rate Cases			
Indiana	1/28/2015	\$5.1	
California	1/1/2015	5.2	(d)
Maryland	6/18/2015	0.5	
Kentucky WW	1/22/2015	0.2	(e)
New Jersey	9/21/2015	22.0	
Indiana	1/29/2016	1.0	
West Virginia	2/25/2016	18.3	(f)
		\$52.8	

(a) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations. These amounts exclude the \$25.8 million in IRR3 revenue previously allowed for a total request of \$51.0 million.

(b) The rate base requested includes \$5.7 million for Other Public Authority customers not regulated by the State Corporation Commission (SCC).

(c) The revenue amount requested includes \$49.0 million for water and wastewater operations. These amounts exclude the \$0.5 million in QIIP revenue previously allowed for a total request of \$50.5 million.

(d) On February 10, 2015, the Company, the State of California, the City of Pacific Grove, the Palmdale Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.8 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$21.0M includes estimated increases in the escalation year 2015 and the escalation year 2017, of \$0.0 million and \$0.3 million, respectively.

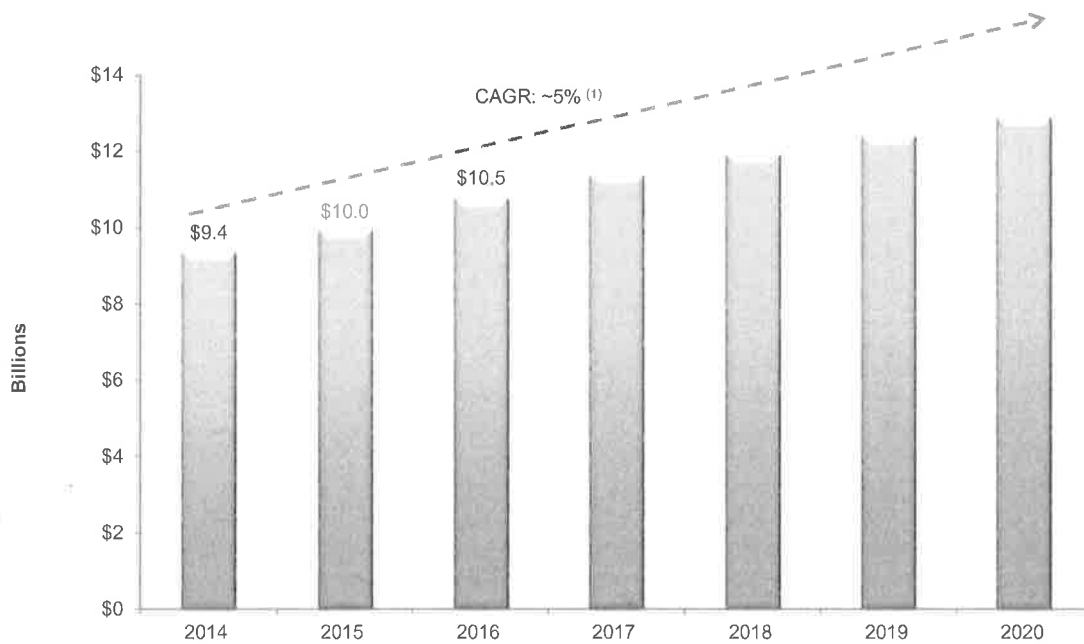
(e) The revenues granted in the amount of \$189K are based on a four year phase in of equal percentage increases each year.

(f) The revenues authorized include \$10,170K for water operations and \$151K for wastewater operations.

Note: Please see appendix for footnotes



Rate Base Growth – Consistent, Stable Growth



(1) Includes estimated growth from system investments and acquisitions for the period 2016 through 2020, anchored from FY2014. Includes expected impact from the five year extension of bonus depreciation.



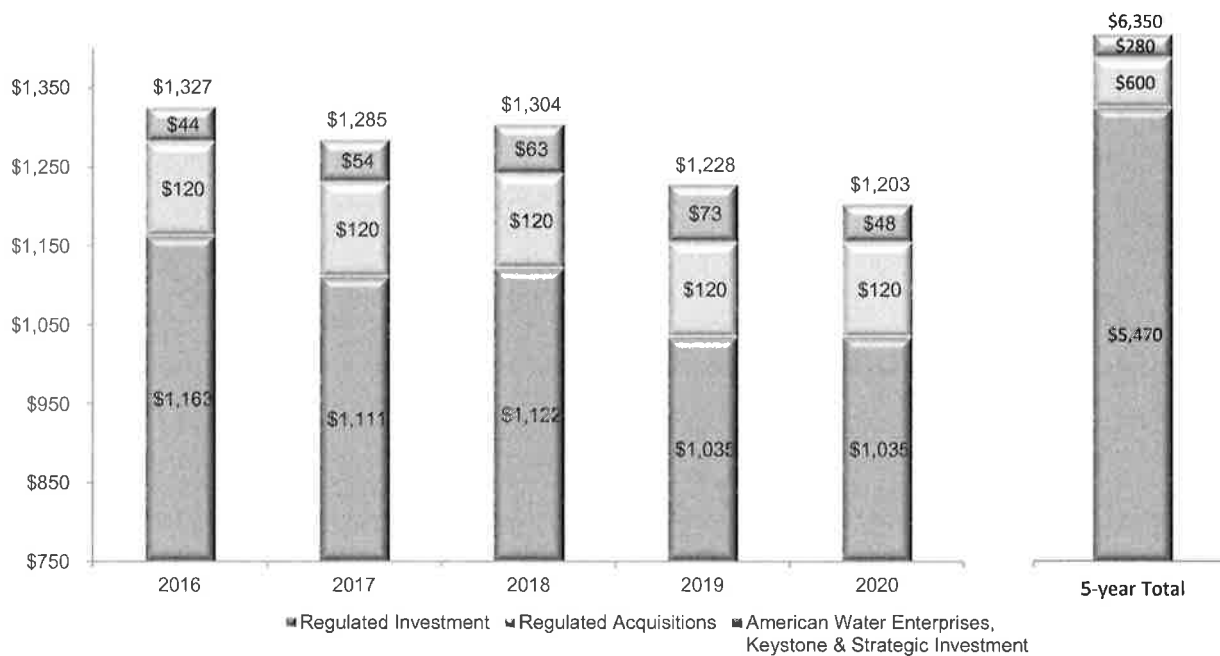
AMERICAN WATER

Capital Investments



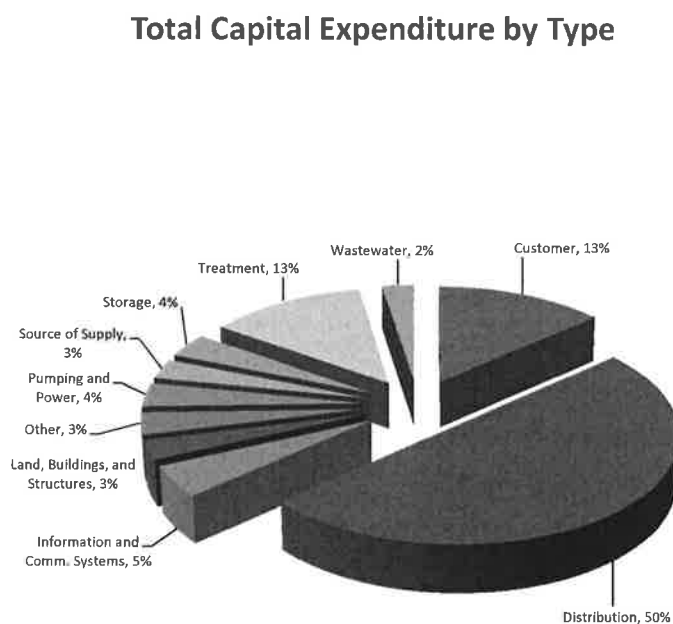
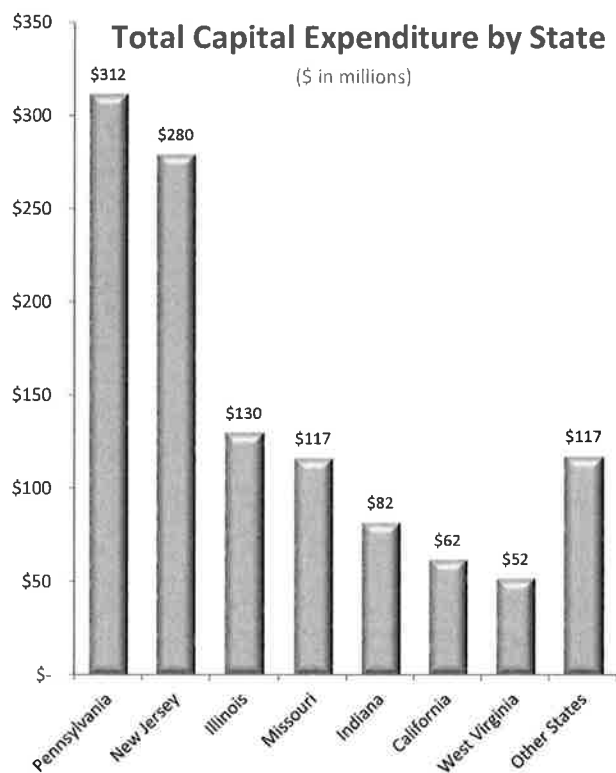
2016-2020 Capital Investment Plan (\$ in millions)

Five Year Capital Investment Plan remains at \$6.4 billion





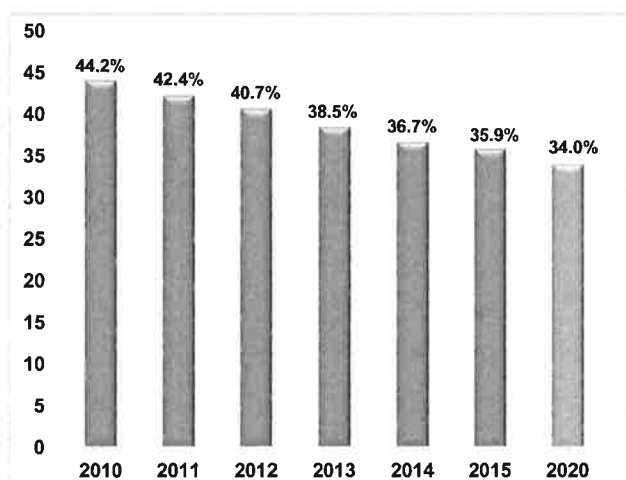
2016 Capital Plan: Regulated





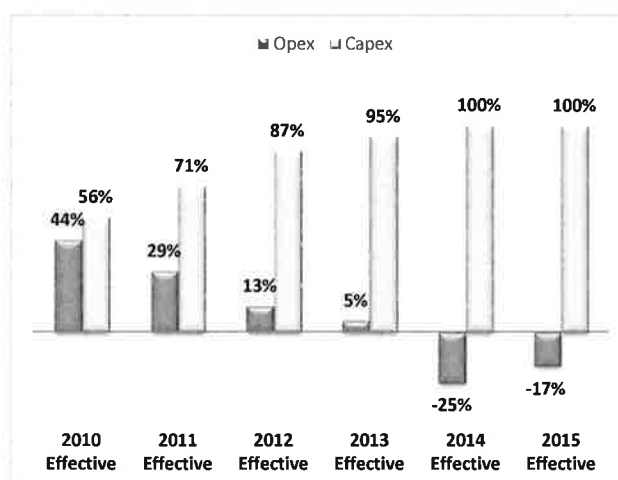
On Track to Obtain 34% O&M Efficiency Target by 2020

O&M Efficiency Ratio



Note:
O&M Efficiency Ratio - Non GAAP Measure – See appendix for reconciliation.

Incremental Revenue Requirement*
-Increases Attributable to Opex vs. Capex-



Note:
*Approximation in states where we received black box award.
(1) For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures.
(2) For general rate cases effective in 2015, the incremental revenue requirement was reduced by 17% due to lower operating expenditures

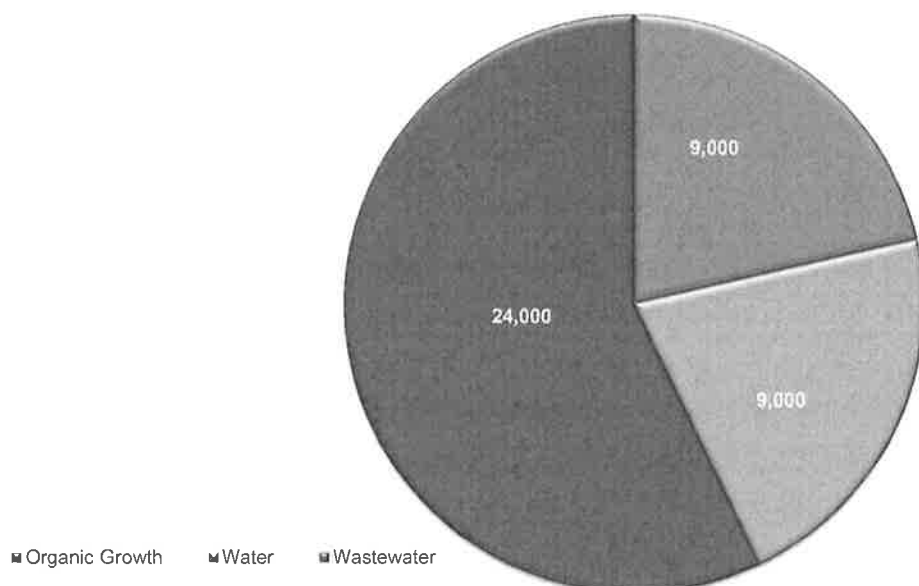


AMERICAN WATER

Acquisitions



2015 - Adding Customers Through Acquisitions and Organic Growth⁽¹⁾



Of 3.3 million customers, 3.1 million are water

(1) 2015 acquisitions are based on transactions closed, as well as signed agreements that are pending regulatory action in 2015 and 2016.



Enabling Growth and Consolidation: Eight States



Act 11:

- HB 1294, Effective Feb 14, 2012
- Single tariff for water and wastewater
- Enables inclusion of wastewater rates into overall rates



Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



Distressed Utility Acquisition Bill:

- House Enrolled Act 1319, Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

Other States With Similar Acquisition Adjustments:



Since 2010, 5 states have added new legislation supporting industry consolidation

Market Based Businesses

Lines of Business



Military Services



Homeowner Services



Contract Services

Drivers of “Regulated-like” Results

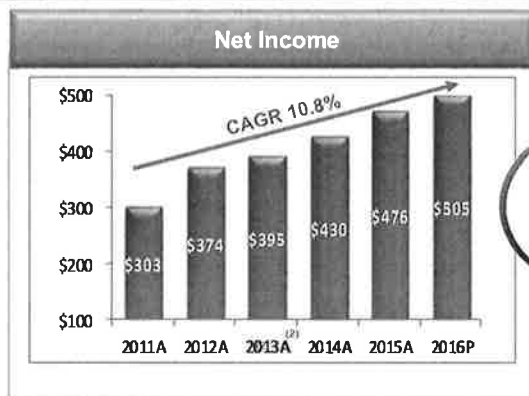
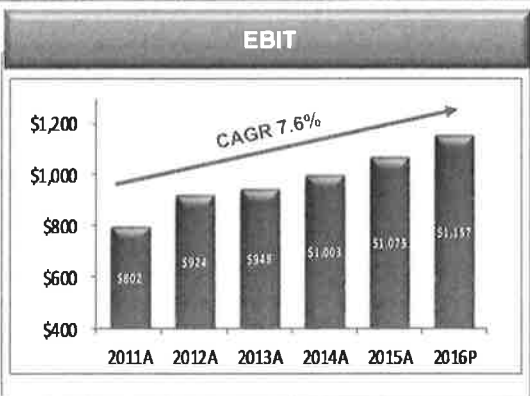
- Long-term contracts & relationships
- Predictable, stable revenue
- Growing geographically diversified markets
- Low levels of capital investment



Credit Considerations: Historical Financials & Forecast



Financial Performance and Forecast (\$ in millions) ⁽¹⁾

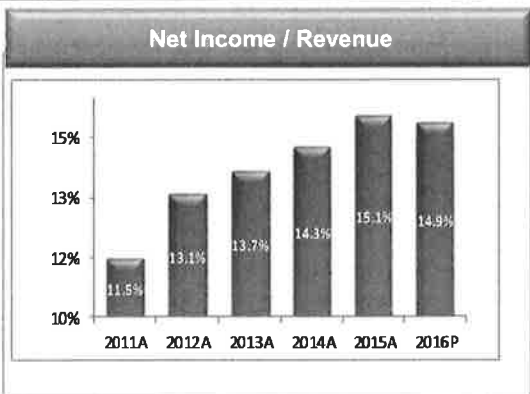
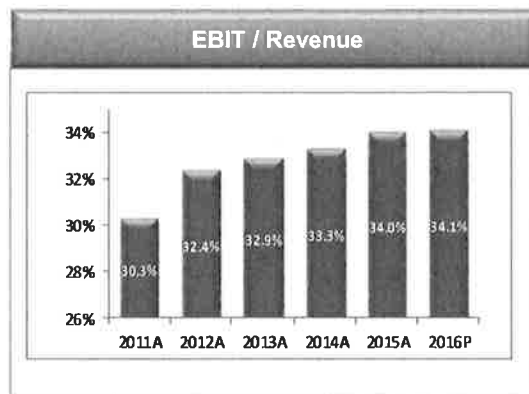
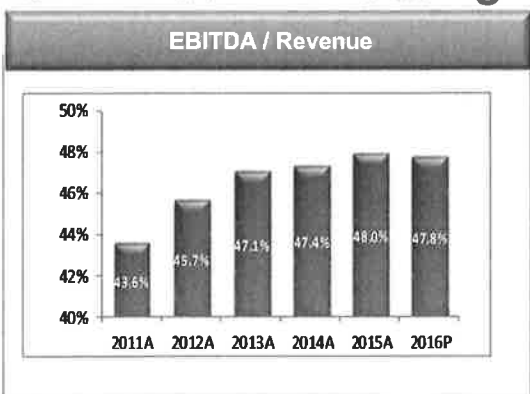


(1) Excludes discontinued operations

(2) Excludes impact of one-time loss on extinguishment of debt of \$40.6M from the debt tender on October 2013



Selected Financial Margins*

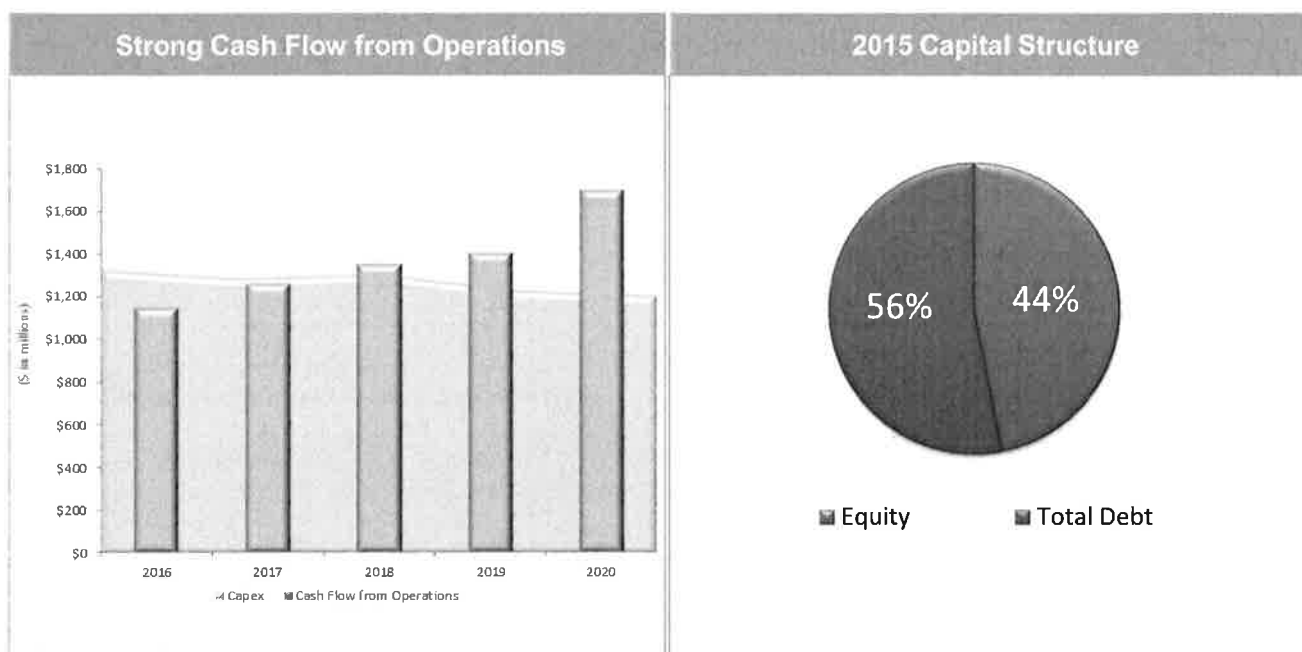


Improving margins from operating cost discipline and refinancings to lower interest rates

* Margins calculated from figures on previous page



Strong Balance Sheet





Financial Liquidity & Debt Management



Liquidity Management

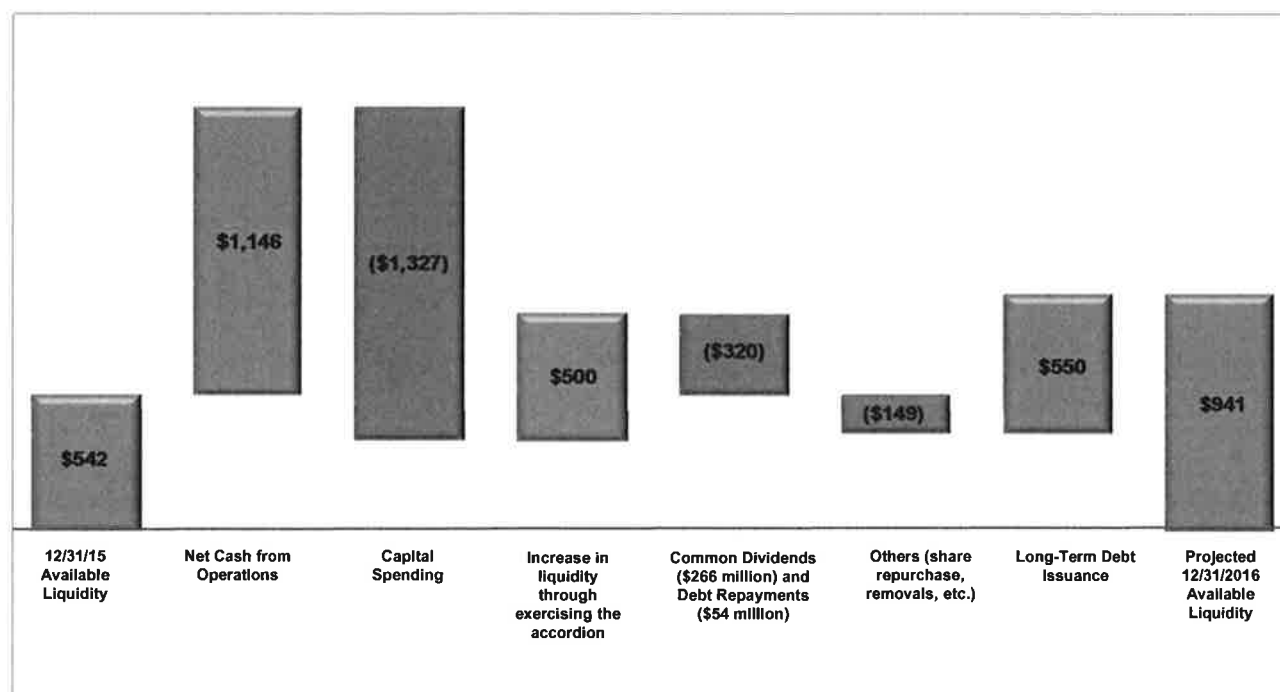
- Company has three primary sources of liquidity: (1) cash from operations, (2) committed bank credit facility and (3) access to capital markets
 - Cash from operations was \$1.18 billion in 2015 and is expected to be \$1.26 billion by end of 2016
 - Committed Bank Credit Facility
 - Currently working with lenders to increase the revolver by \$500 million to \$1.75 billion from existing \$1.25 billion
 - Still have 2 one-year extension options, to push out the maturity to 2022 from 2020
 - Credit agreement requires the Company's ratio of Debt to Total Capital to be on or below 70%. On December 31, 2015, our ratio was 56%.
 - Access to Capital Markets
 - American Water Capital Corp. ("AWCC") has strong access to commercial paper ("CP")
 - ◆ CP outstanding as of December 31, 2015 was \$626 million
 - ◆ Weighted average interest rate on CP borrowings at year-end 2015 was 0.66%
 - AWCC has ample access to the tax-exempt and taxable bond market
 - ◆ Issued \$550 million in taxable senior unsecured notes in August 2015
 - ◆ Issuance of \$550 million in taxable senior unsecured notes planned for mid-2016
- Secondary source of liquidity management is the ability to manage capital expenditures
 - Capital expenditures consist of many small projects

Financial Liquidity: Closer Look at 2016

(\$ in millions)

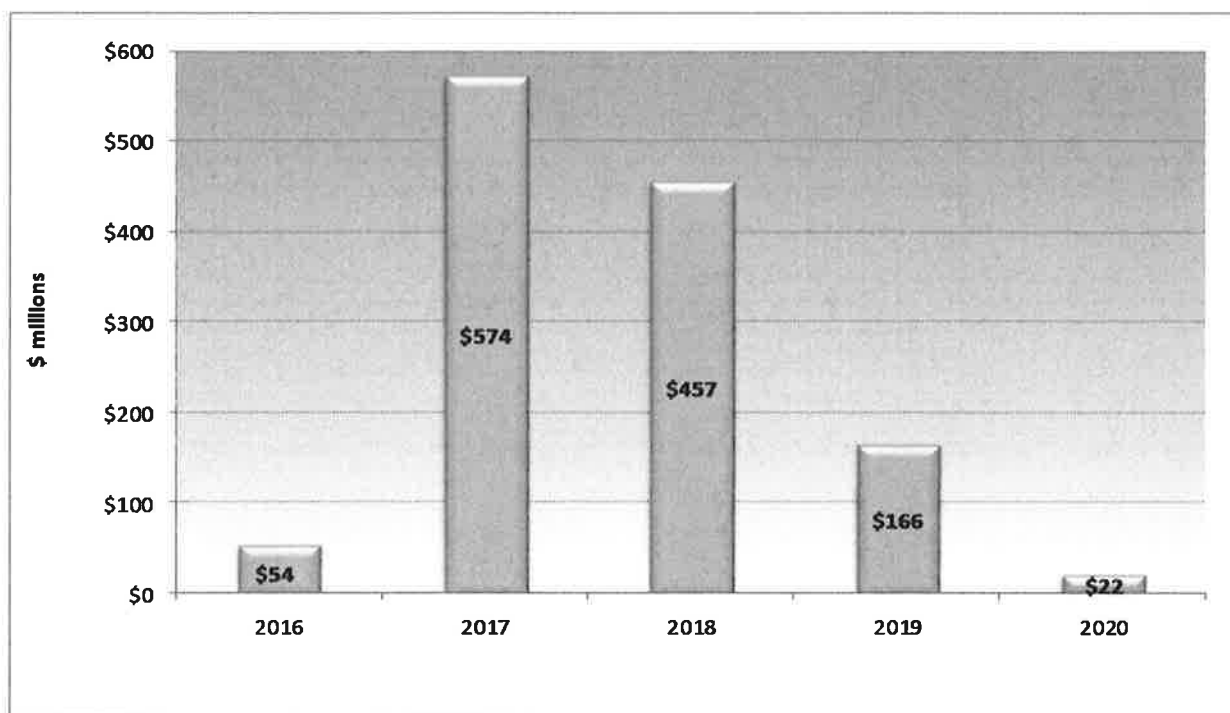


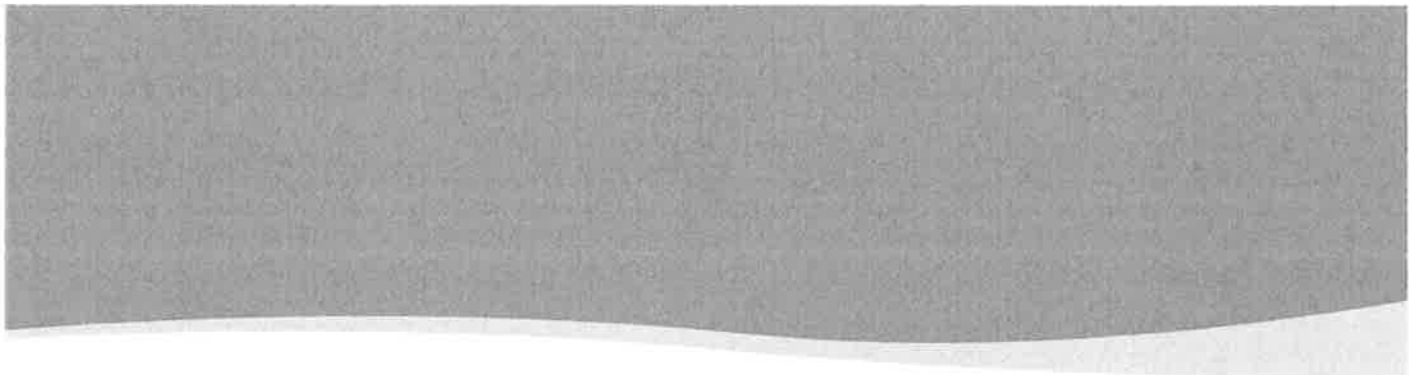
AMERICAN WATER





Long-term Debt Maturities in Next Five Years (as of 12/31/2015)

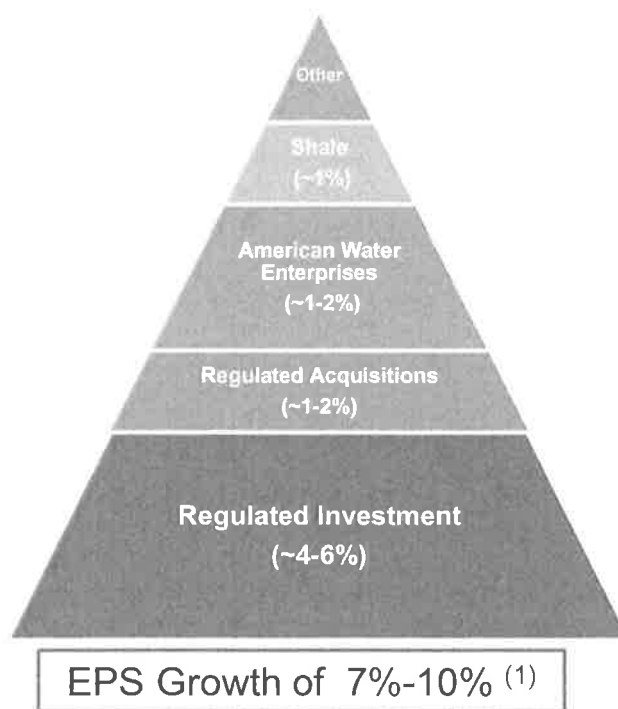




Financial Projections & Key Assumptions: 2016-2020



2016-2020 Financial Plan: Parent Company and Consolidated 2016-2020



(1) 2016 – 2020 EPS growth goal of 7-10% anchored from FY 2014.



Overarching Guidance/Assumptions 2016-2020 Plan

Residential Water Usage

- Base Usage Annual rate of decline: 1.92% (Largest 6 States)
10-year declining use trend – 2006-2015
- Non-base Usage (weather) 10-year average seasonal use

	2016P	2017P	2018P	2019P	2020P
Merit (non-union) Increase ⁽¹⁾	3.50%	3.70%	3.70%	3.70%	3.70%
Group Insurance - cost per employee	\$11,137	\$11,582	\$12,045	\$12,527	\$13,028
Premium Increase - Insurance other than Group	4.90%	6.30%	2.80%	1.40%	3.40%
Interest Rate - Long Term Debt	4.70%	4.77%	4.82%	4.86%	4.88%
Interest Rate- Short Term Debt	0.95%	1.59%	1.98%	2.22%	2.40%
Pension Expense (\$ millions) ⁽²⁾	\$28.4	\$25.0	\$24.3	\$23.7	\$23.6
Post-Retirement Benefit Expense (\$ millions) ⁽²⁾	\$11.5	\$15.4	\$14.6	\$13.5	\$13.5
Dividend Per Share ⁽³⁾	\$1.48	\$1.64	\$1.80	\$1.99	\$2.19

- Bonus Depreciation included in the 2016-2020 Plan

⁽¹⁾ Merit includes promotions and adjustments of 0.70%

⁽²⁾ After purchase accounting; pre-tax expense

⁽³⁾ The increase in dividend will result in a payout ratio of 50% - 60% of annual earnings



Consolidated Financial Statements - Income Statement

(\$ in millions, except per share data)

	Plan	Plan	Plan	Plan	Plan
	2016	2017	2018	2019	2020
For the year ended December 31,					
<i>\$ in millions</i>					
Operating revenues	\$ 3,392.6	\$ 3,565.9	\$ 3,779.8	\$ 4,043.1	\$ 4,308.5
Operating expenses					
Operation and maintenance	\$ 1,517.9	\$ 1,583.9	\$ 1,678.8	\$ 1,787.1	\$ 1,890.9
Depreciation and amortization	\$ 467.0	\$ 501.6	\$ 534.0	\$ 569.3	\$ 604.9
General taxes	\$ 257.5	\$ 271.9	\$ 281.2	\$ 296.6	\$ 312.9
(Gain) loss on sale of assets	\$ (5.0)	\$ -	\$ (1.0)	\$ (1.0)	\$ (2.5)
Impairment charges	\$ -	\$ -	\$ -	\$ -	\$ -
Total operating expenses, net	\$ 2,237.3	\$ 2,357.4	\$ 2,493.0	\$ 2,652.0	\$ 2,806.2
Operating income	\$ 1,155.2	\$ 1,208.5	\$ 1,286.7	\$ 1,391.1	\$ 1,502.3
Other income (expenses)					
Interest	\$ (332.0)	\$ (337.2)	\$ (350.7)	\$ (356.8)	\$ (348.6)
AFUDC	\$ 19.5	\$ 26.1	\$ 27.2	\$ 19.0	\$ 15.8
Amortization of debt expense	\$ (7.1)	\$ (6.2)	\$ (6.2)	\$ (6.2)	\$ (6.2)
Other, net	\$ (3.1)	\$ (2.0)	\$ (2.0)	\$ (1.0)	\$ (1.0)
Total other income (expenses)	\$ (322.8)	\$ (319.3)	\$ (331.7)	\$ (344.9)	\$ (339.9)
Income from continuing operations before income tax:	\$ 832.4	\$ 889.2	\$ 955.0	\$ 1,046.2	\$ 1,162.4
Provision for income taxes	\$ 328.8	\$ 351.3	\$ 377.4	\$ 413.7	\$ 459.9
Income from continuing operations	\$ 503.6	\$ 537.9	\$ 577.7	\$ 632.5	\$ 702.5



Consolidated Financial Statements - Balance Sheet

(\$ in millions)

For the year ended December 31,
\$ in millions

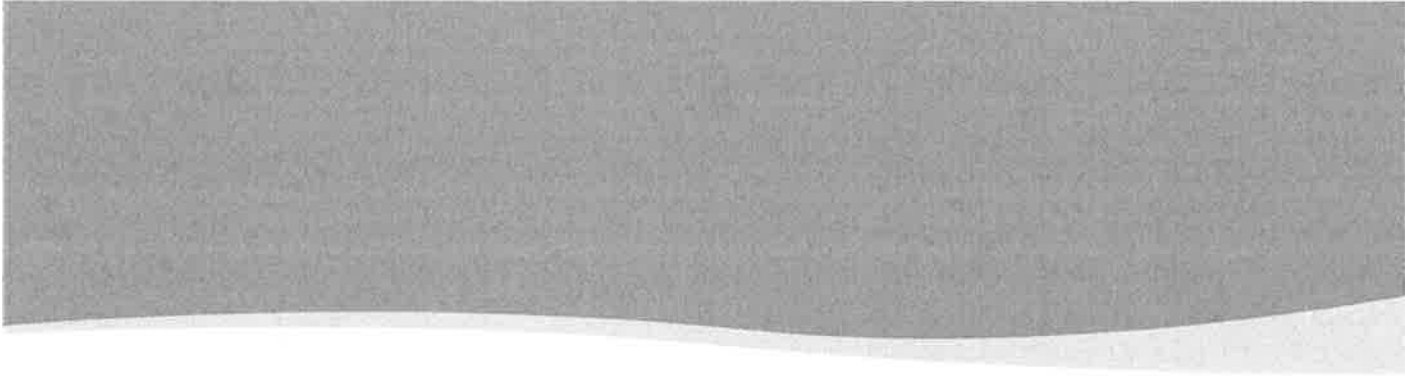
	Plan 2016	Plan 2017	Plan 2018	Plan 2019	Plan 2020
Assets					
Total property, plant and equipment	14,907	15,856	16,755	17,600	18,467
Total current assets	549	550	580	635	698
Total regulatory and other long-term assets	2,847	3,234	3,310	3,375	3,042
Total Assets	18,303	19,640	20,646	21,609	22,207
Capitalization and liabilities					
Total Equity	5,375	5,626	5,847	6,100	6,384
Total Long-term debt	5,652	6,126	6,772	7,156	6,611
Total Capitalization	11,027	11,753	12,619	13,256	12,995
Short Term Debt	715	692	672	648	731
Current Portion of Long-term Debt	600	614	299	175	607
Other Current Liabilities	735	889	910	923	927
Total Current liabilities	2,049	2,194	1,881	1,746	2,265
Total regulatory and other long-term	4,080	4,530	4,968	5,413	5,733
Contributions in aid of construction	1,148	1,163	1,178	1,195	1,213
Total Capitalization and Liabilities	18,303	19,640	20,646	21,609	22,207



Consolidated Financial Statements Statement of Cash Flows

(\$ in millions)










	Plan	Plan	Plan	Plan	Plan
	2016	2017	2018	2019	2020
For the year ended December 31,					
<i>\$ in millions</i>					
Net Income	503.6	537.9	577.7	632.5	702.5
Adjustments					
Depreciation & amortization	467.0	501.6	534.0	569.3	604.9
Deferred Taxes	302.3	337.9	363.9	395.3	671.2
Other	(128.0)	(118.1)	(121.3)	(192.8)	(276.3)
Net cash provided by operating activities	1,144.8	1,259.3	1,354.3	1,404.3	1,702.3
Net cash used in investing activities	(1,397.5)	(1,352.1)	(1,379.2)	(1,299.2)	(1,275.0)
Issuance of Long Term Debt	350.0	988.4	829.9	448.5	(88.3)
Repayment of Long-Term Debt and Redemption of Preferred Stock	(54.1)	(573.5)	(456.6)	(165.7)	(22.2)
Net Borrowings (Repayments) Short Term Debt	218.7	(22.9)	(19.8)	(24.0)	83.5
Issuance of Equity	(25.5)	(32.8)	(35.3)	(38.8)	(41.8)
Net Advances & Contributions	29.8	26.8	28.4	30.6	33.0
Common Dividends Paid	(266.3)	(293.2)	(321.8)	(355.7)	(391.4)
Net cash provided (used) by financing activities	252.6	92.8	24.9	(105.1)	(427.3)



Appendix



Regulated Utilities: Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries								
	 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER	
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%	(g)
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)
	 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER	
Authorized Rate Base*	\$2,386,790		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)
Authorized ROE	9.75%		9.65%	(f)	10.25%	(g)	9.75%	
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)
Effective Date of Rate Case	9/21/2015		4/1/2012	(f)	1/1/2014		12/12/2012	(h)
	 WEST VIRGINIA AMERICAN WATER							
							\$529,212	
							9.75%	
							45.80%	
							2/25/2016	

*Rate Base stated in \$000s

Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.



Regulatory Filings: Rate Cases Update Footnotes

- (a) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million.
- (b) The rate base requested includes \$6.7 million for Other Public Authority customers not regulated by the State Corporation Commission ("SCC").
- (c) The revenue amount requested includes \$40.0 million for water and wastewater operations, these amounts exclude the \$9.5 million in QIP revenue previously allowed for a total request of \$49.5 million.
- (d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0 million includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.
- (e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year.
- (f) The revenues authorized includes \$18,170K for water operations and \$151K for wastewater operations.



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Institutional Investor Presentation

November 2015



Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

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American Water Overview



American Water: The Premier Water Services Provider In North America



Market Statistics*

- **\$16.6 Billion** Total Enterprise Value
- **860,000** Average Daily Trading Volume LTM
- **\$10.5 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
 - 89% Regulated, 11% Market Based
- **13.8%** Total Shareholder Return for Last 12 Months
- **2.3%** Current Dividend Yield
- **0.8 Beta**

Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,800** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

* Market data as of November 5, 2015, Source : FactSet

November 2015



American Water Is Unique

Strong Earnings & Dividend Growth

- Industry Leading projected **7-10%** Long Term EPS Growth with **0.8** Beta*
- **9%** Dividend Growth rate Top Quartile in Utilities**
- Operational Excellence Minimizes Bill Increases projected approximately **2%** on an average
- Commitment to Innovation & Environmental Stewardship, over **600** technologies examined

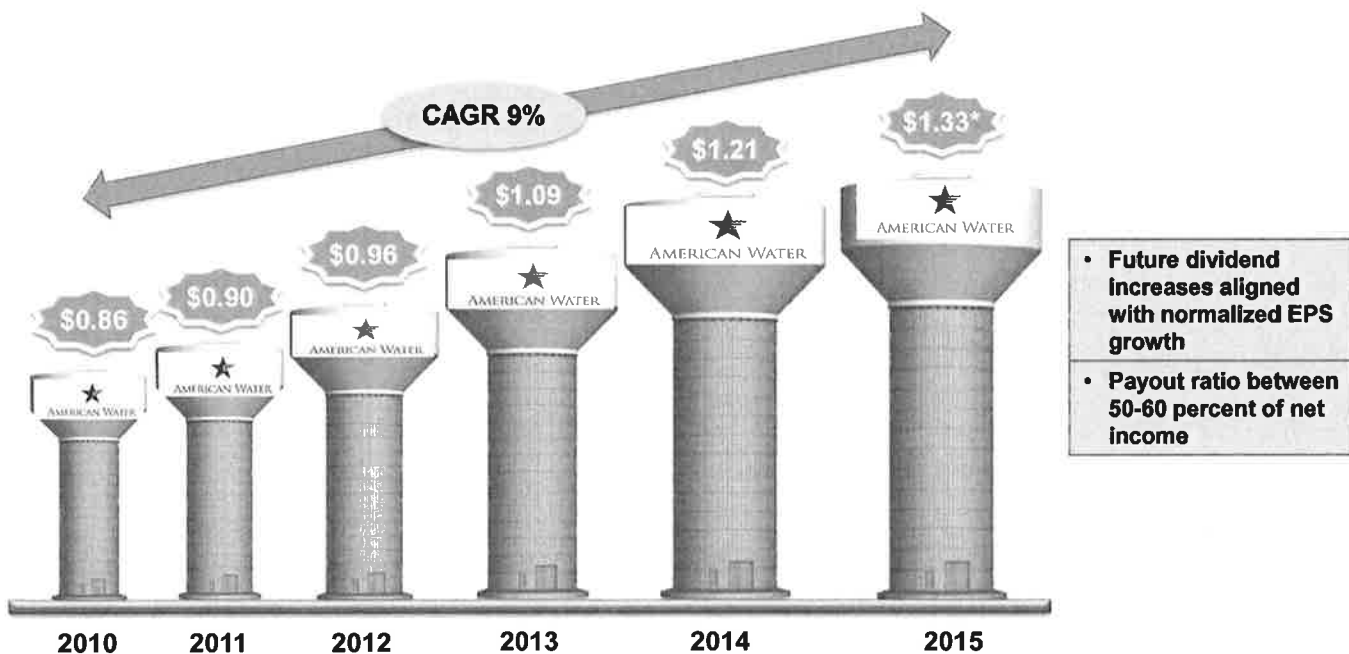
*Source : FactSet 5 Yr Beta (Adjusted)

**Source: FactSet: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend. Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , ARTNA , CTWS , CWT , MSEX , SJW , WTR , YORW

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Long History Of Consistent Dividend Growth



Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers**

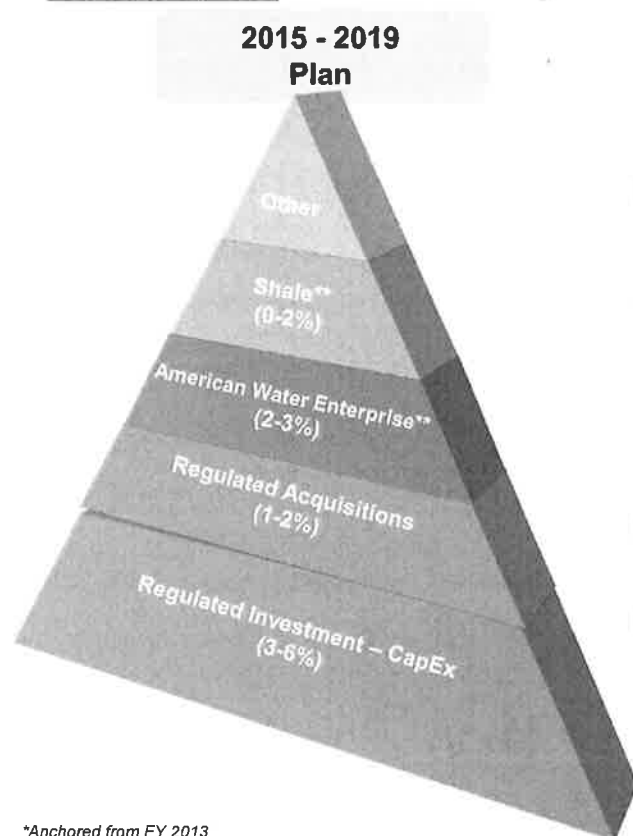
*Assumes fourth quarter 2015 dividend payment equal to current quarterly dividend of \$0.34 per share. Payment of fourth quarter 2015 dividend subject to Board review and approval

**Source: Factset; Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW

November 2015

Our Future: Our Commitment Over The Next 5 Years



- Industry Leading **7-10%** Long Term EPS Growth*
- **\$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

*Anchored from FY 2013

**Market Based Segment (MBB) includes American Water Enterprise (AWE) & Shale. AWE Includes our HOS, Military services and other businesses.

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Business Updates

2014 Water Quality Report

- **15x** better than the industry average for compliance with drinking water quality standards
- **20x** better than the industry average for meeting all drinking water requirements



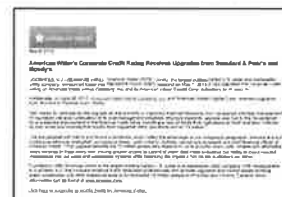
Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



Rating Upgrade

- Standard & Poor's (S&P) reported on May 7, 2015, it had upgraded American Water's corporate credit rating to 'A' from 'A-'
- Additionally, on August 7, 2015, the company received rating upgrade from Moody's to 'A3' from 'Baa1'





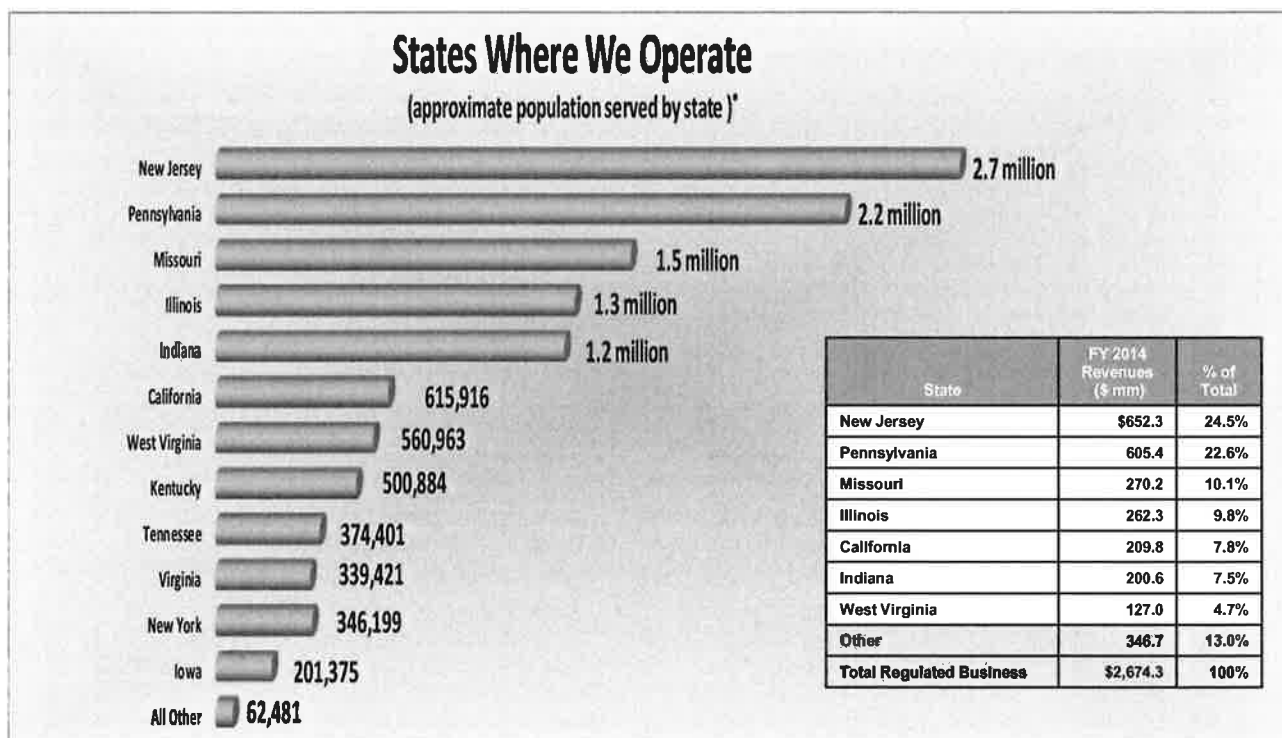
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Our Regulated Business



Our Regulated Business



* Population data for FY 2014

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The Rate Of Return Regulation In The United States

Prudent Investment Drives Need for Rate Cases



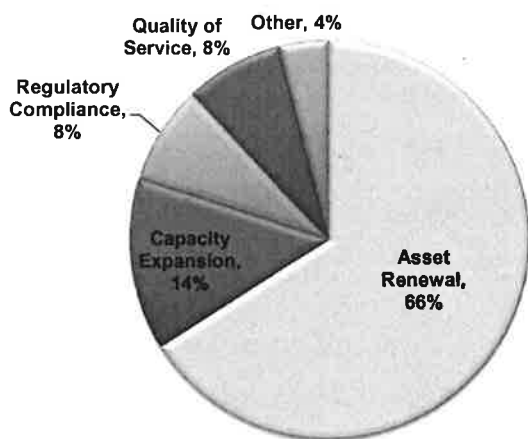
American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

Investment In Water & Wastewater Industry Is Urgently Needed

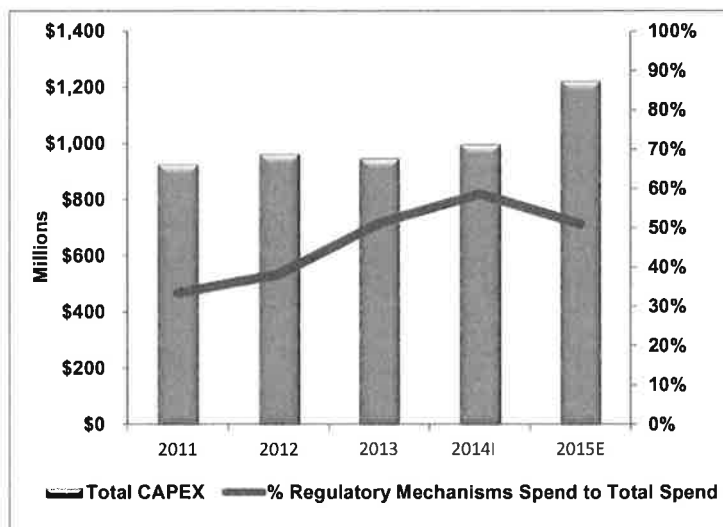
- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

Regulatory Capital Investment Of \$5.2 Billion Over Next Five Years

2015 – 2019 Average Capital Expenditures by Purpose



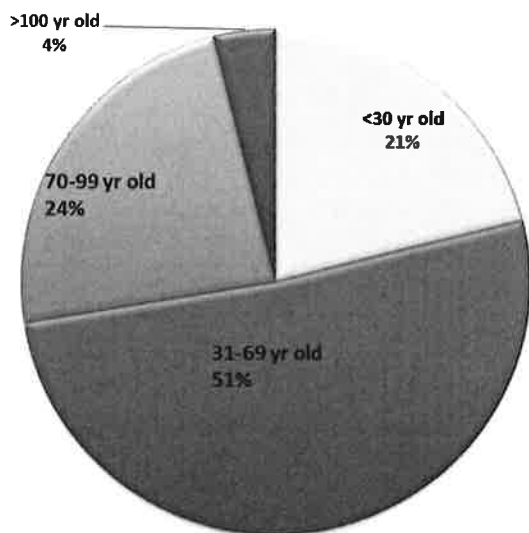
Investments covered by Regulatory Mechanisms



Note
 (1) Regulatory Mechanisms include DSIC, SIC and Future Test Years

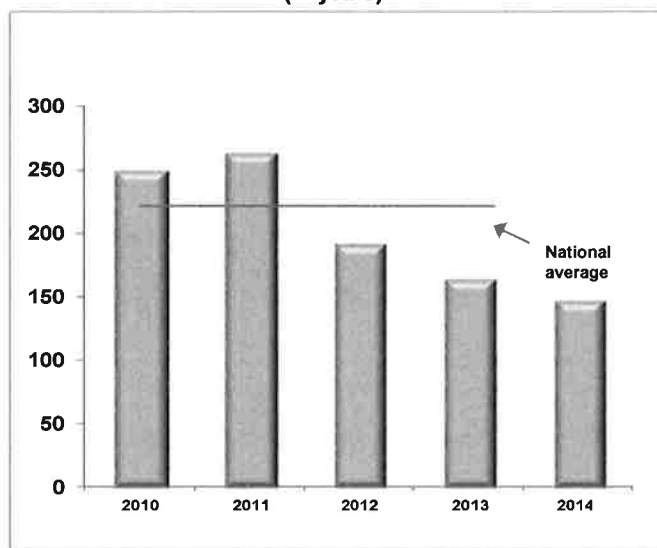
Pipe Age Distribution & Replacement Rate

Pipe Age Distribution – AW System



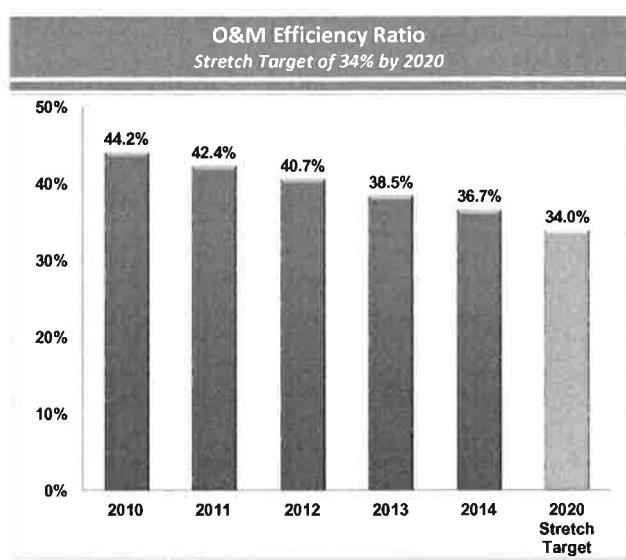
Over 25% pipes are 70 years or older

American Water Pipe Replacement Rate (in years)

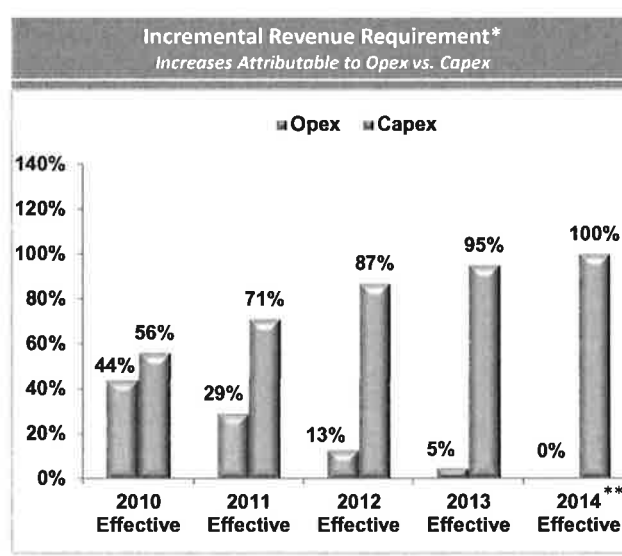


Pipe Replacement rate is shortening

Our Disciplined Approach To Investing



Note:
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation



Note:
* Approximation in states where we received black box award
** For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures



We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service ⁽¹⁾	Revenue Decoupling or Declining Usage Adjustment
NJ	x		x	x		x
PA	x	x		x	x	x ⁽³⁾
MO	x		x	x		x ⁽³⁾
IL	x	x	x	x	x	x
IN	x	x		x		x ⁽³⁾
WV				x		
CA		x	x		x	x
KY		x		x	x	
NY	x	x	x		x ⁽²⁾	x
TN	x	x	x		x	x ⁽³⁾
VA		x	x		x	
IA				x		
HI		x				
MD			x	x		x ⁽³⁾

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

November 2015



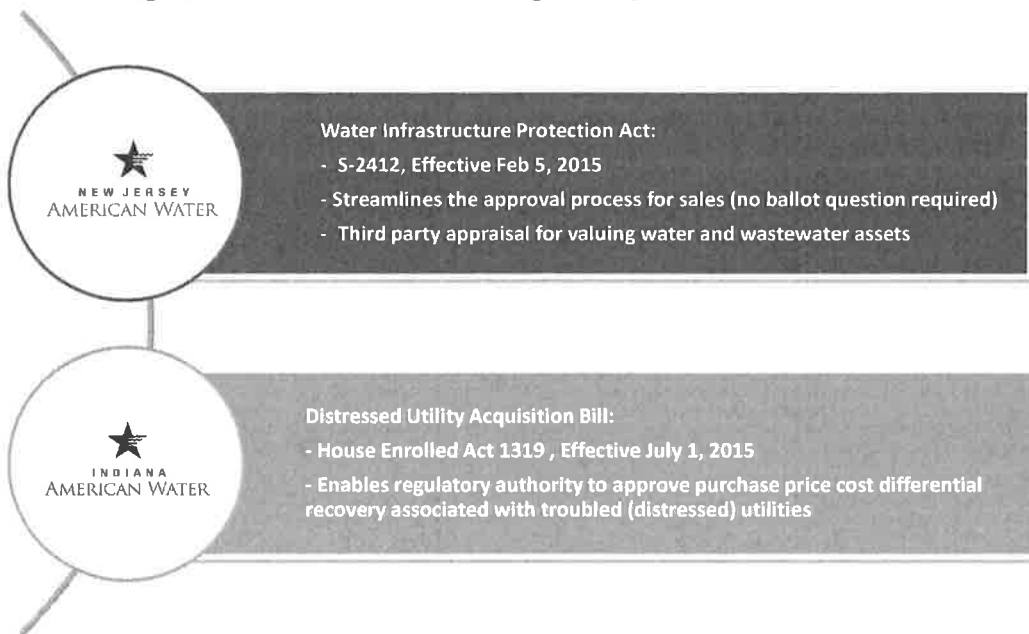
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Recent Legislations Promoting Acquisition Of Troubled Systems



Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



Distressed Utility Acquisition Bill:

- House Enrolled Act 1319 , Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

Other States With Similar Acquisition Adjustments:

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Our Role In California



Investing in Future of Water

- Total capital investment ~\$300 million
- Desalination Plant : 6.4 or 9.6 MGD
- Heated Metal Oxide Particles (HMOPs)
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery

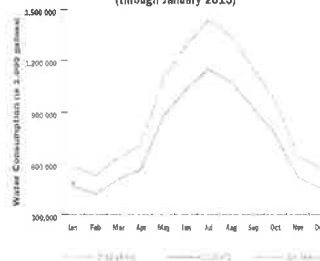
CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

Leading with Conservation

- Record drought, 25% mandatory statewide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
 - AMI Pilot in Monterey, monitor daily water consumption
 - Customers can sign up for text or email alert
- Usage decoupled from earnings

Customer Conservation Progress Current Consumption vs. 20% Reduction (through January 2015)



Conservation
GOAL: 20%

Actual conservation:
17%
for Jan 2015

Water Waste Reports
Received:
January: **6**
Year to Date: **6**

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Our Market-Based Business



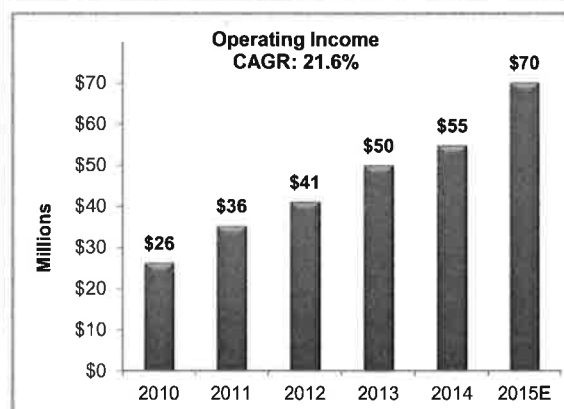
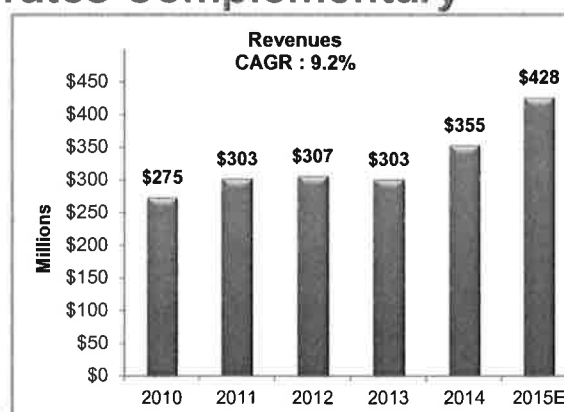
American Water Enterprise Generates Complementary Opportunities For Growth

Lines of Business

- **Homeowner Services (HOS)**
- **Contract Operations**
 - Military Services Group (MSG)
 - Municipal/Industrial (CSG)

“Regulated Like”

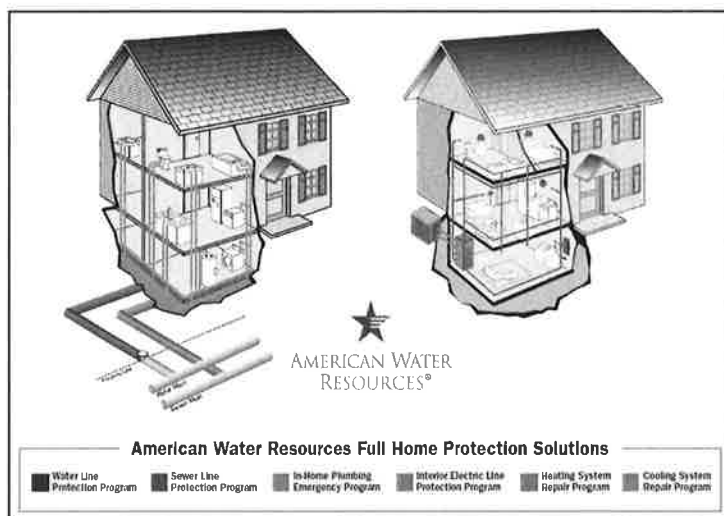
- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets



Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

November 2015

Homeowner Services



- Protect homeowners from unexpected high repair costs
- Manage approximately 700k customers and 1.4m contracts
- **Municipal partnerships**
 - New York City
 - Nashville, TN
 - Burlington, IA
 - Orlando, FL
- **Current warranties:**
 - Water Line
 - Sewer Line
 - In Home Plumbing
 - In Home Electric
 - HVAC (Test)

Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships

November 2015



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Military Services: Overall Growth Strategy

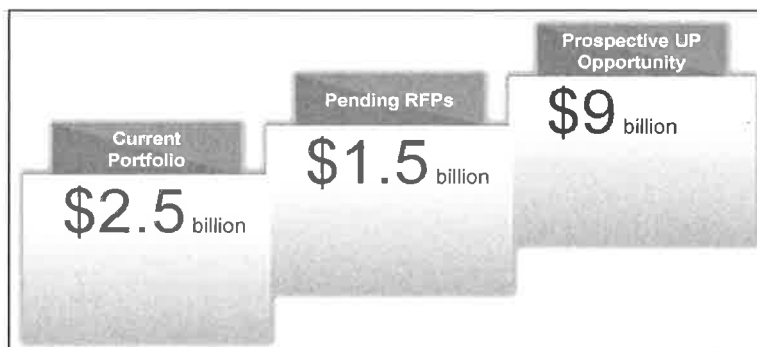
Add New Customers

Current Bases

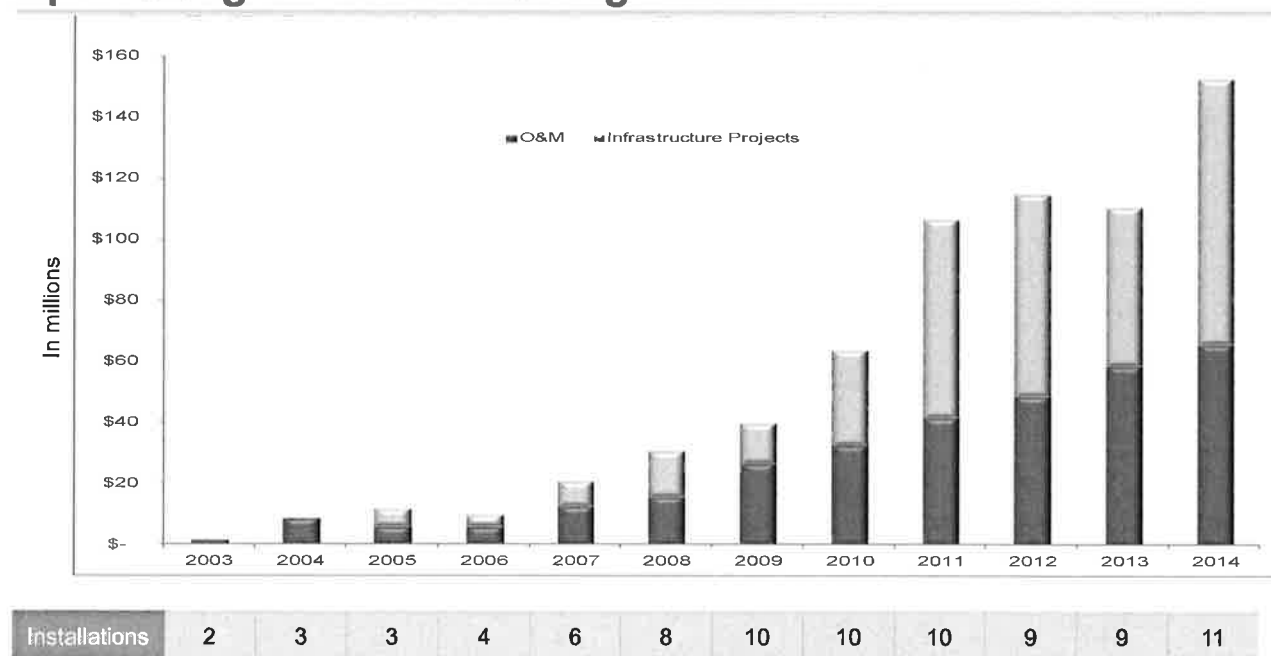
- Ft. Leavenworth (38 yrs. Left)
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)
- Vandenberg AFB (50 yrs. Left)

Optimize Existing Bases

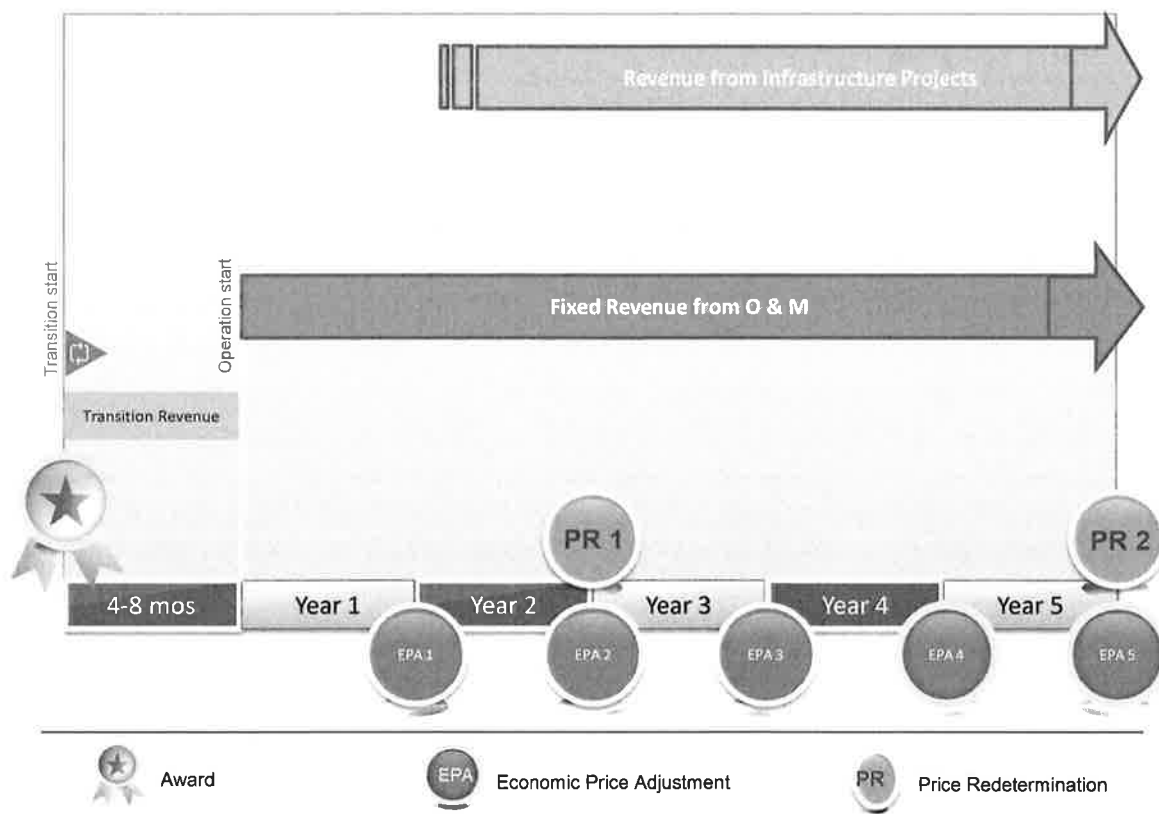
1. Price Redeterminations
2. Infrastructure Modifications



Military Services: Growth By Adding New Bases & Optimizing Value At Existing Bases



Military Services: Typical Revenue – First 5 Years Of Contract



INNOVATION AND ENVIRONMENTAL STEWARDSHIP



Interdisciplinary team of 40 people:

- Engineers, Chemists, Microbiologist & Environmental Scientists

Objectives:

- Address emerging water quality or regulatory issues
- Evaluate & recommend new technology to enhance operations
- Support operations with technical, functional expertise

Research Facts:

- More than 150 awards received for superior water quality
- Nearly 80 competitive research grants awarded
- Over \$32M total grant value
- Five US based patents



The Water-Energy Nexus: Challenges & Opportunities

DOE's Strategic Pillars	American Water's Efforts
Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> • NPXPRESS • Pressure Management Research • Pump Efficiencies • Demand Side Energy Management
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> • Smart Water Grid • Saving Water to Save Energy • Resiliency Projects
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> • One Water Philosophy • Desalination • Recycled Water
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> • Shale Gas Production
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> • Enbala • Solar Power • Wind Power Purchases



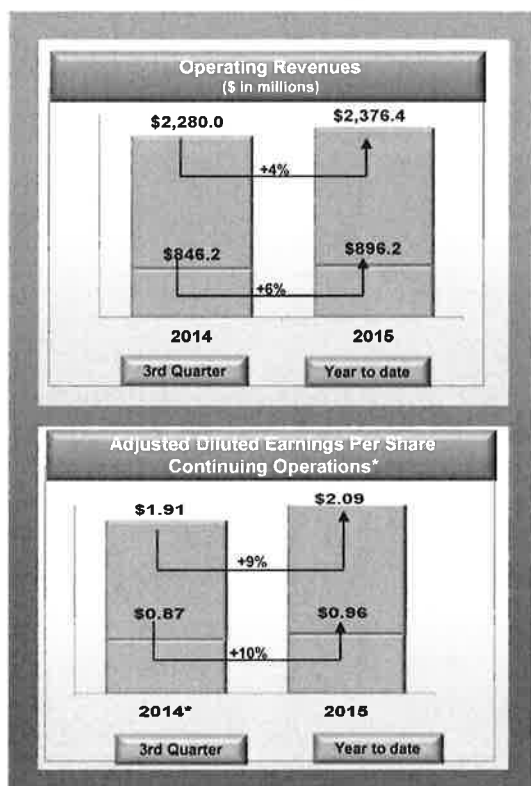
Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"

November 2015

Our Future Results Are Anchored On 5 Central Themes With Customers At The Center Of All We Do



Continued Strong Q3 2015 Revenue & EPS Growth



Third Quarter EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	2015
Regulated Businesses	\$0.97
Market-Based Businesses	\$0.07
Other (Includes Parent interest & other)	(\$0.08)
Total EPS	\$0.96

Year To Date EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	2015
Regulated Businesses	\$2.09
Market-Based Businesses	\$0.17
Other (Includes Parent interest & other)	(\$0.17)
Total EPS	\$2.09

Note: *Reported 2014 YTD EPS of \$1.87 was adjusted by \$0.04 for the after-tax impact of the Freedom Industries chemical spill in WV. Segment information rounded for presentation purposes

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NYSE



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Q4 2015 Earnings Call: February 25, 2016, 9 a.m. ET
Investor Day: December 15, 2015



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Appendix



Reconciliation Table – Regulated O&M Efficiency Ratio

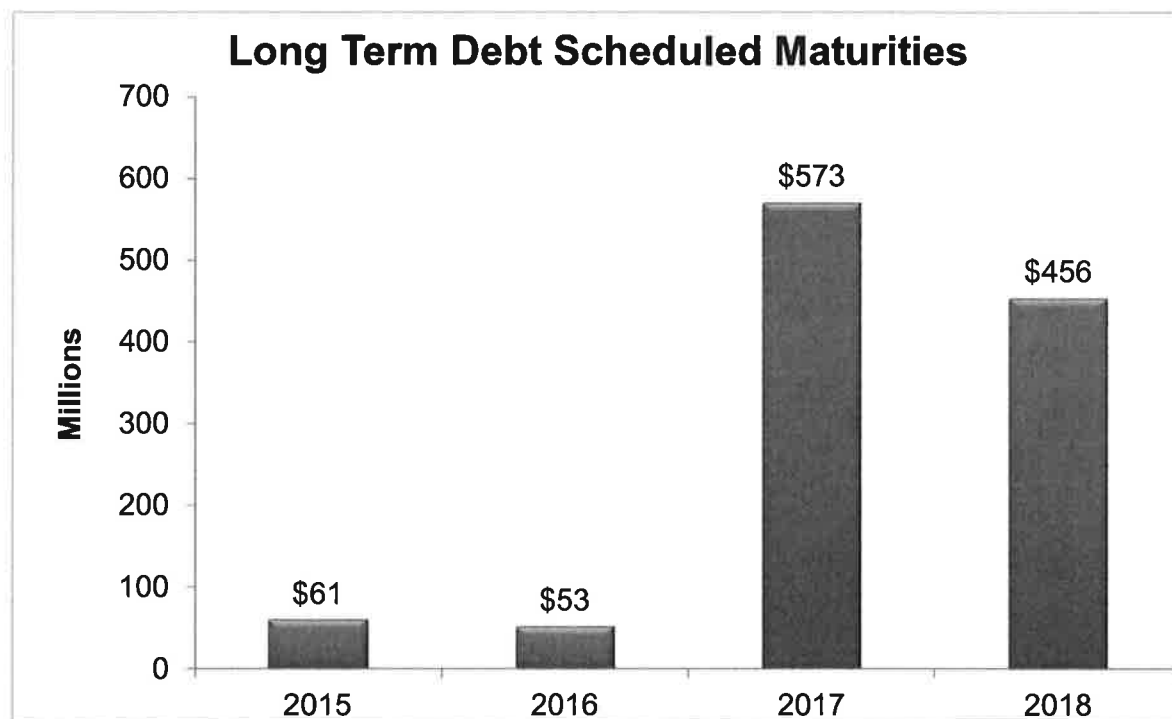
Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number) (\$ in thousands)	FY	FY	FY	FY	FY
	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
Adjusted Regulated Operations and Maintenance Expense (a)	\$966,198	\$963,013	\$980,457	\$961,377	\$942,545
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
Adjusted Regulated operating revenues (b)	\$2,185,822	\$2,269,883	\$2,411,376	\$2,498,424	\$2,570,825
Regulated O&M Efficiency Ratio (a)/(b)	44.2%	42.4%	40.7%	38.5%	36.7%

*Calculation assumes purchased water revenues approximate purchased water expenses

November 2015



Debt Maturity Schedule



West Virginia Update: Independent Comments Around West Virginia American Water's Actions During The Freedom Industries Chemical Spill



Home News Cops and Courts Sports Opinion Business Food and Livin

Monday, June 30, 2014

Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call...."

ACE¹⁴

Annual Conference & Exposition
Boston Convention & Exhibition Center | Boston, MA USA
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"

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Regulatory Filings Focused On Infrastructure Investments

Rate Cases Awaiting Final Order							
A. Rate Cases Filed							
Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base	
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	\$35.6	(a)	10.75%	\$540.0	
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6	
Virginia	Case No. 2015-00097	10/30/2015	8.7		10.75%	162.2	
			\$69.5			\$1,784.8	

Rates Effective since October 1, 2014							
	Date Effective	Revenue Increase		Comments			
B. Step Increases							
California	Various	\$1.9	(c)	Final Step			
		\$1.9					
C. Infrastructure Charges							
Missouri (ISRS)	12/31/2014	\$9.0					
New Jersey (DSIC)	1/1/2015	9.4					
Illinois (QIP)	1/1/2015	4.9					
Illinois (QIP)	2/1/2015	1.0					
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6					
New York (SIC)	6/1/2015	0.1					
Missouri (ISRS)	6/27/2015	1.9					
Tennessee (QIP, EDI & SEC)	6/30/2015	2.2					
Pennsylvania (DSIC - W & WW)	7/1/2015	4.6					
Pennsylvania (DSIC - W & WW)	10/1/2015	7.8					
		\$42.5					
D. Rate Cases							
Indiana	1/29/2015	\$5.1					
California	1/1/2015	5.2	(d)				
Maryland	6/19/2015	0.5					
Kentucky WW	7/2/2015	0.2	(e)				
New Jersey	9/21/2015	22.0					
		\$33.0					

Note: See slide 22 in appendix for footnotes

November 2015



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Regulatory Filings: Rate Cases Update Footnotes

(a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.

(b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million.











(c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.

(d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.

(e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year.



Regulated Utilities: Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries							
	 CALIFORNIA AMERICAN WATER	 ILLINOIS AMERICAN WATER	 INDIANA AMERICAN WATER	 KENTUCKY AMERICAN WATER	 MISSOURI AMERICAN WATER		
Authorized Rate Base*	\$439,448	\$706,386	\$841,915	(b)	\$384,729	\$831,375	(b)
Authorized ROE	9.99%	(a) 9.34%	9.75%		9.70%	10.00%	(g)
Authorized Equity	53.00%	(a) 48.10%	41.55%	(c)	44.70%	50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a) 10/1/2012	1/29/2015		10/25/2013	(d) 4/1/2012	
	 NEW JERSEY AMERICAN WATER	 NEW YORK AMERICAN WATER	 PENNSYLVANIA AMERICAN WATER	 VIRGINIA AMERICAN WATER	 WEST VIRGINIA AMERICAN WATER		
Authorized Rate Base*	\$2,386,790	\$128,882	(f) \$2,425,711	(b)	\$119,254	(b) \$448,841	(b)
Authorized ROE	9.75%	9.65%	(f) 10.25%	(g)	9.75%	9.90%	(g)
Authorized Equity	52.00%	42.00%	(f) 51.69%	(e)	42.67%	(e) 45.23%	(e)
Effective Date of Rate Case	9/21/2015	4/1/2012	(f) 1/1/2014		12/12/2012	(h) 10/11/2013	

*Rate Base stated in \$000s

Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

Reconciliation Table: Closed & Pending Regulated Acquisitions

Acquisitions				
2015 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
IN	2	546	—	546
MO	2	25	9,296	9,321
NJ	1	4,500	4,500	9,000
PA	2	55	245	300
Total	7	5,126	14,041	19,167
Announced Pending Acquisitions**				
<i>(As of November 5, 2015)</i>				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	5	2,590	253	2,843
IL	1	135	—	135
MO	4	254	399	653
NJ	2	104	5,300	5,404
NY	1	35	—	35
PA	3	196	4,060	4,256
Total	16	3,314	10,012	13,326

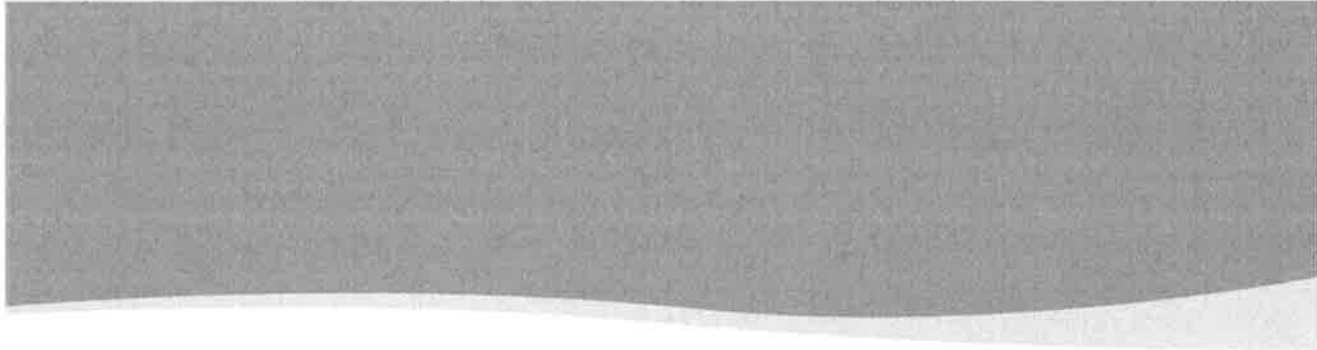
**Announced pending defined as awaiting financial close, municipal and/or regulatory approval.

November 2015

Reconciliation Tables: Adjusted Diluted Earnings Per Share From Continuing Operations

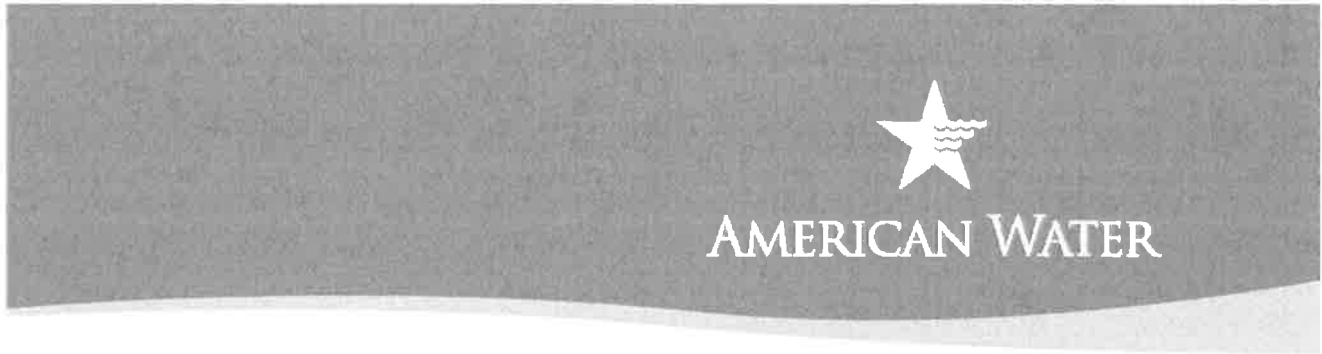
Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
Net Income - GAAP	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
Income from continuing operations per diluted common share - GAAP	\$ 1.46	\$ 1.72	\$ 2.10	\$ 2.07	\$ 2.39
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
Adjusted diluted EPS from Continuing Operations	\$ 1.46	\$ 1.72	\$ 2.10	\$ 2.21	\$ 2.43

Note: Amounts may not sum due to rounding



American Water Rating Agency Presentation

March 26, 2015



Safety Message





Prepare Your Home for Spring

- Replace the batteries in your smoke alarms and carbon monoxide detectors
- If you are moving furniture – keep your back straight and lift with your legs
- When cleaning, follow product safety instructions
- Be sure to wear a mask when cleaning dusty areas
- Wear protective goggles when cutting the lawn or working with power tools

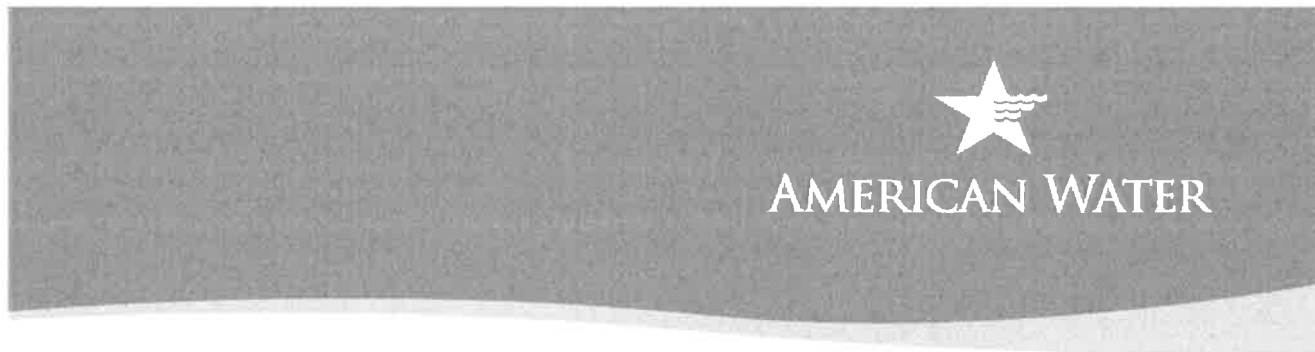


- While cleaning, also get rid of expired medicines properly and make sure your first aid kit is up to date



Agenda

- Company Strategic Overview
- Business Update
 - Regulated Business Overview
 - Capital Investments
 - Acquisitions
 - Market Based Business
- Credit Considerations
 - Historical Financials and Forecast
 - Financial Liquidity and Debt Management
 - Financial Projections and Key Assumptions: 2015-2019
- Appendix
 - Regulatory Highlights: Rate Cases Update Footnotes
 - Earned vs. Allowed ROE by Subsidiaries
 - Reconciliation Tables
 - American Water Treasury Contacts



Company Strategic Overview



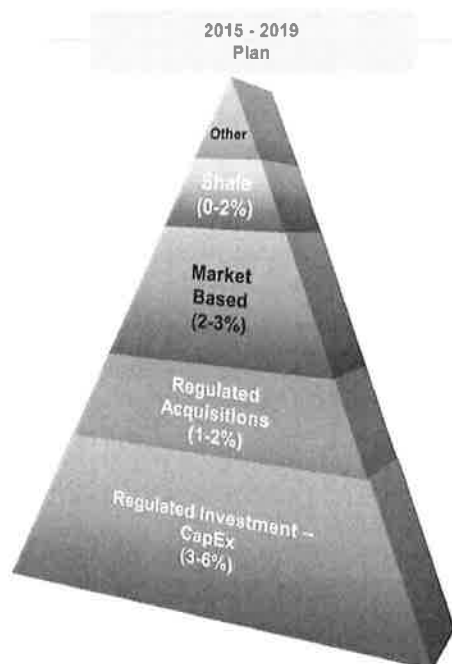


Our future results are anchored on 5 central themes with customers at the center of all we do



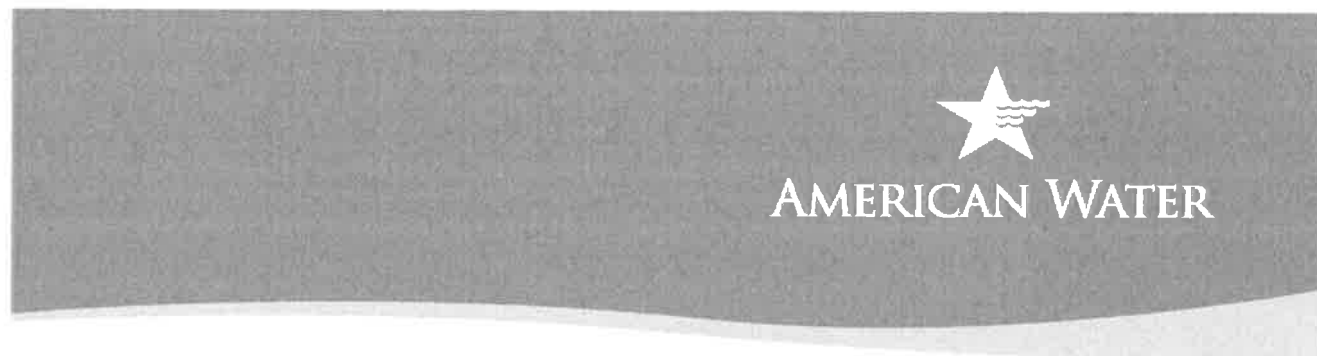


Our Future: Our commitment over the next 5 years



- Industry Leading **7-10%** Long Term EPS Growth*
- **\$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **-2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship

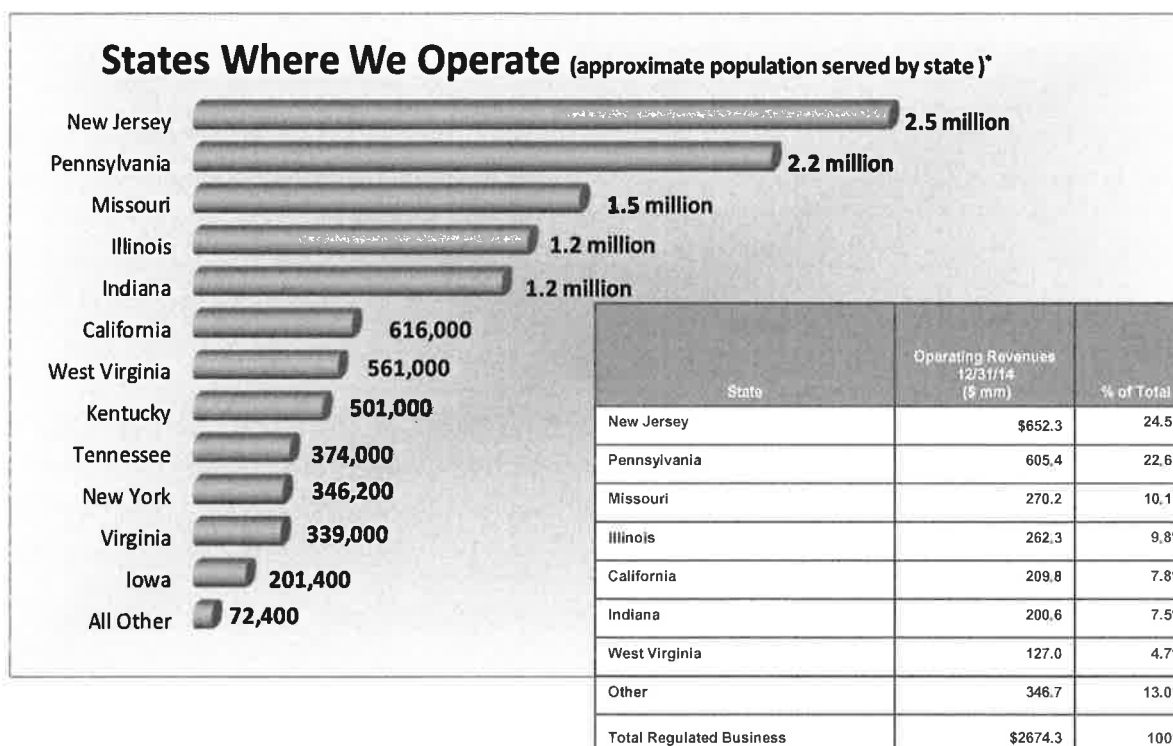
*Anchored from FY 2013



Regulated Business Update



Our Regulated Business



* Population data for FY 2014



Regulated Operations Update



New Jersey Rate Case filing:

- \$66.2M or 9.96%
- Primarily driven by \$775M investments in assets
- \$19M reduction in operating costs, supported ~\$125 million of the investment
- CTA filed per new BPU policy



Preliminary decision on California Rate Case

One year extension in Cost of Capital filing with CPUC:

- Extends authorized ROE of 9.90% through 2016
- Defer the next cost of capital application to March 31, 2016

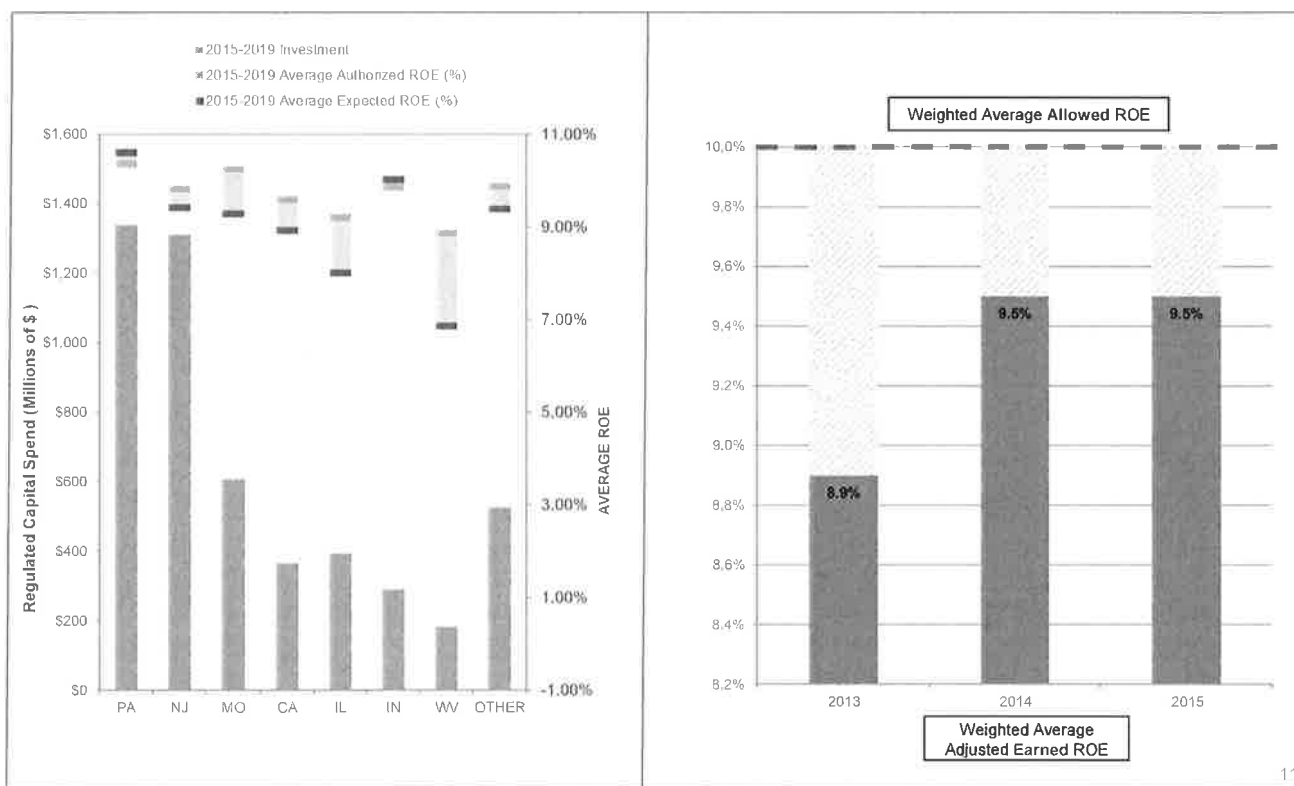


Indiana American rate case order, effective Jan 29, 2015:

- \$5.1M revenues (2.6% increase, ROE 9.75%)
- Primarily driven by more than \$220 million investment in assets
- \$5.5M reduction in operating costs, supported ~\$33 million of the investment
- Forward looking rate base

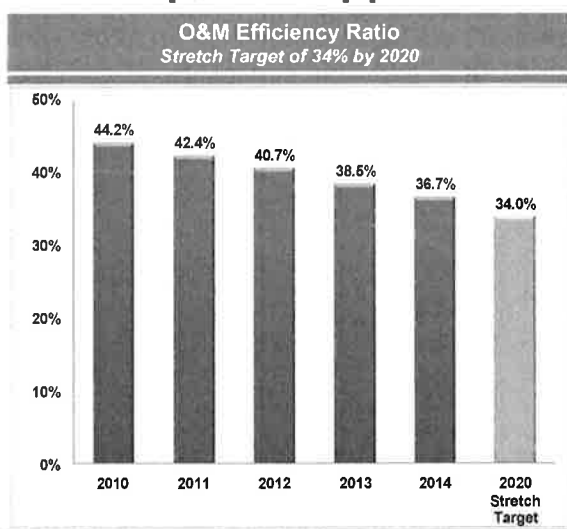


Improvements in ROE and Regulatory Lag

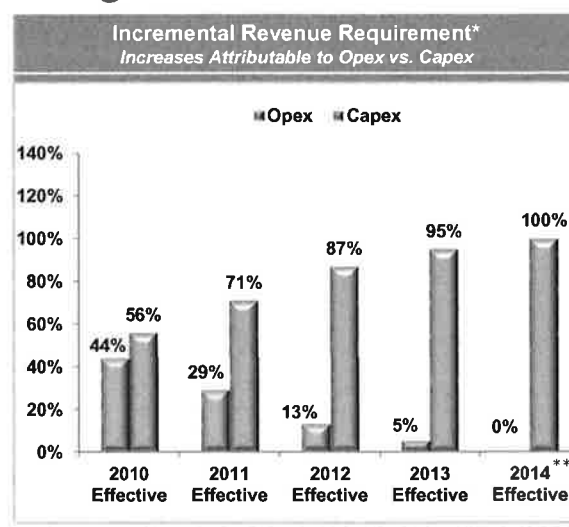




Our Disciplined Approach to Investing



Note:
O&M Efficiency Ratio - Non GAAP measure - See appendix for reconciliation



Note:
* Approximation in states where we received black box award
** For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures



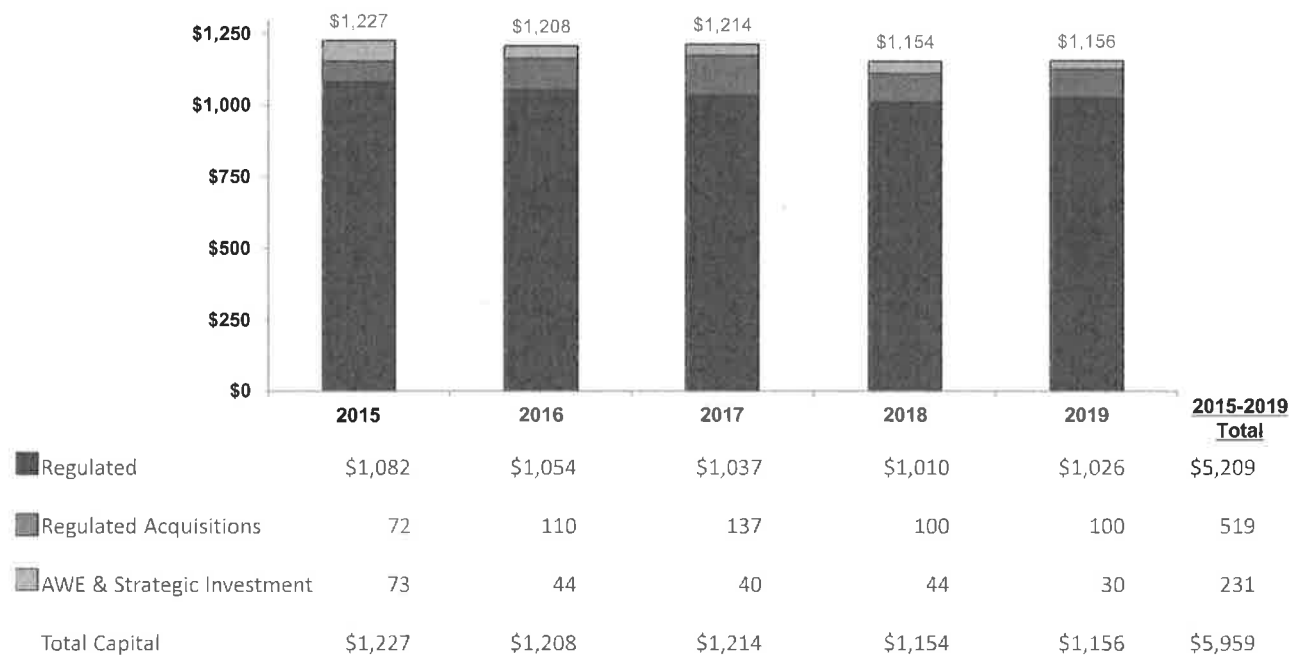
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Capital Investments



Capital Investment

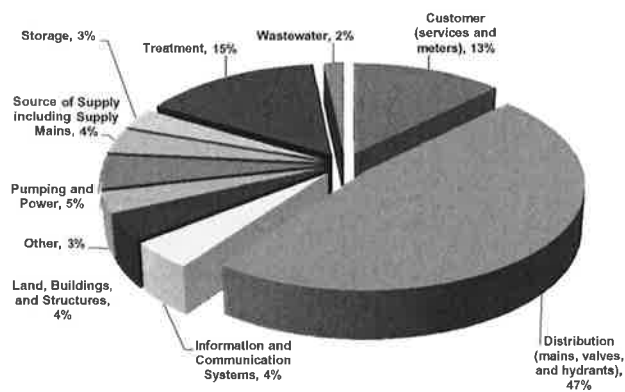
(\$ in millions)



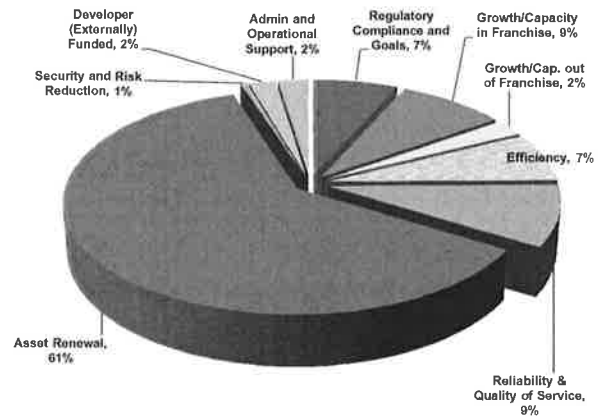


Regulated Capital Expenditures – the “What” and the “Why”

2015 Net Capex – “What”



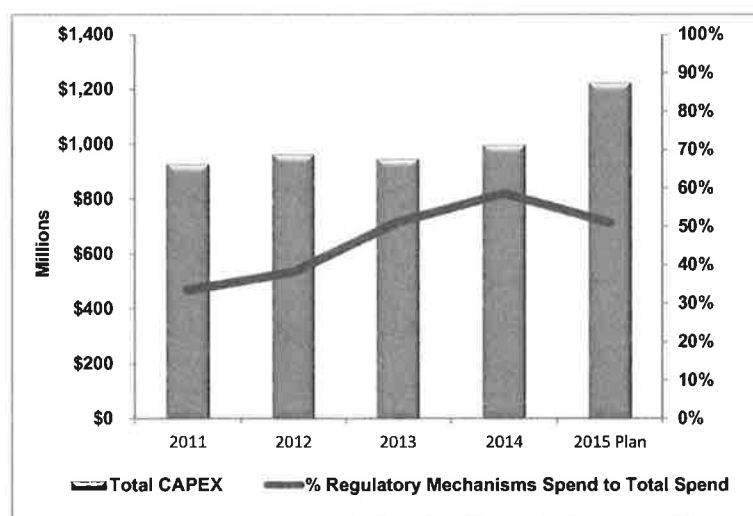
2015 Net Capex “Why”





Constructive Regulatory Policies will continue to accelerate recovery of Capital Investment

Capital Expenditures covered by Regulatory Mechanisms



Note
 (1) Regulatory Mechanisms includes DSIC, SIC and Future Test Years



Working with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Operating Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service ⁽¹⁾	Revenue Decoupling or Declining Usage Adjustment
NJ	x		x	x		x
PA	x	x		x	x	x ⁽³⁾
MO	x		x	x		x ⁽³⁾
IL	x	x	x	x	x	x
IN	x	x		x		x
WV				x		
CA		x	x		x	x
KY		x		x	x	
NY	x	x	x		x ⁽²⁾	x
TN	x	x	x		x	x ⁽³⁾
VA	⁽⁴⁾	x	x		x	
IA				x		
HI		x				
MD			x			

(1) As opposed to capitalizing an allowance for funds used during construction

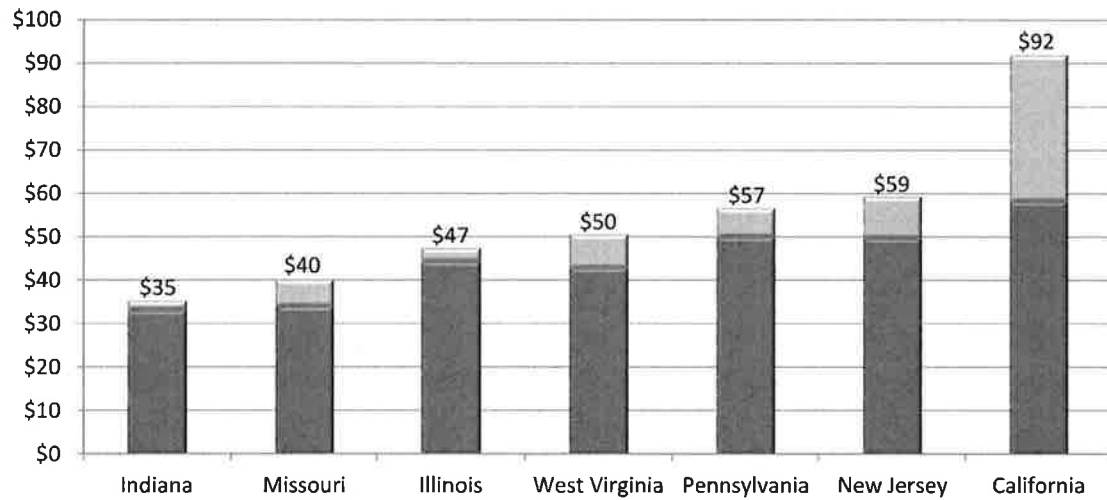
(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/Waste Water Infrastructure Surcharge (A DSIC mechanism).

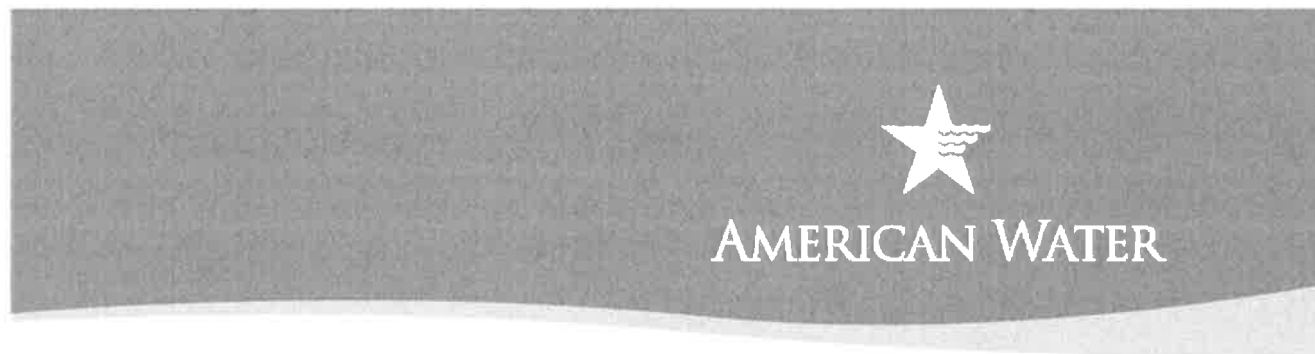


Average Monthly Residential Bill – 2015 to 2019



2011-2014 CAGR	-0.55%	5.27%	2.21%	1.63%	4.50%	1.55%	10.12%
2014-2019 CAGR	1.38%	2.37%	1.02%	2.63%	1.25%	3.43%	7.77%

Average Customer Bill 2011-2014
 2015-2019 Increase



Acquisitions



Closed & Pending Acquisitions

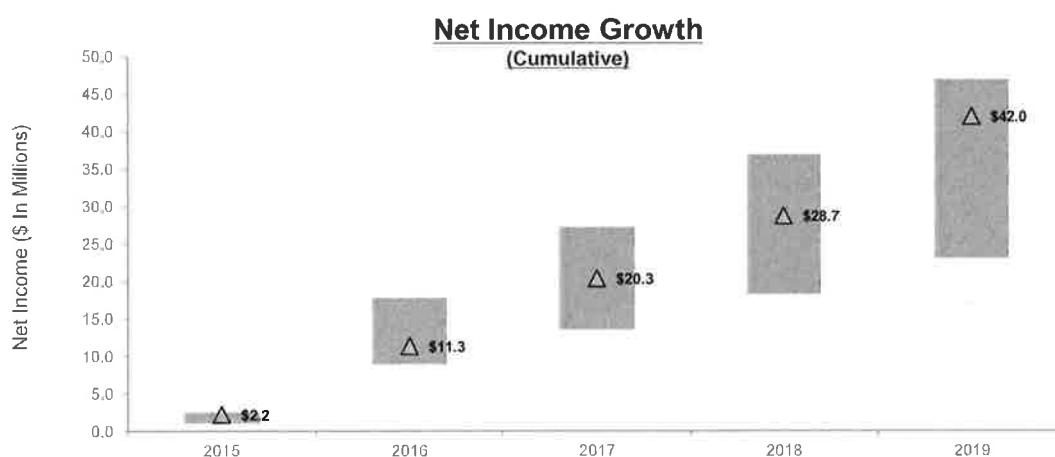
Acquisitions				
2014 Closed Acquisitions				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
IL	1		500	500
IN	2	754		754
KY	1	466	392	858
MO	2	485	442	927
NJ*	1			
NY	2	419	413	832
PA	4	36	618	654
Total	13	2,160	2,365	4,525
Announced Pending Acquisitions**				
<i>(As of Feb 25, 2015)</i>				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
CA	3	2,098	253	2,351
IN	1	420		420
MO	3	25	9,150	9,175
NJ	1	4,500	4,500	9,000
PA	3	196	405	601
Total	11	7,239	14,308	21,547

*NJ American acquired the treatment plant and pump stations but previously had owned the collection systems so no additional customers

**Announced pending defined as awaiting Municipal and/or Regulatory approval



Growth: Regulated Acquisitions



- Point estimates based on state by state analysis of likely growth
 - Likely growth CAGR ~1.8%
- Upside potential could be driven by
 - More favorable public policies
 - Stronger internal focus
 - Union support
- Investment capital of \$400 million



Why is Acquisition Pipeline More Robust?

Keyword: Wastewater

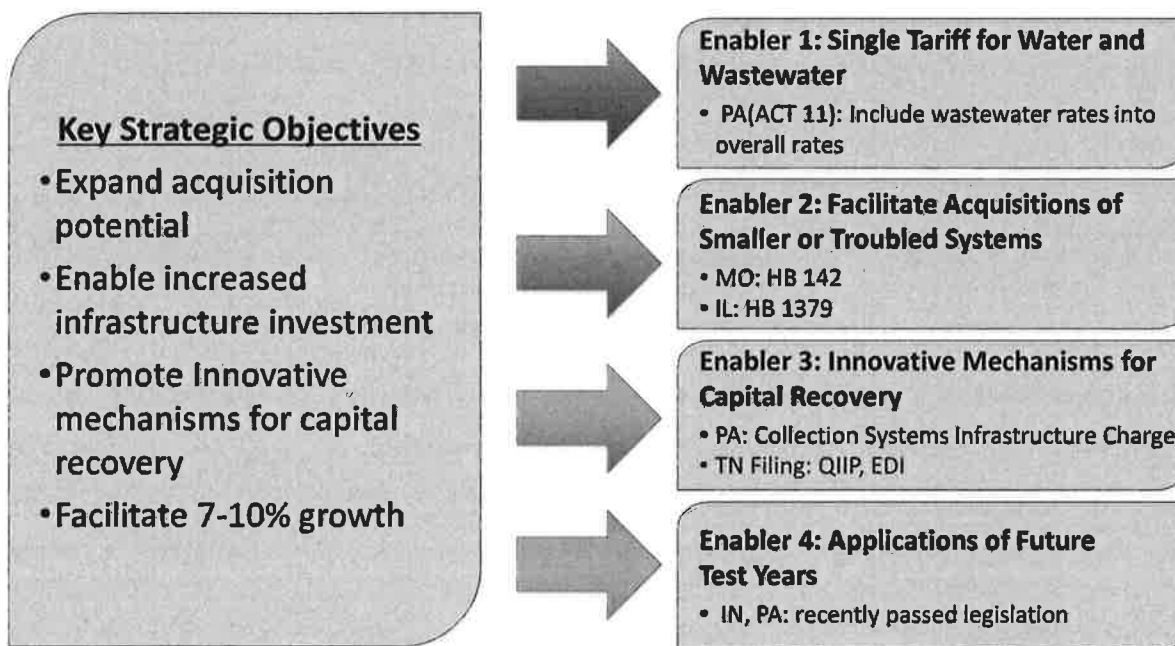
External Factors

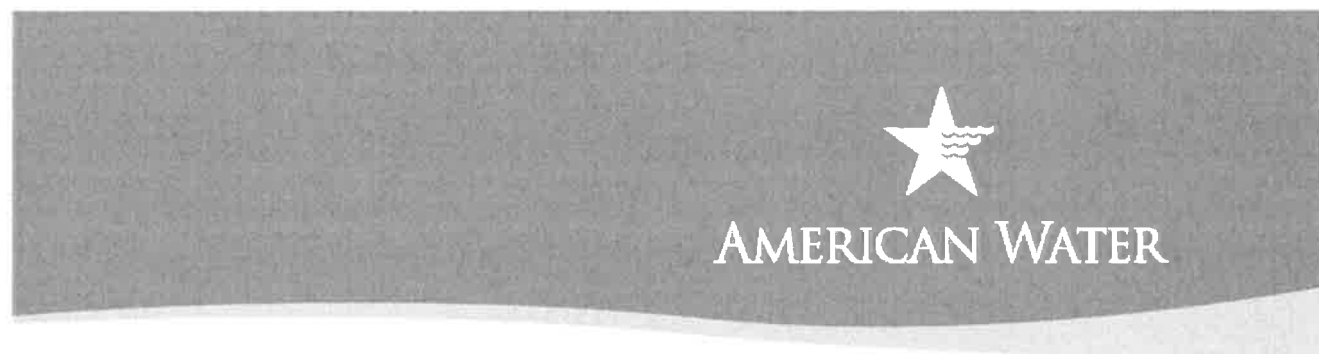
- Continued aging of infrastructure
- Less attachment to wastewater by municipalities
- Increasing EPA regulations

Internal Factors

- New focus on wastewater
- Strong presence in communities
- More cost effective service with dual service customers

Strategic Enablers for Regulated Growth





Market Based Business



Our Market Based Business

Regulated Like

Except not as Capital Intensive

Modest competition

Strong/consistent margins

Controllable risk

Growing market

Capitalizes on AW strengths

Lines of Business

Homeowner Services (HOS)

Contract Operations

Military Services Group (MSG)

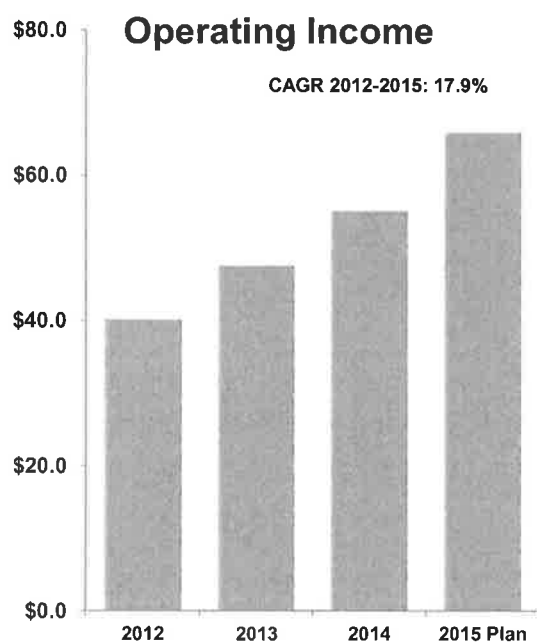
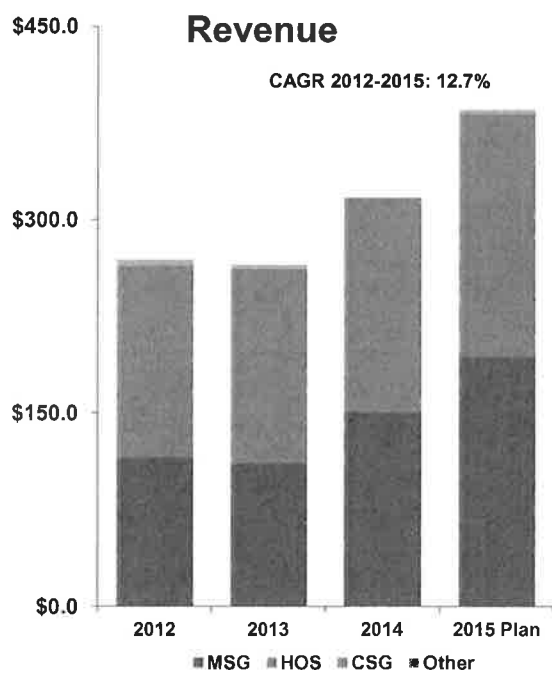
Municipal/Industrial (CSG)

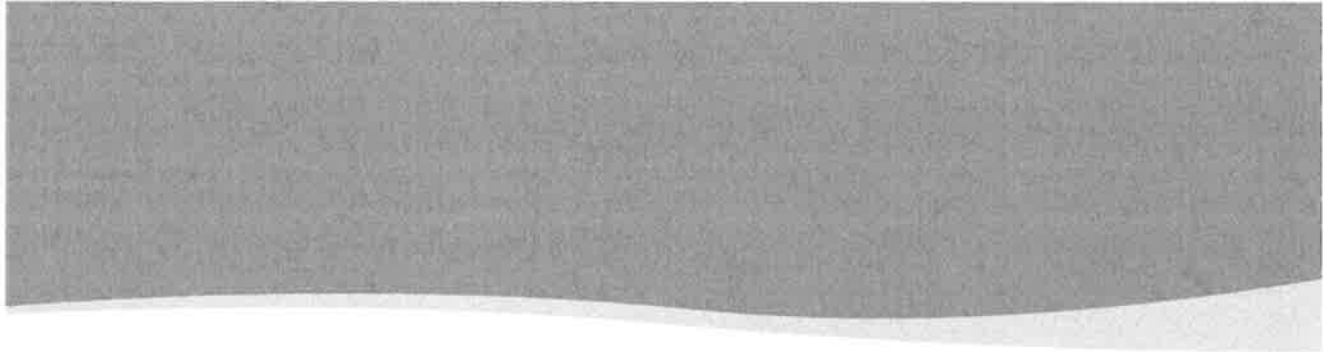
Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation



Market Based Business: Revenue & Operating Income

(\$ in millions)

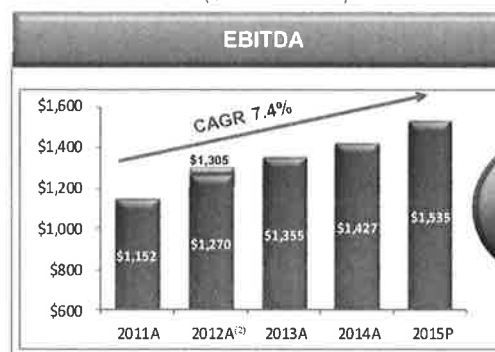
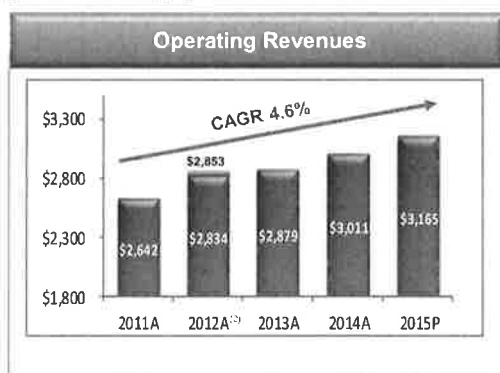




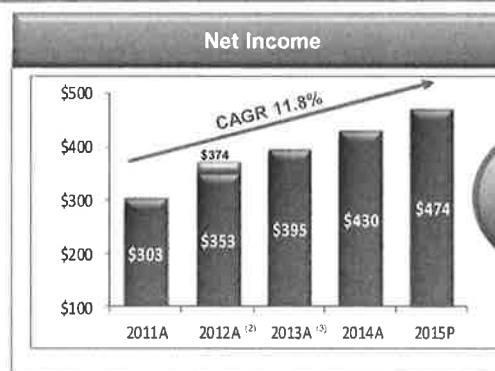
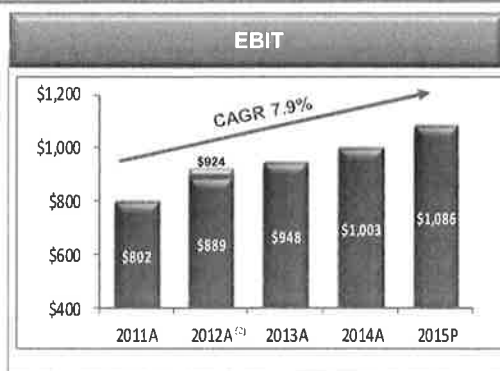
Credit Considerations: Historical Financials & Forecast



Financial Performance and Forecast (\$ in millions) ⁽¹⁾



Higher EBITDA
CAGR than
Revenue due to
cost containment



Higher NI CAGR
than EBITDA due
to reduced
interest expense

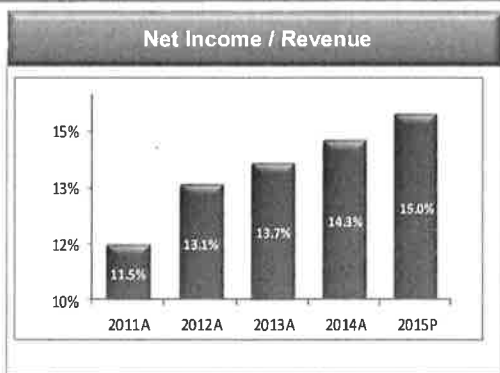
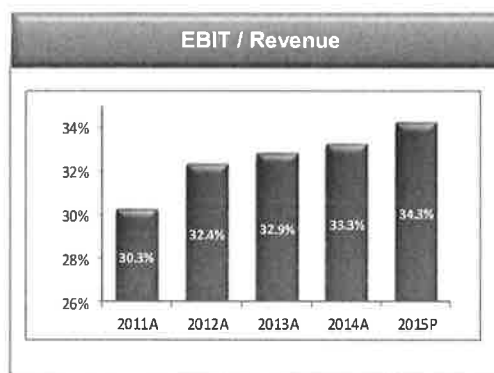
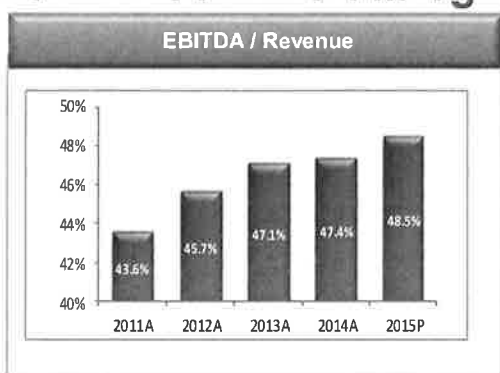
(1) Excludes discontinued operations

(2) Before and after weather adjustments

(3) Excludes impact of one-time loss on extinguishment of debt of \$40.6M from the debt tender on October 2013



Selected Financial Margins*

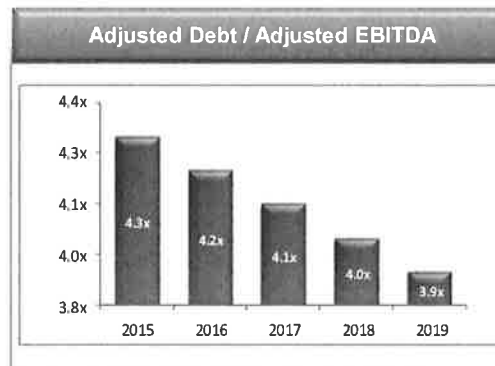
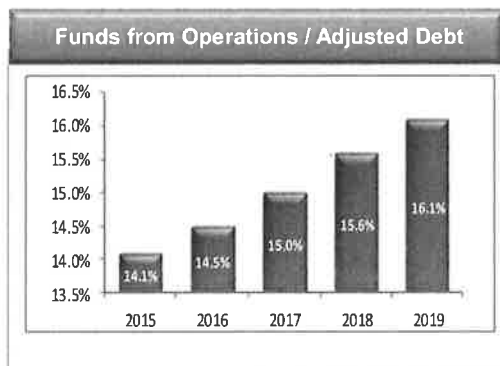


Improving margins from operating cost discipline and refinancings to lower interest rates

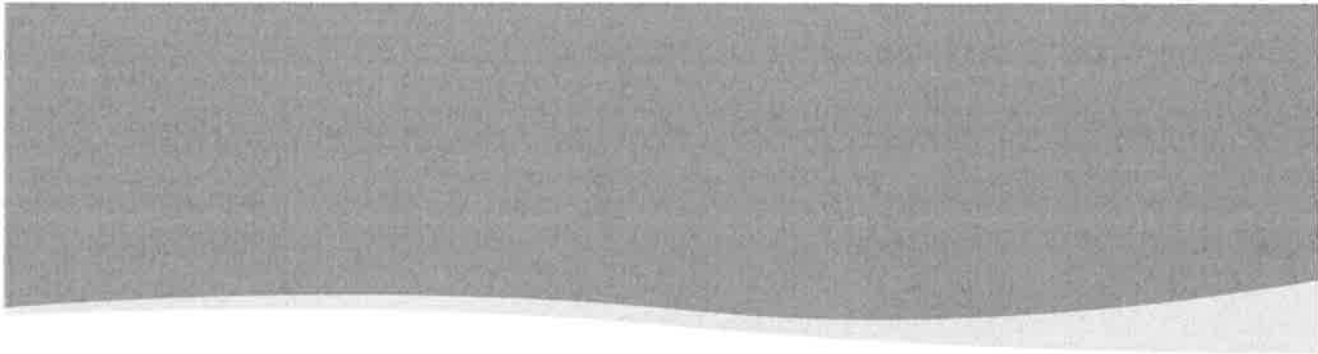
* Margins calculated from figures on previous page



Selected Key Credit Metrics



Improving credit metrics due to strong expected cash flow and operating efficiency



Financial Liquidity & Debt Management

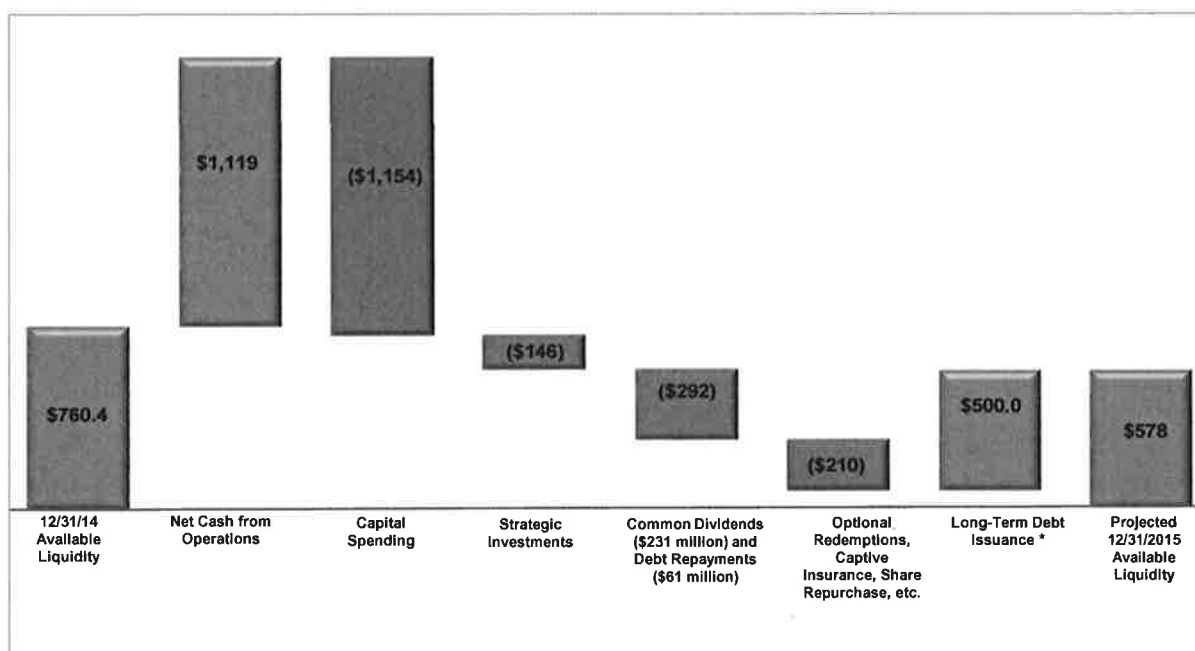


Liquidity Management

- Company has three primary sources of liquidity: cash from operations, committed bank credit facility and access to capital markets
 - Cash from operations was \$1.1 billion in 2014 and is expected to grow, exceeding \$1.2 billion by 2016
 - Committed Bank Credit Facility
 - Credit of \$1.25 billion through October 2017, with \$1.18 billion extended through October 2018
 - Currently evaluating amend and extend to year 2020 with 2 one-year extension options
 - Credit agreement requires the Company's ratio of Debt to Total Capital to be on or below 70%. On December 31, 2014, our ratio was 55%.
 - Access to Capital Markets
 - AWCC has strong access to commercial paper
 - CP outstanding as of December 31, 2014 was \$450 million
 - Weighted average interest rate on CP borrowings as of year-end 2014 was 0.42%
 - AWCC has ample access to the tax-exempt and taxable bond market
 - Issued \$500 million in August 2014 and potential issue of \$250-\$500 million in mid-2015
- Secondary source of liquidity management is the ability to manage capital expenditures
 - Approximately 88% of the capital is discretionary and may be delayed if necessary
 - Capital expenditures consist of many small projects



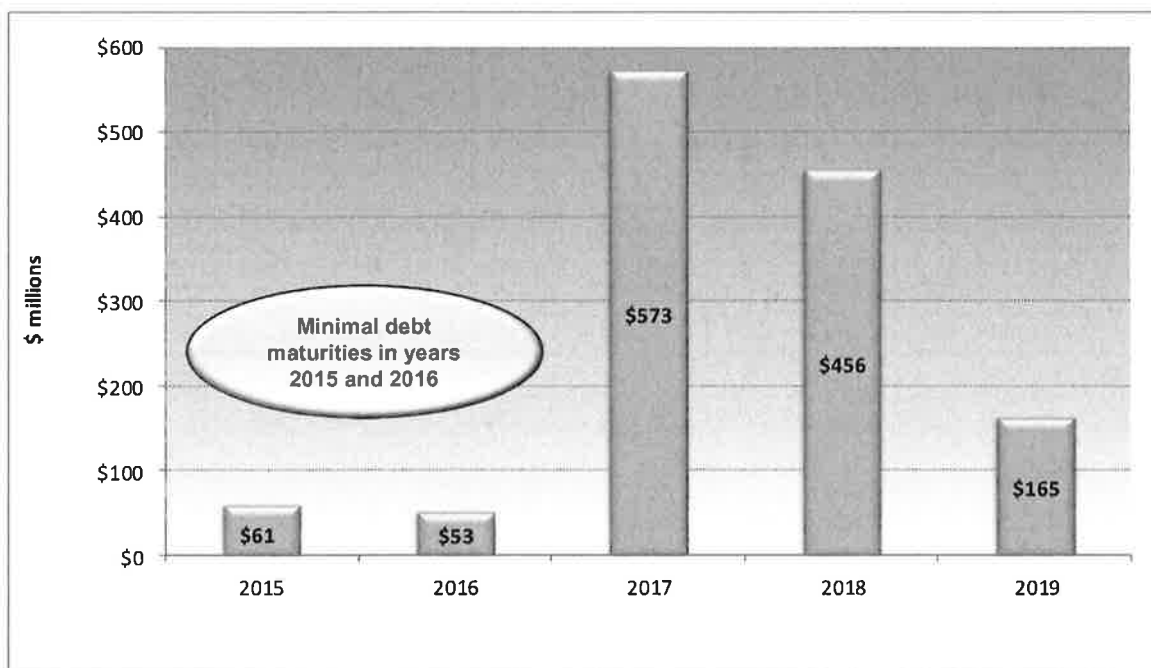
Financial Liquidity in 2015 (\$ in millions)

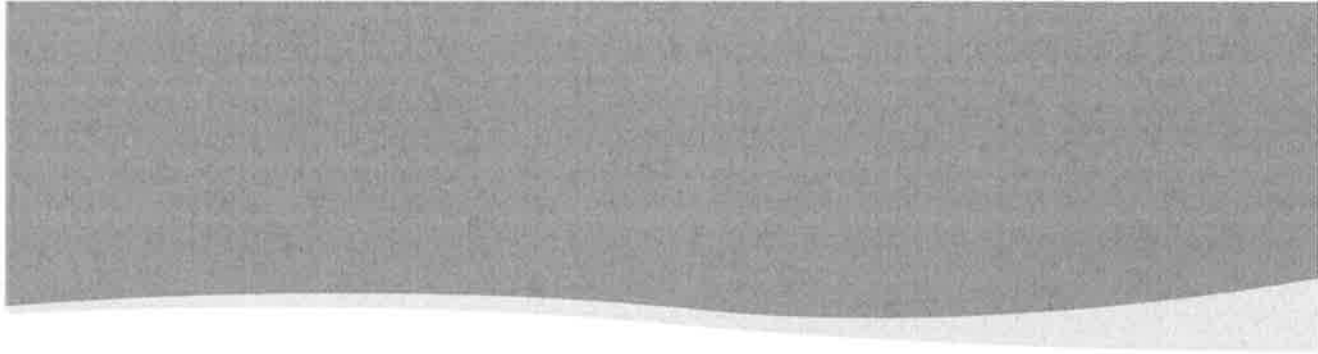


* Only \$250 of the \$500 million was included in the plan



Long-term Debt Maturities in Next Five Years (as of 12/31/2014)





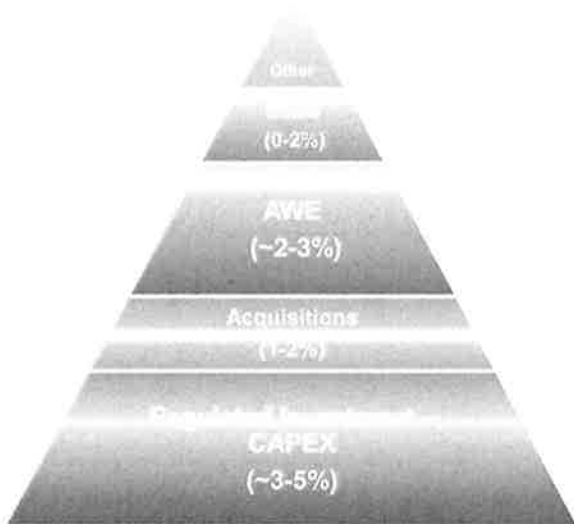
Financial Projections & Key Assumptions: 2015-2019



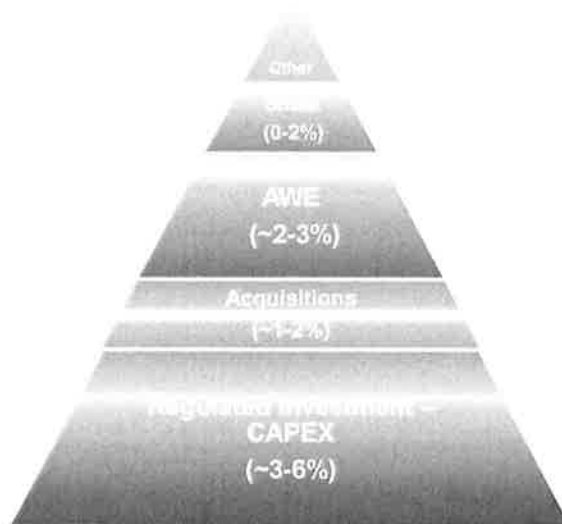
Growth drivers relatively consistent through 2019

7 – 10 % Annual EPS Growth

**Prior Plan
2015 - 2018**



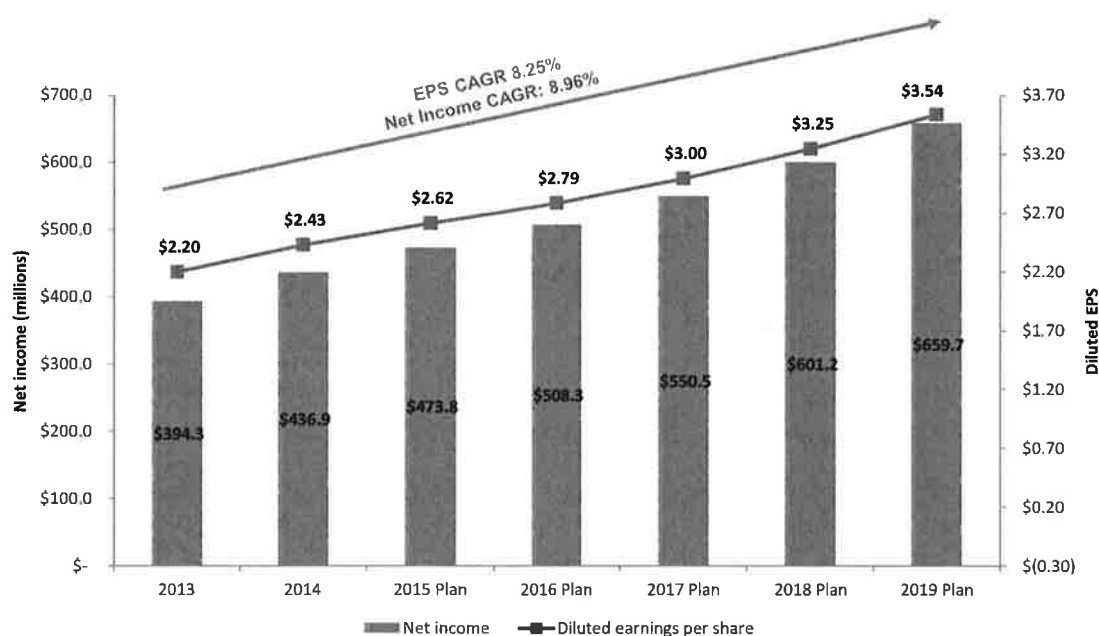
**Current Plan
2015 - 2019**





Adjusted Net Income and Diluted Earnings per Share

(\$ in millions, except per share data)



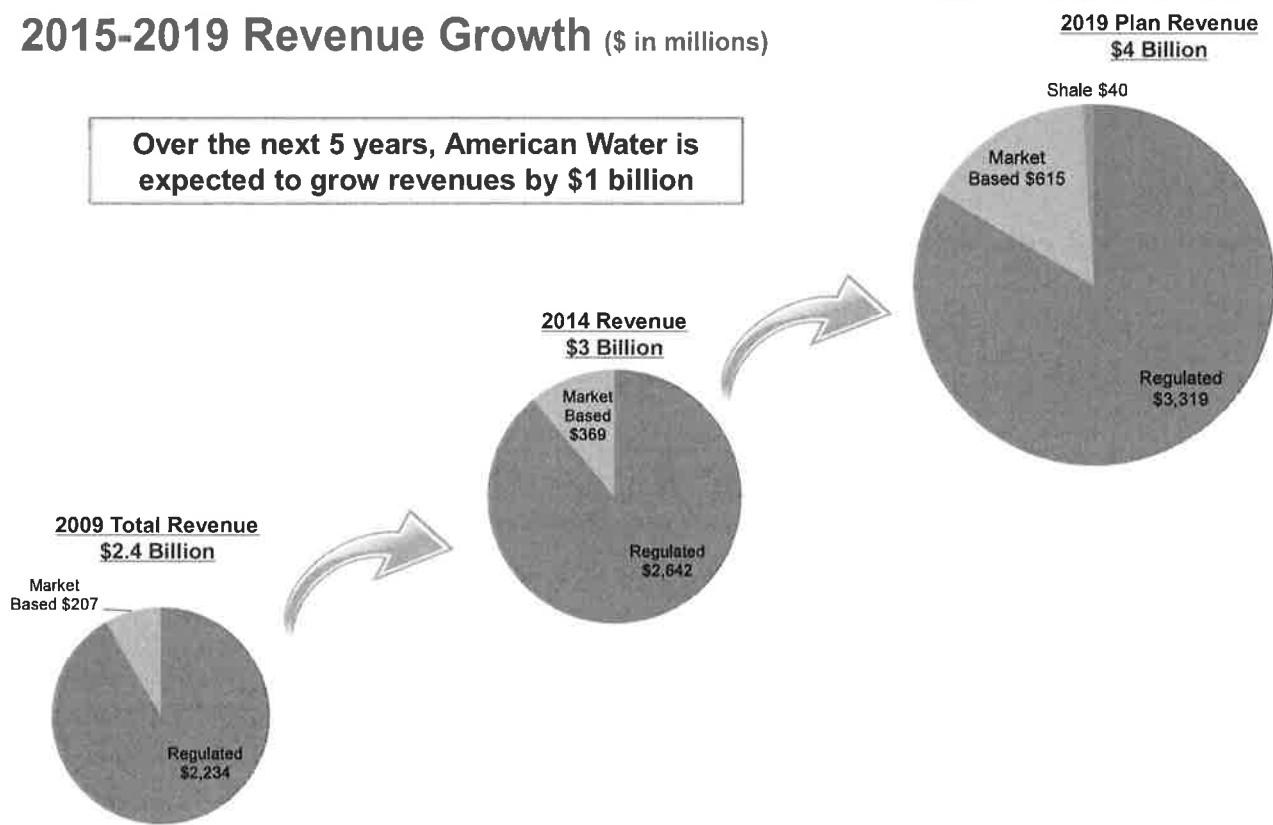
2013 and 2014 were both impacted by milder weather (included in figures above).

EPS figures reflect results from Continuing Operations



2015-2019 Revenue Growth (\$ in millions)

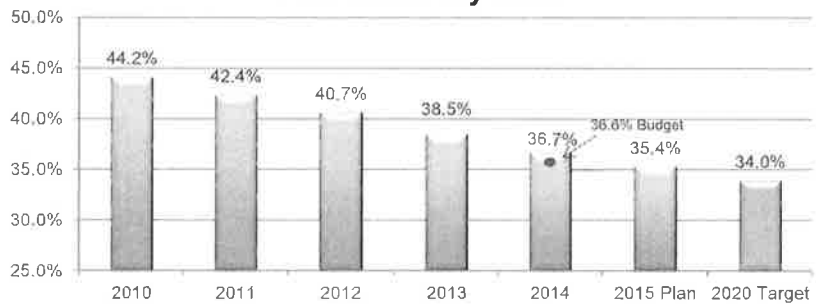
Over the next 5 years, American Water is expected to grow revenues by \$1 billion





Regulated O&M Cost Control

O&M Efficiency Ratio

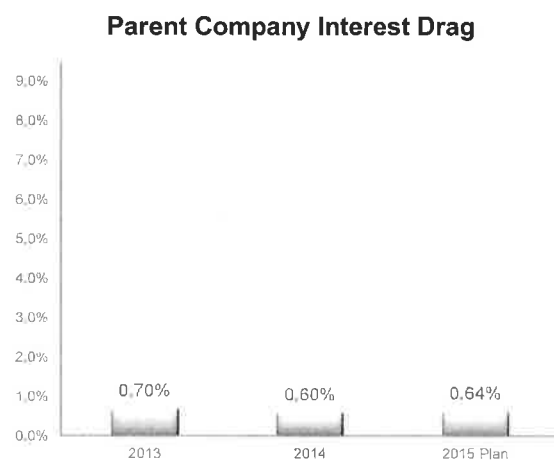
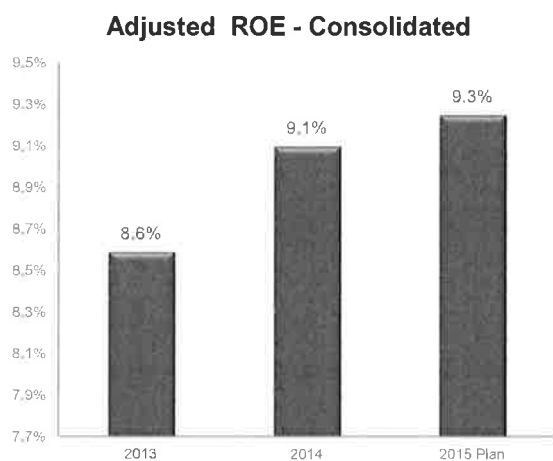


Key Enablers- Flat O&M

- Service Company reduction of \$30m
- Leverage SAP Efficiencies
- Plant Automation
- Yellow Belt Projects
- AMR
- Supply Chain initiatives



Consolidated ROE



ROE calculations exclude the impact of one time events (2013: Tender Offer; 2014: WVA Event), and is based on average equity



Overarching Guidance/Assumptions 2015-2019 Plan

- Revenue:
 - Residential water usage volume is based on 5-year declining historical winter trend ranging from 1.4% to 2.9% depending on state-specific data

	2015P	2016P	2017P	2018P	2019P
EXPENSES					
Merit (non-union) Increase ⁽¹⁾	3.50%	3.50%	3.75%	3.75%	3.75%
Group Insurance - cost per employee	\$11,311	\$11,594	\$11,884	\$12,181	\$12,485
Premium Increase - Insurance other than Group	4.4%	4.7%	4.7%	4.7%	4.7%
Interest Rate - Long Term Debt	3.88%	4.15%	4.33%	4.44%	4.47%
Interest Rate- Short Term Debt	0.47%	1.35%	2.21%	2.79%	3.23%
ERISA Minimum Contribution (\$ millions) ⁽²⁾	\$48.6	\$55.2	\$55.6	\$51.2	\$51.2
Pension Expense (\$ millions) ⁽²⁾	\$20.3	\$13.9	\$6.7	\$2.2	\$2.2
Post-Retirement Benefit Expense (\$ millions) ⁽²⁾	\$15.8	\$15.0	\$14.1	\$13.6	\$13.6
Dividend Per Share ⁽³⁾	\$1.31	\$1.42	\$1.53	\$1.68	\$1.85
OTHERS:					
Net Income from Shale (\$ millions) ⁽⁴⁾	\$1.6	\$3.4	\$7.2	\$11.1	\$13.9

⁽¹⁾ Merit includes promotions and adjustments of 0.70%

⁽²⁾ After purchase accounting

⁽³⁾ The increase in dividend will be at a rate similar to the increase in net income with a payout ratio of 50%-60% of annual earnings

⁽⁴⁾ Net income from various shale related water supply projects in PA, OH, and WV. Projects range in size from \$5-\$30 million over plan horizon



Consolidated Income Statement

(\$ in millions, except per share data)

	Budget	Plan	Plan	Plan	Plan
	2015	2016	2017	2018	2019
For the year ended December 31,					
Operating revenues	\$ 3,165.3	\$ 3,324.2	\$ 3,517.1	\$ 3,750.5	\$ 3,992.6
Operating expenses					
Operation and maintenance	\$ 1,388.4	\$ 1,458.6	\$ 1,537.2	\$ 1,636.7	\$ 1,726.3
Depreciation and amortization	\$ 449.6	\$ 478.4	\$ 510.3	\$ 547.7	\$ 584.8
General taxes	\$ 242.6	\$ 252.2	\$ 261.8	\$ 272.3	\$ 281.8
(Gain) loss on sale of assets	\$ (1.0)	\$ -	\$ -	\$ (1.0)	\$ (4.5)
Impairment charges	\$ -	\$ -	\$ -	\$ -	\$ -
Total operating expenses, net	\$ 2,079.7	\$ 2,189.1	\$ 2,309.3	\$ 2,455.7	\$ 2,588.3
Operating income	\$ 1,085.6	\$ 1,135.1	\$ 1,207.9	\$ 1,294.8	\$ 1,404.3
Other income (expenses)					
Interest	\$ (308.2)	\$ (309.0)	\$ (318.6)	\$ (322.9)	\$ (328.9)
AFUDC	\$ 16.0	\$ 21.7	\$ 26.3	\$ 27.8	\$ 21.1
Amortization of debt expense	\$ 6.9	\$ 6.3	\$ 6.3	\$ 6.3	\$ 6.3
Other, net	\$ (10.5)	\$ (13.9)	\$ (11.7)	\$ (12.2)	\$ (12.0)
Total other income (expenses)	\$ (295.7)	\$ (294.9)	\$ (297.8)	\$ (301.0)	\$ (313.5)
Income from continuing operations before income taxes	\$ 789.9	\$ 840.2	\$ 910.1	\$ 993.8	\$ 1,090.8
Provision for income taxes	\$ 316.1	\$ 331.9	\$ 359.6	\$ 392.6	\$ 431.1
Income from continuing operations	\$ 473.8	\$ 508.3	\$ 550.5	\$ 601.2	\$ 659.7
Income from discontinued operations, net of tax	\$ -	\$ -	\$ -	\$ -	\$ -
Net income	\$ 473.8	\$ 508.3	\$ 550.5	\$ 601.2	\$ 659.7
Diluted Earnings per share					
Income from continuing operations	\$ 2.62	\$ 2.79	\$ 3.00	\$ 3.25	\$ 3.54



Consolidated Balance Sheet: Assets

(\$ in millions)

	Budget	Plan	Plan	Plan	Plan
	2015	2016	2017	2018	2019
Assets					
Property, plant and equipment					
Utility plant-at original cost, net of accumulated depreciation	\$ 13,687.2	\$ 14,426.6	\$ 15,218.1	\$ 15,960.4	\$ 16,767.9
Nonutility property, net of accumulated depreciation	194.6	245.9	292.1	345.1	386.0
Total property, plant and equipment	13,881.8	14,672.6	15,510.2	16,305.6	17,153.9
Current assets					
Cash and cash equivalents	20.0	20.0	20.0	20.0	20.0
Restricted funds	16.7	16.7	16.7	16.7	16.7
Utility accounts receivable	272.4	285.2	294.1	303.8	316.5
Allowance for uncollectible accounts	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)
Unbilled utility revenues	200.9	194.0	202.1	208.8	223.5
Non-regulated trade and other receivables, net	74.28	92.35	92.97	93.60	94.25
Taxes receivable, including federal income	6.8	6.8	6.8	6.8	6.8
Materials and other supplies	31.4	31.4	31.4	31.4	31.4
Other	30.6	30.6	30.6	30.6	30.6
Total current assets	609.7	634.6	653.2	671.4	700.3
Regulatory and other long-term assets					
Regulatory assets	833.7	695.1	685.0	671.2	665.6
Restricted funds	0.8	0.8	0.8	0.8	0.8
Goodwill	1,208.1	1,208.1	1,208.1	1,208.1	1,208.1
Other	57.3	126.6	143.3	155.6	176.7
Total regulatory and other long-term assets	2,099.8	2,030.5	2,037.2	2,035.7	2,051.1
Total assets	\$ 16,591.3	17,337.7	18,200.6	19,012.6	19,905.3



Consolidated Balance Sheet: Liabilities and Equity

(\$ in millions)

	Budget	Plan	Plan	Plan	Plan
	2015	2016	2017	2018	2019
Capitalization and liabilities					
Capitalization					
Common stockholders' equity	\$ 5,257.6	\$ 5,584.8	\$ 5,896.9	\$ 6,238.5	\$ 6,605.5
Preferred stock without mandatory redemption requirements	-	1.1	1.1	1.1	1.1
Long-term debt					
Long-term debt	5,632.2	5,471.6	5,422.5	6,226.2	6,619.4
Redeemable preferred stock at redemption value	13.9	13.9	13.9	13.9	13.9
Total capitalization	10,903.7	11,071.3	11,334.4	12,479.7	13,239.9
Current liabilities					
Short-term debt	563.4	449.6	626.3	664.7	810.3
Current portion of long-term debt	53.4	570.2	503.7	188.4	45.1
Accounts payable	259.9	230.1	210.4	201.7	191.9
Taxes accrued, including federal	38.4	44.0	49.3	54.2	60.0
Interest accrued	47.9	57.1	41.8	33.1	17.1
Other	254.5	250.7	250.7	250.7	250.7
Total current liabilities	1,218.5	1,603.7	1,885.2	1,396.9	1,380.1
Regulatory and other long-term liabilities					
Advances for construction	393.9	398.5	405.1	411.3	418.2
Deferred income taxes	2,386.1	2,698.5	3,019.2	3,172.7	3,327.1
Deferred investment tax credits	23.5	23.5	23.5	23.5	23.5
Regulatory liabilities	361.4	257.9	274.1	292.1	311.8
Accrued pension expense	76.4	65.2	51.2	33.2	9.1
Accrued postretirement benefit expense	86.5	77.2	68.5	60.6	53.3
Other	38.5	38.6	38.6	38.6	38.6
Total regulatory and other long-term	3,366.3	3,559.4	3,880.3	4,032.0	4,181.6
Contributions in aid of construction	1,102.7	1,103.3	1,100.8	1,104.0	1,103.7
Total capitalization and liabilities	\$ 16,591.3	\$ 17,337.7	\$ 18,200.6	\$ 19,012.6	\$ 19,905.3



Consolidated Statement of Cash Flows

(\$ in millions)

	Budget	Plan	Plan	Plan	Plan
	2015	2016	2017	2018	2019
Net Income	\$ 473.8	508.3	550.5	601.2	659.7
Adjustments					
Depreciation & amortization	449.6	478.4	510.3	547.7	584.8
Deferred Taxes	248.9	312.4	320.7	153.5	154.4
Pension/OPEB	(23.9)	(20.5)	(22.6)	(25.9)	(31.5)
Accounts Receivable	(16.9)	(30.9)	(9.5)	(10.4)	(13.3)
Unbilled Accounts Receivable	9.4	6.9	(8.1)	(6.7)	(14.6)
Other Current Assets	(1.3)	-	-	-	-
Accounts Payable	10.3	(29.8)	(19.7)	(8.6)	(9.9)
Accrued Taxes	(13.2)	5.6	5.3	4.9	5.9
Accrued Interest	1.6	9.2	(15.3)	(8.7)	(16.0)
Other Current Liabilities	8.7	(3.8)	-	-	-
Other net	(28.1)	(9.8)	(96.9)	(199.0)	(76.7)
Net cash provided by operating activities	1,118.8	1,226.0	1,214.6	1,047.9	1,242.7
Capital Spending	(1,153.9)	(1,119.8)	(1,103.8)	(1,077.6)	(1,094.8)
Acquisitions	(145.6)	(116.3)	(139.7)	(143.7)	(130.0)
Net cash used in investing activities	(1,299.5)	(1,236.2)	(1,243.5)	(1,221.3)	(1,224.8)
Issuance of Long Term Debt	250.0	400.0	465.0	1,065.0	315.0
Repayment of Long-Term Debt and Redemption of Preferred Stock	(60.7)	(52.9)	(572.4)	(473.7)	(182.4)
Net Borrowings (Repayments) Short Term Debt	141.6	(113.8)	378.7	(152.6)	147.6
Issuance of Equity	30.0	30.0	32.3	34.9	37.6
Net Advances & Contributions	50.8	5.2	4.1	9.3	6.7
Common Dividends Paid	(231.0)	(258.3)	(278.9)	(309.6)	(342.4)
Net cash provided (used) by financing activities	180.7	10.2	28.9	173.4	(17.9)
Net increase (decrease) in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at beginning of year	20.0	20.0	20.0	20.0	20.0
Cash and cash equivalents at end of year	20.0	20.0	20.0	20.0	20.0



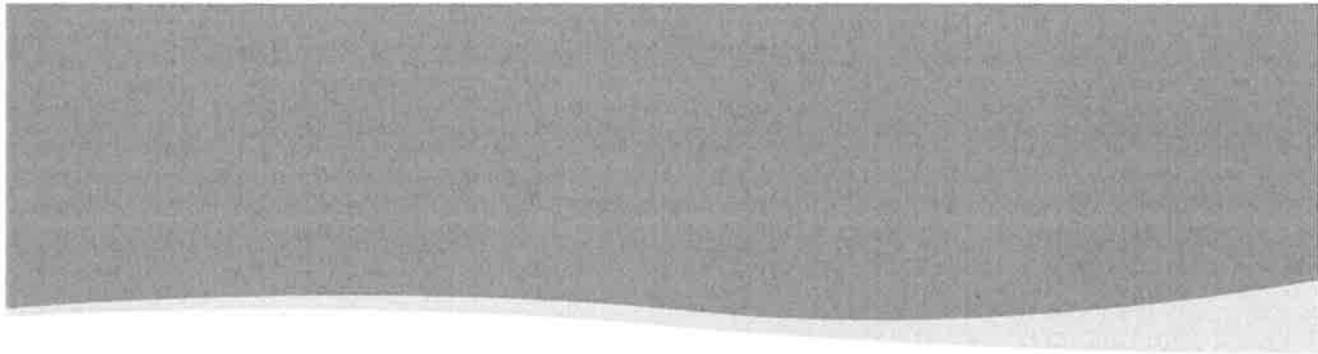
Stock Repurchase Plan

- Repurchase approximately 750k - 1.2 million shares per year to offset the increase in number of shares from stock-based compensation, employee stock purchase plan, and dividend reinvestment plan
- Not included in 2015-2019 financial plan
- Minimal projected impact to liquidity or ratios

	2015	2016	2017	2018	2019
<u>Funds From Operations/Adjusted Debt</u>					
Including Stock Repurchase Plan	14.0%	14.3%	14.8%	15.2%	15.6%
Excluding Stock Repurchase Plan	14.1%	14.5%	15.0%	15.6%	16.1%
Variance	-0.1%	-0.2%	-0.3%	-0.4%	-0.6%
<u>Adjusted Debt/ Adjusted EBITDA</u>					
Including Stock Repurchase Plan	4.3	4.3	4.2	4.1	4.0
Excluding Stock Repurchase Plan	4.3	4.2	4.1	4.0	3.9
Variance	0.0	0.1	0.1	0.1	0.1

Assumptions:

- Shares are repurchased throughout the year
- Shares are funded with long-term debt
- Average share price ranges from \$50-\$55



Appendix



Regulatory Highlights: Rate Cases Update











Rate Cases Awaiting Final Order					
A. Rate Cases Filed					
Company	Docket / Case Number	Date Filed	Revenue Increase	ROE Requested	Rate Base Filed
Kentucky WW	Case No. 2014-00390	11/14/2014	0.1	(a)	N/A
Maryland	Case 9372	12/19/2014	0.8		11.00%
New Jersey	Docket No. WR15010035	1/9/2015	66.2		10.75%
			\$67.1		\$2,417.8
B. Rate Case Settlement Awaiting Regulatory Approval					
California	Case No. A.13-07-002	2/19/2015	\$24.0	(b)	N/A
			\$24.0		\$463.8
C. Infrastructure Charges Filed					
Tennessee (QIP, EDI & SEC)	Docket No. 14-00121	12/28/2014	\$2.4	(c)	\$19.6
			\$2.4		\$19.6

Rates Effective in 2014 and 2015				
	Date Effective	Revenue Increase		Comments
D. Step Increases				
New York	4/1/2014	\$1.2		Final Step
California	Various	1.9	(d)	Final Step
		\$3.1		
E. Infrastructure Charges				
New York (SIC)	1/1/2014	\$0.9		
New Jersey (DSIC)	1/1/2014	10.1		
Illinois (QIP)	1/1/2014	2.1		
New York (SIC)	3/3/2014	0.7		
New York (SIC)	4/1/2014	0.2		
Tennessee (see note)	4/15/2014	0.5	(e)	
Missouri (ISRS)	5/30/2014	3.7		
New Jersey (DSIC)	7/1/2014	7.4		
Missouri (ISRS)	12/31/2014	9.0		
New Jersey (DSIC)	1/1/2015	9.4		
Illinois (QIP)	1/1/2015	5.4	(f)	
Illinois (QIP)	2/1/2015	1.0		
		\$50.4		
F. Rate Cases				
Pennsylvania	1/1/2014	\$26.0	(g)	
Iowa	4/18/2014	3.8	(h)	
Indiana	1/29/2015	5.1		
		\$34.9		

Note: See appendix for footnotes



Regulated Utilities – Rate Base and Allowed Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries										
	 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER	
Authorized Rate Base*	\$374,404		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	7/12/2012	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
	 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER	
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

*Rate Base stated in \$000s

Notes:

- a) CA has a separate Cost of Capital case, A11-05-003, which sets the rate of return outside of a general rate proceeding.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.



Regulatory Highlights: Rate Cases Update Footnotes

- (a) Kentucky utilized the Alternative Rate Filing process designed for small utilities to file their case for their wastewater customers. The request for the proposed increase contemplates a two-step increment with the year one increase of 9.73% or \$29k and the second year increase of 10.70% or \$32k for a combined increase of \$61k.
- (b) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million which includes a test year 2015 revenue requirement increase from the date of filing of \$12.7 million, with increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively. The rate base amount listed as filed is the average rate base as proposed in the settlement for the three year period.
- (c) Supplemental filing to remove operational expenses related to SEC waste removal project (\$0.2 million), to now be collected under the 2015 PCOP mechanism. The original filing date was October 29, 2014.
- (d) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is appealing. The 2014 step increases are included in the current rate case request.
- (e) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("ED") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k.
- (f) Illinois implemented a \$5.4 million infrastructure surcharge, which is \$0.8 million more than the \$4.6 million surcharge originally proposed in its 12/19/2014 filing.
- (g) The revenue increase from the PAGRC of \$26 million does not include \$19.8k DSIC revenues that were effective in 2013.
- (h) The annual revenue increase of \$3.8 million from the IA GRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.



Earned vs. Allowed ROE by Subsidiaries

Annual Return on Equity for American Water
Regulated Subsidiaries
Recent Final Orders - Subsidiaries

SAP Co #	Company/State	2014 Earned Return on Equity (%)	2014 Awarded Return on Equity (%)	2014 Difference between earned and allowed (%)	2014 Effective Date of Rate Order
1	1015 California-American Water Company	8.24%	9.99%	-1.75%	7/12/2012
2	1030 Hawaii-American Water Company	9.05%	10.20%	-1.15%	11/21/2011
3	1025 Illinois American Water Company	6.72%	9.34%	-2.62%	10/1/2012
4	1010 Indiana American Water Company	9.73%	9.70%	0.03%	6/15/2012
5	1011 Iowa American Water Company	8.60%	9.40%	-0.80%	2/23/2012
6	1012 Kentucky-American Water Company	9.52%	9.70%	-0.18%	10/25/2013
7	1038 Long Island American Water Company **	8.63%	9.86%	-1.23%	7/31/2013
8	1013 Maryland-American Water Company	5.40%	10.75%	-5.35%	9/1/2009
9	1017 Missouri American Water Company	8.89%	10.00%	-1.11%	4/1/2012
10	1018 New Jersey-American Water Company	9.85%	10.15%	-0.30%	5/1/2012
11	1024 Pennsylvania American Water Company	11.49%	10.25%	1.24%	1/1/2014
12	1026 Tennessee-American Water Company	8.90%	10.00%	-1.10%	10/15/2012
13	1027 Virginia American Water Company	7.87%	9.75%	-1.88%	12/12/2012
14	1028 West Virginia American Water Company	3.74%	9.90%	-6.16%	10/11/2013

Awarded ROE's from rate case RRD-3

Earned ROE is calculated using December two year averaged common equity and twelve months ended December net income to common

**2013 allowed ROE (8.68%) adjusted - includes LI & Acquisition. Based upon a weighted average of total assets.

New York Water Service Acquisition finalized 7.31.13.



Reconciliation Table: Regulated O&M Efficiency Ratio

Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number) <i>(\$ in thousands)</i>	FY	FY	FY	FY	FY
	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
Adjusted Regulated Operations and Maintenance Expense (a)	\$966,198	\$963,013	\$980,457	\$961,377	\$942,545
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
Adjusted Regulated operating revenues (b)	\$2,185,822	\$2,269,883	\$2,411,376	\$2,498,424	\$2,570,825
Regulated O&M Efficiency Ratio (a)/(b)	44.2%	42.4%	40.7%	38.5%	36.7%

*Calculation assumes purchased water revenues approximate purchased water expenses



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COMPANY UPDATE /
ESTIMATE CHANGE

Key Metrics

AWK - NYSE - as of	12/15/16	\$71.98
Price Target		--
52-Week Range	\$56.49 -	\$85.24
Shares Outstanding (mm)		177.9
Market Cap. (\$mm)		\$12,805.4
1-Mo. Average Daily Volume		1,102,185
Institutional Ownership		82.3%
LT Debt / Total Cap	Q3'16	52.8%
ROE	TTM	9.6%
Book Value / Share	Q3'16	\$29.43
Price / Book Value		2.4x
Dividend Yield		2.1%
EBITDA Margin	FY'15	47.9%

EPS (Cont'd Ops) FY 12/31

	Prior	Current	Prior	Current
	2015A	2016E	2017E	2017E
1Q	\$0.44	--	\$0.46	A --
2Q	\$0.68	--	\$0.77	A --
3Q	\$0.96	--	\$1.05	A --
4Q	\$0.55	\$0.56	\$0.56	--
Year	\$2.64	\$2.84	\$2.84	\$3.08
P/E	27.3x		25.3x	23.4x

*Adjusted for Special Items

Revenue (\$MM)

	Prior	Current	Prior	Current
	2015A	2016E	2017E	2017E
1Q	\$698	--	\$743	A --
2Q	\$782	--	\$827	A --
3Q	\$896	--	\$930	A --
4Q	\$783	\$808	\$808	--
Year	\$3,159	\$3,308	\$3,308	\$3,475

Company Description: *Founded in 1886, American Water is the largest investor-owned U.S. water and wastewater utility company. With headquarters in Voorhees, NJ, the company employs more than 7,000 professionals who provide drinking water, wastewater and other related services to approximately 15 million people in more than 30 states and parts of Canada.*

Water Utilities

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December 16, 2016

American Water Works Co.

AWK – NYSE – Neutral-1

Analyst Day Recap; Reiterating Neutral Rating.

Investment Highlights

- AWK initiated 2017 EPS guidance in the range of \$2.98-\$3.08; consensus into the release was for \$3.05. The company also reiterated 2016 adjusted EPS guidance in the range of \$2.81-\$2.86.
- AWK reiterated its 7%-10% average annual EPS growth CAGR, but upped its anchor base year to \$2.64 in 2015. As important, in our view, the company lowered its O&M efficiency (regulated O&M / reg revenue) target to 32.5% by 2021, from 34% by 2020.
- The Investor Day event consisted of both opening and closing remarks from CEO Susan Story, panel discussions (with AWK managers) on customer experience and the market-based segment, a deep dive into guidance/financial planning with CFO Linda Sullivan, and a presentation on regulated operations from COO Walter Lync. Q&A was also included.
- We raise our Cap Ex forecast slightly with AWK now guiding to \$6.7B-\$7.3B of spend over 2017-2021; this figure includes regulated M&A, where the pipeline was indicated to be a bit stronger than we expected.
- AWK flagged ~145,000 customers in its acquisition pipeline, roughly 2/3 of which reflect 'sweet spot' deals of 5,000-30,000 customers.
- Keystone was reemphasized, in our view, as a growth platform. The core trucking business has gained market share, although the company is now competing for municipal contract work and is evaluating direct investment in water pipelines to serve E&P clients.
- Our 2016E EPS is unchanged at \$2.84. Our 2017 and 2018 estimates slip to \$3.07 and \$3.21, respectively.
- We are reiterating our Neutral rating. The story improves for us just slightly exiting the investor event, and we still wait for a point to get more aggressive; we continue to view AWK as a core holding in water.

Note Important Disclosures on Pages 6-7
Note Analyst Certification on Page 6

ADDITIONAL DISCUSSION—MODEL & OUTLOOK

Revisions to our model are minor at this point, and do not materially alter our view toward current valuation. The \$0.01 cut to our 2017E EPS is delivered by slightly higher O&M costs, which is our way of expressing slightly reduced accretion expectations in ‘year 1’ from several pending acquisitions. Our 2018E EPS estimates slips \$0.03, primarily on ripple effect (and rounding) from 2017. We are encouraged by the commentary on the M&A pipeline, but will incorporate any out sized deals into our model as they are announced.

ADDITIONAL DISCUSSION—MULTIPLE ITEMS FROM INVESTOR CONFERENCE

Yesterday’s event did not deliver much by way of surprises, from our vantage point. As we suggested earlier this week, the company both reiterated its ‘7%-10%’ average annual EPS growth target, and lowered its stretch efficiency guidance from 34% to 32.5%. The latter item fell slightly short of our base case of 32% by 2020 or 2021, though we concede that some conservatism in the guide might be prudent since acquired systems (particularly larger deals), can take several years to optimize.

CFO Linda Sullivan delivered a quite welcome and in-depth discussion on the implications for AWK should we see major corporate tax changes; this potential reform was outlined in terms of three discrete levers: corporate rate reduction, 100% bonus depreciation, and elimination of deductions. Ultimately, we do not view tax reform as a potential catalyst for the stock, given a few immediate puts and takes, and the regulated rates of return that govern utility profits. For example, a reduction in the corporate tax rate could immediately be offset by a loss of deductions; similarly, a reduced tax burden for any of Americans regulated subsidiaries would be ‘trued up’ during the general rate case process, offsetting any near-term uptick in earnings. The market-based businesses hold a cleaner picture, with reduced taxes generally supporting higher profits; however, we remind investors that this is still just ~10% of the company.

We really like AWK’s execution in growing its core/legacy market based businesses, namely the military contract business and the service line protection offerings, both of which require little capital and are scalable. We are more hesitant toward Keystone however, and disagree with management’s assertion that the water transfer (trucking, mostly) business qualifies as a similarly asset light or capital light business. With so much runway for regulated pipe investment, we disagree with AWK diverging from its core narrative and choosing to pursue unregulated water pipeline investments as a growth avenue. Perhaps related here, we (along with some of our peers) chafe at management’s hesitancy to discuss the return profile of its market-based businesses. Having said that, we expect Keystone has likely bottomed in terms of business cyclicality and do not believe the subsidiary presents near term risk for the stock. Furthermore, we no doubt believe Keystone has benefitted from AWK’s reputation, but we do not believe the core utility franchises of American Water benefit from owning the E&P service company.

We are pleased with the M&A conversation that took place at the Investor Conference, and we seem to have been too bearish in our call for a slightly reduced outlook moving into 2017 (versus a robust 2016 of announced deals). AWK’s pipeline actually expanded by ~50,000 from the year-ago count of potential new customers, although presumably not all of these suggested 145,000 new customers could be acquired next year. Nonetheless, we believe the sustained potential deal flow (along with a continued trickle of fair value legislation) is sufficient for us to say that a step-change has taken place with respect to AWK’s ability to grow via acquisition, strengthening a major long-term growth pillar.

SUITABILITY

We assign AWK a suitability rating of '1.' Recently added to the S&P 500 Index, we view American Water as a large-cap core holding in the Utility sector. We believe substantial regional diversification helps mitigate regulatory/environment/disaster risks, while exposing the firm to broad secular growth opportunities in water and wastewater infrastructure. Despite a relatively recent IPO (late-2000s), sector-appropriate leverage, long-tenured individual franchises and a predominantly regulated business mix keep AWK above our more aggressive '2' rating.

CONSIDERATIONS AND RISKS

We view all companies in the Water Utilities industry as being subject to significant regulatory and political risks. Utility operations are heavily regulated; negative rate-making climates and/or new environmental restrictions may affect the company's ability to earn a sufficient return on invested capital. Weather, natural disaster, and availability of water supplies could negatively impact sources of water, demand for water services, and a utility's ability to supply water to customers. Risks associated with the collection, treatment, and disposal of wastewater could also impose significant costs.

Continued growth in non-traditional water distribution, including the Keystone Clearwater purchase, could bring uncertainties associated with costs, liabilities, operational efficiencies and managerial expertise. Furthermore this could alter the market opinion toward fair valuation multiples and metrics.

Significant Cap Ex is required to maintain infrastructure and expand rate base. Should AWK lack the ability to secure funding, or if delays occur, results could be impacted. Water assets can be subject to condemnation through eminent domain. The company's non-regulated businesses provide guarantees and have long-term contracts. AWK is subject to all other risks that result from being a public company.

Our Suitability rating is 1 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive).

Additional information is available upon request.

American Water Works Co.	m/03/14													
Income Statement (\$000's)	FY13	FY14	QF15	QZ15	QY15	QF15	FY15	QY16	QZ16	QY16	QF16	FY16E	FY17E	FY18E
Operating Revenue	\$2,878,936	\$3,011,328	\$698,078	\$782,121	\$895,206	\$783,000	\$3,159,000	\$743,000	\$827,000	\$930,000	\$807,000	\$3,307,898	\$3,475,210	\$3,595,558
Operating Expenses														
O&M	1,289,081	1,349,864	323,832	336,624	363,610	380,000	1,404,000	348,000	351,000	432,000	391,400	1,522,400	1,499,450	1,531,520
D&A	406,717	424,084	107,377	108,923	111,196	112,000	440,000	116,000	115,000	119,000	119,850	469,850	498,190	526,650
General Taxes	234,198	236,732	63,696	60,222	60,292	59,000	243,000	66,000	64,000	65,000	63,020	258,020	274,770	284,170
(Gain) on Asset Sale	624	(1,328)	(1,128)	(1,209)	(175)	0	(3,000)	(100)	(2,000)	(5,000)	(300)	(7,400)	(1,700)	(1,700)
Impairment Charge														
Operating Income (Loss)	948,316	1,002,576	294,391	277,561	361,280	232,000	1,075,000	213,100	299,000	319,000	233,920	1,065,020	1,204,500	1,254,910
%	32.9%	33.3%	29.1%	35.5%	40.3%	29.4%	34.0%	28.7%	36.2%	34.3%	29.0%	32.2%	34.7%	34.9%
Interest (Expense)/Income	(308,164)	(297,818)	(75,673)	(75,421)	(77,636)	(79,000)	(388,000)	(80,000)	(81,000)	(81,000)	(81,100)	(323,310)	(327,740)	(333,320)
Other (Expense)/Income	(12,215)	5,057	(4,824)	1,487	3,428	5,000	15,000	2,000	7,000	5,000	5,000	19,000	21,100	21,100
Inc (Loss) Cont'd Ops Before Tax	607,937	709,815	113,902	203,627	287,085	158,000	782,000	136,000	225,000	243,000	157,610	760,710	897,860	942,690
Provision for Income Taxes	237,093	279,973	33,459	80,552	113,191	59,000	306,000	54,000	88,000	95,000	58,473	295,473	350,531	368,045
%	39.0%	39.4%	40.0%	39.6%	39.4%	37.3%	39.1%	39.7%	39.1%	39.1%	37.1%	38.8%	39.0%	39.0%
Income (Loss) from Cont'd Ops	370,844	429,842	80,443	123,075	173,894	99,000	476,000	82,000	137,000	148,000	99,137	465,237	547,329	574,645
Inc (Loss) from Disc Ops, net of tax	(4,580)	(6,733)	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	\$369,264	\$423,109	\$80,443	\$123,075	\$173,894	\$99,000	\$476,000	\$82,000	\$137,000	\$148,000	\$99,137	\$465,237	\$547,329	\$574,645
Diluted Avg. Sh	179,056	179,806	180,295	180,371	180,353	180,000	180,000	179,000	178,000	178,000	178,068	178,190	178,530	179,021
GAAP EPS	\$ 2.06	\$ 2.35	\$ 0.44	\$ 0.68	\$ 0.96	\$ 0.55	\$ 2.64	\$ 0.46	\$ 0.77	\$ 0.83	\$ 0.56	\$ 2.62	\$ 3.07	\$ 3.21
Inc (Loss) from disc'd ops, net/tax	\$ (0.01)	\$ (0.04)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EPS from Cont'd Ops-Adj if Nec	\$ 2.21	\$ 2.45	\$ 0.44	\$ 0.68	\$ 0.96	\$ 0.55	\$ 2.64	\$ 0.46	\$ 0.77	\$ 1.05	\$ 0.56	\$ 2.84	\$ 3.07	\$ 3.21
Dividend	\$ 1.090	\$ 1.210	\$ 0.310	\$ 0.340	\$ 0.340	\$ 0.340	\$ 1.330	\$ 0.340	\$ 0.375	\$ 0.375	\$ 0.375	\$ 1.465	\$ 1.575	\$ 1.675
Rate of Change Analysis:														
Revenues	0.1%	4.6%	2.8%	3.6%	5.9%	7.1%	4.9%	6.4%	5.7%	3.8%	3.2%	4.7%	5.1%	3.5%
Operating Income	2.5%	5.7%	9.0%	8.9%	7.1%	4.0%	7.2%	4.3%	7.7%	-11.7%	0.8%	-0.9%	13.1%	4.2%
EPS-Cont'd Ops-Adj if Nec	4.9%	10.7%	7.3%	8.3%	10.8%	5.5%	8.0%	3.2%	12.8%	9.3%	1.2%	7.5%	8.0%	4.7%
EBITDA	3.8%	5.1%	5.9%	7.0%	6.4%	5.1%	6.1%	5.9%	6.9%	-8.3%	2.8%	1.0%	11.4%	4.6%
O&M Expense	-4.5%	4.7%	-0.4%	-0.4%	6.5%	10.0%	4.0%	7.5%	4.3%	18.8%	3.0%	8.4%	-1.5%	2.1%
Margin Analysis:														
O&M	44.8%	44.8%	46.4%	43.0%	40.6%	48.3%	44.4%	46.8%	42.4%	46.3%	48.4%	46.0%	43.1%	42.6%
D&A	14.1%	14.1%	15.4%	13.9%	12.4%	14.3%	13.9%	15.6%	13.9%	12.8%	14.8%	14.2%	14.3%	14.6%
General Tax	8.1%	7.9%	9.1%	7.7%	6.7%	7.5%	7.7%	8.9%	7.7%	7.0%	7.8%	7.8%	7.9%	7.9%
Operating Income	32.9%	33.3%	29.3%	35.5%	40.3%	29.6%	34.0%	28.7%	36.2%	34.3%	29.0%	32.2%	34.7%	34.9%
Taxmte	39.0%	39.4%	40.0%	39.6%	39.4%	37.3%	39.1%	39.7%	39.1%	39.1%	37.1%	38.8%	39.0%	39.0%
		*Adj EPS Guidance \$2.38-\$2.44			*Keystone close, July--\$124MM *Raised low end guide by \$0.05		*EPS Guidance \$2.60-\$2.65		*\$0.22 after-tax charge for WW model acq to close 12/31 *Scanlon, PA, WW chemical spill settlement			*Adj EPS Guidance \$2.81-\$2.86	*Adj EPS Guidance \$2.98-\$3.08	

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Spencer E. Joyce, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Suitability Ratings

- 1 - A large cap, core holding with a solid history
- 2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
- 3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
- 4 - Speculative, due to small size, inconsistent profitability, erratic revenues, volatility, low trading volume or a narrow customer or product base

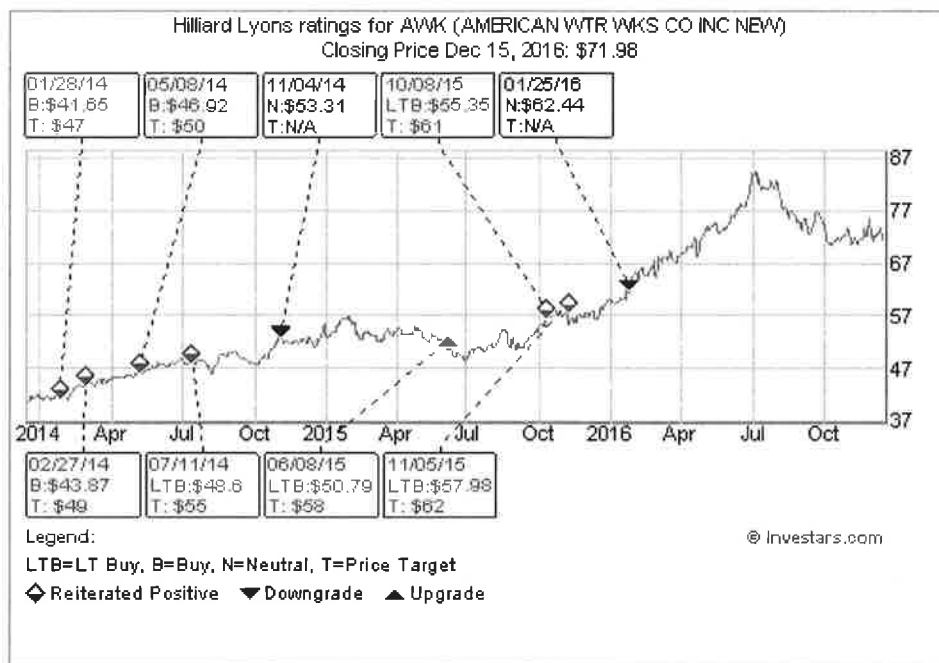
Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price setback in the next 12 months.



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	19%	81%
Hold/Neutral	76	63%	4%	96%
Sell	9	7%	0%	100%

As of 8 December 2016

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

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American Water Works Company, Inc. (AWK)

Investor Day Highlights

BAIRD

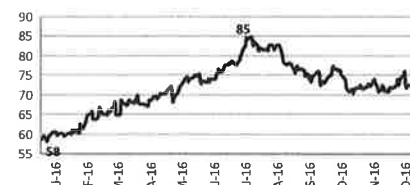
Reiterate Outperform rating after AWK's investor day. The presentation highlighted growth opportunities across AWK's businesses and increased our confidence in its ability to achieve a 7-10% EPS CAGR. EPS growth should be driven by increased infrastructure investment, a strong customer acquisition pipeline, and favorable legislation in key states. Importantly, management indicated the company is well-positioned for a Trump Presidency and expects improvement in the Keystone business. We continue to recommend shares at current levels.

- AWK reaffirmed 2016 guidance and announced 2017 guidance in line with estimates.** The company guided to 2017 EPS of \$2.98-\$3.08, in line with our/consensus estimates of \$3.00/\$3.04, respectively. This represents a ~7% CAGR over 2016 revised non-GAAP guidance, at the midpoint. Additionally, AWK reiterated its 2016 revised non-GAAP EPS guidance of \$2.81-\$2.86, which is consistent with our/consensus estimates of \$2.83/\$2.84, respectively. AWK expects 7%-10% annual EPS growth through 2021 and moved the EPS CAGR anchor from 2014 EPS of \$2.39 to 2015 EPS of \$2.64.
- AWK's \$6.7B -\$7.3B capital investment plan through 2021 remains focused on regulated infrastructure investment and regulated acquisitions.** AWK plans to invest \$5.9B in regulated system infrastructure through 2021. Of the planned regulated infrastructure investment, approximately 56% will be spent on asset renewal, where AWK has lowered the pipe replacement cycle from 250 years in 2010 to 140 years in 2016, 13% will be spent on capacity expansion, and 12% on improving reliability and quality of service.
- Management expects to achieve its target of 1-2% annual customer growth through acquisitions due, in part, to favorable legislation encouraging consolidation.** The company expects to spend \$600M to \$1.2B over five years on regulated acquisitions. Importantly, management indicated favorable legislative developments, especially in PA and NJ, have led to a more positive acquisition environment. AWK continues to focus on acquisitions ranging from 5,000-30,000 customers and currently has 145,000 customer opportunities in development.
- AWK is well positioned for the possible impacts of a Trump Administration.** A focus on infrastructure and financing may benefit the regulated business, while support for natural gas pipelines and a relaxation of the Department of Defense sequestration could benefit the market-based businesses. Additionally, management indicated short term headwinds from rising interest rates would be recovered in the next rate case, with an average lag of two years. That said, the exact impact of potential tax reforms is uncertain until actual changes occur.
- 2017-2021 investment should allow AWK to achieve 7-10% EPS CAGR.** ~\$5.9B in infrastructure investment is expected to contribute to EPS growth by 4-6%. Additional growth is expected from regulated acquisitions (1-2%) and market-based businesses (2%).

AWK is the largest US investor-owned regulated water utility serving about 3.2 million water & 150,000 wastewater customers in 16 states.

RESEARCH UPDATE

1-Year Price Chart



Stock Data

Rating:	Outperform
Suitability:	Lower Risk
Price Target:	\$82
Price (12/15/16):	\$71.98
Market Cap (mil):	\$12,812
Shares Out (mil):	178.0
Average Daily Vol (mil):	1.05
Dividend Yield:	2.1%

Estimates

FY Dec	2015A	2016E	2017E
Q1	0.44 A	0.46 A	
Q2	0.68 A	0.77 A	
Q3	0.96 A	1.05 A	
Q4	0.55 A	0.51 E	
Fiscal EPS	2.64 A	2.83 E	3.00 E
Fiscal P/E	27.3x	25.4x	24.0x

Chart/Table Sources: FactSet and Baird Data. Price chart reflects most recent closing price.

Please refer to Appendix
- Important Disclosures
and Analyst Certification

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Details

A natural gas price rebound, increase in rig count in Appalachia, and improved completion activity in Q4 gives management confidence Keystone performance will improve. Industry headwinds hurt performance in 2016 but allowed Keystone to expand its market share from ~25%-30% to ~35% for core water services. Management indicated segment growth may be driven by increasing service with existing customers and diversifying operations. Keystone operations have expanded into municipal services (providing pipe, water transfer, and emergency response solutions for municipalities) and asset ownership (operating and maintaining systems for natural gas companies).

AWK provided a lower O&M efficiency ratio target, demonstrating the company's ability drive operational efficiently and reduce costs. AWK now has a stretch target efficiency ratio of 32.5% by 2021, down from the previous goal of 34% by 2020. We believe the lower ratio is indicative of AWK's continued focus on operational efficiency.

Investment Thesis

AWK is the largest investor-owned regulated water/wastewater utility in North America. AWK's regulated utility serves about 3.1 million water and 140,000 wastewater customers (over 14 million people) in 16 states. Additionally, AWK has a non-regulated segment (~14% of total revenue). Including both businesses, AWK's presence spans 47 U.S. states and Ontario. Pennsylvania and New Jersey account for almost 50% of total water revenue. AWK was founded in 1886 and is headquartered in Voorhees, NJ.

American Water's 7-10% EPS CAGR is expected to fuel attractive total returns, driven by investment in water infrastructure, improving operating margins, enhanced recovery mechanisms, acquisition opportunities, and growth in its non-regulated businesses. Effective cost controls and constructive regulatory outcomes have improved operational efficiency. We believe higher earned ROEs support increasing EPS expectations, and improved financial metrics should mitigate the need for additional equity for the intermediate term.

Regulated capital investment expected to drive 4-6% EPS CAGR. AWK plans to invest ~\$5.9 billion in regulated capital expenditures over the next five years (\$6.7-\$7.3 billion including non-regulated projects), with ~56% of the planned infrastructure investment budgeted for asset renewal and/or replacement.

AWK is an active participant in regulatory policy modifications, which we believe has helped AWK secure favorable regulatory policies. With an accelerating need to replace aging infrastructure, AWK has taken an active role in shaping and promoting the adoption of enhanced regulatory policies. In particular, management is focused on increasing the use of infrastructure surcharge mechanisms, and minimizing the impact of declining usage and water demand. Additionally, AWK is focused on securing state legislation which improves M&A opportunities within a highly fragmented water and waste water industry.

The highly fragmented and capital constrained water industry provides growth opportunities through acquisition. The water industry is highly fragmented with roughly ~53k community water systems according to the Environmental Protection Agency (EPA). The EPA estimates municipal systems, which are owned and operated by local governments and typically capital constrained, represent ~84% of water and ~98% of wastewater systems. Investor-owned utilities represent ~16% of the water and ~2% of the wastewater markets.

AWK has a particular focus on wastewater acquisition opportunities. In 2015, American Water added ~16,000 regulated wastewater customers, compared to a small net loss of customers in 2014. Given the EPA's increased efforts to penalize out-of-compliance waste water systems, and a decline in the desire of municipalities to operate waste water systems, we expect AWK to focus on waste water acquisition opportunities in the intermediate term. Currently, waste water customers comprise only ~4.3% of AWK's total customer base.

AWK's non-regulated strategy, including growth in AWK's Homeowner Service and military business, could contribute to long-term EPS growth. AWK believes its Homeowners Service (HOS) business has a large and untapped market which offers attractive returns and a steady revenue stream. HOS currently operates in 43 states, and has the ability to expand its customer base and to upsell services to existing customers. Additionally, AWK's military business has had multiple contract wins over the past two years, and management believes sizable growth opportunities still exist. AWK also chose to make investments in the Marcellus Shale region through its regulated operations, which helps to reduce AWK's exposure and risk to cyclical drilling activity. Keystone Clearwater Solutions, a company that serves the oil and gas industry, was acquired in 2015 and AWK believes the acquisition will be able to draw on the existing strengths of its portfolio for future growth.

AWK's \$6.7-\$7.3 billion capital investment plan through 2020 is expected to drive at least an overall 6-7% EPS CAGR through 2018. AWK's long-term EPS CAGR target of 7-10% includes 4-6% EPS growth from the regulated capex investment, ~2% EPS growth from Market-Based operations and 1-2% EPS growth generated from acquisitions.

\$82 price target. Our price target equates to ~25x our 2018 EPS estimate. This is higher than comps (~22x average), which we believe is justified given AWK's scale, regulatory tailwinds, and projected earnings growth.

Risks & Caveats

Regulation. Regulated operations are subject to local, state and federal regulations. Changes in the regulatory environment can affect AWK's near-term and long-term performance.

Decreased water consumption. A large majority of AWK's businesses are sensitive to fluctuations in water consumption, which can occur due to increased consumer conservation efforts, state-imposed conservation efforts or unfavorable weather (either particularly wet or dry).

Financial market volatility could materially impact AWK's financial results given external financing needs will be required to fund AWK's capital requirements. The availability and cost of funds depends on securities market conditions, interest rate levels and general economic conditions generally, as well as the debt ratings and future income and cash flow.

Acquisition risk. AWK is an active participator in the consolidation of the water industry. Acquisitions carry risks related to personnel, expected-versus-actual growth and a myriad of unforeseen hurdles, all of which can negatively affect earnings.

Product quality. Unique among other regulated utility sectors, water utilities provide a product that is ingested. Despite robust mandated service quality standards that lower risk, a quality failure could materially impact the earnings and stock performance of AWK.

Water supply. Though the vast majority of its operations are in service territories with abundant supply, certain jurisdictions (notably CA) face water supply issues. Inability to adjust to changing water supply patterns could adversely impact operations.

Company Description

AWK is the largest investor-owned regulated water/wastewater utility in North America. Its regulated utility serves about 3.1 million water and 140,000 wastewater customers (over 14 million people combined) in 16 states. Additionally, AWK has a non-regulated segment (~13% of total revenue).

American Water Works (AWK - NYSE)

BAIRD

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16E	2016E	2017E	2018E
Income Statement (Millions)															
Operating Revenue	2,876.9	2,901.9	3,011.3	698.1	782.1	896.2	783.0	3,159	743.0	827.0	930.0	815.6	3,315.6	3,486.9	3,661.0
<i>Growth (%)</i>	7.9%	0.9%	3.8%	2.4%	3.0%	5.9%	7.1%	4.9%	6.4%	5.7%	3.8%	4.2%	5.0%	5.2%	5.0%
Expenses															
Regulated O&M	1,130.0	1,105.4	1,110.3	266.3	270.3	277.1	281.3	1,095.0	262.0	269.0	350.0	298.3	1,179.3	1,181.7	1,211.2
<i>Growth (%)</i>	3.9%	-2.2%	0.4%	-2.1%	1.8%	-0.4%	-4.5%	-1.4%	-1.6%	-0.5%	26.3%	6.0%	7.7%	0.2%	2.5%
Market Based Operations O&M	276.8	264.3	289.4	73.5	80.6	98.4	105.5	358.0	99.0	94.0	92.0	104.9	389.9	401.6	429.7
<i>Growth (%)</i>	32.3%	-4.5%	9.5%	11.7%	10.3%	27.1%	44.3%	23.7%	34.6%	16.6%	-6.5%	-0.6%	8.9%	3.0%	7.0%
O&M Other	(56.8)	(57.0)	(51.0)	(16.0)	(14.2)	(11.8)	(6.9)	(4.9)	(13.0)	(12.0)	(17.5)	(17.6)	(60.0)	(60.0)	(60.0)
Total O&M	1,350.0	1,312.7	1,345.7	323.8	336.6	363.6	380.0	1,404.1	348.0	351.0	432.0	385.7	1,509.2	1,523.2	1,580.9
<i>Growth (%)</i>	3.9%	-2.2%	0.4%	-1.4%	-1.6%	0.2%	-4.5%	-1.4%	-1.6%	0.2%	7.7%	7.7%	7.7%	0.2%	2.5%
<i>Efficiency Ratio</i>	44.4%	42.9%	41.8%	43.6%	39.6%	35.7%	42.8%	40.2%	41.7%	37.8%	42.6%	44.1%	41.6%	39.7%	38.9%
D&A	381.5	407.7	424.1	107.4	108.9	111.2	112.5	440.0	116.0	115.0	119.0	112.6	462.6	476.5	495.5
<i>Growth (%)</i>	8.4%	6.9%	4.0%	1.2%	2.9%	4.1%	6.8%	3.8%	8.0%	5.6%	7.0%	0.1%	4.0%	3.0%	4.0%
General Taxes	221.0	234.6	236.7	63.7	60.2	60.3	58.8	243.0	66.0	64.0	65.0	60.0	255.0	256.2	260.1
<i>Growth (%)</i>	5.0%	6.2%	0.9%	2.6%	3.6%	0.5%	0.9%	2.6%	3.6%	0.5%	0.6%	2.0%	2.0%	0.5%	1.5%
Total Expense	1,951.7	1,956.0	2,004.6	493.8	504.6	534.9	550.8	2,084.1	528.0	528.0	611.0	566.2	2,228.7	2,255.9	2,336.5
<i>Operating Ratio</i>	67.8%	67.4%	66.6%	70.7%	64.5%	59.7%	70.3%	66.0%	71.2%	63.8%	65.7%	69.4%	67.2%	64.7%	63.8%
<i>Expense Growth (%)</i>	5.0%	0.2%	2.5%	0.8%	1.3%	5.1%	8.5%	4.0%	7.1%	4.6%	14.2%	2.8%	6.8%	1.3%	3.6%
EBITDA	1,306.7	1,353.6	1,430.8	311.7	386.5	472.5	344.7	1,514.9	330.0	414.0	438.0	361.9	1,551.4	1,707.4	1,820.1
EBIT	925.2	945.8	1,006.7	204.3	277.6	361.3	232.2	1,074.9	214.0	299.0	319.0	249.3	1,088.8	1,231.0	1,324.6
<i>EBIT Margin</i>	32.2%	32.6%	33.4%	29.3%	35.5%	40.3%	29.7%	34.0%	28.8%	36.2%	34.3%	30.6%	32.8%	35.3%	36.2%
<i>Growth (%)</i>	14.5%	2.2%	6.4%	6.4%	6.2%	7.1%	3.9%	6.8%	4.7%	7.7%	-11.7%	7.4%	1.3%	13.1%	7.6%
Interest Expense, net	(310.8)	(308.2)	(297.8)	(75.7)	(75.4)	(77.6)	(79.3)	(308.0)	(80.0)	(81.0)	(81.0)	(93.9)	(335.9)	(352.3)	(364.9)
<i>Other expense (income)</i>	17.0	8.4	5.1	4.9	1.5	3.4	5.2	15.0	2.0	7.0	5.0	(7.7)	7.0	10.0	12.0
Pretax Income	631.4	646.1	714.0	133.5	203.6	287.1	158.1	781.9	136.0	225.0	243.0	147.7	759.9	888.7	971.6
<i>PT Margin</i>	21.9%	22.3%	23.7%	19.1%	26.0%	32.0%	20.2%	24.8%	18.3%	27.2%	26.1%	18.1%	22.9%	25.5%	26.5%
Income Tax Expense	257.0	252.0	277.0	53.5	80.6	113.2	59.0	306.0	54.0	88.0	95.0	56.9	293.9	352.4	388.7
<i>Tax Rate (%)</i>	40.7%	39.0%	38.8%	40.0%	39.6%	39.4%	37.3%	39.1%	39.7%	39.1%	39.1%	38.5%	39.1%	40.0%	40.0%
Net Income	374.4	394.0	437.0	80.0	123.1	173.9	99.1	475.9	82.0	137.0	148.0	90.8	466.0	536.2	583.0
Net Income (disc ops)	(16.2)														
Shares Outstanding, Diluted	177.7	179.1	179.8	180.3	180.4	180.4	180.0	180.0	179.0	178.0	178.0	178.2	178.3	178.6	179.3
Adj. EPS	\$2.02	\$2.20	\$2.43	\$0.44	\$0.68	\$0.96	\$0.55	\$2.64	\$0.46	\$0.77	\$0.83	\$0.51	\$2.61	\$3.00	\$3.25
Discontinuing Ops EPS	-\$0.09	\$0.00	\$0.00				\$0.00	\$0.00					\$2.83	\$3.00	\$3.25
<i>Growth (%)</i>	16.5%	4.4%	10.4%	11.2%	7.4%	10.3%	6.1%	8.8%	3.2%	13.2%	9.4%	-7.4%	7.1%	6.0%	8.3%
GAAP EPS	\$2.11	\$2.08	\$2.39	\$0.38	\$0.38	\$0.38	\$0.55	\$2.64	\$0.46	\$0.77	\$0.83	\$0.51	\$2.61	\$3.00	\$3.25
Key Financial Metrics															
Earned ROE	8.7%	8.2%	8.8%	8.3%	8.9%	0.0%	0.0%	8.3%	8.9%	9.1%			8.3%	8.9%	9.1%
Capex/Depreciation	2.4x	2.4x	2.3x	2.1x	2.3x	2.8x	3.3x	2.6x	2.4x	2.7x			2.8x	2.7x	2.6x
Water Sold Y/Y	4.1%	-5.1%	0.5%	-7.8%	1.2%	-0.1%	2.5%	-1.0%	0.4%	0.4%			2.0%	2.5%	1.8%
Water Customer Growth															

Source: Company reports & Baird estimates

Research disclosures can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx>

12/15/16

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American Water Works (AWK - NYSE)



Balance Sheet (\$mln)	2012	2013	Q1-14A	Q2-14A	Q3-14A	Q4-14A	2014A	Q1-15A	Q2-15A	Q3-15A	Q4-15A	2015	Q1-16A	Q2-16A	Q3-16A
ASSETS															
Cash and Cash Equivalents	24	27	31	32	74	23	23	24	145	75	45	45	66	52	46
Restricted Funds	30	29	29	22	20	14	14	21	21	23	21	21	22	23	23
Accounts Receivable, customer	222	245	259	278	284	267	267	267	281	342	255	255	220	240	302
Unbilled Utility Revenue	181	217	193	225	227	221	221	222	265	290	267	267	247	286	285
Material and Supplies	30	33	35	37	37	37	37	39	38	38	38	38	41	42	40
Other Current Assets	30	28	166	146	139	132	132	183	172	147	31	31	42	48	105
Total Current	499	550	688	708	757	661	661	729	890	879	657	657	638	691	801
Net Property & Equipment	11,739	12,391	12,470	12,563	12,799	13,029	13,029	13,099	13,358	13,606	13,933	13,933	14,098	14,317	14,559
Regulatory Assets	1,199	858	848	848	875	1,153	1,153	1,152	1,195	1,231	1,271	1,271	1,289	1,306	1,223
Goodwill	1,207	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,210	1,313	1,302	1,302	1,313	1,313	1,313
Other Assets	63	61	60	60	59	70	70	67	70	68	78	78	79	79	75
Total Assets	14,719	15,070	15,275	15,426	15,716	16,131	16,131	16,264	16,732	17,105	17,241	17,241	17,417	17,706	17,971
LIABILITIES & EQUITIES															
ST Debt	270	630	638	702	314	450	450	545	821	390	628	628	839	950	951
Current Portion LT Debt	116	14	15	15	56	61	61	61	62	22	54	54	54	54	53
Accounts Payable	280	265	184	192	261	286	286	203	284	281	126	126	116	148	135
Taxes/Interest Accrued	89	84	148	93	144	81	81	151	97	143	88	88	154	100	141
Other	240	242	213	232	285	363	363	268	249	339	637	637	451	488	648
Total Current	995	1,236	1,198	1,235	1,059	1,241	1,241	1,228	1,512	1,165	1,533	1,533	1,614	1,740	1,928
Long-term Debt	5,209	5,230	5,209	5,218	5,541	5,448	5,448	5,429	5,433	5,955	5,874	5,874	5,861	5,861	5,853
Advances for Construction	380	376	371	370	369	368	368	363	359	350	349	349	352	309	300
Deferred Income Taxes	1,471	1,822	1,998	2,027	2,118	2,121	2,121	2,200	2,284	2,376	2,310	2,310	2,358	2,430	2,524
Deferred Investment Tax Credits	28	26	26	26	25	25	25	25	24	24	24	24	23	23	23
Regulatory Liabilities	364	373	380	383	385	392	392	386	396	395	402	402	407	406	403
Accrued Pension/Postretirement Benefit	716	197	192	187	178	509	509	509	509	508	511	511	510	508	414
Other Liabilities	115	39	38	38	37	37	37	36	48	54	68	68	70	89	90
Contributions in Aid of Construction	996	1,043	1,047	1,054	1,067	1,075	1,075	1,081	1,099	1,113	1,121	1,121	1,140	1,187	1,198
Shareholder's Equity	4,443	4,728	4,801	4,873	4,920	4,916	4,916	4,993	5,053	5,165	5,049	5,049	5,082	5,153	5,238
Preferred Stock (w/o redemption requirement)	2	-	16	16	16	-	-	14	14	-	-	-	-	-	-
Total Liabilities and Equity	14,719	15,070	15,275	15,426	15,716	16,131	16,131	16,264	16,732	17,105	17,241	17,241	17,417	17,706	17,971
Balance Sheet Analysis															
Rate Base	8,797	9,064	9,398	9,398	9,398	9,398	9,398	10,118	10,118	10,118	10,118	10,118	10,956	10,956	10,956
Regulated ROE (Rate Base)	8.7%	8.2%	8.8%	9.1%	9.2%	8.8%	8.8%	9.1%	9.3%	9.6%	9.0%	9.0%	9.1%	9.3%	8.8%
Debt / Total Cap	55%	53%	52%	52%	53%	53%	53%	52%	52%	54%	54%	54%	54%	53%	53%
Current Ratio	0.5	0.4	0.6	0.6	0.7	0.5	0.5	0.6	0.6	0.8	0.4	0.4	0.4	0.4	0.4
Days Sales Outstanding (DSO)	23.6	29.3	28.9	33.1	34.9	31.0	31.0	31.7	33.4	36.8	30.2	30.2	36.7	29.3	35.8
EBIT/ Interest Expense	3.0	3.1	3.9	4.0	4.1	3.4	3.4	4.1	4.2	4.2	3.5	3.5	4.2	4.2	3.9
Book Value/Share	\$25.01	\$26.40	\$26.75	\$27.12	\$27.34	\$27.34	\$27.34	\$27.69	\$28.02	\$28.64	\$28.05	\$28.05	\$28.39	\$28.95	\$29.43

Source: Company Reports & Baird estimates

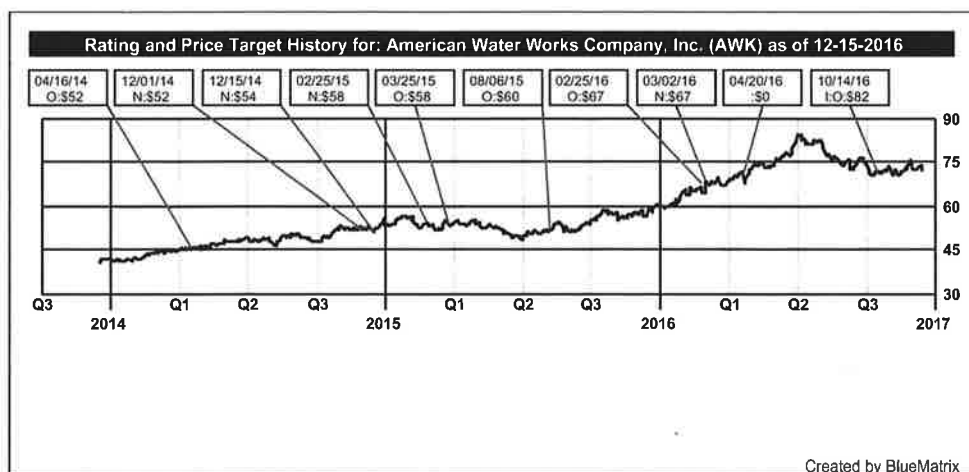
Research disclosures can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx>

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Appendix - Important Disclosures and Analyst Certification

Approved on 15 December 2016 21:03EST/ Published on 16 December 2016 01:00EST.



1 Robert W. Baird & Co. Incorporated makes a market in the securities of AWK.

Appendix – Important Disclosures and Analyst Certification

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American Water Works

AWK: Doing the Right Things

Stock Rating/Industry View: Overweight/Neutral

Price Target: USD 81.00

Price (02-Nov-2016): USD 72.49

Potential Upside/Downside: 12%

Tickers: AWK

AWK earnings, guidance and global settlement on Freedom Industries chemical spill

AWK continues to do the right things for customers, employees and shareholders. The binding global agreement related to the Freedom Industries chemical spill is a good example of this. Although AWK does not believe they have any liability given the criminal acts admitted to by Freedom Industries, it may seem odd that they take part in a settlement; however this was the most expedient way to move past this event for the employees, customers and shareholders. The overhang and potential legal fees alone could have impacted public perception, regulatory relations, and had uncertain financial outcomes. Now this event is behind them and was done so in a positive way. Earnings were \$1.05 for Q3 ahead of consensus, driven by solid increases in the regulated business partially offset by an expected decrease in the market based business. 2016 guidance was increased from \$2.75-\$2.85 to \$2.81-\$2.86 vs. consensus \$2.84. AWK also provided an update on the tuck in acquisitions, most notably Shorelands Water Co., Scranton, PA and McKeesport, PA.

Key items from the call:

- For tuck in acquisitions the 1-2% growth is a 5 year average, representing 30k-60k of acquired customers annually. The company did say that there is potential to see continued acceleration in the municipal deals in 2017.
- The economics of tuck in acquisitions start with collecting the in place rates upon acquisition with the reset occurring during the next general rate case filed in the state where the acquisition occurred. This may delay a part of the economics, but a criteria for all acquisitions is accretion.
- Q4 will see approximately \$10M of increased O&M based on timing and shift from other quarters.
- Keystone still expects to see flat eps contribution for 2016 but has seen their market share grow from 25% to 35% setting up for growth going forward.
- The military contracts business has a lower contribution this year based on 1) lower infrastructure budget and 2) completion of an \$85M capital upgrade at Fort Polk in 2015.
- There opportunities for additional military bases is solid given the number of RFP's currently out. The storm water issue and whether it is covered under the military base privatization is ongoing, the company is hopeful for this inclusion.

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American Water Works, Inc.
 (AWK-NYSE)

Rating/Risk: Neutral/Low
 Price: \$71.98
 Target Price: NA

Analyst Day Highlights: 2017 guidance brackets consensus, five-year capital investment plan suggests acceleration in regulated acquisitions.

Summary: American Water hosted its 2016 analyst day today at the New York Stock Exchange, with the event underscoring the long-term growth drivers and management affirming the outlook for consistent high single-digit earnings growth. The company also issued its initial EPS guidance range for 2017, which bracketed incoming consensus (though for nitpickers, the midpoint was \$0.02 below the Street). While the company did not formally raise its M&A growth target of 1%-2%, management plans to spend ~\$180 million per year on regulated acquisitions, a significant acceleration from recent years. Overall, there is a lot to like fundamentally about American Water, but in our view the positives are largely priced in. We maintain our Neutral rating for AWK shares, which trade at a premium P/E multiple (23.7 times) versus the peer group (23.0 times).

Key Points:

- Initial 2017 guidance range in-line with consensus.** American Water issued an initial 2017 EPS guidance range of \$2.98-\$3.08, which compares to incoming consensus of \$3.05. Although technically speaking, the midpoint (\$3.03) was modestly below the Street, overall we view the guidance as in-line – particularly considering the company’s track record of “under-promising and over-delivering” relative to initial guidance. Of note, the company reaffirmed its 2016 EPS “landing strip” of \$2.59-\$2.64, suggesting a wide berth 2017 growth range of ~4% to 10%. The company reiterated its long-term earnings growth target of 7%-10% and rolled its “anchor year” ahead to 2015 (when it earned \$2.64). Overall, there were no major surprises in the guidance and outlook, which is a tribute to the steady growth trajectory of the regulated business.
- M&A target unchanged at 1%-2% (despite proliferating fair value laws).** Given the recent adoption of “fair value” treatment for municipal acquisitions in key states such as Illinois, New Jersey, and Pennsylvania, and the recent uptick in muni M&A (notably in Pennsylvania with the pending Scranton and McKeesport deals), there had been some expectation that American Water would increase the Regulated Acquisition slice of its “growth triangle”. Instead, the company kept its target for growth via regulated acquisitions at 1%-2% per year. Conservatism would be one way to interpret this (management alluded to this, noting that “lumpiness” leads them to take a cautious approach), but in our view Scranton (which has taken longer to close than expected) offers a timely case-in-point as to the challenge of getting larger deals across the goal line, a natural governor on any water utility’s ability to drive growth via acquisitions.
- Company lays out five-year capital investment plan.** American Water issued a 2017-2021 capital spending plan totaling \$6.7 billion to \$7.3 billion, equating to an annual average of \$1.34 billion to \$1.46 billion. Regulated capex is forecast at \$5.9 billion (\$1.18 billion a year), with \$0.6 billion to \$1.2 billion (\$120 million to \$240 million) earmarked for regulated acquisitions (the remaining \$200 million goes toward “strategic capital”). Of note, while management did not raise its quantification of M&A-driven growth, the capital investment guidance suggests an acceleration in capital deployed toward acquisitions, with the company spending ~\$200 million (~\$40 million a year) on regulated acquisitions in the five year period from 2012-2016. Of note, the five-year plan budgets more >\$400 million for lead service line replacement, a major driver of the upside, given the heightened focus on this issue in the wake of the Flint, MI crisis.

December 15, 2016

Water & Environment

EPS					
Current	Q1	Q2	Q3	Q4	FY
2015A	\$0.44	\$0.68	\$0.96	\$0.55	\$2.64
2016E*	\$0.46	\$0.77	\$1.05	\$0.58	\$2.86
2017E	\$0.54	\$0.76	\$1.04	\$0.70	\$3.05
Prior	Q1	Q2	Q3	Q4	FY
2016	\$0.46	\$0.77	\$1.05	\$0.58	\$2.86
2017	\$0.57	\$0.78	\$1.05	\$0.70	\$3.10
Consensus	Q1	Q2	Q3	Q4	FY
2016	\$0.46	\$0.73	\$1.02	\$0.58	\$2.85
2017	\$0.53	\$0.79	\$1.06	\$0.67	\$3.05

Market Data	
Current Price	\$71.98
52-Week Range:	\$85.24 - \$57.97
Market Cap. (M)	\$12,813
Shares Out. (M):	178.0
Float Shs. (M):	177.6
Inst. Ownership:	84%
Short Interest (M)	5.0
Avg. Daily Vol. (Shs.Th.):	1,175.3
ADTV (M):	\$84.60

Valuation	
P/E 2016E	25.2x
P/E 2017E	23.6x

Capitalization	
Book Value / Share:	\$29.43
Net Cash / Shares:	57%
Enterprise Value (M):	\$19,614
Dividend / Share:	\$1.50
Dividend Yield:	2.1%

Source: Capital IQ, B&S Estimates

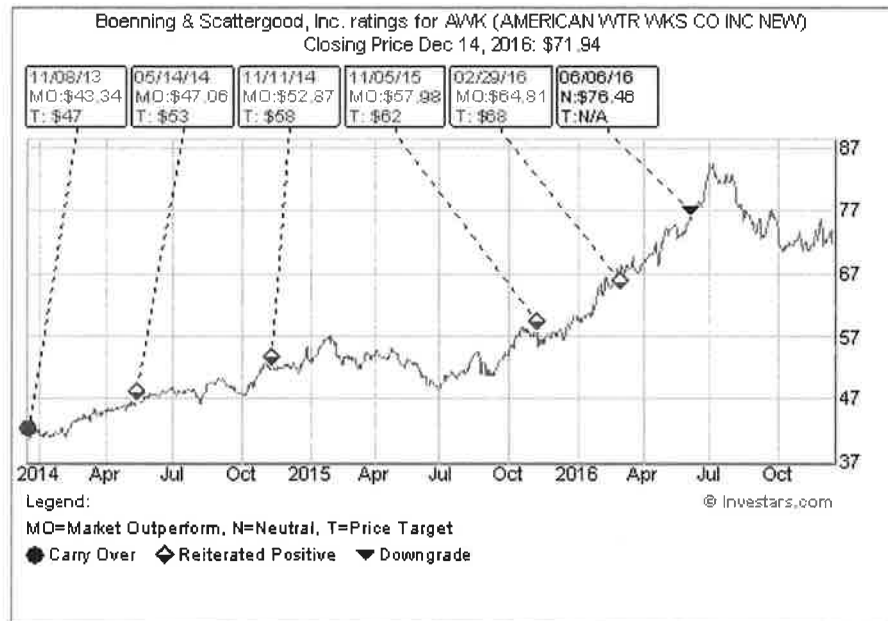
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Not Rated	12%	Not Rated	20%

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American Water Works (AWK): First Take: AWK analyst day slide deck and 2017 guidance

American Water Works (AWK, Neutral) hosts an analyst day today (December 15, 2016) in NYC and provided 2017 EPS guidance of \$2.98-\$3.08 as compared to GS/consensus estimates of \$3.09/\$3.06. The new 2017 guidance implies midpoint-to-midpoint growth of c.7% over 2016 guidance of \$2.81-\$2.86 — at the low end of their long term 7-10% EPS growth guidance.

While the formal presentation remains ongoing, we note a few key highlights from the slide deck presented by AWK:

- AWK rolled forward long-term EPS guidance from 2016-2020 to 2017-2021, but maintained its guidance for EPS growth range of 7-10%
- The company updated its O&M efficiency goals by targeting an efficiency ratio 32.5% by 2021 as compared to previous guidance of 34.0% by 2020. O&M efficiency over the LTM ending 9/30/16 came in at 34.9% and we forecast an O&M efficiency ratio of 31.2% in 2019E.
- AWK provided capital expenditure guidance of \$6.7-\$7.3bn from 2017-2021 above previous guidance of \$6.4bn from 2016-2020. The increase was driven largely by an increase in expected regulated system investments and investments in regulated acquisitions.

Primary items to monitor during the analyst day include (1) updates on customer acquisitions for AWK's regulated businesses, (2) insights into cost management and cost efficiency ratios, (3) insights into long-term growth potential across business segments, (4) updates on capital spending and rate base growth levels, and (5) insights on dividend growth plans.

We remain Neutral on AWK and derive our \$73, 12-month price target by applying a premium 22.0x multiple on 2018E EPS. Key risks include demand, cost management, utility regulation and contracting at the non-utility segments.

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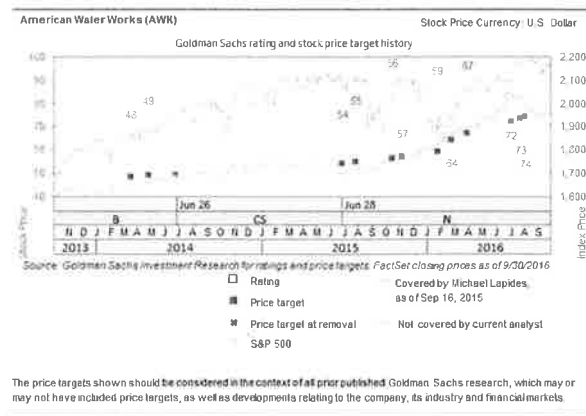
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American Water Works Company, Inc.

AWK – BUY – Quick Take: Solid Beat and Steady As She Goes

November 3, 2016

Solid 3Q16 results, beats – AWK reports adjusted EPS of 1.05 vs. Guggenheim and consensus estimate of \$1.04/\$1.02, respectively. Guidance range upped to \$2.81-\$2.86 vs. Guggenheim updated estimate of \$2.86 – we comfortably remain at the top end. 7-10% LT growth intact – driven by continued investment in AWK's regulated water systems, improved operational efficiency and acquisitions. In general, weather impact to date has been immaterial as higher cooling degree days were mostly offset by above-average rainfall.

Regulated spend remains focus. Of the \$905mm spent YTD, ~\$854mm centered on regulated investments and AWK remains on track to spend \$1.4b-\$1.5b for '16 (~\$1.2B regulated capital). To date, ~78.5k customers added or will be added through regulated acquisition. Management continues to highlight 30-60K regulated customer acquisitions equating to 1-2% of the 7-10% EPS CAGR. Muni acquisitions expected to continue but likely honed in around existing states – sweet spot around 5-16k customers. Outside of traditional muni water acquisitions, wastewater systems a key growth engine — ~98% owned by munis that could be capital constrained and operating with consent decrees around EPA environmental policy.

Improving conditions at Keystone Clearwater could set up nicely for '17: Market share improved further from 20% when segment was acquired to now 35% — still EPS neutral/CF positive in '16. Segment could be additive to earnings in '17 with the improving fundamentals. Additional visibility as well as '17 outlook to be provided at the December Analyst Day. As a reminder, variability levered to drilling activity but earnings could become more predictable in time. Well completions by the fracking industry drives performance for Keystone, so performance since the acquisition has had a moderate impact on revenue. Offsetting decline in revenue, Keystone targets increasing wallet share for its existing customers and adding new customers (total 50 in region). Keystone's current business model is asset light, but AWK's strategy for Keystone is to build more predictable earnings by signing longer-term "take-or-pay" contracts and owning water pipelines.

Rate cases moving along: Organic growth continues with rate cases – rate impact expected to be modest with O&M levers (34% O&M efficiency) and nontraditional rate mechanisms. While the current rate case cycle is a one-off (5 GRC filings), management expects ~3-4 per year going forward given the use of nontraditional rate mechanisms. With various revenue decouplers, riders (DSIC in 9 states), and forward-looking test years, ~66% of AWK's capital spend is recovered with minimal regulatory lag. Real time rate recovery coupled with O&M levers should prompt 2-3% customer rate impact — we continue to see AWK rate case cycles to be less politically sensitive vs. other utility counterparts.

We recently hosted management meetings with clients: See [HERE](#) and [HERE](#).

Continued on the next page...

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AWK BUY

EARNINGS RELEASE

Investment Thesis: Value

SHARE PRICE	\$72.49
PRICE TARGET	\$91.00

EPS (\$)	1Q	2Q	3Q	4Q	FY
(FY Dec)					
2016	0.46	0.77	1.05	0.58E	2.86E
Prior	—	—	1.04	—	2.85E
P/E					25.3x
2017	0.51E	0.82E	1.09E	0.63E	3.05E
P/E					23.8x
2018	0.55E	0.87E	1.15E	0.68E	3.25E
P/E					22.3x

Market Data

Price	\$72.49
52-Week Range	\$55.13 - \$85.24
Market Cap (M)	\$12,903
Dividend	1.44
Dividend Yield	2.0%
ADV (3 mo; 000)	1,098

Valuation

Water utilities continue to be ascribed a higher multiple versus electric/gas utility counterparts given higher growth prospects, which haven't slowed and are not expected to. Our \$91 PT for AWK is predicated on our 2018 EPS estimate of \$3.25 applied to a 30x P/E multiple (28x effective multiple after time value discount factor) — pure water utility comps trade well above regulated electric utilities on forward 2018E earnings. We then apply a one-year discount to arrive at our \$91 12-month price target.

Risk

Risks to achieving our price target for AWK mainly encompass traditional risk factors inherent with regulated utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model. Decline in allowed ROE. We assume an average earned ROE of 10.5% when combined with all the states. A lower allowed ROE can impact our earned return assumptions. Lower spending outlook. Forecasted spending below our ~ \$0.9B/year estimate can impact our assumptions for 8% EPS growth, 8% rate base growth.

SECTOR: POWER AND UTILITIES

November 3, 2016

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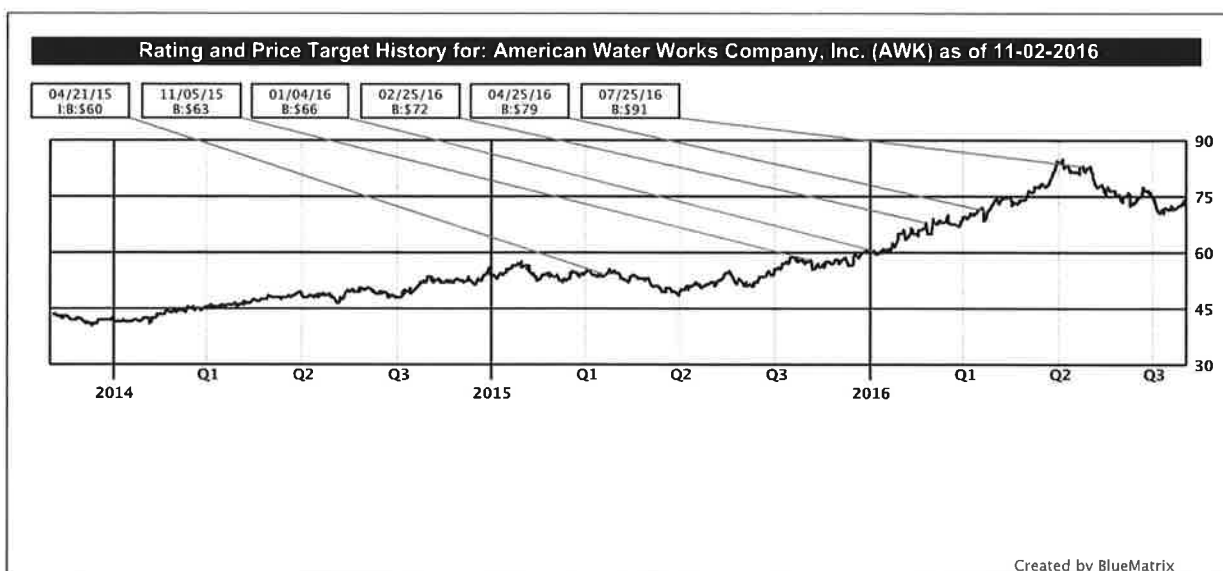
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GUGGENHEIM SECURITIES, LLC

See pages 3 - 4 for analyst certification and important disclosures. Page 3

AMERICAN WATER WORKS COMPANY, INC.

SECTOR: **POWER AND UTILITIES**

November 3, 2016

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AMERICAN WATER WORKS CO. INC.

Broadly In-Line Q2 Suggests Market Valuation Is Excessive; Maintain Neutral

AWK (NYSE)

Company & Market Data	
Closing Price (as of 08/22/2016):	\$76.63
Rating:	NEUTRAL
Price Target:	NA
Prior Price Target:	\$62.00
52 Week Range:	\$50.16 - \$85.24
Shares Outstanding (MM):	177.9
Market Capitalization (MM):	\$13,633
Avg Daily Volume (M):	1,329.1
Enterprise Value (MM):	\$20,423
Current Dividend Yield:	1.8%
Annual Dividend/Share:	\$1.36
Fiscal Year End:	Dec

Estimates			
EPS	2015A	2016E	2017E
1Q	\$0.44	\$0.46A	\$0.51
Prior			\$0.50
2Q	\$0.68	\$0.77A	\$0.80
Prior		\$0.74A	\$0.79
3Q	\$0.96	\$1.03	\$1.10
Prior		\$1.04A	\$1.11
4Q	\$0.55	\$0.57	\$0.62
Prior		\$0.58A	\$0.63
Full Year	\$2.64	\$2.83	\$3.03

Ratios			
P/E	29.0x	27.1x	25.3x
EV/EBITDA	13.5x	12.7x	12.0x

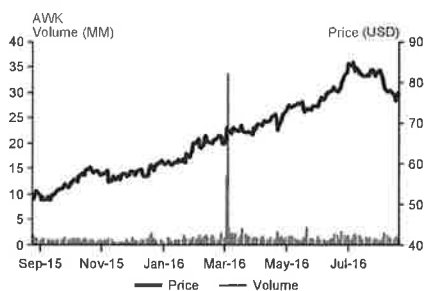


Chart Data: Bloomberg

- Q2 results broadly in line.** American Water recently reported Q2 results broadly in line with our estimates, the exception being diluted EPS, which beat our estimate by \$0.03 on better-than-expected below-the-line other income and a diluted share count underneath our estimate. Overall, we see the quarter as solid since AWK met our growth estimates and reaffirmed diluted EPS guidance; our 2016 and 2017 diluted EPS estimates remain unchanged as a result. To us, Q2 was another quarter that corroborated our positive long-term view as the company continues to prosper from its top-notch management and their exploitation of the water "megatrend."
- We continue to see AWK as a top water company....** As spotlighted in past notes, a key positive aspect of American's "story" is its visible exploitation of the water theme in the regulated segment. Furthermore, we brought to light our positive view on American's effort to capitalize on the water "megatrend" through the non-regulated segment, as well as our favorable stance on the Keystone acquisition in 2015 that fits under the non-regulated umbrella. In turn, while we see the regulated segment as a strong growth vehicle moving forward, we view the non-regulated side as a path to further penetrate the water theme to create even further potential shareholder value in coming years. Of the latter, we believe Keystone will set the stage for greater potential investor value creation as the energy environment improves.
-but see potential Keystone underperformance near-term.** Conversely, we see Keystone creating a drag on earnings for the remainder of this year with only modest potential growth acceleration in 2017 – as we see three issues confronting the business. First, Keystone deals solely with the gas side of the energy realm strictly in the Appalachia region. Based on conversations with Antero Midstream (AM, \$26.62, BUY), six of the 24 currently active gas rigs in the Marcellus are operated by Antero Resources (AR, \$26.96, Not Rated), the most active Appalachian operator. Antero's MLP, AM, is near construction completion of a high-quality water service unit and all AR water needs will shift to AM when AM's water network is put in service in coming months, translating into lost revenue for Keystone. Expanding on this point, AM's water network is expected to be the top Appalachian system and we believe AM will expand Appalachian water service market share. Secondly, our research leads us to conclude gas activity will dip in 3Q16 with an atypical pick-up occurring the next quarter. We see this stressing Keystone. Third, our research also leads us to conclude the Marcellus/Utica will be the fifth U.S. basin to recover (due to the gas infrastructure build-out in the locale not being completed for another 12 to 24 months) when the energy climate begins to ultimately improve for the long-term. Accordingly, we do see the business as beneficial for AWK, but conclude the positive impact will not occur in the near-term to help support present market valuation.
- Maintain Neutral rating.** In addition to our Keystone concern, and despite the generally in-line Q2 report, we are concerned with the quarter because we believe it shows that the business pipeline is not robust enough to support AWK's current valuation; as such, we see valuation as excessively high. While we maintain our belief that AWK is one of the paramount water companies, we believe the balancing of all of these factors warrants a Neutral rating. That said, we maintain our rating and withdraw our PT (previously \$62).

Disclosures and Analyst Certifications can be found in Appendix A.

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Exhibit 1: P&L

American Water Works Company, Inc. (AWK)
Income Statement
(Non-GAAP)

Ladenburg Thalmann
Richard A. Verdi; 212.409.2060

(in millions except per share data)

December Fiscal Year	FY 2014					FY 2015					FY 2016					FY 2017
	Year	1Q15	2Q15	3Q15	4Q15	Year	1Q16	2Q16	3Q16E	4Q16E	Year E	Year E	Year E	Year E		
Revenue	\$3,018.7	\$688.1	\$782.1	\$886.2	\$783.0	\$3,159.4	\$743.0	\$827.0	\$944.4	\$823.3	\$3,337.7	\$3,492.6	\$3,492.6			
Operating & Maintenance	1352.5	323.8	336.6	363.5	380.0	1404.1	348.0	351.0	381.8	399.0	1479.8	1527.9	1527.9			
Depreciation & amortization	424.4	107.4	108.9	111.2	112.1	439.5	116.0	115.0	117.2	117.8	466.0	487.6	487.6			
General taxes	236.9	63.7	60.2	60.3	59.0	243.2	66.0	64.0	63.3	61.4	254.7	261.7	261.7			
Loss (gain) on sales of assets	(2.0)	(1.1)	(1.2)	(0.2)	0.0	(2.5)	(1.0)	(2.0)	0.0	0.0	(3.0)	0.0	0.0			
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Operating Income	1066.8	204.3	277.6	361.3	231.9	1075.1	214.0	290.0	382.1	245.1	1140.2	1216.4	1216.4			
Interest Expense, Net	(297.8)	(75.7)	(75.4)	(77.6)	(79.0)	(307.7)	(80.3)	(81.0)	(81.5)	(82.0)	(324.8)	(328.0)	(328.0)			
Allowance for other funds used during construction	8.4	2.4	2.8	3.6	3.5	12.3	3.3	4.3	3.3	3.3	14.0	13.0	13.0			
Allowance for borrowed funds used during construction	5.8	2.5	1.5	2.2	2.2	8.4	1.5	2.0	1.5	1.5	6.4	6.4	6.4			
Amortization of debt expense	(7.0)	(1.8)	(1.9)	(2.1)	(1.5)	(7.3)	(1.5)	(1.0)	(1.5)	(1.5)	(5.5)	(6.0)	(6.0)			
Loss on Extinguishment of Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Preferred dividends of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Other, net	(3.2)	1.8	(1.0)	(0.2)	1.0	1.6	(1.0)	1.5	1.0	1.0	0.0	(4.0)	(4.0)			
Income Before Taxes	714.0	133.5	203.6	287.1	158.1	782.4	136.0	224.8	304.9	167.4	833.0	885.8	885.8			
Income Taxes	279.5	53.5	80.6	113.2	59.1	306.3	54.0	88.0	120.4	66.1	328.5	353.8	353.8			
Net Income	434.5	80.0	123.1	173.9	99.1	476.1	82.0	136.8	184.4	101.3	504.5	542.0	542.0			
Diluted EPS	\$2.42	\$0.44	\$0.68	\$0.95	\$0.55	\$2.64	\$0.46	\$0.77	\$1.03	\$0.57	\$2.53	\$3.03	\$3.03			
Diluted Shares Outstanding	179.8	180.3	180.4	180.4	180.5	180.4	179.0	178.0	178.3	178.5	178.4	179.1	179.1			

Margin Analysis													
Operating & Maintenance	44.8%	46.4%	43.0%	40.6%	48.5%	44.4%	46.8%	42.4%	40.4%	48.5%	44.3%	43.7%	43.7%
Depreciation & amortization	14.1%	15.4%	13.9%	12.4%	14.3%	13.9%	15.6%	13.9%	12.4%	14.3%	14.0%	14.0%	14.0%
General taxes	7.8%	9.1%	7.7%	6.7%	7.5%	7.7%	8.9%	7.7%	6.7%	7.5%	7.6%	7.5%	7.5%
Operating Income	33.4%	29.3%	35.5%	40.3%	29.6%	34.0%	28.8%	36.2%	40.5%	29.8%	34.2%	34.8%	34.8%
Income Before Taxes	23.7%	19.1%	26.0%	32.0%	20.2%	24.8%	18.3%	27.2%	32.3%	20.3%	25.0%	25.6%	25.6%
Income Taxes	39.1%	40.0%	39.6%	39.4%	37.3%	39.1%	39.7%	39.2%	39.5%	39.5%	38.4%	38.5%	38.5%
Net Income	14.4%	11.5%	15.7%	19.4%	12.7%	15.1%	11.0%	16.5%	19.5%	12.3%	15.1%	15.5%	15.5%

Growth Rates y/y/r													
Revenue	4.0%	2.4%	3.0%	5.9%	7.1%	4.7%	6.4%	5.7%	5.4%	5.1%	5.6%	6.6%	6.6%
Operating Income	6.4%	7.7%	8.1%	7.1%	4.0%	6.8%	4.7%	7.7%	5.8%	5.7%	6.1%	6.8%	6.8%
Income Before Taxes	13.3%	14.5%	10.4%	8.8%	6.0%	9.6%	1.9%	10.4%	6.2%	5.8%	6.5%	7.5%	7.5%
Net Income	10.3%	11.7%	9.6%	11.0%	5.5%	9.6%	2.4%	11.1%	6.1%	2.2%	6.0%	7.4%	7.4%
Diluted EPS	9.8%	11.2%	9.2%	10.8%	5.3%	9.2%	3.2%	12.6%	7.3%	3.3%	7.1%	7.0%	7.0%

Source: American Water Works, Ladenburg Thalmann Equity Research Estimates

Risks

In addition to normal economic and market risk factors that impact most all equities, American Water Works (AWK) is uniquely at risk to:

The outcome of regulatory filings: We expect the company will be among the fastest growing in the water utility peer group in coming years, as AWK's subsidiaries continue to file requests with state Commissions for rate increases in order to achieve rates of return on water assets commensurate with peers. If state Commissions deny these rate requests in whole or in part, it would likely have a negative impact on earnings.

Extreme weather patterns, including drought or prolonged periods of rainfall can impact consumption, and thus revenue of the company.

Product safety: Water is the only utility that is ingested. Though the company has a strong track record with respect to water contaminants, a breakdown in safety procedures could have a markedly negative effect on the company.

Financial Risk: American Water Works is the most financially leveraged publicly traded water utility in the United States. As a result, if the company's subsidiaries were to experience a reduction in gross profits similar to peers, AWK's earnings would be impacted to a greater degree of magnitude.

An important element of American's growth strategy is the acquisition of water and wastewater systems, as well as acquisitions of businesses outside of the regulated water realm. Any future acquisitions may involve risks.

The current regulatory rate setting structure may result in a significant delay, or "regulatory lag," from the time the company invests in infrastructure improvements, incurs increased operating expenses or experience declining water usage, to the time at which it can address these events through the rate case application process; AWK's inability to minimize regulatory lag could adversely affect its business.

The company's indebtedness could affect its business adversely and limit the ability to plan for or respond to changes in its business, and the company may be unable to generate sufficient cash flows to satisfy liquidity needs.

APPENDIX A: IMPORTANT RESEARCH DISCLOSURES

ANALYST CERTIFICATION

I, Richard A. Verdi, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report, provided, however, that:

The research analyst primarily responsible for the preparation of this research report has or will receive compensation based upon various factors, including the volume of trading at the firm in the subject security, as well as the firm's total revenues, a portion of which is generated by investment banking activities.

Additional information regarding the contents of this publication will be furnished upon request. Please contact Ladenburg Thalmann, Compliance Department, 570 Lexington Avenue, 11th floor, New York, New York 10022 (or call 212-409-2000) for any information regarding current disclosures, and where applicable, relevant price charts, in regard to companies that are the subject of this research report.

COMPANY BACKGROUND

Headquartered in Voorhees, New Jersey, American Water Works engages in the provision of water and wastewater services to residential, commercial and industrial customers in North America. Servicing approximately 14 million people with drinking water, wastewater, and other water-related services in over 30 states and two Canadian provinces. AWK currently owns 80 surface water treatment plants, 500 groundwater treatment plants, 1,000 groundwells, 100 wastewater treatment facilities, 1,200 treated water storage facilities, 1,300 pumping stations, 90 dams, and 46,000 miles of mains and collection pipes.

VALUATION METHODOLOGY

We value American Water Works by utilizing a blended approach of P/E, EV/EBITDA, EV/R and discounted dividend valuation analysis.

RISKS

In addition to normal economic and market risk factors that impact most all equities, American Water Works (AWK) is uniquely at risk to: the outcome of regulatory filings, extreme weather conditions, product safety, and financial risk.

STOCK RATING DEFINITIONS

Buy: The stock's return is expected to exceed 12.5% over the next twelve months.

Neutral: The stock's return is expected to be plus or minus 12.5% over the next twelve months.

Sell: The stock's return is expected to be negative 12.5% or more over the next twelve months.

Investment Ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk, or a change in target price. At other times, the expected returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review.

RATINGS DISPERSION AND BANKING RELATIONSHIPS AS OF (August 23, 2016)

Rating	%	IB %
BUY	58.6	63.6
NEUTRAL	38.5	54.4
SELL	2.9	14.3

COMPANIES UNDER RICHARD'S COVERAGE

American Water Works Co. Inc. (AWK)

Badger Meter, Inc. (BMI)

Aqua America Inc. (WTR)

American States Water Co. Inc. (AWR)

Franklin Electric Co., Inc. (FELE)

OTHER COMPANIES MENTIONED

Antero Midstream Partners LP (AM - \$26.62 BUY)

INVESTMENT RATING AND PRICE TARGET HISTORY

American Water Works Co. Inc. Rating History as of 08/22/2016

powered by BlueMatrix



B=Buy N=Neutral S=Sell D=Drop Coverage I=Initiate NR=Not Rated

Antero Midstream Partners LP Rating History as of 08/22/2016

powered by BlueMatrix



B=Buy N=Neutral S=Sell D=Drop Coverage I=Initiate NR=Not Rated

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Equity Research

American Water Works Company, Inc.

AWK: Analyst Day Supports Our Current Outlook

- Summary.** No change to our EPS outlook or thesis following AWK's 12/15 analyst day. Key disclosures were (1) \$2.98-3.08 EPS guidance in 2017, (2) 7-10% EPS growth target extended through 2021 and (3) 2017-21 capex of \$6.7-7.3B. We came away from the event confident in AWK's ability to deliver a 5-8% regulated EPS CAGR. The 2% EPS growth target from Market-Based Businesses (MBB) is where we continue to take a more conservative view. We believe AWK is one of the most fundamentally sound utilities in our coverage universe; however, valuation concerns keep us at Market Perform. While AWK shares trade at nearly 10% discounts to water utility peers on our 17E & 18E EPS (and we believe at least an in-line, if not relative premium, is deserved), the waters as a whole appear fully valued (trade at premiums of 40% and 20% to regulated electric and gas utilities).
- EPS Outlook.** Our 17-19E EPS remain \$3.05, \$3.30 and \$3.55. We continue to land towards the lower end of AWK's targeted EPS CAGR range due primarily to our assumption that the MBB contribute roughly 10% of consolidated EPS over the period as opposed to AWK's target of increasing it to 15% by '21 – assuming 15% would put us in the middle of the 7-10% range. While acknowledging MBB's small portion of consolidated EPS, we continue to prefer regulated-like growth (Military Services) over other less predictable, lower quality earnings (Keystone).
- Proven Strategy.** Recovery of the \$5.9B of planned regulated infrastructure capex is expected to drive 5-yr EPS CAGR of 4-6%. Importantly, cost controls and efficiency gains should keep customer rate increases to 2.5% and AWK believes the heightened focus on enhancing customer satisfaction is paying dividends with regulators. Layer on expectations for regulated M&A to add 1-2% to the CAGR as AWK consolidates the fragmented water/wastewater sector and the result is an attractive risk-adjusted 5-8% EPS CAGR. We consider the line of sight to be very good on this aspect of the plan and, even if we were to assume flat MBB growth, the 5-8% rate would still be attractive when compared to utility peers (4-6%).
- Supported by Long-Term Fundamentals.** What differentiates the water sector is the growth longevity. Capex needs exceed AWK's plans for decades to come. Thus, should rate headroom allow, capex could be increased. As for M&A, AWK's 30-60k annual customer addition target simply gets to the 1-2% EPS CAGR. The potential is far greater. AWK has more than 145k customer additions in various development stages. Though the industry has historically consolidated at a measured pace. If recent accelerated deal activity continues, aided in part by the adoption of fair market value legislation in key states, we believe M&A could provide upside. AWK indicated \$1.4B of additional debt capacity exists (above the \$7.3B top end of the 5-yr capex plan) to internally fund growth without compromising credit metric strength if regulatory support for more capital deployment exists and/or more M&A activity arises. Last, AWK generally expects Trump's policies will have positive implications but the devil will be in the details.

Valuation Range: \$75.00 to \$77.00

Our \$75-77/sh valuation range is based on a P/E multiple (apply a ~23X multiple to our 18E of \$3.30) and DDM analyses. Risks include regulatory and profitably executing the non-regulated growth strategy.

Investment Thesis:

We believe AWK is well positioned to capitalize on favorable industry dynamics which should lead to above average rate base, EPS and DPS growth. Our rating reflects valuation considerations.

Please see page 3 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 12/16/16 unless otherwise stated.

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Market Perform

Sector: Water Utilities

Market Weight

Company Note

EPS	2015A	2016E		2017E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.44	\$0.46 A	NC	NE	
Q2 (June)	0.68	0.77 A	NC	NE	
Q3 (Sep.)	0.96	1.05 A	NC	NE	
Q4 (Dec.)	0.55	0.55	NC	NE	
FY	\$2.65	\$2.84	NC	\$3.05	NC
CY	\$2.65	\$2.84		\$3.05	
FY P/EPS	27.2x	25.4x		23.6x	
Rev.(MM)	\$3,159	\$3,330		\$3,496	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
 NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
 V = Volatile, * = Company is on the Priority Stock List

Management's 2017 EPS guidance is \$2.98-3.08 and AWK targets 7-10% EPS growth through 2021 off of the 2015 reported base of \$2.64.
 2015 ongoing EPS of \$2.65 excludes a \$0.01 charitable contribution.

Ticker	AWK
Price (12/15/2016)	\$71.98
52-Week Range:	\$56-86
Shares Outstanding: (MM)	177.9
Market Cap.: (MM)	\$12,805.2
S&P 500:	2,262.03
Avg. Daily Vol.:	1,116,950
Dividend/Yield:	\$1.50/2.1%
LT Debt: (MM)	\$5,906.0
LT Debt/Total Cap.:	48.8%
ROE:	10.0%
3-5 Yr. Est. Growth Rate:	7.0%
CY 2016 Est. P/EPS-to-Growth:	3.6x
Last Reporting Date:	11/02/2016
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far



Company Description:

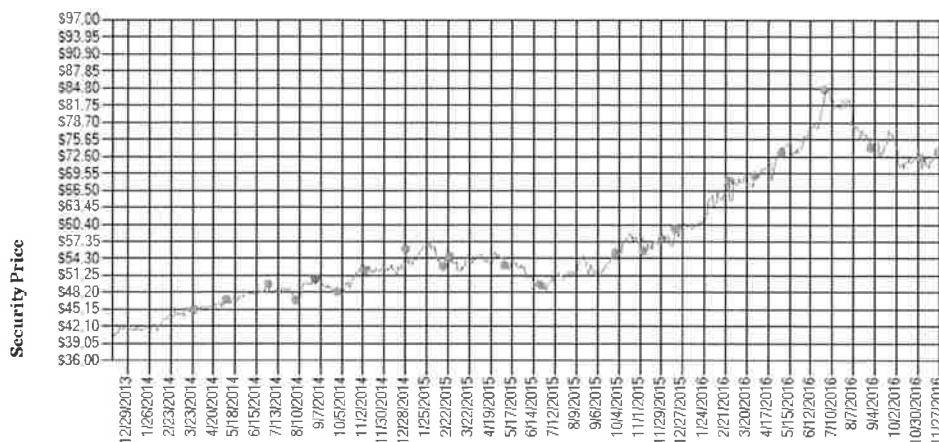
Headquartered in Voorhees, NJ, American Water Works Company, Inc. (AWK) is the largest and most geographically diversified of the investor-owned U.S. water and wastewater services providers. The company provides regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada.

Approximately 90% of EPS are derived from regulated operations which serve 3.2 million customers across 16 states. The utility operations are most heavily concentrated in New Jersey and Pennsylvania (these two states make up roughly half of AWK) as well as Missouri, Indiana and Illinois. As is typical for water utilities, the majority of AWK's regulated customer base are residential customers (91%), which can be characterized as a fairly predictable/inelastic demand source, and comprise more than 60% of regulated operating revenues.

AWK's non-regulated businesses contribute roughly 10% to consolidated EPS and include the following segments: Military Services (operates water and wastewater systems at U.S. military installations), Homeowner Services (offers warranty protection to homeowners), Contract Services and Keystone Clearwater Solutions (offers a range of water related services to the Appalachian shale oil and gas industry).

Required Disclosures

American Water Works Company, Inc. (AWK) 3-yr. Price Performance



Date

Date	Published Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
12/9/2013		Kalton			
12/9/2013	NA	1	48.00	49.00	41.10
* 3/27/2014	44.74	1	50.00	51.00	44.96
* 5/7/2014	46.76	1	51.00	52.00	46.92
* 6/30/2014	49.24	1	53.00	54.00	49.45
* 8/7/2014	46.61	1	52.00	53.00	46.55
▼ 9/2/2014	50.61	2	52.00	53.00	50.14
* 9/30/2014	48.32	2	50.00	51.00	48.23
* 11/6/2014	52.27	2	53.00	54.00	51.99
* 12/29/2014	54.02	2	57.00	58.00	55.85
* 2/17/2015	52.64	2	56.00	57.00	52.75
* 2/25/2015	54.65	2	57.00	58.00	54.46
* 5/7/2015	53.04	2	54.00	55.00	52.99
* 6/25/2015	49.53	2	52.00	53.00	49.37
* 9/30/2015	54.55	2	55.00	56.00	55.08
* 11/6/2015	58.19	2	58.00	59.00	56.44
* 11/30/2015	57.76	2	59.00	60.00	57.76
* 12/18/2015	59.22	2	62.00	63.00	59.55
* 2/25/2016	67.75	2	69.00	70.00	68.05
* 3/31/2016	68.93	2	72.00	73.00	68.93
* 5/5/2016	73.38	2	73.00	74.00	73.20
* 6/30/2016	84.01	2	82.00	83.00	84.51
* 8/30/2016	73.86	2	76.00	78.00	74.03
* 11/3/2016	72.09	2	75.00	77.00	72.09

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change

- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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- Wells Fargo Securities, LLC and/or its affiliates, have beneficial ownership of 1% or more of any class of the common stock of American Water Works Company, Inc.
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AWK: Risks include regulatory and profitably executing the non-regulated growth strategy.

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STOCK RATING

1=Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: December 16, 2016

41% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Outperform.

Wells Fargo Securities, LLC has provided investment banking services for 40% of its Equity Research Outperform-rated companies.

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Wells Fargo Securities, LLC has provided investment banking services for 29% of its Equity Research Market Perform-rated companies.

3% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underperform.

Wells Fargo Securities, LLC has provided investment banking services for 18% of its Equity Research Underperform-rated companies.

American Water Works Company, Inc.

**WELLS FARGO SECURITIES, LLC
EQUITY RESEARCH DEPARTMENT**

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SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.20

Pennsylvania-American Water Company
VII. Rate of Return

20. Please provide a listing of all securities issuances for the Company and, if applicable, its parent projected for the next two years. The response shall identify for each projected issuance date, dollar amount, type of security, and effective cost rate.

Answer:

Pennsylvania-American Water expects to utilize a combination of long-term debt placed through AWCC and, if available, Pennvest borrowings to meet its financing needs during the next two-year period.

PAWC expects to issue the long-term debt shown below during 2017 and 2018, based on its projected capital investment.

2017 Projected

AWCC LTD -	\$240,000,000	4.266%	30-year term
Pennvest LTD -	\$3,166,300	1.000%	(additional proceeds from existing loan for Clarion Wastewater project – maturity date 9/1/2032)

2018 Projected

AWCC LTD -	\$271,000,000	4.340%	30-year term
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Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.21

Pennsylvania-American Water Company
VII. Rate of Return

21. Please identify any plan by the Company to refinance high cost long-term debt or preferred stock.

Answer:

The Company currently has no plans to refinance long-term debt or preferred stock.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.22

Pennsylvania-American Water Company
VII. Rate of Return

22. Please provide copies of all securities analysts' reports relating to the Company and its parent, or both, issued within the past 2 years.

Answer:

Please see the Company's response to FR VII.19.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.23

Pennsylvania-American Water Company
VII. Rate of Return

23. If applicable, please supply a listing of all common equity infusions from the parent to the Company over the past five years. In each case, identify date and dollar amount.

Answer:

YEAR	AMOUNT (\$000)	DATE
2016	\$0	N/A
2015	75,000	8/15
2014	75,000	12/14
2013	0	N/A
2012	35,000 & 35,000	8/12 & 12/12

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Common Dividend Payments

FR VII.24

Pennsylvania-American Water Company
VII. Rate of Return

24. If applicable, please identify the Company's common dividend payments to its parent for each of the last five years.

Answer:

<u>YEAR</u>	<u>AMOUNT (\$000's)</u>
2016	\$111,484 ✓
2015	108,121 ✓
2014	102,451 ✓
2013	88,022 ✓
2012	80,318 ✓

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.25

Pennsylvania-American Water Company
VII. Rate of Return

25. Provide the latest year-by-year financial projections for the Company for the next five years. Also, please indicate the date these projections were prepared; whether approved by management; and whether the projections have been submitted to bond rating agencies. The information will be treated in a confidential manner, if requested by the Company in writing, as set forth in 52 PA Code § 5.423.

Answer:

Below is the approved budget for 2017 and projections for 2018 through 2021 for the Company's water and wastewater operations.

Description (\$000's)	2017	2018	2019	2020	2021
Revenues	\$665,956	\$695,481	\$700,927	\$727,847	\$746,600
O & M Expense	200,504	202,196	194,678	198,110	202,042
Depreciation & Amortization	112,358	117,443	125,968	130,364	135,180
Taxes Other Than Income	13,254	13,249	13,792	14,221	14,620
Income Taxes	110,424	119,021	123,657	127,571	132,062
Utility Operating Income	\$229,416	\$243,572	\$242,832	\$257,581	\$262,696
Income Deductions	69,181	71,478	64,201	73,429	72,212
Net Income to Common	\$160,235	\$172,094	\$178,631	\$184,152	\$190,484

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.26

Pennsylvania-American Water Company
VII. Rate of Return

26. Please provide the Company's five-year construction budget.

Answer: Below is the Company's construction plan net of customer contributions and advances.

2017	\$296,914,220
2018	346,131,673
2019	294,476,044
2020	278,776,719
2021	270,315,072

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.27

Pennsylvania-American Water Company
VII. Rate of Return

27. Please identify the Company's and, if applicable, its parent's capital structure targets (percentages of capital types). Provide the complete basis for the capital structure targets.

Answer: Pennsylvania-American strives to maintain a common equity ratio of approximately 54% to 55% of its total permanent capital structure. This target is based upon the goal to maintain a capital structure that will exhibit financial strength and stability to investors and credit rating agencies, support existing credit ratings, and provide the Company reasonable assurance of access to the debt capital it requires to operate, at a reasonable cost.

The parent's capital structure targets are not applicable to the Company.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.28

Pennsylvania-American Water Company
VII. Rate of Return

28. For each month, of the most recent 24 months, please supply the Company's
- Short-term debt balance;
 - Short-term debt interest rate;
 - Balance of construction work in progress; and
 - Balance of construction work in progress which is eligible for AFUDC accrual.

Answer:

Short-term Debt				
	2015		2016	
	<u>Balance</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Interest Rate</u>
Jan	\$ 77,034,359	0.3919%	\$ 95,031,405	0.7311%
Feb	65,056,660	0.4373%	92,593,020	0.7429%
Mar	87,758,895	0.5396%	89,026,190	0.7517%
Apr	74,238,479	0.6178%	86,053,312	0.7586%
May	63,316,740	0.5429%	70,904,348	0.7479%
June	79,305,866	0.4716%	104,767,964	0.7652%
July	82,237,181	0.4307%	103,230,833	0.7871%
Aug	3,266,646	0.4371%	86,882,237	0.7743%
Sept	37,932,175	0.4229%	129,920,477	0.7874%
Oct	35,726,939	0.4249%	150,866,494	0.7885%
Nov	44,756,964	0.4332%	145,730,801	0.7789%
Dec	66,392,684	0.5861%	387,470,103	0.9233%

c.

CWIP Balances		
	2015	2016
	Balance	Balance
Jan	\$ 35,774,648	\$ 55,591,239
Feb	39,920,070	59,412,173
Mar	44,172,498	66,702,476
Apr	52,690,301	70,894,485
May	51,239,016	70,206,737
Jun	60,469,179	78,649,365
Jul	63,083,426	88,847,144
Aug	54,157,782	84,297,026
Sep	69,477,958	98,321,381
Oct	83,464,431	104,986,643
Nov	56,080,625	95,519,652
Dec	53,533,757	105,683,787

d.

CWIP Eligible for AFUDC		
	2015	2016
	Balance	Balance
Jan	\$ 25,916,737	\$ 42,121,602
Feb	26,773,882	46,021,207
Mar	29,803,836	47,193,926
Apr	32,676,116	53,545,962
May	36,379,771	60,778,278
Jun	36,647,552	60,003,039
Jul	41,532,488	65,638,271
Aug	44,701,965	75,998,086
Sep	40,644,334	74,410,005
Oct	49,914,572	82,010,634
Nov	55,139,995	85,386,702
Dec	45,021,059	76,454,019

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.29

Pennsylvania-American Water Company
VII. Rate of Return

29. Fully identify all debt, other than instruments traded in public markets, owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.

Answer: The debt owed to the Company's financing affiliate (AWCC) is listed below:

Inside Debt at December 31, 2016

Short-Term Debt - Inside Description	Rate	Principal	Affiliate
Short-Term Notes Payable - AWCC *	Variable	\$387,470,104	AWCC
Total Inside Short-Term Debt		\$387,470,104	

Long-Term Debt - Inside Description	Rate	Principal	Issued	Maturity	Affiliate
5.62% 11 Year LTD series	5.62%	65,900,000	1/31/2007	12/21/2018	AWCC
5.77% 14 Year LTD series	5.77%	100,300,000	1/31/2007	12/21/2021	AWCC
5.77% 15 Year LTD series	5.77%	80,000,000	3/29/2007	3/29/2022	AWCC
6.25% 10 Year LTD series	6.25%	81,000,000	5/15/2008	5/15/2018	AWCC
5.05% 26 Year LTD series	5.05%	50,500,000	11/21/2011	10/15/2037	AWCC
4.30% 30 Year LTD series	4.30%	45,000,000	12/17/2012	12/1/2042	AWCC
2.20% 6 Year LTD series	2.20%	37,540,000	12/21/2012	3/29/2019	AWCC
4.30% 30 Year LTD series	4.30%	23,015,000	12/21/2012	12/1/2042	AWCC
3.85% 10 Year LTD series	3.85%	67,000,000	11/20/2013	3/1/2024	AWCC
3.40% 10.5 Year LTD series	3.40%	36,200,000	8/14/2014	3/1/2025	AWCC
4.30% 28 Year LTD series	4.30%	65,700,000	8/14/2014	12/1/2042	AWCC
Total Inside Long-Term Debt		\$652,155,000			

* Consists of outstanding commercial paper backed by revolving credit facility

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.30

Pennsylvania-American Water Company
VII. Rate of Return

30. Provide a summary statement of all stock dividends, splits, or par value changes during the two (2) year calendar period preceding the rate case filing.

Answer:

Stock Dividends for American Water Works Company, Inc.:

	1Q	2Q	3Q	4Q	Total
Fiscal year ended December 31, 2015					
Dividends paid per common share	\$0.310	\$0.340	\$0.340	\$0.340	\$1.330
Dividends declared per common share	0.000	0.340	0.340	0.680	1.360
Fiscal year ended December 31, 2016					
Dividends paid per common share	\$0.340	\$0.375	\$0.375	\$0.375	\$1.465
Dividends declared per common share	0.000	0.375	0.375	0.750	1.500

There were no splits or par value changes in 2015 and 2016.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.31

Pennsylvania-American Water Company
VII. Rate of Return

31. If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and consolidated system, the reasons for this claim must be fully stated and supported.

Answer: Not applicable.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR VII.32

Pennsylvania-American Water Company
VII. Rate of Return

32. To the extent not provided elsewhere, supply financial data of the Company and parent, if applicable, for the last five (5) years.
- a. Times interest earned ratio--pre and post tax basis.
 - b. Preferred stock dividend coverage ratio--post tax basis.
 - c. Times fixed charges earned ratio--pre tax basis.
 - d. Dividend payout ratio.
 - e. AFUDC as a percent of earnings available for common equity.
 - f. Construction work in progress as a percent of net utility plant.
 - g. Effective income tax rate.
 - h. Internal cash generations as a percent of total capital requirements.

Answer: Please refer to Exhibit No. 13-A.

MFR Description

FR VIII. RATE STRUCTURE AND COST OF SERVICE

- 1 Cost of service study
- 2 Special rate contracts

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Cost of Service

Pennsylvania-American Water Company
VIII. Cost of Service

1. Provide a complete, fully allocated, cost of service study if an interval of three years has passed between a previous cost of service study and the historic test year date of the current filing. The cost of service study shall provide the necessary data to determine if the water or wastewater rate structure is fair and equitable to all classifications of water or wastewater customers (including public and private fire protection customers) and reflects, as nearly as possible, the cost of providing the service. The study shall correspond to the test year proposed revenue requirements (future test year only, if used). Summaries of conclusions and all back-up calculations shall be made part of the submission of the cost of service study, and shall include the following:
 - a. A description of the allocation methods used. A comparison of the allocated cost of service by class with the present and proposed revenues. A cost of service schedule showing the rate of return produced by present and proposed rates by class of service.
 - b. Indicate if the method used for establishing the allocation factors in the cost of service study deviates from the previous study submitted in the last rate case. If yes, indicate which allocation factors were changed and discuss the reason for the changes.
 - c. Supply the average day, the maximum day, and the maximum hour deliveries to the system adjusted for storage for the historic test year and two prior years. Also, provide workpapers, analyses, comparative data or other documentation supporting the estimated maximum day and peak hour demands by customer class reflected in the company's cost of service study.
 - d. Explain thoroughly the methodology employed if the company distinguishes between transmission and distribution or collection mains in its allocation of costs.
 - e. Provide a detailed explanation of how storage is utilized to meet base, maximum day and maximum hour demands.
 - f. Provide workpapers, calculations and supporting documentation which develop the equivalent meters and equivalent service line weights reflected in the company's cost of service study.

- g. Provide all workpapers and supporting documentation for the fire flow requirement and duration utilized in the cost of service study.
 - h. Provide a breakdown of the number and size of private fire services according to the general water service class of customer.
 - i. Provide a calculation of the company's base cost of water or wastewater per unit of consumption or usage.
 - j. Provide a detailed cost analysis that supports the company's customer charges, by meter size, showing all direct and indirect costs included.
2. Provide a listing of negotiated special rate contracts which includes a comparison of revenues under special rate contracts and under tariff rates. Provide the cost of service treatment of any deficiency in revenues resulting for the negotiated special rate contracts. Special rates are defined as rates not contained in the currently-effective tariff.

Answer:

Please refer to the direct testimony and accompanying exhibits of Paul R. Herbert (PAWC Statement No. 12) for the above filing requirements.

MFR Description

FR IX. QUALITY OF SERVICE

- 1 Violation of the PA Safe Drinking Water Act
- 2 Compliance with 52 Pa. Code
- 3 Service interruptions over 24 hours
- 4 Company policy of tracking and responding to customer complaints
- 5 Compliance with 52 Pa. Code regarding mapping of distribution system
- 6 Company efforts in water conservation summary
- 7 Company policy regarding meter requirements, replacements, and testing

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Quality of Service SDWA Violations

FR IX.1

Pennsylvania-American Water Company
IX. Quality of Service

1. Indicate whether the Company is in violation of any provision of the Pennsylvania Safe Drinking Water Act (SDWA) or any rule, regulation or order, or any condition of any permit, variance or exemption granted by the Pennsylvania Department of Environmental Protection (PA-DEP), or its predecessor.

RESPONSE: Pennsylvania American Water Company, as of April 12, 2017, is not in violation of any provision of the SDWA or any rule, regulation or order, or any condition of any permit, variance or exemption granted by the Pennsylvania Department of Environmental Protection (PA-DEP), or its predecessor.

- a. Provide information indicating whether the Company is in compliance with SDWA provisions at 25 Pa. Code, §109.407 regarding general public notification requirements.
- (i) Provide a copy of each public notification given in accordance with this section since the last rate proceeding.

RESPONSE: PAWC complies with all requirements of public notification as specified in the SDWA under 25 Pa. Code §109.407. PAWC provides notification to the public on main line breaks, hydrant shears, etc., where public health concerns dictate the issuance of a boil water advisory. PAWC has not attached individual copies of all notifications related to such events since 2013.

- (ii) Provide a detailed explanation of all actions taken to remedy an acute violation, and/or to comply with the requirements prescribed by a variance or exemption.

RESPONSE: The Company did have a public notification violation pursuant to the PA Safe Drinking Water Act in 2016, which occurred in our Kittanning System. A subsequent public notification was delivered to customers within 30 days of the event.

- (iii) State whether any fines or penalties were assessed by PA-DEP, and indicate the amounts paid by the Company.

RESPONSE: The Pa DEP assessed a penalty of \$4800.00 for the public notification violation that occurred in the Kittanning system. PAWC paid \$4800.00 to resolve the matter under the terms of a Consent Assessment of Civil Penalty.

- b. (i) Provide the most recent copies of all annual consumer confidence reports issued pursuant to the SDWA Amendments of 1996 during calendar year 2012.

RESPONSE: All 2015 CCR's are posted on the company's website at <https://amwater.com/paaw/>, under water quality reports. Individual systems can be located by utilizing the zip code of the water system. The 2016 CCR's are in the process of being completed and will be posted to the company website by the annual July 1st deadline. If a specific CCR is desired for any year prior to 2015, PAWC can produce that document upon request.

- (ii) Provide any annual consumer confidence reports which reflect violations of state and Federal drinking water requirements.

RESPONSE: The 2016 CCR's for the Royersford, Norristown and Mechanicsburg systems will include references to late reporting violations.

- (iii) Explain how these violations were resolved.

RESPONSE: In each instance, the late reporting issues were resolved almost immediately upon identification by PAWC or by notification from the DEP. Training was provided to all operators during the first quarter of 2017 to ensure that reporting of test results was timely and accurate.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Quality of Service Operating Pressure Standards
FR IX.2

Pennsylvania-American Water Company
IX. Quality of Service

2. Indicate whether the Company is in compliance with 52 Pa. Code, § 65.6(a) regarding normal operating pressure standards, with 52 Pa. Code, § 65.6 (d) regarding pressure surveys at regular intervals.
- a. Provide details on any water pressure problems, lasting longer than five days, which had occurred since the last rate proceeding in any part of the water transmission and distribution system.
 - b. Describe any action taken on a temporary basis, and the long term solutions developed to address any water pressure problems.

Answer:

- a. In the Nazareth District, PAWC had an area near our Nazareth Reservoir that experienced low water pressure. Many homes had booster pumps to raise pressure. A new water main was installed in November of 2015 and customers were put on a higher gradient, which eliminated customer needs for booster pumps.

In the Pine Ridge system, PAWC had a customer with low water pressure due to the elevation of their home. Restrictions were discovered in the customer service in November of 2016. PAW raised the operating range of our tank. This helped raise pressure to 25 psi at the home.
- b. Please see a.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Quality of Service Interruptions

FR IX.3

Pennsylvania-American Water Company**IX. Quality of Service**

3. Provide support to demonstrate that water or wastewater service is being furnished on a continuous basis by supplying a summary of the Company's records of each service interruption greater than 24 hours since the last rate proceeding.

Answer:Scranton (6,500 customers)

January 30-31, 2014

A leak on a 36" water main created low pressure and water outages. Boil Water Advisory issued on Friday January 31. After two Bacti tests – February 1, February 2. Boil lifted Monday, February 3.

Pittsburgh, 29th Ward (10 customers)

June 20-22, 2014

A 42" transmission water main broke, creating low pressure and water outages to customers along Brook St. The leak was promptly repaired. No boil order issued.

McMurray, South Fayette Two (8 customers)

October 29-30, 2014

A 36" water main break occurred on Boyce Road and created low pressure, intermittent service, and an extended outage for eight (8) customers. A temporary water station was provided while repairs were being made. No boil order issued.

Baldwin Borough (100 customers)

May 8-10, 2015

A 30" transmission water main broke creating low pressure and water outages to customer along Elma St and Circle Drive. A precautionary Boil Water Advisory was issued on May 8th. The leak was promptly repaired. The Boil Water Advisory was lifted on May 10th, after two successive daily samples confirmed the absence of total coliform bacteria.

Lackawanna County (21,000 customers)

April 8-10, 2017

A 16" flange failed on main bypass at Mill Street pump station in Dunmore PA. As a result, tank levels and system pressures dropped. Most customers' water service was restored within 29 hours; however, One (1) business located at a higher elevation was put back in service at approximately 6:00AM Monday, April 10, 2017. A precautionary boil advisory was issued on April 8, 2017 and lifted on April 12, 2017.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Quality of Service Customer Complaints

FR IX.4

Pennsylvania-American Water Company
IX. Quality of Service

4. Provide a discussion of the Company's policy, or provide a copy of the policy if in written form, on tracking and responding to customer complaints.
 - a. Provide a summary report demonstrating the Company's compliance with 52 Pa. Code, §65.3 regarding the full and prompt investigation of service or facility complaints and the record keeping requirements of such complaints.

Answer:

- a. Please see attached.



PA Escalation Process for CSRs

Introduction

The Pennsylvania Public Utility Commission has set specific guidelines for AW to resolve any customer dispute within 30 days from the creation of the original contact by obtaining verbal satisfaction, or issuing a UTLRPT Utility Company Report.

Objectives

After completing this training session, you will be able to complete the following objectives:

- Identify a customer's issue.
- Resolve the issue, if possible.
- Determine if the unresolved issue is a dispute.
- Escalate the dispute if you cannot resolve it.

Key Terms

- Public Utility Commission (PUC)
- ART (Account Resolution Team)
- Complaint
- Dispute
- UTLRPT (Utility Company Report)



PA Escalation Process for CSRs

What is a Dispute? - Pennsylvania Regulations

Dispute: A grievance of an applicant, ratepayer or occupant about a utility's application of a provision covered in this chapter, including subjects such as credit determinations, deposit requirements, the accuracy of meter readings or bill amounts, or the proper party to be charged. If, at the conclusion of an initial contact or, when applicable, a follow-up response, the applicant, ratepayer or occupant indicates satisfaction with the resulting resolution or explanation, the contact will not be considered a dispute.

With that being said:

The Pennsylvania Public Utility Commission regulations considers any contact made between American Water and its customers to be a dispute if; at the conclusion of a call, a Pennsylvania customer has not indicated satisfaction about the issue in question. Once a dispute is identified, we have 30 days to either obtain verbal satisfaction from the customer or send the customer a letter called a "Utility Company Report."

In order for us to resolve issues within the timeframe allowed by the Pennsylvania Regulations, we have outlined a process that will enable CSRs to successfully handle any situation that may arise.

The following points have been identified to guide CSRs in determining the best course of action based upon the issue presented by the customer:

1. Identify the issue that the customer has raised.
2. Resolve the customer's issue so that no dispute exists.
3. Identify special circumstances.
4. Follow up on unresolved issues that become disputes.
 - Place locks on accounts.
 - Issue service orders when appropriate.



PA Escalation Process for CSRs

Identifying a Potential Dispute

Any issue that you resolve with the customer over the phone and that customer expresses satisfaction with the resolution of their issue is not considered a dispute. Your customer service skills may be all that is required. Remember that a conversation can go both ways. What you say and how you say it has a very strong influence on the customer's experience. The explanation of a process may at first not be what the customer wants to hear; however, after further discussion, the customer fully understands our position and/or policy and it begins to make sense to him/her. Only when the customer does not express satisfaction with the resolution of the issue or the outcome of their contact with you, is there a dispute.

Note: If possible, we always want to resolve the customer's issue on the first contact.

Below are some common examples of issues that CSRs routinely resolve on the first contact:

- A customer needed an extra day to pay their bill and they are concerned about getting charged a late fee. You realize that this is an ATP situation. To avoid the late fee and follow proper ATP procedures, you update ATP and offer an extension.
- A customer did not understand the DSIC service charge on their bill. After the explanation, the customer was satisfied.
- A customer calls to complain about a high bill. After asking probing questions, the customer realizes that they put new grass in their yard and the additional watering over the previous billing period caused the high bill. The customer understands why the bill is high, and is satisfied.

At the end of the call, we are required to ask, "Are you satisfied with the information provided during this call?" We will continue to ask this question, because it is a requirement to document the customer's satisfaction (or lack thereof) in the Interaction Record comments. However, when dealing with a potential dispute, it is very important that we determine and document if the customer is satisfied with the resolution of the issue. This is not the same as being satisfied with the information that we have provided over the phone. For example, the customer can be very satisfied with the way that you have treated them, but they can be dissatisfied with the resolution of the issue they have raised. In this case, we have a dispute.

If a dispute exists at the end of your call, you have the following options:

1. If required, issue a service order to resolve the customer's issue,
2. If a bill or payment is in dispute, place a 30-day dunning lock on the account with the **Bill Inquiry/Dispute** reason, as well as a 30-day **Calculate Interest > Late Payment Charge** lock,
- Or -
3. Escalate the call to a Team Supervisor by calling the Supervisor Escalation Queue.

Once an issue has become a dispute, we have 30 days to attempt to resolve the issue to the customer's satisfaction. As CSRs, our objective is to identify disputes and forward them to the appropriate department. Other groups then follow up on each of these issues to reach resolution within 30 days.



PA Escalation Process for CSRs

Specific Example Circumstances

High Bill Complaints & Expansion Tanks

In the case where a customer is concerned about a high bill, we need to ask the customer if they have an expansion tank and check valve installed in their home before we launch the High Bill Script. Please use the table below to determine your course of action:

Situation	Do you have an expansion tank?	Do you have a check valve?	Take Action
Expansion Tank and Check Valve Present	Yes	Yes	Follow normal high bill process. Remember; offer the leak kit before issuing a service order.
Expansion Tank with NO Check Valve	Yes	No	Issue an ILK with S/O comments "Check for expansion tank and/or check valve."
Expansion Tank and Check Valve UNKNOWN	Unknown	Unknown	Issue an ILK with S/O comments. "Check for expansion tank and/or check valve."
NO Expansion Tank or a Check Valve	No	No	Follow normal high bill process. Remember; offer the leak kit before issuing a service order.

If the answers to the High Bill Script probing questions indicate that the high usage cannot be explained, we attempt to gain customer satisfaction by directing the customer to amwater.com to view the leak detection kit. If the customer is not willing to accept the leak kit, or if they have used the leak kit already with no result, the issue has become a dispute. In this case, issue an ILK service order and place a 30-day dunning lock on the account with the **Bill Inquiry/Dispute** reason, as well as a 30-day **Calculate Interest > Late Payment Charge** lock. The Account Resolution Team has the responsibility to follow up on all ILK service orders and will attempt to resolve the customer's issue.

If the customer has already received a leak detection kit, and still has a high bill concern, ensure the High Bill Script has been performed for this issue, create an ILK service order and document pertinent facts, and place a 30-day dunning lock on the account with a lock reason of **Bill Inquiry/Dispute**. The Account Resolution Team has the responsibility to follow up on all ILK service orders, and will attempt to resolve the customer's issue. The Account Resolution Team will refer unresolved customer issues to PA Customer Advocacy Team.

****Note**:** Once the customer has been disconnected for non-payment, they can no longer dispute a high bill. However, if there are extenuation circumstances, escalate to a Team Supervisor.



PA Escalation Process for CSRs

Estimated Reads

In the case where a customer refuses to pay a bill because the latest read has been estimated and the meter is read monthly, under the appropriate circumstances issue an RCE/REO service order depending on the meter location. In addition, place a 30-day dunning lock on the account with the **Bill Inquiry/Dispute** reason, as well as a 30-day **Calculate Interest > Late Payment Charge** lock and create a BPEM for ART to review the customer's issue.

Local Field Operations Issues

NSI requests, Loss Control issues, Restoration issues, Water Quality complaints and inquiries, and low pressure issues should continue to be handled using the current processes.

- When a customer calls regarding follow-up of an existing problem that was supposed to be handled by Local Operations, send an email to CSC – SUP Email.
- For a customer following up on an incomplete or unsatisfactory completion of a restoration, **create a "new" notification that references the prior notification** and advise the customer that someone will be in contact with them within 3 business days. PA Customer Advocacy will review the account and will follow up with the customer.
- If a customer has called three (3) times regarding the same issue, escalate the request to your Team Supervisor via a Supervisor Follow-Up BPEM.

Leak Adjustment Requests

If a customer is requesting a leak adjustment, complete the following:

- Check IDA – Adjustment Guidelines to determine if the customer's bill class (residential, commercial, etc.) is eligible and if the particular leak would be considered for an adjustment. If eligible, then:
 - Document the type of leak and date of repairs in the Interaction Record and create a CS – Billing Follow Up BPEM case. Inform the customer that they should still make a payment toward their balance, i.e., their average bill, in addition to any past due amounts.
 - Place a 30-day dunning lock on the account with the **Bill Inquiry/Dispute** reason, as well as a 30-day **Calculate Interest > Late Payment Charge** lock.

When the Billing Department receives the BPEM, they will make a determination based upon the information received and refer the matter to PA Customer Advocacy Team to follow up with the customer.

ATP – Negotiation Guidelines

If a customer is not satisfied with the options provided that is within the ATP Negotiation Guidelines, document "not satisfied" in the Interaction Record. As long as the CSR provided correct options and made the proper documentation there is nothing else the company is required to do.

Late Charges

If a customer is requesting credit for a late fee, follow normal process. CSRs have the authorization and ability to apply a credit for a late fee based on research of the account.



PA Escalation Process for CSRs

How to Handle Open Disputes / BPEMs

If a customer has questions about an open BPEM, or wants to know status of an open BPEM:

1. Review the open BPEM for any updated information and provide the customer with any new information.
2. If no new information, inform the customer that the issue is being addressed and they will receive a letter with the decision.
3. If the customer still has questions about an open BPEM that is still within the 30 days and they request a callback, send a BPEM to CS – Account Resolution Team Follow up and include a good call back phone number where the customer can be reached between the hours of 8:00am-5:00pm CST, Monday-Friday.
4. If the BPEM is close to being 30 days old or is past 30 days, escalate the customer's issue to your Team Supervisor via a Supervisor Follow-Up BPEM.
5. If the customer is not satisfied, is very unsatisfied, or is irate, escalate the call to a Team Supervisor.
6. If there is a pending matter for PA Customer Advocacy Team, send the team an email to expedite resolution.

Calls to the PUC and/or Lawyer

We want to make sure that we have done everything to resolve the customer's issue **before** the customer contacts the PUC. If you have a customer who informs you that they are going to call the PUC or requests the number to the PUC, explain to the customer that we would like to attempt to resolve their issue before they contact the PUC.

If the customer is requesting the number to the PUC, escalate the call to a Supervisor. A Supervisor will attempt to resolve the customer's issue before they call the PUC. If the issue cannot be resolved, the Supervisor will provide the customer the number to the PUC.

In the Interaction Record comments, include the reason the customer wants to contact the PUC.



PA Escalation Process for CSRs

Utility Company Report - UTLRPT

Whenever a customer initiates a dispute, we have 30 days to either satisfy the customer's concerns or send the customer a Utility Company Report. This report, (Correspondence letter), gives closure to the customer's issue and satisfies AW's requirements according to the Pennsylvania Regulations.

The ART Team generates the Utility Company Report; it is written on company letterhead that outlines the following:

- The customer's complaint
- AW's findings
- AW's position
- Information to the customer regarding the dispute

Since no two issues are identical, each Utility Company Report is unique in its composition.

Utility Company Reports are issued:

1. In situations where a customer does not verbally indicate satisfaction and satisfaction will not be reached per AW guidelines, policy, or procedures. The letter is sent within 30 days from the initial contact regarding the dispute.
2. In situations where a customer expresses verbal satisfaction with the resolution of the issue, but would like written documentation regarding the decision or results of the issue.

Please see an example of a Utility Company Report template on the next page.

Follow Up on a Utility Report

At the beginning of the call, if a Utility Company Report has already been sent to the customer regarding the issue, determine if any circumstances have changed, or if new circumstances have recently occurred. If this is the case, create a new BPEM to CS – Account Resolution Team Follow-Up with detailed notes about the change or new circumstances.

Customer Disputes the Utility Report Findings

If a customer has received a leak denial letter or a Utility Company Report and is not satisfied with the information in the report or has additional questions concerning the report:

- Send a BPEM to CS – Account Resolution Team Follow-Up and include notes on why the customer is not satisfied. Additionally, include a good call back phone number where the customer can be reached between the hours of 8:00am-5:00pm CST, Monday-Friday.



PA Escalation Process for CSRs

(Company Full Name)

(Company Address 1), (Company Address 2), (Company City) (Company State) (Company Zip)
(Company Phone)

(Mailing Address Name)

(Letter Date)

(Mailing Address 1)

Account Number: (Cmp Id)-(Account Number)-(Check 1

(Mailing Address 2)

Premise Number: (Premise Number)

(Mailing City) (Mailing State) (Mailing Zip)

(Service Address 1)(Service Address 2)

(Service City) (Service State)

Utility Report

Transaction Date: (Variable Data)

Transaction Time: (Variable Data)

Caller Name: (Variable Data) CI Clerk: (Variable Data)

Complaint -

Findings -

Position -

Information To Customer -

* The amount currently outstanding on your account is \$(Amount Owed). Your account will become delinquent on (Variable Data) unless you enter into a payment or settlement agreement, or you file an informal complaint with the (Public Utility Commission). No further action will be taken on your account until after this date.

Service will not be terminated pending completion of the dispute process including informal and formal complaints so long as there is compliance with all requirements of the commission. If the ratepayer does not agree with the contents of this report, he/she may file an informal complaint with the (Public Utility Commission) within 10 days from the date appearing above. The informal complaint may be filed by telephoning the commission at toll free (Variable Data) or writing to (Variable Data), (Variable Data).

* Company report issued on (Variable Data) and sent to (Mailing Address Name).

TMPNAME

00000001



PA Escalation Process for CSRs

Determining Whether an Official PUC Complaint Exists

Whenever an official Commission complaint is made, the PA Compliance Team creates a BPEM Case Type CS-PUC Case to document the case.

BPEM Type	CS – PUC Case
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Both the PA Compliance Team and the CSC to document interactions with the customer regarding the PUC Case use the Interaction Record class and actions:

IR Class	IR Action
Complaints	Customer PUC Complaint
	Customer PUC Complaint – Mediation
	PUC Follow-Up / Invstgtn / Closure

Follow-Up

If a customer states they have a PUC Case or makes mention of the decision the PUC made on their behalf, be sure to review information in the BPEM case titled **CS – PUC Case** located in Account Overview > BPEMs, and the PUC Interaction Records.

There may be more recent BPEMs on the account, so look closely. You can also filter the Case Text to view only the PUC Cases. PA Compliance will have made notes in the BPEM. Read the notes carefully as there may be instructions on what to inform the customer if a call back is received. In all instances, **remain calm and professional if you see there is an open PUC complaint on the account.**

PUC Complaints and Current Bill Terminations

If a customer calls the PUC with a complaint, the PA Compliance Team will place a lock on the account while the issue is being investigated. At that point, we will not be able to collect on the customer's past due balance; however, the customer **is responsible** for charges from the date of the complaint.

When the customer logs their complaint with the PUC, they are made aware that they must pay their current charges. If the customer does not pay any new charges (since the date they filed the complaint), a termination notice will be sent. **The termination notice will only include charges incurred after the complaint was filed, and that amount is what should be quoted to the customer.**

If a customer, calls asking what they need to pay to prevent termination or to restore service, offer to update ATP if it has been 30 days or more since the last update. The customer can decline ATP and if so create an RATP record. Advise the customer they must pay the amount on the notice. If the water is off, they must also pay the \$30 reconnection fee. **DO NOT OFFER AN INSTALLMENT PLAN.** The customer is not eligible while they have an open PUC complaint.



PA Escalation Process for CSRs

Suggested scripting:

"Because you have an ongoing PUC case, we can only ask for the current charges due on your account as instructed to you by the PUC when you filed your complaint. Have there been any changes to your income and occupancy information since you called on --/--? (Review the information quickly with the customer. If the answer is no, proceed with the scripting. If the answer is yes, take the information and then proceed with the scripting). The amount required to prevent disruption of service is \$ _____. I can take that payment over the phone or I can provide you with a payment location, whichever you prefer."

Making Updates to an Existing Open BPEM:

After viewing the BPEM and following the instructions, if a customer has a question or wants additional information on an existing complaint it is our job to forward the information by completing the following:

1. Enter new information in the Interaction Record.
2. Send an email to your Team Supervisor using the FRCC-format email.
3. The email will then be forwarded to the PA Compliance team for further action.
4. A return call will be made within 3 business days. (They will try to get back to the customer on the same day if able).

Suggested Scripting:

"I see you have contacted the commission concerning your account. At this time, I am not able to discuss this account until the Commission makes a final decision. What I can do to assist you is to forward your information to our AW internal contact."



PENNSYLVANIA –CUSTOMER ADVOCACY PROCESS

Introduction

When a customer or applicant contacts American Water with a question or concern, it is handled as an inquiry. In accordance with Pennsylvania Public Utility Commission regulations, Pennsylvania American Water has five days to resolve the inquiry and obtain customer satisfaction. If the company cannot obtain customer satisfaction, the inquiry becomes a dispute. If the time to obtain customer satisfaction exceeds five (calendar) days, the inquiry is considered a dispute.

The Pennsylvania Public Utility Commission has set specific regulations for PAW to resolve customer dispute within 30 days from the creation of the **original customer contact**. This would require verbal customer satisfaction or issuance of a Utility Company Report. Our goal is to process all customer dispute in less than 30 days of the original contact date of the customer.

The PA Customer Advocacy Team is involved with customer contact for Local Field Operations issues, Billing and Collection issues. Disputes pertaining to property restoration and high or low pressure are a few of the Local Field Operations issues handled by PA Customer Advocacy. Leak adjustment request are typically the leading customer dispute. PA Customer Advocacy is also involved in ensuring that commercial properties are receiving actual reads for billing purposes by contacting and scheduling orders to read or repair meter equipment.

Customer Communication Requirements

Once all activities related to the customer's inquiry/dispute have been completed, customer notification is **required**.

One or more attempts are made to reach the customer by phone to discuss the issue and obtain, as appropriate, customer satisfaction. If the Customer Advocacy is unsuccessful at reaching the customer, a message with the Customer Advocacy number is left for a return call.

If there is not a return call within 24 hours of the attempt, a Utility Company Report is created and mailed to the customer.

If contact is made with the customer, Customer Advocacy reviews the customer dispute and all pertinent details. The objective is to obtain verbal satisfaction from the customer on our findings and position or resolution on their dispute. An interaction record with the results of the conversation is required even if only a message is left for a call back.

Enhanced customer service skills are used to ensure a positive customer experience and outcome. The explanation of a policy may not be what the customer wants to hear, however, Customer Advocacy provide knowledgeable answers to customer questions and concerns and provide available options. Customer Advocacy explain first what the company can do for the customer and provide the background information on the reasons behind the decisions.

If the customer has a remaining balance after the dispute is resolved, an Installment Plan can be offered to pay off the remaining disputed balance.



PENNSYLVANIA –CUSTOMER ADVOCACY PROCESS

The key to successful resolution of a customer dispute is to listen to the customer and acknowledge that we understand their concerns. If Customer Advocacy is unable to satisfy the customer during the phone interaction and the customer continues to dispute the findings and position, Customer Advocacy would follow the escalated resolution process.

Escalated Resolution Process

If speaking with the customer, and they are still not satisfied with options/ adjustment/information we were able to provide, please follow the outline below:

- Review the account and determine if the correct information and actions were taken within the 30-day requirement.
- Was the average usage for this customer correct or is there other consideration that needs to be made regarding the average that was used.
- Offer a payment arrangement (Make a diligent attempt to negotiate a reasonable payment agreement-typical PAW arrangements are for current bill + \$30, however, you should take into consideration: the size of the unpaid balance/high bill, the ability of the customer to pay, the payment history of the customer, the length of time over which the bill accumulated. No payment arrangement should go beyond 5 years.
- Review with the Customer Advocacy Supervisor if there is a question on if the complaint is justified.
- If customer is not satisfied with additional offers, complete the steps as outlined in 56.151 and advise that we will send written documentation (Utility Company Report). Attach the Utility Company Report to Contract Account
- Update all information regarding the conversation and company position in the BPEM case notes. Create an interaction record referencing the BPEM case number.

Utility Company Reports are issued:

1. In situations where a customer does not verbally indicate satisfaction and satisfaction will not be reached per American Water guidelines, policy, or procedures. The letter must be sent within 30 days from the **initial customer contact**.
2. In situations where a customer expresses verbal satisfaction with the resolution of the issue, but would like written documentation regarding the decision or results of the issue.

The 30-day timeline begins on the date of the **initial customer contact with customer service**. If the investigation is **not completed** within 30 days, the customer was not contacted, and verbal satisfaction was not obtained, it is considered out of compliance with the regulations for PA.



PENNSYLVANIA –CUSTOMER ADVOCACY PROCESS

Utility Company Report Process

This report gives closure to the customer's issue and satisfies American Water's requirements according to the Pennsylvania Regulations.

A Utility Company Report is either a letter that is generated by Customer Advocacy that outlines the following:

- The customer's complaint
- American Water's findings
- American Water's position
- Information to the customer regarding the dispute

Since no two issues are identical, each Utility Company Report (UR) is unique in its composition. In addition to the UCR, a **PUC regulation at 56 Pa Code 151.4 requires utility companies to provide a statement of their account that is in dispute.**

The most important part of the Utility Company Report is outlining the timeline that covers the customer's dispute. The start of the timeline is the date from the first contact (Example: call, correspondence, email, etc.) when the customer may have been only "inquiring" about the "issue." The Utility Report also needs to have an account statement included.

PUC/BCS for Service Quality 01/01/16-12/31/16

PUC INFORMALS - 2016 WATER

Month/Year	Business Partner	BCS Case #	Premise Street	Premise City	Contract Account	District
1.1 Main Ext agreements						
1.2 Private service line						
1.3 Damage due to construction/restoration						
03/2016	Margaret James	3415794	Hunters Path Rd	Bridgeville	210029054355	McMurray District
03/2016	Michael Guliano Jr	3417350	Driftwood Dr	Monongahela	210030711726	Mon Valley District
05/2016	Lauren Hunter	3443423	Altherton Dr	Bethel Park	210029942834	Pittsburgh District
05/2016	Steven Golembiewski	3442216	Valleyview Ave	Harrisburg	210030766948	Hershey / Palmyra Di
05/2016	Vernetta Troxell	3440639	Spruce Hollow Rd	Northumberland	210036912336	Milton District
06/2016	Ann Kotuia	3448211	Hillside Ave	DuPont	210033101748	Wilkes-Barre / Scran
06/2016	Gerald Kelly	3451295	Leland Dr	SOUTH ABINGTON TOWNS	210030460084	Abington District
06/2016	Lisa Smith	3453547	Wainut St	Pittsburgh	210028887354	Pittsburgh District
06/2016	Susan Weiss	3446354	KLEIN WAY	BRIDGEVILLE	210030961927	Pittsburgh District
07/2016	George Cunic	3459071	Brook St	Pittsburgh	210034860941	Pittsburgh District
07/2016	John Mazza	3462913	Harcot Dr	Pittsburgh	210034561954	Pittsburgh District
07/2016	Leonard T & Lisa Mesina	3459104	Old Clairton Rd	Jefferson Hills	210037072132	Pittsburgh District
08/2016	Kathryn Browne	3471729	S Van Buren Ave	Scranton	210031159567	Wilkes-Barre / Scran
09/2016	Robert Noone	3476216	Christopher Dr	Scranton	210035586093	Wilkes-Barre / Scran
10/2016	Donald Grimm	3487168	Woodlawn Dr	Washington	210028444687	McMurray District
11/2016	David Powell Jr	3491925	Christopher Dr	Scranton	220006573904	Wilkes-Barre / Scran
12/2016	Jeslie Perez	3495476	Cedar St	Norristown	210032673905	Norristown District
1.4 Pressure						
03/2016	John Skeba	3419986	N Blakely St	Dunmore	220004090083	Wilkes-Barre / Scran
07/2016	Yanet Abreu	3458323	W Locust St	Scranton	220003203596	Wilkes-Barre / Scran
08/2016	Bernard Merrick	3470095	Bluerfield Dr	Oakdale	210032020501	Pittsburgh District
10/2016	Catherine Johnson	3484695	Strode Ave	Coatesville	210029306414	Coatesville District
12/2016	Regan Huber	3497216	Battle Ridge Rd	Mc Donald	210033124482	Pittsburgh District
1.5 Water Quality						
01/2016	Bridget Deasy	3409635	Greenlee Rd	Pittsburgh	210032237873	Pittsburgh District
02/2016	John Stanley	3413284	Armornhill Ave	Honestead	210035571848	Pittsburgh District
02/2016	Kelth Hartog	3412217	Horning Rd	Pittsburgh	210028730175	Pittsburgh District
03/2016	Susan Fowler	3420160	Virginia Dr	MCKEESPORT	210032106894	Mon Valley District
06/2016	Peter Shiposh Jr	3451762	MAIN ST	EYNON	210035115453	Wilkes-Barre / Scran
09/2016	Mr/Mrs Robert Archavage	3479457	Almond Ln	Wilkes Barre	210033778063	Wilkes-Barre / Scran
10/2016	Angelo Guzzi	3482083	Stone Crest Cir	South Abington Township	210030437073	Abington District
11/2016	Costabile Leasing	3493157	S Mt Vernon Ave	Uniontown	210032882228	Uniontown Dist
12/2016	Daniel Beky	3498138	Spruce St	Larksville	210031840764	Wilkes-Barre / Scran
1.6 New service taps						
1.7 Leaking svc pipe - cust						
01/2016	Carol Sisk	3408333	Tomlinson Ln	Yardley	210035155901	Yardley District

Month/Year	Business Partner	BCS Case #	Premise Street	Premise City	Contract Account	District
01/2016	Greg Schubert	3410581	John St	Chinchilla	210035405446	Wilkes-Barre / Scrant
03/2016	Bridget Esqueu	3414508	Northwood Rd	Dirgmans Ferry	210035371277	Hickory District
03/2016	Keith Ballantyne	3419854	Heritage Dr	Gettysburg	220005220610	Lake Heritage Distri
03/2016	Rebecca Rotoloni	3417739	Manor Dr	Pittsburgh	220003987481	Pittsburgh District
04/2016	Joseph Dohan	3433339	Lamp Post Ln	Hershey	210030033150	Hershey / Palmyra Di
05/2016	Ilona Bell	3439899	Lemoine Avenue	Washington	210031663103	McMurray District
05/2016	Sarah Goodwin	3443902	Church St	Pittston	210038466389	Wilkes-Barre / Scrant
06/2016	Samantha Hunter	3445850	Auman Ln	Ashley	210030940029	Wilkes-Barre / Scrant
07/2016	Damon Rupani	3458311	Strope Rd	Burggettstown	210030004640	McMurray District
07/2016	Jeremi Senksy	3462055	Ewing St	Washington	220002896797	McMurray District
07/2016	Meagan Lee	3461498	Newburn Ave	Pittsburgh	220014617089	Pittsburgh District
07/2016	Meissa Ketter	3461812	Roll St	Pittsburgh	220002486114	Pittsburgh District
08/2016	Carol Sisk	3464580	Tomlinson Ln	Yardley	210035155901	Yardley District
08/2016	James Selester	3472154	Mayade St	Pittsburgh	220004316051	Pittsburgh District
11/2016	Adam Althart	3494855	S Emily St	Pittsburgh	220005229280	Pittsburgh District
11/2016	TMN Holdings LLC	3494788	S MT VERNON AVE	UNIONTOWN	220013012285	Uniontown Dist.
12/2016	Randy Buck	3495537	HIGH ST	WILKES BARRE	210031090057	Wilkes-Barre / Scrant
1.8 Water main leaks or breaks						
02/2016	Ronald Johnson	3412264	Sussex Ave	Pittsburgh	210031382954	Pittsburgh District
08/2016	Anne McGlynn	3470724	Rockland Ave	Pittsburgh	220014451456	Pittsburgh District
09/2016	Eugene Colpo	3475223	Bell Ave	Burggettstown	210031539033	McMurray District
09/2016	Nathanael Morrison	3480418	W Edna St	Homestead	210032693046	Pittsburgh District
11/2016	Carmen Digiacomo	3489710	Florida Ave	Pittsburgh	210035901593	Pittsburgh District
1.9 Frozen svc line						
1.10 Air in lines						
07/2016	Alexander Tsipras	3460619	Wallace Dr	Mc Murray	220002080134	McMurray District
1.11 No water calls						
01/2016	April Chism	3410002	W Cherryhill St	Pittsburgh	220008273163	Pittsburgh District
04/2016	John Lion	3422184	Woodmere Way	Phoenixville	210028753475	Royersford District
06/2016	William Almsworth	3447702	McNeilly Ave	Pittsburgh	220004939447	Pittsburgh District
11/2016	Doris Orloff	3494461	3rd Ave	Bangor	220017046778	Bangor District
1.12 Misc - Distribution complaint						
06/2016	Ed Hall	3448720	Lewisberry Rd	New Cumberland	210029826031	Mechanicsburg Distri
06/2016	Robert & Maureen Alles	3449050	Dogwood Dr	SOUTH ABINGTON TOWNS	210034711155	Abington District
10/2016	Mary Betha	3488489	Gettysburg Rd	Camp Hill	210031495966	Mechanicsburg Distri
11/2016	Mark Ross	3490569	Brook St	Scranton	210035922835	Wilkes-Barre / Scrant
2.1 Service line separate meters						
05/2016	Earlisha Williams	3434956	N Bromley Ave	Scranton	210035127326	Wilkes-Barre / Scrant
2.2 Discontinuance tenant landlord						

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2.3 Tenant landlord terminations						
2.4 Act 54						
03/2016	Eduardo Gomez	3417533	Hockersville Rd	Hershey	220008140850	Hershey / Palmyra Di
05/2016	Theodore Mosier	3441865	W Main St	Glen Lyon	220007390461	Wilkes-Barre / Scrant
06/2016	Andrew Boyer	3450202	Butler St	Pittston	210030166364	Wilkes-Barre / Scrant
3.1 Can't get through						
3.2 Put on hold + cut off						
3.3 Did not call back						
03/2016	Doris Heckman	3418148	Hartline Dr	Reading	210030058678	Glen Alsace District
11/2016	Jerianne Clark	3495185	Walnut Dr	Eighty Four	220007366666	McMurray District
3.4 Didn't show up for appt						
03/2016	Nicholas Seibel	3420883	Orchard Spring Rd	Pittsburgh	210033114317	Pittsburgh District
06/2016	Randy Storrs	3449719	Cliffside Ave	Trucksville	2100363112820	Wilkes-Barre / Scrant
08/2016	Arlene Michaels	3465186	Capouse Ave	Scranton	210029943127	Wilkes-Barre / Scrant
12/2016	John Torbert	3497106	Oxford Valley Rd	Yardley	210035543683	Yardley District
3.5 Failure to receive bill + notice						
03/2016	Trek Development Group	3414493	Whippoorwill St	Indiana	220008872386	Indiana District
05/2016	Theresa Hagberg	3439146	13th St	West Pittsburg	210032508254	New Castle District
06/2016	Brian Mikolon	3452645	HANOVER ST	NANTICOKE	210036210375	Wilkes-Barre / Scrant
06/2016	Crystal Rutkowski	3452537	Starkamp St	Pittsburgh	220002745738	Pittsburgh District
06/2016	Miller	3453088	Northern Blvd	S Abington Twp	220012884807	Abington District
08/2016	Ann Marie Cox	3469197	Dagobert St	Wilkes-Barre	220003933675	Wilkes-Barre / Scrant
12/2016	Fluharty Ventures Inc	3496241	S Ben Franklin Rd	Indiana	210033326349	Indiana District
12/2016	Mookkan Periyasamy	3490981	CHARLES ST	COATESVILLE	210030473697	Coatesville District
3.6 Term with additional complaint						
03/2016	Debbie Trowell	3420268	Green St	Edwardsville	210031497825	Wilkes-Barre / Scrant
04/2016	Cynthia Ashford	3430735	Boland Ave	Wilkes-Barre	210034140999	Wilkes-Barre / Scrant
04/2016	Linda Satchko	3425592	Giffin Ave	Canonsburg	210032515344	McMurray District
05/2016	Wannisher Blackwell	3435748	Capouse Ave	Scranton	210031561016	Wilkes-Barre / Scrant
05/2016	William Shipas	3443917	Ketchum St	Wilkes-Barre	210033685710	Wilkes-Barre / Scrant
07/2016	Janis Nakutis	3458701	Chestnut St	Hillier	210034039594	Brownsville District
07/2016	John Merchak Jr	3461945	Stamford Rd	Dingmans Ferry	210030296753	Hickory District
08/2016	Maritza Ramirez	3464905	Wheeler Ave	Scranton	220007200575	Wilkes-Barre / Scrant
08/2016	Patrick Logan	3468264	Harding St	New Cumberland	210037760330	Mechanicsburg Distri
10/2016	Pat Morinodich	3489139	Jasmine Dr	Tobyhanna	220002910808	Pocono District
11/2016	Cherilyn Paolini	3492834	Pulaski Rd	New Castle	210030984678	New Castle District
11/2016	J Cole's Inn	3492812	3rd St	California	210036140148	Brownsville District
11/2016	Justin Vasile	3490953	Winton St	Archbald	220008033266	Wilkes-Barre / Scrant

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12/2016	Brian Desimone	3496577	RAILROAD AVE	CARNEGIE	210029610564	Pittsburgh District
3.7 Company Personnel Impolite						
07/2016	Rita Vest	3457179	Doty St	Pittston	210030675158	Wilkes-Barre / Scrant
3.8 Miscellaneous						
04/2016	Licia Gregory	3428102	Tompkins St	Pittston	220002171276	Wilkes-Barre / Scrant
12/2016	Rose Tunis	3498086	Electric St	Scranton	220010810800	Wilkes-Barre / Scrant
4.1 High Rates						
11/2016	Kristy Burkholder	3493611	Tunberry Ct	Mechanicsburg	220012775804	Mechanicsburg Distri
4.2 Final Bill errors						
01/2016	Harold Franks	3407019	Michael St	West Mifflin	210034038300	Pittsburgh District
05/2016	Angela Onelli	3441160	Wheeler Pl	Wyoming	210029380801	Wilkes-Barre / Scrant
05/2016	Joseph Campbell	3436330	Union St	Uniontown	220004277781	Uniontown Dist
09/2016	Michael Cirafesi	3474740	Saratoga Ln	Norristown	210032304193	Norristown District
09/2016	Tammy Armel	3475545	Hawthorne St	Connellsville	220002859064	Connellsville Distri
10/2016	Tiffany Fuller	3483839	Seminole Ave	Washington	210035081673	McMurray District
11/2016	Barbara Crane	3491079	Yardley Rd	Yardley	210034197827	Yardley District
12/2016	Jeffrey Spragg	3495581	E Wine St	Uniontown	220005937529	Uniontown Dist
12/2016	Julie Panetta	3497472	Simon Block Ave	Wilkes Barre	210032582344	Wilkes-Barre / Scrant
4.3 Crediting payments incorrectly						
05/2016	April Cowler	3444249	Walker St	Osceola Mills	210030872058	Phillipsburg District
07/2016	Marian Bompadre	3457179	Glenwood Dr	Douglasville	210031521421	Glen Alsea District
08/2016	Dawn Skibber	3469339	Rolling Hills Dr	Tobyhanna	220004390561	Pocono District
09/2016	Delores Peluso	3480387	Ohio Ave	Grassport	210035957886	Mon Valley District
09/2016	Janice Margavage	3474473	E 3rd St	Wyoming	210030536833	Wilkes-Barre / Scrant
11/2016	John Murray	3494140	Warden Ave	Trucksville	210028849253	Wilkes-Barre / Scrant
11/2016	Michael Guzzy	3493877	Main St	Avoca	210032233161	Wilkes-Barre / Scrant
4.4 High bills						
02/2016	Jeremy Srebro	3411126	Pike St	Scranton	210032098238	Wilkes-Barre / Scrant
02/2016	Luis Santiago	3411679	8th St	Ellwood City	220010708082	Ellwood District
03/2016	David Hetzendorf	3419067	Susquehanna Tra	Northumberland	210035950908	Milton District
03/2016	Larry Smith	3417372	Green St	Norristown	220011988928	Norristown District
03/2016	Mark Yeykal	3416408	Brighton Rd	Ellwood City	210032739454	Ellwood District
03/2016	The Estate of Richard Aldo Rig	3414771	Country Place Dr	Tobyhanna	210030040684	Pocono District
03/2016	Sarah Grise	3415900	Starkamp St	Pittsburgh	220012130784	Pittsburgh District
03/2016	Vera Benson	3420592	Douglas St	West Mifflin	210029742256	Pittsburgh District
04/2016	B Augustyniak	3423517	Carey St	Ashley	210036711403	Wilkes-Barre / Scrant
04/2016	Kim Johnson	3425841	Berkwood Dr	Pittsburgh	220009393738	Pittsburgh District
04/2016	Nicole Walker	3432980	W Elm St	Norristown	210029948092	Norristown District
05/2016	BAK Enterprises LLC	3435423	Sylvania Ave	Pittsburgh	220011150624	Pittsburgh District
05/2016	Capital City Airport	3442727	Meadowbrook Rd	New Cumberland	210030741178	Mechanicsburg Distri

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05/2016	Kristen Robinson	3441659	W Shawnee Ave	Plymouth	210031948675	Wilkes-Barre / Scranton
05/2016	Michelle Basham	3441515	W Union St	Kingston	210029569864	Wilkes-Barre / Scranton
05/2016	Robert Sante	3434917	Twin Hills Rd	Grindstone	210035790687	Brownsville District
06/2016	John Grayesi	3453808	Reynolds Ave	Scranton	210036386081	Wilkes-Barre / Scranton
06/2016	Lynn Nawrocki	3445813	Shenango Rd	New Castle	210031075119	New Castle District
07/2016	Carla Payne-Harrison	3462397	Division St	West Milford	220008567509	Pittsburgh District
07/2016	Frank Torchia	3457583	May St	Pittsburgh	210034521994	Pittsburgh District
07/2016	George Bootz	3457487	Spruce St	Archbald	210029813110	Wilkes-Barre / Scranton
07/2016	Kim Lea	3458445	McKinley Ave	Washington	210030589509	McMurray District
07/2016	Lori Gurdley-Depetro	3458817	Washington Ave	West Wyoming	210033575776	Wilkes-Barre / Scranton
07/2016	Michelle McPherson	3453051	N Liberty St	New Castle	220012025394	New Castle District
07/2016	Stan Gulbish	3459662	Oak St	Hudson	210030642431	Wilkes-Barre / Scranton
07/2016	Wayne Brandt	3457738	E Main St	Plymouth	210034335049	Wilkes-Barre / Scranton
08/2016	Adelia Gates	3468810	Morsland Ct	Mechanicsburg	210030084813	Mechanicsburg District
08/2016	Frank Minelli	3472249	N Main Ave	Scranton	210030177142	Wilkes-Barre / Scranton
08/2016	John Yesh Jr	3469824	Brarwood Ln	Camp Hill	210036368229	Mechanicsburg District
08/2016	Rhonda Cunningham	3467657	Platt Ave	Pittsburgh	22005205697	Pittsburgh District
08/2016	Terry Moul	3470692	Stevens Rd	York Haven	220009205293	Mechanicsburg District
09/2016	Denise Magier	3474219	Overlook Dr	Tobyhanna	210031320185	Pocono District
09/2016	Marian Stapleton	3477953	Oak St	Indiana	220007405011	Indiana District
09/2016	Milky Rudecindo	3476435	Plaid Ln	Tobyhanna	220014461132	Pocono District
09/2016	Teresa Murray	3476780	Division St	West Milford	210029447643	Pittsburgh District
09/2016	Traci Puskarich	3476191	Dunn Ave	Washington	210031492455	McMurray District
09/2016	Witold & Katherine Walczak	3474239	Oakawn Dr	Pittsburgh	210037086193	Pittsburgh District
09/2016	Yvonne Johnson	3473789	Rock St	Olyphant	210030514758	Wilkes-Barre / Scranton
10/2016	Alvin Kocher	3483909	Jefferson Ave	Ellwood City	210030452805	Ellwood District
10/2016	April Chism	3476385	W Cherryhill St	Pittsburgh	220008273163	Pittsburgh District
10/2016	Avrohom Holtzler	3489188	Vine St	Scranton	220006156033	Wilkes-Barre / Scranton
10/2016	Beth Chismar	3488558	Cherrywood Ct	McMurray	220014466410	McMurray District
10/2016	Brian Cragle	3483586	Gould St	Plymouth	220008472656	Wilkes-Barre / Scranton
10/2016	Dawn Spero	3487755	E Cumberland Rd	Enola	210033992852	Mechanicsburg District
10/2016	Frank Macierowski	3482243	Almond Ln	Wilkes-Barre	210030594261	Wilkes-Barre / Scranton
10/2016	Katie Evans	3484086	Woodlawn St	Scranton	210030594261	Wilkes-Barre / Scranton
10/2016	Merle David	3489084	Morton St	New Castle	220016332094	New Castle District
10/2016	Rosario Dipaolo	3483043	Brownsville Rd	Pittsburgh	210035456192	Pittsburgh District
10/2016	Vincent Corbitt	3489113	Virginia Ave	Coatesville	210031563821	Coatesville District
10/2016	Xavier Reed	3484448	Main St	Daisytown	220001739044	Brownsville District
11/2016	Amanca Riffe	3482499	Greenwood Ave	Punxsutawney	220015934381	Punxsutawney District
11/2016	Andrew Spisak	3490365	Harlin Dr	Jefferson Hills	210032483690	Pittsburgh District
11/2016	George Koynek	3488433	BROWNSVILLE RD	PITTSBURGH	220008433262	Pittsburgh District
11/2016	Joseph Devine	3483071	Glenroy Ave	Pittsburgh	210034723592	Pittsburgh District
11/2016	Kirk Rasnick	3495190	Valley Rd	Coatesville	210031037100	Coatesville District
11/2016	Mary Bau	3495068	Marcy St	Larksville	220013102737	Wilkes-Barre / Scranton
11/2016	Nabil Zaglala	3482808	E Washington St	Nanticoke	210033399647	Wilkes-Barre / Scranton
11/2016	Samuel Ancujar	3494098	Tara Dr	Washington	210031015674	McMurray District
11/2016		3491095	Ventnor Dr	Tobyhanna	210030847960	Pocono District

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11/2016	Thomas Banks	3490785	Cumberland Rd	Lenoire	210033914586	Mechanicsburg Distr
11/2016	Wanda I Seda	3494639	Thayer St	Birdsboro	220014761498	Glen Alsace District
12/2016	Arnold Liguori	3497774	Totteridge Rd	Bushkill	220011247955	Lehman Pike District
12/2016	Frank Aliber	3496200	Green Ridge St	Scranton	22001598897	Wilkes-Barre / Scr
12/2016	Kelli Hughes	3496332	McClelland Rd	Finleyville	210035364965	Pittsburgh District
12/2016	Lucretia Sokolowski	3496216	E Chestnut St	Wilkes-Barre	220011391470	Wilkes-Barre / Scr
12/2016	Michael Aleksich	3495511	Adams Ave	Scranton	210030458773	Wilkes-Barre / Scr
12/2016	Pamela Gurtis	3496351	1st Ave	Kingston	210035542178	Wilkes-Barre / Scr
12/2016	Ronald Ladner	3496695	Rooney Ct	Bushkill	220010770223	Lehman Pike District
12/2016	Tammy Singh	3496233	Water St	New Cumberland	210032747448	Mechanicsburg Distr
4.5 Meter access						
05/2016	J McGarry	3440273	Boeing Rd	New Cumberland	210036617617	Mechanicsburg Distr
06/2016	Cara Wolanski	3449302	PARIS COLLIER	BURGETTSTOWN	210029503000	McMurray District
06/2016	Estate Of Geraldine Palumbo	3447082	W Madison Ave	New Castle	220011560900	New Castle District
12/2016	Brian Bell	3496708	Country Club Rd	Washington	210029583006	McMurray District
4.6 Damage claims						
04/2016	William Lloyd Jr	3424128	Driftwood Dr	Monongahela	210030712231	Mon Valley District
06/2016	Katherine Irwin	3454577	Pearl St	Monongahela	220003785814	Mon Valley District
06/2016	Levi Hayes	3454580	Armorthill Ave	Homestead	210034587857	Pittsburgh District
06/2016	Ruth Clayworth	3445369	Short St	Edwardsville	210031123728	Wilkes-Barre / Scr
09/2016	Jade Ahmad	3470615	Ridge Ave	CLAIRTON	220012822342	Mon Valley District
10/2016	Stephen Ross	3485460	Fruiturst Dr	Pittsburgh	220005141113	Pittsburgh District
11/2016	Robert Mitchell	3490996	Beynon Dr	Clarks Green	220004972536	Abington District
11/2016	Thomas Hill	3492015	Arch St	Norristown	210035428050	Norristown District
4.7 Billing errors						
10/2016	Iris L Johnson	3488352	Possum Ct	Tobyhanna	220009069992	Pocono District
02/2016	Richard Houser Jr	3411901	Forest Cir	Palmyra	220003841370	Hershey / Palmyra Di
02/2016	Zachary Kelly	3412354	Millers Run Rd	Cecil	220004523887	McMurray District
03/2016	Denine Opfer	3417725	Shady Ct	CLAIRTON	210035129063	Mon Valley District
03/2016	Diane Hayes	3418290	Pennsylvania Ave	Warren	220007892509	Warren District
05/2016	Edward Williams	3437557	E Broad St	Nanticoke	210029309918	Wilkes-Barre / Scr
05/2016	Suzanne Pfeiffer	3442251	Franklin St	Old Forge	210032302685	Wilkes-Barre / Scr
07/2016	Brian Cossitor	3458447	Maple Dr	Renfrew	210030927033	Butler District
07/2016	Mark Poslusny	3450577	Bridge St	Old Forge	210031672015	Wilkes-Barre / Scr
08/2016	Terri Beryard	3463855	8TH AVE	CARBONDALE	220013202835	Wilkes-Barre / Scr
09/2016	Andrea Gettig	3480239	Green St	California	220009069640	Brownsville District
09/2016	Pietro Virgili	3475035	Terrace St	Carbondale	220004286587	Wilkes-Barre / Scr
09/2016	Ryzown Properties LLC	3477566	Bush St	Bridgeport	220010536058	Norristown District
10/2016	Derek Gluwna	3488415	Ball St	Uledi	220007914188	Uniontown Dist
11/2016	Christine Washo	3493990	Boulevard Ave	Dickson City	220006440905	Wilkes-Barre / Scr
11/2016	Mark Casto	3494888	N Jefferson Ave	Canonsburg	220016609367	McMurray District
11/2016	Monica Book	3491355	Summit Ave	Ellwood City	210034588072	Ellwood District
12/2016	James Peperno	3497071	GLENWOOD RD	OLD FORGE	210035043381	Wilkes-Barre / Scr

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4.8 Complaint against proposed rates						
4.9 Service charge bill complaint						
03/2016	Cindy Lopresti	3417952	Pen Argyl St	Pen Argyl	210028620889	Blue Mountain
4.10 Activation fee						
03/2016	Roy Taylor	3418468	3rd St	W Fairview	220007436978	Mechanicsburg Distri
04/2016	Carl DeVileger	3431735	6th Ave	Warren	220011409968	Warren District
09/2016	Elizabeth Rooney	3477501	Ingram Ave	Pittsburgh	220015852076	Pittsburgh District
09/2016	John Suszko	3479539	Page St	Camp Hill	220015748115	Mechanicsburg Distri
4.11 Tariff Provisions						
02/2016	Rob Staiger	3412402	Hummel Ave	Lemoyne	210029131269	Mechanicsburg Distri
07/2016	Timothy Wright	3457912	Whitaker St	West Mifflin	210029477279	Pittsburgh District
4.12 Frozen/broken meter change						
03/2016	Amy Watt	3419975	Meadowbrook Rd	Eighty Four	210037798397	McMurray District
03/2016	Chris A. & Loriann Skelly	3416357	Queen St	Northumberland	210031724107	Milton District
4.13 Charged off acct						
04/2016	Cara Wardzinski	3422169	2nd Ave	South Park	210033409190	Pittsburgh District
05/2016	Renee Chesnic	3439549	Chesnic Dr	Canonsburg	220004835620	McMurray District
08/2016	Eleanor Selepec	3470691	Peachtree Rd	Carnegie	210036744250	Pittsburgh District
4.14 Active service without approval						
03/2016	Kimberly Bobnes	3416356	Spokane Ave	Pittsburgh	210032003254	Pittsburgh District
4.15 Estimated bills						
07/2016	Felisa Preston	3462330	Cox Ave	Pittsburgh	220011761222	Pittsburgh District
08/2016	Francis Luppert	3471449	Zenith Ct	Pittsburgh	210030160199	Pittsburgh District
09/2016	Edward Pearson	3481016	Mellon St	West Mifflin	210034803061	Pittsburgh District
4.16 Additional bills						
02/2016	John Goff	3413788	Goldbach St	Pittsburgh	220007888111	Pittsburgh District
04/2016	Amanda Edinger	3429744	1st Ave	Ellwood City	210032037097	Ellwood District
04/2016	Bryan Hall	3433678	Lovedale Rd	Elizabeth	220002335209	Mon Valley District
04/2016	Shana Parker	3427889	S River St	Wilkes Barre	220013257040	Wilkes-Barre / Scrn
05/2016	Briana Reynolds	3440860	State Rd	West Elizabeth	210033591280	Mon Valley District
06/2016	Anthony Decinti	3451625	S Grant St	Wilkes Barre	210034328775	Wilkes-Barre / Scrn
07/2016	Frederick Johnson	3462339	REYNOLDS ST	KANE	210030426912	Kane
08/2016	Douglas Tenney	3470187	Mountaineer Ln	West Mifflin	220009821794	Pittsburgh District
08/2016	William Selfridge	3466161	Tyrone Pike	Philipsburg	220007433207	Philipsburg District
11/2016	James Southern Jr	3492086	Arden Rd	Washington	210033614334	McMurray District
11/2016	Robert Charney	3491839	Linden St	Glarks Summit	210036048709	Abington District
12/2016	Cora Brady	3498033	Lawrence St	Wilkes Barre	220016664975	Wilkes-Barre / Scrn

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12/2016	Daria Rosa	3495868	Zaccarino Ln	Cecil	210030380139	McMurray District
12/2016	Delbert Nixon	3497477	Ridge Ave	Canonsburg	210033462535	McMurray District
12/2016	Donald & Kelly Williams	3495521	Govier St	Wilkes Barre	210034443889	Wilkes-Barre / Scran
12/2016	Goodall Pools Inc	3497483	Hartzdale Dr	Camp Hill	210031769452	Mechanicsburg Distri
12/2016	Kevin Sheaffer	3495876	Chestnut St	Camp Hill	210035588129	Mechanicsburg Distri
12/2016	Theresa Miller	3497666	Pear St	Scranton	210031757688	Wilkes-Barre / Scran
12/2016	Two Brothers Bar-B-Q	3497210	Thoms Run Rd	Presto	210032630090	Pittsburgh District
4.17 Application of service complaint						
4.18 User without contract						
07/2016	Jackie Jackson	3456103	Chester Ave	Coatesville	220014112997	Coatesville District
06/2016	Eileen Dewey	3451193	Memorial St	Exeter	210029944458	Wilkes-Barre / Scran
08/2016	Stacy Haas	3470163	Vodell St	Pittsburgh	210035265369	Pittsburgh District
09/2016	Jessica Naughton	3477182	Main St	Duryea	220006107055	Wilkes-Barre / Scran
10/2016	Ethan Stone	3463637	Seneca Dr	Mechanicsburg	220016383245	Mechanicsburg Distri
10/2016	Herbert Dietrich	3489389	Holly Dr	Reading	220016691670	Glen Alsace District
4.19 Temporary shut off						
09/2016	Robert Redinger	3477756	Painters Run Rd	Pittsburgh	210032396871	Pittsburgh District
12/2016	Alicia Derwin	3496103	E Noble St	Nanticoke	220005324376	Wilkes-Barre / Scran
4.20 Complaint about due dates						
11/2016	Carol Brogan	3494974	Parkland Dr	SOUTH ABINGTON TOWNS	220004503336	Abington District
11/2016	Philip Ioanna	3492261	W Grand St	Nanticoke	220014922873	Wilkes-Barre / Scran
4.21 Theft of service						
4.22 Availability charge						
4.23 Lost payment						
07/2016	Deborah Courtwright	3457281	Neser Ave	Washington	210032993524	McMurray District
09/2016	Donald Lint III	3477909	N Jefferson St	Connellsville	220011075891	Connellsville Distri
4.24 Payment arrangement dispute						
02/2016	Kerry Youngblood	3413712	Wyoming St	Wilkes Barre	210030698441	Wilkes-Barre / Scran
03/2016	Joanne Lelli	3419379	Hamilton St	Norristown	210035496770	Norristown District
04/2016	Daniel Gould	3426052	S Round St	New Castle	220005224562	New Castle District
04/2016	Lowrine Jackson	3425830	Ashdale St	Pittsburgh	210032485795	Pittsburgh District
05/2016	Carolyn Sue Patterson	3443847	Ridge Ave	Carnegie	210035486209	Pittsburgh District
05/2016	Kenneth Donavago	3443960	Roosevelt St	Exeter	210036390547	Wilkes-Barre / Scran
05/2016	Thomas Crane	3441033	E 3rd St	Berwick	220010786396	Berwick District
07/2016	Keri Burgwin	3460721	Horton St	Clairton	210031199985	Mon Valley District
07/2016	Leatrice Walker	3457326	Dickens St	Pittsburgh	210032603098	Pittsburgh District
07/2016	Michelle Allison	3459498	S 2nd St	Wormleysburg	220010476989	Mechanicsburg Distri
07/2016	Sean Richard	3462652	Doolittle St	Carnegie	210033695908	Pittsburgh District

PUC/BCS for Service Quality 01/01/16-12/31/16

Month/Year	Business Partner	BCS Case #	Premise Street	Premise City	Contract Account	District
08/2016	Joe Niznek	3464879	Susquehanna Ave	Exeter	210037936038	Wilkes-Barre / Scrان
09/2016	Brenda Rudolph	3475778	Clarendon Ave	Uniontown	220009450871	Uniontown Dist
09/2016	Diane Lancaster	3481134	W Elm St	Dunmore	210030720195	Wilkes-Barre / Scrان
09/2016	John Karpowich	3479210	4th St	Larksville	210034996222	Wilkes-Barre / Scrان
09/2016	Madison Yackanich	3475357	Jay St	Wilkes Barre	210032531780	Wilkes-Barre / Scrان
09/2016	Ruth Carney	3477339	W Oak St	Palmyra	220011335494	Hershey / Palmyra Di
11/2016	Raymond Agosto	3492824	Country Place Dr	Tobyhanna	220011574206	Poccano District
11/2016	Richard Cummins Jr.	3494100	E Pittsburg St	Burgettstown	210031894310	McMurray District
11/2016	Valerie Cessna	3492335	S McKean St	Kittanning	2200.11047100	Kittanning District
12/2016	Gloria Ilanos-Divon	3495379	W Arly St	Norristown	220016013515	Norristown District
12/2016	Marion Rixey	3496507	Thomas St	West Milfin	220012631218	Pittsburgh District
4.25 Non access						
06/2016	John Buzitsky	3452940	E Grove St	Kingston	210036137838	Wilkes-Barre / Scrان
06/2016	Michael Sklarosky	3449201	E Walnut St	Kingston	220004952860	Wilkes-Barre / Scrان
07/2016	Kimberly Baltruchits	3457634	Barry St	Courtdale	210032909291	Wilkes-Barre / Scrان
08/2016	Mark Rathman	3469390	Crosshill Rd	Limerick	210028686568	Royersford District
08/2016	Randall Smith	3466915	Aspen Dr	Limerick	210029659507	Royersford District
12/2016	Judith Alta	3495332	York Ave	West Pittston	210034515630	Wilkes-Barre / Scrان
12/2016	Mary Beth Capone Bolin	3496866	Butler St	Wyoming	210036254559	Wilkes-Barre / Scrان
4.26 Cross Connect						
09/2016	Susan Moser	3474736	Main St	Claysville	210031261712	McMurray District
11/2016	Patricia Lancaster	3492591	Clartonica St	Pittsburgh	210036772262	Pittsburgh District
12/2016	Melinda Bosquet	3496501	Tolma Ave	Pittsburgh	220012182891	Pittsburgh District
4.27 Denial of service complaint						
01/2016	James Penwell	3408880	Lyndal St	New Castle	N/A	New Castle District
03/2016	Christa Coleman	3418855	Richard St	Koppel	N/A	Ellwood District
07/2016	Jessica Lotis	3457496	Poplargo St	Pittsburgh	210032343143	Pittsburgh District
10/2016	Donyae Priestler	3486186	Bumble Bee Way	Tobyhanna	N/A	Pocono District
01/2016	Gary Race	3408028	Grape St	Pittsburgh	220003950850	Pittsburgh District
01/2016	Sharon Leighty	3409535	N 7th St	Connellsville	220012273278	Connellsville Distri
01/2016	William Simmons	3407975	W 8th St	West Wyoming	220007475577	Wilkes-Barre / Scrان
02/2016	Samantha Barge	3411116	Pennsylvania Ave	New Castle	220007720079	New Castle District
05/2016	Maryann Pucci	3438192	Sarah St	Carnegie	210032876445	Pittsburgh District
09/2016	Debra Weisberg	3480563	10th St	New Cumberland	220016213155	Mechanicsburg Distri
10/2016	Kayla Hites	3482835	CRESTVIEW DR	BRIDGEVILLE	220016350016	Pittsburgh District
10/2016	Melissa Conrad	3482425	N SHERMAN ST	WILKES BARRE	220016269219	Wilkes-Barre / Scrان
11/2016	Maria Laurenza	3494846	Adams St	New Castle	210030306865	New Castle District
4.28 Miscellaneous billing complaint						
03/2016	George Hickey	3419439	Chariters Run Rd	Canonsburg	210028837908	McMurray District
05/2016	Martha Young	3438953	Lions Dr	Morrisville	210036543419	Yardley District
07/2016	Garry Hurley Jr	3459493	Poplar Ave	New Cumberland	210032477176	Mechanicsburg Distri
08/2016	Cynthia Lukowich	3468789	Carey Ave	Wilkes Barre	220012837481	Wilkes-Barre / Scrان

Month / Year	Business Partner	BCS Case #	Premise Street	Premise City	Contract Account	District
08/2016	Faylons Property Company L	3464342	N Main Ave	Scranton	220009844636	Wilkes-Barre / Scrant
08/2016	Lamar Johnson	3469260	N 4th Ave	Coatesville	220012856697	Coatesville District
08/2016	Patrick Ginocchietti	3469045	Broad St	Pittston Twp	210031450314	Wilkes-Barre / Scrant
09/2016	June Vincent	3476000	Junior St	Hopwood	2100333440498	Uniontown Dist
11/2016	Amy Hines	3493054	W 5th Ave	Warren	210028795622	Warren District
11/2016	Michael Mitchell	3490996	1st St	Canonsburg	210030484574	McMurray District
11/2016	Michael Ragah	3491602	Oxford Blvd	Pittsburgh	210036032353	Pittsburgh District
12/2016	Dana Flowers	3497186	Dodd Dr	Washington	210030640039	McMurray District
12/2016	Frederick Curry	3496912	S Main Rd	Mountain Top	210029681380	Wilkes-Barre / Scrant
12/2016	James C Shafer	3497135	Sussex St	Old Forge	210033530803	Wilkes-Barre / Scrant
12/2016	Linda Grasso	3495863	Ontario St	Simpson	210028975800	Wilkes-Barre / Scrant
12/2016	Peter Derrenbacher	3497537	Winchester Way	Bushkill	210030273408	Lehman Pike District
12/2016	Ronald Anderson	3496220	Main St	Simpson	210030251392	Wilkes-Barre / Scrant
6.1 Commercial terminations						
6.2 Commercial payment agreement						
6.3 Commercial final bill						
6.4 Commercial High bills						
04/2016	Coin Laundry Express	3423775	BIRNEY AVE	MOOSIC	210030980096	Wilkes-Barre / Scrant
05/2016	Jennifer Lynch Jackson PC	3440545	West St	Munhall	220003419674	Pittsburgh District
05/2016	Master Wilkes Barre Center	3437670	Public Sq	Wilkes Barre	210035578603	Wilkes-Barre / Scrant
09/2016	Duerr Packaging Co Inc	3476994	Stuebenville Pike	Burgettstown	210031711293	McMurray District
09/2016	Job Fab Inc	3475486	Meadow Ave	Washington	210036431769	McMurray District
09/2016	Kuldeep Dhaliwal	3473639	1st St	Duport	210031438932	Wilkes-Barre / Scrant
10/2016	Mec'S Auto Company	3488285	Lower Broadway St	Nanticoke	210029875033	Wilkes-Barre / Scrant
11/2016	Miles Auto Parts	3489648	Bedford St	Clarks Summit	210035194876	Abington District
12/2016	109 Rustic Ave LLC	3496803	Rustic St	Pittsburgh	220012705416	Pittsburgh District
6.5 Commercial Restorations						
6.6 Commercial Main Line Extention						
6.7 Commercial Service Pipe leak						
6.8 Commercial Main Line Leak/break						
6.9 Commercial rate complaint						
6.10 Commercial Frozen/broken meter charge						
6.11 Company Frozen/broken meter						
6.12 Municipal Complaint not rate related						

Month/Year	Business Partner	BCS Case #	Premise Street	Premise City	Contract Account	District
6.13 Fire service complaint not rate related						
6.14 Commercial Case Closed by PUC						
06/2016	Robert Pacacha	3448188	Misto St	Bethel Park	210036157306	Pittsburgh District
PUC INFORMALS - 2016 WASTEWATER						
1.4 Pressure						
02/2016	Catherine Johnson	3414427	Strode Ave	Coatesville	210029306414	Coatesville District
1.5 Water Quality						
05/2016	Michael Cossaboom	3441725	Nassau Ln	East FALLOWFIELD	210028698769	Coatesville District
1.12 Miscellaneous - Distribution						
01/2016	Julia Naylor	3410092	Coates St	Coatesville	210033795563	Coatesville District
4.4 High bills						
05/2016	Barbara Butterfield	3443080	5 1st Ave	Coatesville	220011709934	Coatesville District
07/2016	Tanya Cottom	3461476	E Chestnut St	Coatesville	220010763676	Coatesville District
08/2016	Shirley Smith	3466915	Route 40	Claysville	210031841941	McMurray District
10/2016	Annette Cohen	3486576	Crewe Ct	Bushkill	220015256241	Lehman Pike District
4.7 Billing errors						
05/2016	Tina Montero	3442900	6th Ave	Koppel	210032972299	Ellwood District
10/2016	Gwendolyn Parker	3481966	Fairmount Way	Tobyhanna	220015739722	Pocono District
12/2016	Iris L. Johnson	3488352	Possum Ct	Tobyhanna	220009572542	Pocono District
4.24 Payment arrangement dispute						
01/2016	Anna Johnson	3409052	Crossing Blvd	East FALLOWFIELD	210031355143	Coatesville District
04/2016	Michael Upton	3426865	Ventnor Dr	Tobyhanna	210030223489	Pocono District
07/2016	Kellie Ford	3456658	Woodland Ave	Coatesville	210034982780	Coatesville District
08/2016	Monette Ford	3466723	Virginia Ave	Coatesville	210033996274	Coatesville District
11/2016	Lamar Addison	3492319	Merchant St	Coatesville	220007984019	Coatesville District
12/2016	Rudolph Noble	3498164	Plymouth Ct	Bushkill	210031028311	Lehman Pike District
4.25 Non Access						
07/2016	Patrick Janusz	3456256	Dorchester Dr	Bushkill	210028989823	Lehman Pike District
4.27 Denial of service Comp						
04/2016	Ki-Esha Pennington	3423071	Belmont St	Coatesville	220013320399	Coatesville District

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Quality of Service Distribution System Mapping

FR IX.5

Pennsylvania-American Water Company
IX. Quality of Service

5. Indicate whether the Company is in compliance with 52 Pa. Code, § 65.4 (b) regarding complete and current mapping of the entire distribution or collection system.

Answer:

Pennsylvania-American Water Company maintains complete and current distribution maps for each of its operating areas that provide the size, character and location of each main, street valves and major facilities together with other information that may be necessary. These distribution maps are updated daily as part of our state wide GPS effort and electronically stored on a server located in its Corporate Office in Hershey, PA. Each district in PAWC's operating areas has on-line access via GIS web maps of our entire distribution network.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Quality of Service Water Conservation

FR IX.6

Pennsylvania-American Water Company
IX. Quality of Service

6. Provide a summary report demonstrating the Company's efforts in water conservation, since the last rate proceeding to 52 Pa. Code § 65.20.

Answer:

Reference is made to PA PUC approved Tariff Water-PA P.U.C. No. 4 page 66, Rule 24, Water Conservation Contingency Plan.

In addition, as part of the approved tariff for Low- Income Customers, the Company contracts with Dollar Energy Fund of Pittsburgh in providing water-saving devices, including a low-flow showerhead, sink aerators and a toilet bladder, as well as an educational booklet outlining ways to use water wisely.

Since the last rate proceeding, conservation has been addressed in various ways through communications with customers. The Company sends out a bill insert annually to all customers providing tips on how to use water more wisely inside and outside the home. In the pre-winter months, the Company also sends out a bill insert on how to prevent pipes from freezing (Cold Weather Tips). In addition, a flyer (Save Money and Water) discussing conservation tips was distributed at presentations to civic organizations, schools, environmental groups and community activities and festivals. The bill inserts/and or flyer are provided at these speaking engagements and community events as a handout.

The Company has also produced a series of direct mail pieces for its Pittsburgh area customers to reinforce winter weather advice (preventing frozen pipes). In addition, the Company has produced customer education videos on these topics, which are posted on its YouTube channel (www.youtube.com/paamwater). Also, social media is used to promote conservation and educational materials.

The Company also disseminates a water leak detection kit with a booklet and leak detection tablets as a give-away item for participants at speaking engagements as appropriate and at community events.

Examples are attached.

WELCOME

As you know, you are currently enrolled in Pennsylvania American Water's monthly Service Charge Discount Program based on your financial qualifications. The discount is part of the

company's **H2O Help to Others Program**, designed to lend a hand of support to customers in need during difficult times.

We are pleased to introduce you to another benefit of Pennsylvania American Water's Program

provided to eligible customers—a wise water use kit.

This kit helps you to control the cost of your water bill through conservation. Your kit has valuable products to save hot and cold water in showers and sinks, to conserve water with every flush and to find silent and costly toilet leaks. These products, along with wise water use tips, can help you save gallons of water every month.

If you are a senior citizen (60 years of age or older) or have a disability and need help installing the kit, we can provide a home visit. Call Dollar Energy at 1-888-282-6816. If you are a homeowner, there may be assistance available if you have plumbing leaks in your house. If you are a renter and have plumbing leaks, contact your landlord immediately.

Your monthly water bills can be affordable when you know how to use water wisely, because the more water you save, the lower your bills will be.

Steps to saving water and money

- **Read this booklet and find out how the H2O Help to Others Program can help you save money on your water bills.**
- **Install the water-saving products supplied in this kit.** Complete instructions are printed in this pamphlet.
- **Expect a follow-up call from a local Pennsylvania American Water team member** to make sure you were able to install the products in the kit, or to provide help if you are having difficulty. Please let our team member know about plumbing leaks in your home.
- **Include the whole family in changing water-wasting habits into daily water-saving habits** by using the tips provided in this booklet.
- **Pay your Pennsylvania American Water bill every month.**

HOUSEHOLD LEAKS WASTE



In the Kitchen

- Run only full loads in the dishwasher.
- Before washing dishes by hand or in the dishwasher, scrape them; don't rinse first.
- If you wash dishes by hand, use two basins: one for washing and one for rinsing. Don't let the water run.
- Keep a bottle of drinking water in the refrigerator instead of running the tap for a cold glass.
- Rinse vegetables and fruit in a basin rather than under running water.
- Defrost frozen foods without running water over the packages. Plan ahead and place frozen items in the refrigerator overnight or defrost them in the microwave.

In the Laundry

- Washing machines use 15-40 gallons of water per load. If you have a machine with adjustable load controls, always adjust the water level to match the size of each load. If your machine doesn't adjust to different size loads, always wash full loads.
- The major cost in washing clothes is the hot water used. The more you wash and rinse with cold water, the more energy you will save.

Outside the Home

- Wash your car at a car wash that recycles its water. If washing at home, don't let the hose run continuously. Use a sprayer attachment on the hose that can easily be shut off.
- Drive your car onto the lawn before washing so that the rinse water can help water the lawn.
- Water the lawn only when it needs it, in the early morning or evening when there is less evaporation. Don't water on windy days. If the grass springs up when you walk on it, it doesn't need watering.
- Sweep driveways, patios and sidewalks with a broom instead of using the hose.

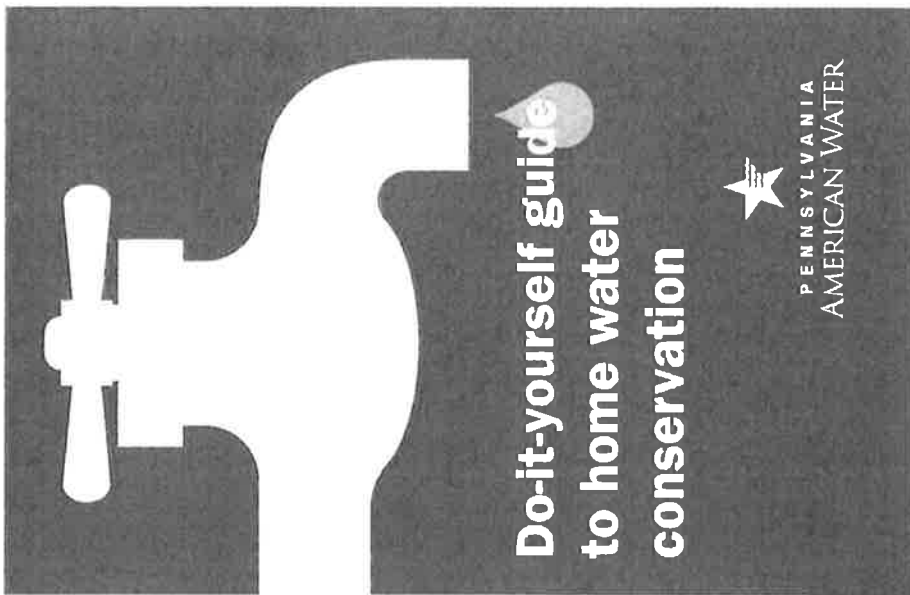
LEARN MORE

For more water-saving tips, check these sites out online:

- **WaterSense:** www.epa.gov/watersense
- **Alliance for Water Efficiency Home Water Works:** www.home-water-works.org
- **Pennsylvania American Water:** www.pennsylvaniaamwater.com

02-2016

Pennsylvania American Water is a proud member of the U.S. EPA's WaterSense Program. We are committed to conserving our most precious natural resource - water, so it is available to meet the needs of future generations.



STEP 1: INSTALL THE WATER-SAVER KIT

WHAT YOUR WATER-SAVER KIT INCLUDES

- Watersense showerhead and Teflon thread sealing tape
- Two water-saving faucet aerators (one kitchen; one bath)
- Toilet tank bag
- Leak-detecting, non-toxic dye tablets for the toilet

HOW TO INSTALL YOUR WATER-SAVING DEVICES

WaterSense Showerhead

1. Unscrew old showerhead (turn counter-clockwise).
2. Clean shower arm threads.
3. Apply Teflon thread-sealing tape, wrapping clockwise.
4. Screw on showerhead. Do not over-tighten.
5. Run water to test for leaks. If needed, gently tighten with wrench.
6. Turn face of showerhead to select preferred spray option.



According to the EPA, replacing one showerhead with a WaterSense model can save the average family as much as **2,900 gallons** of water a year — or **more than \$70 in energy and water costs every year.**

Water-Saving Faucet Aerators

This kit features two aerators: a 2.2 size for the kitchen and a 1.5 size for the bath. Read the numbers on the side before installing.

1. Unscrew old faucet attachment. For an inside-threaded faucet, install aerator as is. For an outside-threaded faucet, first remove the top washer to expose inside threads and then install.
2. Hand tighten, but do not over-tighten. If a wrench is used, protect finish with a cloth.

Toilet Tank Bag

1. Remove the toilet tank lid.
2. Fill the toilet bag to the top with water from the sink. Squeeze out all of the air.
3. Place the filled toilet bag in the toilet tank between the tank wall and the intake valve on the left side.

NOTE: If the toilet bag interferes with flushing, try hanging it on the right. You may need to add some weights, such as a few marbles placed in the bottom of the bag before filling with water, to help it hang straight.

DO NOT USE on new, low-volume toilets that use 1.6 gallons per flush or less. Also, do not use a brick in your toilet tank to displace water. A brick may disintegrate and damage your plumbing.

Leak Detecting Non-Toxic Dye Tablets for the Toilet

1. Remove lid from toilet tank.
2. Drop one dye tablet into water in tank.
3. Wait 15 minutes. If blue color appears in the bowl, your toilet has a silent leak and repairs need to be made.

STEP 2: FINDING WATER LEAKS

Your meter can be a great tool to check for household leaks. Not fixing a leaky toilet or faucet is like throwing money down the drain. If your water meter is in your home, you can use it to check for leaks. Start by making sure that no one is using water and that all water-using appliances are turned off, including



automatic ice makers. Then, check to see what type of water meter you have (dial or digital), and follow these simple steps.

Dial Meter

Dial Meter: Check the flow indicator on your meter. If it is moving, it means that water is passing through the meter and there is a leak(s). If your meter does not have a low flow indicator, write down the meter reading shown on the dial and take note of the sweep hand's position. Check the meter in an hour. If the reading or the position of the sweep hand has changed, it may indicate that you have a leak(s).

Digital Meter: First, activate the screen on the digital meter by shining a light on the face of the meter. If the flow arrow appears on the screen or if the meter reading calculates, and the number increases, that means water is moving through the meter. **NOTE:** The direction of the flow arrow should match the direction of the arrow that appears on the base of the meter itself. If it does not, this means water is flowing in the opposite direction. This should be addressed immediately by installing a dual check valve on your service line or having your current dual check valve serviced.



10% of homes have leaks that waste 90 gallons or more per day.

Check and fix all household plumbing leaks or you could be throwing money down the drain (literally).

Check for faucet leaks

Faucet leaks are easy to detect. If your faucet drips, or worse, continues to keep running after you shut it off, it needs to be fixed. If the dripping water is hot, it is also costing you money to heat the water. Water dripping from the showerhead when the shower is off, or running out of the spout when the shower is on, is usually caused by bad washers or seats which need to be replaced.

Check for toilet leaks

Toilet leaks, which can often go unnoticed, are often caused by worn or damaged parts in the toilet flush tank, such as a bad flapper valve, flapper valve seat, ballcock valve, float arm or overflow tube. Use the dye tablets included with this kit to check for toilet leaks. Once you have used the tablets in the kit, you can continue to regularly check for leaks by pouring a cup of weak tea or coffee into your toilet tank. Using food coloring may permanently discolor your toilet bowl, if it has scratches or cracks.

STEP 3: PRACTICE WISE WATER USE

In the Bathroom

- The toilet is the biggest water waster in your house. Most older models use 3.5 or more gallons with every flush. By inserting the enclosed Toilet Tank Bag, you can save about one gallon with each flush. The toilet bag should not be used on new, high-efficiency toilets that use 1.6 gallons of water or less per flush.
- Install water-saving showerheads and faucet aerators in your sinks.
- Shorten your shower to 7-10 minutes. Even shortening your shower by one or two minutes can save up to 150 gallons a month.
- Turn off the water when brushing your teeth. Saves one to two gallons each day.
- Rinse your razor with short blasts of water or by swishing it in a partially filled sink instead of running the water while you shave.
- Put bathroom trash and feminine hygiene products in the waste basket instead of flushing them down the toilet.

**More tips on the back panel!*

YOUR MAIN WATER SHUT-OFF VALVE

WHEN YOU LOCATE THE VALVE, PLACE THIS I.D. TAG ON IT.



AMERICAN WATER

WATER LEAKS: WHAT YOU SHOULD KNOW



Imagine that the dot inside these brackets [] is the only hole in your home's water system. By its size alone, that hole may not seem worth repairing, but that hole can waste more than 4,000 gallons of fresh water each month — enough water to take a shower every day for a year! Consider how important water is for our families, pets and environment, and you see that even tiny holes deserve immediate attention. That's why we developed this simple water leak detection kit. It's designed to help you find and repair water leaks — even the tiny ones.

GETTING READY

Use the checklists on the following pages to help direct your search for some fairly common — and a few not-so-common — water leaks. How can you be sure your inspection will be as thorough as possible? The checklists cover three areas: common indoor leaks, not-so-common indoor leaks, and outdoor leaks. If you investigate the leak possibilities in the order shown, you'll uncover the greatest potential for savings in the first few places you look. It's a good idea to have the following items with you as you begin your work:

- Flashlight
- Leak Detection Tablets (included with this kit) or Food Coloring
- Shut-Off Valve Tag (located to the left)

SPOT YOUR SHUT-OFF VALVE NOW

Your main shut-off valve controls all of the water coming into your house. Everyone in your home should know the location of this valve, and how to turn it off, in case of an emergency such as a burst pipe. Fast action could prevent costly damage from flooding.

If you don't know where this valve is located, it's important that you find out. Normally, it's near the water meter. If your meter is outside the house, find the place where the water service line enters the building. The shut-off valve is likely to be close by. Common locations are in the basement, under the kitchen sink, near the meter box or at the pressure regulator (if required). We have included an identification tag to put out and place on your main shut-off valve. (See flap on left).

After finding the valve, turn it to make sure it isn't stuck. Water valves are generally closed by turning the handle clockwise, if a valve does not turn easily, do not force it or it might break. Rather, you may want to have the valve repaired so that it will work when you need it.

NOW YOU'RE READY TO BEGIN!

When opening the valve to turn the water back on, open it fully, then close it just a quarter of a turn to make closing the valve easier the next time. You should also check every water fixture shut-off valve periodically, and consider operating the main and individual valves annually.

LEAK DETECTION TABLETS

FOR DETECTING TOILET LEAKS



WATER LEAK DETECTION KIT

A helpful guide for locating indoor and outdoor water leaks



At American Water, we are committed to environmental stewardship and the responsible management of our precious natural resources. By using this leak detection kit to identify and repair water leaks, you can help make a difference in your monthly bill while conserving water.

COMMON INDOOR LEAKS

THE LEAKY TOILET
Accounting for more than 95 percent of all water waste, toilet leaks are caused by worn or damaged parts in the toilet's flush valves. The average household accounts for about 100 gallons of water use in your house each day. That's about 40 percent of the average household use.

Some of these leaks will empty directly into the sewer line without leaving any clues. Even so, you can check for these leaks. Common causes include:

Float arm problems
Remove the lid from the top of the flush tank. See if the overflow pipe and the plunger ball are working properly. Do this by flushing the toilet, watching the tank mechanism and listening. You should hear the water flow shut off.

If the water does not shut off, check the water level. If it has risen above the overflow pipe, gently bend the float arm down and flush again. You may need to release the plunger ball if the water level is about one inch below the top of the overflow pipe and you still hear water flowing.

A tiny pinhole
A pinhole opening below the overflow pipe's water line could produce an



A dripping faucet
A slow drip can waste as much as 20 gallons of water each day. A mere 1/2 inch of water each day with the water on — and more with the toilet in the drain. It's important to get leaky faucets fixed as soon as possible.

If you notice that a faucet is dripping, first try closing it tightly. If it continues to drip, the most likely cause is a worn or warped seat washer (also

COMMON INDOOR LEAKS CONTINUED

called a stem washer). With just a little effort, you may be able to replace the washer yourself. You may need an adjustable wrench, a standard-size screwdriver, and a Phillips screwdriver or other plumbing tool.

Be certain that the replacement washer is the same size as the worn one (if the worn washer was the correct size). If you need help, bring the worn washer to your plumbing supply or hardware store, and the store representative can help you match it with a new one.

Changing a washer
Before you start, turn off the water supply to the faucet by closing the fixture's shut-off valve. Most kitchen

NOT-SO-COMMON INDOOR LEAKS

process, regulated by a timer, often occurs between 2 a.m. and 4 a.m. You're likely to have a problem in this unit if you constantly hear the sound of running water.

Washing machine
If you see water on the floor near the machine, it could mean a leak. You may want to call your washing machine repair service.

Humidifier
Water accumulated beneath the unit could be a sign of a leak, if the overflow discharge is piped into a drain. If you see water on the floor, find any visible signs of a leak. Listen for running water. If it's continuous, the float valve could be stuck.

Fire suppression systems
Many newer homes and businesses have fire suppression systems. If so, check to make sure that the sprinkler heads are tight and not leaking.

Dishwasher
Water accumulated on the floor near the unit could be a sign of a leak. You may want to call your dishwasher repair service.



NOT-SO-COMMON INDOOR LEAKS CONTINUED

Refrigerator ice-making unit
A leak in the ice-making unit will cause excessive ice accumulation in the freezer and may also produce small puddles of water under the refrigerator. You may want to call your refrigerator repair service.

Bathtub & showers
Check the spout and shower head for dripping water. New washers may be needed on the faucet stems. If you're able to do this repair yourself, use a new plug-in faucet and replacing the washer with

OUTDOOR LEAKS

When checking for water leaks, many people forget that water faucets and equipment exist outside as well as inside the home. Here are four areas you shouldn't overlook.

Water faucets
Each faucet should be checked for leaks. Make sure faucets are closed when not in use. If you find a leaky faucet, change the washer (after closing the shut-off valve). In colder climates, during the winter, these inside shut-off valves should be closed to prevent freezeups. Be sure to open the outside faucet after you have shut the inside valve so that any water still in the pipes will drain out. These shut-off valves are usually in your basement. One shut-off valve may control all the outdoor faucets.

Automatic lawn-sprinkling system
Soft spots on your lawn may indicate a leak that is being absorbed into the ground.

Service connecting line
If you find a soft wet spot on your lawn or hear running water outside your house, you may have a leak in the service line to your house. Water soaks into the ground, causing the soft spots. Close the main shut-off valve. If the sound of running water continues, the outside service could be leaking.

Swimming pool
The pool system's automatic shut-off valve could be malfunctioning, causing a continuous cycle of water to be pumped in and then drained out. If the water level stays higher than normal or the pool overflows when people are using it, your automatic shut-off valve may need some attention.

Leak detection tablets
If you haven't found a leak after checking all of the wear outlets mentioned, and you still suspect a problem, you may want to call in a licensed plumber. You're also welcome to contact an American Water customer service representative for assistance. We'll work as hard as possible to help you.

YOUR MAIN WATER SHUT-OFF VALVE

WHEN YOU LOCATE THE VALVE, PLACE THIS I.D. TAG ON IT.

You may want to turn the valve to make sure it isn't stuck. Water valves are generally closed by turning the handle clockwise. PLEASE NOTE: If a valve does not turn easily, do not force it, or it might break. Rather, you may want to have the valve repaired or that it does turn easily when you look for it. After opening the valve to turn the water on, upon fully then close it just a quarter turn to make it easier to close the next time. You should also find turn and tag individual shut-off valves on fixtures such as sinks and toilets, and consider operating the main and individual valves annually.



one of the same size. Before doing this repair, call your home's main shut-off valve.



LEAK DETECTION TABLETS

FOR DETECTING TOILET LEAKS

YOU'VE CHECKED EVERYTHING... NOW WHAT?

If you haven't found a leak after checking all of the wear outlets mentioned, and you still suspect a problem, you may want to call in a licensed plumber. You're also welcome to contact an American Water customer service representative for assistance. We'll work as hard as possible to help you.

PA, 06, 2016

OUTSIDE YOUR HOME

- No need to water every day. Instead, only water as needed. Depending on the weather or type of plants/turf, you may find that you only need to water once or twice per week.
- Water late in the day or early in the morning when the sun is low to minimize evaporation.
- Collect and store rainwater in a rain barrel and use it to water your outdoor plants.
- Use a broom instead of a hose to clean patios and sidewalks.
- Choose drought-resistant plants or native plants. Plants native to the local conditions have the benefit of being able to thrive within them. And, they often require less maintenance and water.
- Use a hose nozzle on your hose to better control the flow you are using. Place hoses carefully to avoid watering unnecessary areas like sidewalks.
- If you use a sprinkler, check sprinkler heads to make sure they're not watering paved or unwanted areas. Be sure to turn them off when it rains.
- Mulch plant beds to reduce weeds and preserve moisture. NOTE: over mulching can stress plants. Only two to three inches are needed.
- Use a bucket of soapy water rather than leaving the hose running when washing your car or take your car to a car wash that recycles the water.
- Bathe pets outdoors in areas that need water.



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WA444i

Save water. Save money.



PENNSYLVANIA
AMERICAN WATER



Using water wisely and saving money
are always in season, especially in the
warmer summer months.

Water is a resource we depend on every day. As the temperatures continue to rise, there are simple things that you can do to use water wisely and save money at the same time.

Check for faucet leaks

Faucet leaks are easy to detect. If your faucet drips, or worse, continues to keep running after you shut it off, it needs to be fixed. If the dripping water is hot, it is also costing you money to heat the water. Water dripping from the showerhead when the shower is off, or running out of the spout when the shower is on, is usually caused by bad washers or seats which need to be replaced.

Check for toilet leaks

Toilet leaks, which can often go unnoticed, are often caused by worn or damaged parts in the toilet flush tank. Here's how to check for toilet leaks:

- Remove the lid from your toilet tank and drop a small amount of food coloring or weak tea into the tank.
- Wait 10-20 minutes. If the food coloring appears in the bowl, repairs may need to be made or the flapper valve adjusted.
- If you can hear water running, it may mean that water is running over the overflow tube in the tank. This too should be fixed.

10% of homes have leaks that waste 90 gallons or more per day.

Check and fix all household plumbing leaks or you could be throwing money down the drain (literally).



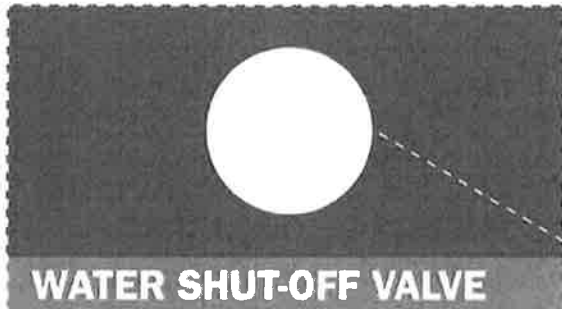
INSIDE YOUR HOME

- Install water-saving showerheads and shorten your shower time to five minutes.
- Run only full loads in your dishwasher and washing machine.
- If you wash dishes by hand, use two basins: one for washing and one for rinsing. Don't let the water run.
- Before washing dishes by hand or in the dishwasher, scrape them; don't rinse first.
- Turn off the water while you are brushing your teeth.
- Keep a bottle of drinking water in the refrigerator instead of running the tap for a cold glass.
- Rinse vegetables and fruit in a basin rather than under running water.
- Defrost frozen foods without running water over the packages. Plan ahead and place frozen items in the refrigerator overnight or defrost them in the microwave.
- Look for appliances with cycle and load size adjustments. They are more water and energy efficient than older appliances. EnergyStar™ rated washers use less water and less energy per load. This saves you money on both your water and energy bills.

Pennsylvania American Water is a proud member of the US EPA's WaterSense Program. We are committed to conserving our most precious natural resource – water, so it is available to meet the needs of future generations.



PA. 11.2016



WATER SHUT-OFF VALVE

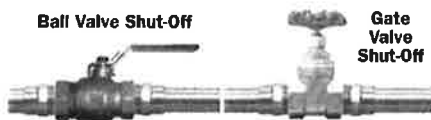
Hang this tag on your main water shut-off valve

In the event of an emergency, it might be necessary to turn off the main water valve in your home. It's important that everyone knows where the main water shut-off valve is located. In many homes, it is located near the water meter. If the water meter is not inside, however, the shut off valve is typically located on the water pipe close to where it enters your home or business; possibly in the basement, in a utility closet or crawl space.

PLEASE NOTE: You may want to test the valve to ensure that it is working properly. To test it, find your main shut off valve and close it.

- **Gate valve:** Gate valves are generally closed by turning the handle clockwise. If the valve does not turn easily, do not force it and consider having the valve repaired so that it does turn easily.
- **Ball valve:** Generally, closing a ball valve only requires a quarter turn, so that the handle is perpendicular to the water line. In the image below, the valve is open.


Once the main shut-off valve is completely shut off, check sinks and other fixtures to be sure you have found the main valve and that it is working properly. When reopening the valve to turn the water back on, be sure to open it slowly until fully opened.



WA511i

CUT HERE 

It's time to prepare your home for winter


 PENNSYLVANIA
 AMERICAN WATER

IT'S ALL ABOUT PREVENTION

Frozen pipes can leave you without water in the worst of weather, and cost a lot to repair. But with a few simple steps, you can easily preserve both your budget and your peace of mind.

PREPARE YOUR HOME FOR WINTER

BEFORE COLD WEATHER SETS IN:



Check sprinkler or irrigation systems
Make sure you've turned everything off and fully drained the system.



Identify your home's freezing points
Check your home for pipes in areas that might be prone to freezing, such as crawl spaces, unheated rooms, basements, garages, and exterior walls.



Know how to shut off your water
Locate your main water shut-off valve. Hang the I.D. tag located on the back of this insert on the valve, so you can find it quickly in an emergency.



Strengthen your defenses
Eliminate sources of cold air near water lines by closing off crawl spaces, fixing drafty windows, insulating walls and attics, and plugging drafts around doors.



Protect your pipes
Where pipes are exposed to cold, wrap them with insulation or heat tape (even fabric or newspaper can help).

WHEN TEMPERATURES STAY BELOW FREEZING:



Give pipes a helping hand
If pipes run through cabinets or vanities, open the doors to let warmer room temperatures flow in.



Keep water working
Keep water moving through the pipes by allowing a small trickle of water to run. The cost of the extra water is typically lower than the cost of repairing a broken pipe.

BUT IF YOUR PIPES DO FREEZE:



Shut off the water immediately
Don't attempt to thaw pipes without turning off the main shut-off valve.



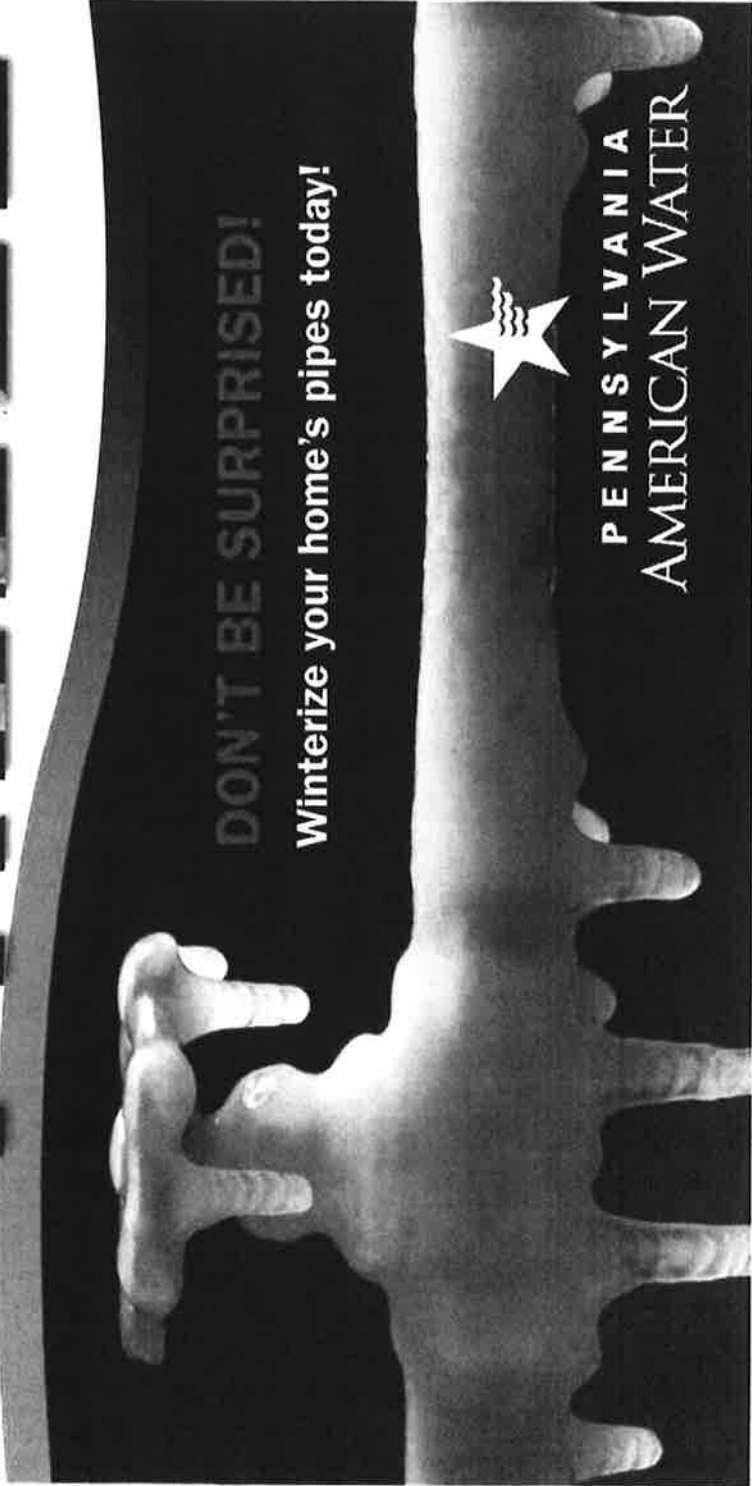
Thaw pipes with warm air
You can melt the frozen water in the pipe by warming the air around it with a hair dryer or space heater. Be sure not to leave space heaters unattended and avoid the use of kerosene heaters or open flames.



Be careful turning water back on
Once pipes are thawed, slowly turn the water back on and check pipes and joints for any cracks or leaks that might have been caused by freezing.

AVOID COSTLY REPAIRS: If the meter freezes, the homeowner/business is responsible for the cost to replace or repair the meter. With a little attention, you can help prevent pipes and meters from freezing in your home. The cost to replace a meter is based on the size of the meter. A 5/8" meter is \$130 to replace, a 3/4" meter is \$150 and a 1" meter is \$180.

Beat the FREEZE



DON'T BE SURPRISED!
Winterize your home's pipes today!



PENNSYLVANIA
AMERICAN WATER

Prevent frozen household pipes and costly repairs

Losing water service to your home due to frozen pipes can result in expensive repairs to damaged plumbing inside and outside of the home—not to mention cause major disruptions to your life.

Property owners are responsible for maintenance of the water service line from the curb to the house, as well as any in-home piping. Please take the following precautions to reduce the risk of freezing and bursting pipes:

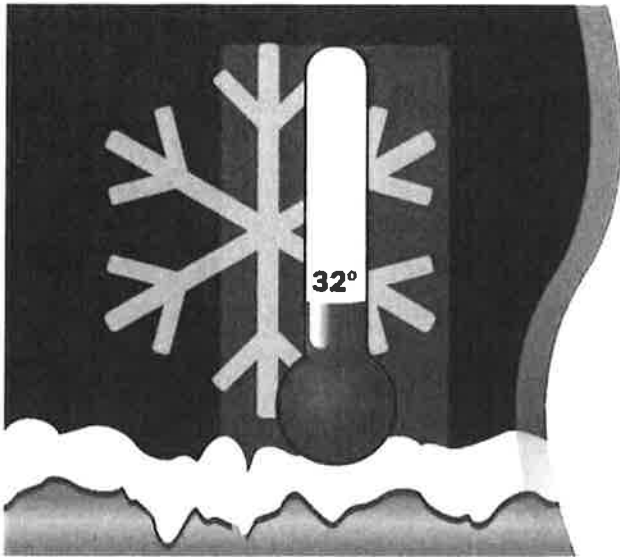
Before frigid weather sets in:

- **Know which areas of your home are most vulnerable to freezing.** Check for pipes in basements, in crawl spaces and along exterior walls.
- **Eliminate sources of cold air near water lines.** Repair broken windows, insulate walls and eliminate drafts near doors.
- **Protect your pipes and water meter.** Wrap exposed pipes with insulation. For outside meters, keep the lid to the meter pit closed tightly.
- **Know the location of your main water shut-off valve.** If a pipe freezes, shut the water off immediately.

For more cold weather tips, visit pennsylvaniaamwater.com.



12-2015



Beat the **FREEZE**

**Prevent frozen pipes when
the temperature drops**



PENNSYLVANIA
AMERICAN WATER
300 Galley Road
McMurray, PA 15317

Prevent frozen household pipes and costly repairs



Losing water service to your home due to frozen pipes can result in expensive repairs to damaged plumbing inside and outside of the home—not to mention cause major disruptions to your life.

Property owners are responsible for maintenance of the water service line from the curb to the house, as well as any in-home piping. Please take the following precautions to reduce the risk of freezing and bursting pipes when the temperatures are consistently at or below 32 degrees:

When the temperature drops below freezing:

- Allow a small trickle of water to run overnight to keep pipes from freezing. The cost of the extra water is low compared to the expensive repairs for a broken pipe.
- Open cabinet doors to expose pipes to warmer room temperatures to help keep them from freezing.


For more cold weather tips, visit pennsylvaniaamwater.com.



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**Keep
this
magnet
handy!**





Beat the FREEZE!
When temperatures drop below freezing, run your faucet to prevent expensive frozen pipe repairs.

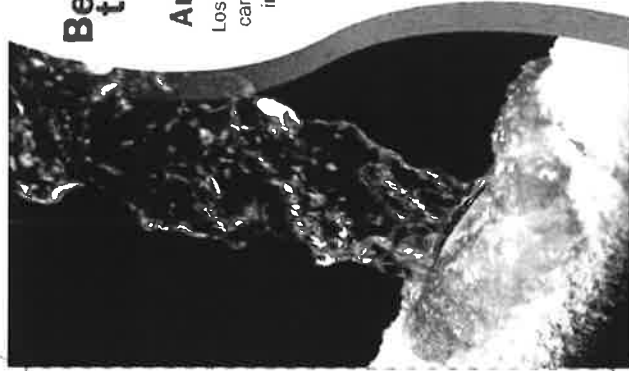
LEARN MORE:
pennsylvaniaamwater.com

Beat the **FREEZE**

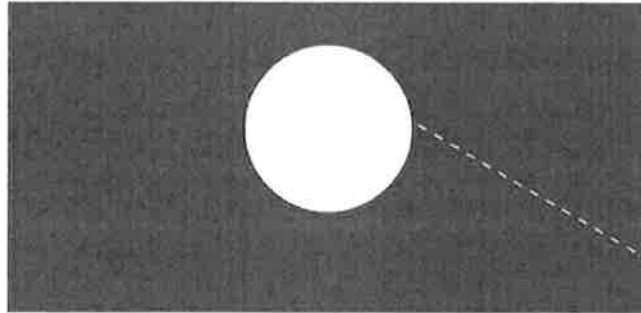
Are you prepared for frozen pipes?

Losing water service to your home due to frozen pipes can result in expensive repairs to damaged plumbing inside and outside of the home and cause major disruptions to your life.

Property owners are responsible for maintenance of the water service line from the curb to the house, as well as any in-home piping. Knowing the location of your shut-off valve is important in the event of emergencies like frozen pipes. Please use the inserted tag to mark your shut-off valve and learn more about how to handle frozen pipes.

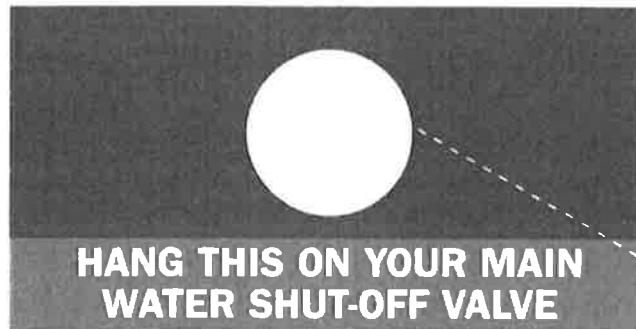


 **PENNSYLVANIA
AMERICAN WATER**
300 Galley Road
McMurray, PA 15317



**WATER
SHUT-OFF
VALVE**





In the event of an emergency, it might be necessary to turn off the main water valve in your home. It's important that everyone knows where the main water shut-off valve is located. In many homes, it is located near the water meter. If the water meter is not inside, however, the shut off valve is typically located on the water pipe close to where it enters your home or business; possibly in the basement, in a utility closet or crawl space.

PLEASE NOTE: You may want to test the valve to ensure that it is working properly. To test it, find your main shut off valve and close it.

Once the main shut-off valve is completely shut off, check sinks and other fixtures to be sure you have found the main valve and that it is working properly. When reopening the valve to turn the water back on, be sure to open it slowly until fully opened.

For tips on how to thaw freezing pipes, visit pennsylvaniaamericanwater.com.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Quality of Service Water Conservation

FR IX.7

Pennsylvania-American Water Company
IX. Quality of Service

7. Provide a discussion of the Company's policy regarding meter requirements, replacements and testing. State if the Company procedures are in compliance with 52 Pa. Code, § 65.8 (b).
- a. Provide meter test records as required in 52 Pa. Code, § 65.8(c) for 50 meters most recently removed from service.
 - b. Provide a discussion of the Company's policy and history of compliance with 52 Pa. Code § 65.9 regarding adjustments of bills for meter error within the last year.

Answer: Pennsylvania-American Water Company adheres to 52 Pa Code § 65.8(b) concerning this matter.

- a. Please see attachment.
- b. Pennsylvania-American Water Company adjusts any meter found not in compliance to the meter testing rules and regulations under 52 Pa. Code § 65.9. No meter tested was found outside the prescribed limits.

Consumer Tests

Tested By:	Date Tested:	Type Of Meter:	Meter #:	Size:	As Received:	After Repairs:	Rate (Gallon Per Minute):	Results After (%):
Vince Ryan	12/8/2016	Neptune	63607961	5/8"	00189	00191	15	99.2
							6	99.8
							2	100.0
							1/4	100.0
Vince Ryan	12/8/2016	Neptune	80298053	5/8"	04129	04131	15	100.1
							6	100.2
							2	100.0
							1/4	99.0
Vince Ryan	11/10/2016	Hersey	14526687	5/8"	00751	00753	15	99.9
							6	100.0
							2	100.0
							1/4	100.0
Vince Ryan	10/27/2016	Neptune	84396730	5/8"	05813	05815	15	99.6
							6	100.0
							2	100.0
							1/4	100.0
Vince Ryan	10/12/2016	Neptune	90983552	5/8"	04704	04706	15	100.0
							6	100.0
							2	100.0
							1/4	90.0
Vince Ryan	10/12/2016	Neptune	51208237	1"	07925	07927	34	100.0
							20	99.0
							4	100.0
							3/4	100.0
Vince Ryan	10/7/2016	Hersey	13447088	5/8"	03232	03235	15	100.0
							6	100.0
							2	100.0
							1/4	98.0
Vince Ryan	10/7/2016	Hersey	15049730	5/8"	00829	00831	15	99.9
							6	99.8
							2	100.0
							1/4	98.0
Vince Ryan	9/26/2016	Neptune	69010099	5/8"	00477	00479	15	99.5
							6	99.5
							2	100.0
							1/4	99.0
Vince Ryan	9/26/2016	Neptune	86763398	5/8"	08784	NA	15	Stuck
							6	
							2	
							1/4	
Vince Ryan	9/26/2016	Neptune	76352599	5/8"	04965	04967	15	99.1
							6	99.0
							2	99.0
							1/4	89.0
Vince Ryan	7/11/2016	Neptune	85416167	5/8"	04970	04972	15	99.1
							6	99.5
							2	100.0
							1/4	94.0
Vince Ryan	6/14/2016	Neptune	87933674	5/8"	01406	01408	15	99.0
							6	100.0
							2	100.0
							1/4	99.0
Vince Ryan	6/14/2016	Hersey	12636878	5/8"	01569	01571	15	99.8
							6	99.1
							2	100.0
							1/4	98.0
Vince Ryan	6/14/2016	Neptune	90255105	5/8"	02506	02508	15	99.0
							6	99.7
							2	100.0
							1/4	99.0
Vince Ryan	9/26/2016	Hersey	14527022	5/8"	00463	NA	15	Stuck
							6	
							2	
							1/4	
Vince Ryan	9/14/2016	Hersey	13344925	5/8"	01250	01252	15	99.9
							6	100.0
							2	100.0
							1/4	100.0
Vince Ryan	9/14/2016	Hersey	15119640	5/8"	01654	01656	15	99.8
							6	99.9
							2	100.0
							1/4	98.0

Consumer Tests

Tested By:	Date Tested:	Type Of Meter:	Meter #:	Size:	As Received:	After Repairs:	Rate (Gallon Per Minute):	Results After (%):
Vince Ryan	8/22/2016	Neptune	42996767	5/8"	12734	12736	15	99.5
							6	99.8
							2	100.0
							1/4	99.0
Vince Ryan	8/22/2016	Hersey	12540670	5/8"	01513	01515	15	98.5
							6	98.5
							2	99.0
							1/4	97.0
Vince Ryan	8/22/2016	Hersey	14613674	5/8"	00721	00723	15	99.8
							6	100.1
							2	100.0
							1/4	97.0
Vince Ryan	8/17/2016	Hersey	15308002	5/8"	00411	00414	15	99.2
							6	99.6
							2	98.0
							1/4	100.0
Vince Ryan	8/1/2016	Neptune	40295277	5/8"	17632	17634	15	99.8
							6	99.1
							2	99.0
							1/4	90.0
Vince Ryan	8/2/2016	Hersey	14568107	1"	05942	05944	34	99.7
							20	100.0
							4	100.0
							3/4	97.0
Vince Ryan	5/10/2016	Hersey	15399002	5/8"	00362	00364	15	99.8
							6	100.0
							2	100.0
							1/4	100.0
Vince Ryan	5/10/2016	Neptune	69010923	5/8"	00241	00243	15	98.9
							6	99.1
							2	100.0
							1/4	95.0
Vince Ryan	4/29/2016	Hersey	12540670	5/8"	01511	01513	15	98.8
							6	98.6
							2	99.0
							1/4	97.0
Vince Ryan	4/11/2016	Hersey	14432856	5/8"	00433	00435	15	100.0
							6	100.0
							2	100.0
							1/4	99.0
Vince Ryan	4/11/2016	Hersey	14431526	5/8"	02253	02255	15	99.8
							6	99.8
							2	100.0
							1/4	100.0
Vince Ryan	4/11/2016	Neptune	84806148	5/8"	03638	03640	15	99.5
							6	99.5
							2	99.0
							1/4	92.0
Vince Ryan	4/11/2016	Hersey	12537403	5/8"	01231	01233	15	96.4
							6	95.0
							2	94.0
							1/4	No Flow
Vince Ryan	3/9/2016	Hersey	13352077	5/8"	00022	00022	6	Stuck
							2	
							1/4	
Vince Ryan	2/29/2016	Neptune	89382415	5/8"	02208	02210	6	99.6
							2	100.1
							1/4	93.2
Vince Ryan	2/29/2016	Neptune	46207477	5/8"	00271	00273	6	99.9
							2	100.0
							1/4	96.0
Vince Ryan	2/29/2016	Neptune	87513776	5/8"	00002	00005	6	99.0
							2	100.0
							1/4	97.0
Vince Ryan	2/26/2016	Hersey	14510977	1"	00093	00095	6	100.2
							2	100.0
							1/4	98.0
Vince Ryan	2/8/2016	Hersey	15398723	5/8"	02271	02274	6	99.0
							2	100.0
							1/4	99.0
Vince Ryan	2/18/2016	Hersey	12646060	5/8"	04897	04899	6	100.4
							2	99.0
							1/4	98.0
							6	100.3

Consumer Tests

Tested By:	Date Tested:	Type Of Meter:	Meter #:	Size:	As Received:	After Repairs:	Rate (Gallon Per Minute):	Results After (%):
Vince Ryan	2/18/2016	Neptune	90454267	5/8"	01656	01658	2	100.5
							1/4	94.2
Vince Ryan	2/18/2016	Neptune	60157804	2"	258521	258532	15	100.0
							2	100.0
Vince Ryan	1/25/2016	Neptune	88638227	5/8"	07952	07954	6	99.8
							2	100.3
Vince Ryan	1/19/2016	Hersey	12539741	5/8"	01155	01157	1/4	93.2
							6	99.5
Vince Ryan	1/19/2016	Hersey	14099992	1"	01983	01985	2	100.0
							1/4	100.0
Vince Ryan	1/19/2016	Hersey	14099992	1"	01983	01985	20	99.4
							4	99.0
Vince Ryan	1/18/2016	Neptune	83592089	5/8"	00149	00151	3/4	90.0
							6	100.2
Jason Hampsay	2/1/2016	Neptune	52628251	1"	08553	08556	2	100.5
							1/4	94.2
Jason Hampsay	3/18/2016	Hersey	13285834	5/8"	03138	03140	6	100.3
							4	100.5
Jason Hampsay	4/12/2016	Sensus	73339972	2"	028748	028759	3/4	100.2
							6	99.7
Jason Hampsay	10/6/2016	Hersey	13611103	5/8"	00397	00400	2	101.9
							1/4	99.0
Jason Hampsay	7/26/2016	Neptune	84917199	5/8"	05562	05564	130	101.4
							15	102.0
Jason Hampsay	3/18/2016	Hersey	12716429	5/8"	01175	01178	2	101.9
							1/4	99.0
Jason Hampsay	2/26/2016	Neptune	85941932	5/8"	01512	01514	15	99.4
							6	110.0
Jason Hampsay	1/25/2016	Neptune	76353474	5/8"	05464	05466	2	100.0
							1/4	100.0
Jason Hampsay	3/29/2016	Neptune	85404147	5/8"	02427	02429	6	99.5
							2	100.5
Jason Hampsay	11/21/2016	Neptune	63557226	5/8"	99999	00002	1/4	79.7
							6	99.8
Jason Hampsay	2/1/2016	Neptune	90697917	5/8"	03404	03406	2	100.9
							1/4	102.0
Jason Hampsay	3/29/2016	Neptune	87857962	5/8"	02252	02254	6	100.0
							2	100.4
Jason Hampsay	2/3/2016	Hersey	14522548	5/8"	00871	00873	1/4	90.2
							6	100.2
Jason Hampsay	8/8/2016	Hersey	13604243	5/8"	00839	00841	2	100.2
							1/4	87.8
Jason Hampsay	9/22/2016	Hersey	13604556	5/8"	00283	00285	6	100.0
							2	100.0
Jason Hampsay	5/17/2016	Neptune	87194160	5/8"	02010	02012	1/4	98.0
							15	100.0
Jason Hampsay	5/17/2016	Neptune	87194160	5/8"	02010	02012	6	99.5
							2	96.4
Jason Hampsay	5/17/2016	Neptune	87194160	5/8"	02010	02012	1/4	55.0
							15	100.6

Consumer Tests

Tested By:	Date Tested:	Type Of Meter:	Meter #:	Size:	As Received:	After Repairs:	Rate (Gallon Per Minute):	Results After (%):
Jason Hampsay	2/23/2016	Hersey	13661224	5/8"	00598	00600	6	100.2
							2	101.0
							1/4	102.0
Jason Hampsay	11/11/2016	Neptune	90768865	5/8"	02869	02871	15	99.5
							6	99.5
							2	100.4
Jason Hampsay	11/21/2016	Neptune	82834065	5/8"	04359	043614	1/4	95.6
							15	99.4
							6	99.4
Jason Hampsay	10/27/2016	Neptune	85629244	5/8"	05246	05249	2	101.0
							1/4	98.0
							15	99.4
Jason Hampsay	5/4/2016	Hersey	13627591	5/8"	00699	00701	6	99.8
							2	100.6
							1/4	92.4
Jason Hampsay	11/21/2016	Neptune	89051309	5/8"	03033	03035	15	99.8
							6	99.9
							2	101.0
Jason Hampsay	8/8/2016	Neptune	45972827	5/8"	02886	02888	1/4	99.0
							6	99.1
							2	100.1
Jason Hampsay	7/13/2016	Hersey	12525842	5/8"	01512	01514	1/4	94.8
							6	99.4
							2	100.0
Jason Hampsay	1/26/2016	Neptune	89718034	5/8"	01865	01867	15	99.0
							6	99.0
							2	100.0
Jason Hampsay	6/17/2016	Neptune	86936808	5/8"	03009	03011	1/4	100.0
							6	99.7
							2	101.0
Jason Hampsay	5/19/2016	Neptune	91785743	5/8"	02023	02025	15	99.3
							6	99.3
							2	100.3
Jason Hampsay	2/16/2016	Hersey	14508920	5/8"x3/4"	00390	00392	1/4	87.6
							6	99.2
							2	100.0
Jason Hampsay	2/1/2016	Hersey	13667684	5/8"	01507	01509	15	99.2
							6	99.3
							2	100.0
Jason Hampsay	1/25/2016	Hersey	15319302	5/8"	00238	00240	1/4	90.9
							6	100.3
							2	101.0
Jason Hampsay	3/18/2016	Neptune	89572262	5/8"	01543	01546	6	99.6
							2	100.0
							1/4	100.0
Jason Hampsay	9/30/2016	Neptune	77593223	5/8"	06278	06280	6	100.0
							2	100.1
							1/4	100.0
Jason Hampsay	10/26/2016	Hersey	14509120	5/8"	00780	00782	6	99.7
							2	100.6
							1/4	94.8
Jason Hampsay	10/26/2016	Neptune	85629244	5/8"	05246	05249	15	94.8
							6	100.0
							2	100.0
Jason Hampsay	11/1/2016	Neptune	44111554	5/8"	14219	14221	1/4	98.0
							6	99.4
							2	99.9
Jason Hampsay	10/26/2016	Neptune	85629244	5/8"	05246	05249	1/4	99.0
							6	99.0
							2	100.0
Jason Hampsay	10/26/2016	Neptune	85629244	5/8"	05246	05249	15	0.0
							6	99.4
							2	99.8
Jason Hampsay	11/1/2016	Neptune	44111554	5/8"	14219	14221	1/4	100.6
							6	92.4
							2	98.7
Jason Hampsay	11/1/2016	Neptune	44111554	5/8"	14219	14221	15	99.1
							6	99.1
							2	94.0
Jason Hampsay	11/1/2016	Neptune	44111554	5/8"	14219	14221	1/4	94.0
							6	99.1
							2	94.0

Consumer Tests

Tested By:	Date Tested:	Type Of Meter:	Meter #:	Size:	As Received:	After Repairs:	Rate (Gallon Per Minute):	Results After (%):
Jason Hampsay	6/24/2016	Neptune	89554282	5/8"	03371	03373	15	99.6
							6	99.9
							2	100.6
							1/4	93.9
Jason Hampsay	8/29/2016	Hersey	14522783	5/8"	01256	01258	15	99.6
							6	99.6
							2	100.0
							1/4	99.1

MFR Description

FR X. BALANCE SHEET

- 1 Comparative balance sheet
- 2 Physical property, investments in affiliated companies, and other investments
- 3 Special cash accounts
- 4 Notes receivable and accounts receivable from associated companies
- 5 Accumulated reserve for uncollectible accounts
- 6 Prepayments
- 7 Significant items in current assets
- 8 Deferred asset account
- 9 Accounts payable to associated companies
- 10 Deferred credits
- 11 Method of funding of any reserves
- 12 Unappropriated retained earnings
- 13 Advances made by company to parent

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR X.1

Pennsylvania-American Water Company

X. Balance Sheet

1. Provide a comparative balance sheet for the historic test year-end and the preceding year-end.

Answer: Please see attached.

**Pennsylvania American Water Company - Total Company
Comparative Balance Sheet**

FR X.1

	<u>12/31/2016</u>	<u>12/31/2015</u>
Assets		
Utility Plant In Service	\$4,998,104,829	\$4,500,721,602
Construction Work In Progress	105,683,787	53,533,757
Utility Plant Accumulated Depreciation/Amortization	(1,154,197,722)	(1,000,570,119)
Total Utility Plant Adjustment	13,385,704	14,224,697
Utility property, net of accumulated depreciation	<u>\$3,962,976,598</u>	<u>\$3,567,909,936</u>
Nonutility property, net of accumulated depreciation	\$290,176	\$340,431
Total Property, Plant and Equipment	<u>\$3,963,266,774</u>	<u>\$3,568,250,367</u>
Cash and Cash Equivalents	(\$5,698,989)	(\$6,117,317)
Accounts Receivable, net	44,389,144	45,699,405
Unbilled Revenues	38,298,920	30,738,774
Materials and Supplies	9,726,870	9,079,179
Other current assets	8,772,165	3,909,249
Total Current Assets	<u>\$95,488,110</u>	<u>\$83,309,290</u>
Regulatory Assets	\$219,003,967	\$206,885,022
Other Investments	106,600	31,600
Goodwill	76,146,302	40,003,180
Other Long Term Assets	820,923	623,339
Total Regulatory and Other L/T Assets	<u>\$296,077,791</u>	<u>\$247,543,141</u>
Total Assets	<u>\$4,354,832,675</u>	<u>\$3,899,102,798</u>
Capital & Liabilities		
Common stock	\$21,506,887	\$21,506,887
Paid in Capital	870,246,287	869,970,300
Retained Earnings	542,942,075	501,309,321
Total Stockholder(s) Equity	<u>\$1,434,695,248</u>	<u>\$1,392,786,507</u>
Total Equity	<u>\$1,434,695,248</u>	<u>\$1,392,786,507</u>
Long Term Debt	\$1,112,256,953	\$1,140,915,645
Redeemable Preferred Stock at redemption value	6,451,500	7,651,500
Total Long-term debt	<u>\$1,118,708,453</u>	<u>\$1,148,567,145</u>
Total Capitalization	<u>\$2,553,403,701</u>	<u>\$2,541,353,653</u>
Short-Term Debt	\$387,470,103	\$66,392,684
Current Portion Long-term Debt	38,061,380	18,669,167
Current portion redeemable preferred stock	1,200,000	1,200,000
Accounts Payable	89,457,869	117,193,276
Taxes Accrued	6,166,748	(20,516,936)
Interest Accrued	12,416,200	12,448,982
Other current liabilities	28,547,240	25,689,917
Total Current Liabilities	<u>\$563,319,540</u>	<u>\$221,077,090</u>
Customer Advances for Construction	\$77,451,755	\$73,525,826
Deferred Income Taxes	908,217,277	827,082,434
Deferred Investment tax credits	5,138,980	5,372,572
Regulatory liability	32,518,914	34,155,897
Accrued Pension	(17,921,883)	(20,320,484)
Accrued postretirement benefit expense	6,000,074	6,467,733
Other Deferred Credits	41,243,342	52,365,943
Regulatory & Other Long Term Liabilities	<u>\$1,052,648,459</u>	<u>\$978,649,919</u>
Contributions in aid of Construction	\$185,460,976	\$158,022,137
Total Capital and Liabilities	<u>\$4,354,832,675</u>	<u>\$3,899,102,798</u>

**Pennsylvania-American Water Company - Water Operations
Comparative Balance Sheet**

FR X.1

	<u>12/31/2016</u>	<u>12/31/2015</u>
Assets		
Utility Plant In Service	\$4,541,475,219	\$4,266,912,023
Construction Work In Progress	78,452,305	49,473,076
Utility Plant Accumulated Depreciation/Amortization	(1,030,178,617)	(957,170,373)
Total Utility Plant Adjustment	<u>14,384,780</u>	<u>15,473,542</u>
Utility property, net of accumulated depreciation	<u>\$3,604,133,687</u>	<u>\$3,374,688,268</u>
Nonutility property, net of accumulated depreciation	\$290,176	\$340,431
Total Property, Plant and Equipment	<u>\$3,604,423,863</u>	<u>\$3,375,028,699</u>
Cash and Cash Equivalents	(\$6,575,709)	(\$6,117,317)
Accounts Receivable, net	40,695,281	45,699,405
Unbilled Revenues	37,054,415	30,738,774
Materials and Supplies	9,636,041	9,008,186
Other current assets	8,754,165	3,909,249
Total Current Assets	<u>\$89,564,192</u>	<u>\$83,238,298</u>
Regulatory Assets	\$212,358,933	\$203,825,124
Other Investments	106,600	31,600
Goodwill	39,609,030	39,782,457
Other Long Term Assets	550,089	623,339
Total Regulatory and Other L/T Assets	<u>\$252,624,652</u>	<u>\$244,262,521</u>
Total Assets	<u>\$3,946,612,707</u>	<u>\$3,702,529,517</u>
Capital & Liabilities		
Common stock	\$21,506,887	\$21,506,887
Paid in Capital	870,246,287	869,970,300
Retained Earnings	331,571,591	326,995,630
Total Stockholder(s) Equity	<u>\$1,223,324,764</u>	<u>\$1,218,472,816</u>
Total Equity	<u>\$1,223,324,764</u>	<u>\$1,218,472,816</u>
Long Term Debt	\$1,105,970,977	\$1,140,915,645
Redeemable Preferred Stock at redemption value	6,451,500	7,651,500
Total Long-term debt	<u>\$1,112,422,477</u>	<u>\$1,148,567,145</u>
Total Capitalization	<u>\$2,335,747,242</u>	<u>\$2,367,039,961</u>
Short-Term Debt	\$387,470,103	\$66,392,684
Current Portion Long-term Debt	38,061,380	18,669,167
Current portion redeemable preferred stock	1,200,000	1,200,000
Accounts Payable	(62,863,608)	117,193,276
Taxes Accrued	6,166,748	(20,516,936)
Interest Accrued	12,416,200	12,448,982
Other current liabilities	28,447,799	25,589,237
Total Current Liabilities	<u>\$410,898,622</u>	<u>\$220,976,409</u>
Customer Advances for Construction	\$77,014,381	\$73,054,340
Deferred Income Taxes	908,217,277	827,082,434
Deferred Investment tax credits	5,138,980	5,372,572
Regulatory liability	29,521,444	33,432,869
Accrued Pension	(17,921,883)	(20,320,484)
Accrued postretirement benefit expense	6,000,074	6,467,733
Other Deferred Credits	40,721,417	52,365,943
Regulatory & Other Long Term Liabilities	<u>\$1,048,691,689</u>	<u>\$977,455,406</u>
Contributions in aid of Construction	\$151,275,154	\$137,057,740
Total Capital and Liabilities	<u>\$3,946,612,707</u>	<u>\$3,702,529,517</u>

Pennsylvania-American Water Company - Wastewater Operations (excluding Scranton Wastewater)
Comparative Balance Sheet

	<u>12/31/2016</u>	<u>12/31/2015</u>
Assets		
Utility Plant In Service	\$287,032,251	\$233,809,579
Construction Work In Progress	10,517,748	4,060,681
Utility Plant Accumulated Depreciation/Amortization	(63,141,459)	(43,399,746)
Total Utility Plant Adjustment	(999,076)	(1,248,845)
Utility property, net of accumulated depreciation	<u>\$233,409,464</u>	<u>\$193,221,668</u>
Total Property, Plant and Equipment	<u>\$233,409,464</u>	<u>\$193,221,668</u>
Accounts Receivable, net	\$12,500	\$0
Materials and Supplies	90,829	70,992
Total Current Assets	<u>\$103,329</u>	<u>\$70,992</u>
Regulatory Assets	\$3,716,335	\$3,059,898
Goodwill	1,956,104	220,723
Other Long Term Assets	270,833	0
Total Regulatory and Other L/T Assets	<u>\$5,943,272</u>	<u>\$3,280,621</u>
Total Assets	<u>\$239,456,065</u>	<u>\$196,573,281</u>
Capital & Liabilities		
Retained Earnings	\$208,970,099	\$174,313,692
Total Stockholder(s) Equity	<u>\$208,970,099</u>	<u>\$174,313,692</u>
Total Equity	<u>\$208,970,099</u>	<u>\$174,313,692</u>
Total Capitalization	<u>\$208,970,099</u>	<u>\$174,313,692</u>
Other current liabilities	\$99,441	\$100,680
Total Current Liabilities	<u>\$99,441</u>	<u>\$100,680</u>
Customer Advances for Construction	\$437,374	\$471,485
Regulatory liability	2,997,470	723,028
Other Deferred Credits	521,925	0
Regulatory & Other Long Term Liabilities	<u>\$3,956,769</u>	<u>\$1,194,513</u>
Contributions in aid of Construction	\$26,429,755	\$20,964,396
Total Capital and Liabilities	<u>\$239,456,065</u>	<u>\$196,573,281</u>

Pennsylvania-American Water Company - Scranton Wastewater Operations
Comparative Balance Sheet

	<u>12/31/2016</u>	<u>12/31/2015</u>
Assets		
Utility Plant In Service	\$169,597,360	\$0
Construction Work In Progress	16,713,734	0
Utility Plant Accumulated Depreciation/Amortization	(60,877,646)	0
Utility property, net of accumulated depreciation	<u>\$125,433,447</u>	<u>\$0</u>
Total Property, Plant and Equipment	<u>\$125,433,447</u>	<u>\$0</u>
Cash and Cash Equivalents	\$876,720	\$0
Accounts Receivable, net	3,681,363	0
Unbilled Revenues	1,244,505	0
Other current assets	18,000	0
Total Current Assets	<u>\$5,820,588</u>	<u>\$0</u>
Regulatory Assets	\$2,928,700	\$0
Goodwill	34,581,167	0
Total Regulatory and Other L/T Assets	<u>\$37,509,867</u>	<u>\$0</u>
Total Assets	<u>\$168,763,903</u>	<u>\$0</u>
Capital & Liabilities		
Retained Earnings	\$2,400,384	\$0
Total Stockholder(s) Equity	<u>\$2,400,384</u>	<u>\$0</u>
Total Equity	<u>\$2,400,384</u>	<u>\$0</u>
Long Term Debt	\$6,285,976	\$0
Total Long-term debt	<u>\$6,285,976</u>	<u>\$0</u>
Total Capitalization	<u>\$8,686,360</u>	<u>\$0</u>
Accounts Payable	\$152,321,477	\$0
Total Current Liabilities	<u>\$152,321,477</u>	<u>\$0</u>
Contributions in aid of Construction	\$7,756,066	\$0
Total Capital and Liabilities	<u>\$168,763,903</u>	<u>\$0</u>

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Other Investment as of December 31, 2010

FR X.2

Pennsylvania-American Water Company
X. Balance Sheet

2. Provide a detail of other Physical Property, Investment in Affiliated Companies and Other Investments.

Answer:

Area	Description	Amount	Depreciation	Amount	Asset
Account 103 - Property Held for Future Use					
	Well #4 - 1,845.50 sq ft	\$9,264	\$0	\$9,264	78203826
	Well #5 - 2,500 sq ft	12,550	0	12,550	78203827
	1 Million Gallon Tank Land	45,115	0	45,115	78203828
	Land - Pittsburgh	26,975	0	26,975	78203829
	Pennhurst Property - 4.4 acres	46,716	0	46,716	30018238
	Parcel	13,667	0	13,667	78324368
	Interest Privilege Right	1,278	0	1,278	78324369
	Parcel	174	0	174	78324370
	Parcel	13,391	13,391	0	78324371
	Interest Privilege Right	390	0	390	78324372
	Well	925	0	925	78324373
	Well	557	0	557	78324374
	Well House	1,331	1,331	0	78324375
	Test Pumping	10,145	10,145	0	78324376
	Well	20,432	20,432	0	78324377
	Well	20,000	0	20,000	78324380
	Unit Heater	807	807	0	78324382
	Well	18,599	18,599	0	78324383
	Well	33,315	33,315	0	78324384
	Pump & Meters 50 HP	26,098	26,098	0	78324385
	Birch Acres Well - Parcel #2	4,919	0	4,919	19772334
	Birch Acres Well - Parcel #3 Land Right	1	0	1	19772336
	Birch Acres Well - Parcel #4	5,549	0	5,549	19772335
		\$312,199	\$124,117	\$188,082	

*Assets fully depreciated in 2004 are no longer included in account 103.

Area	Description	Amount	Depreciation	Amount
Account 121 - Non Utility Plant				
	Non Utility Plant - Land	\$383,947	\$157,057	\$226,890
	Non Utility Plant - Buildings	34,065	34,065	0
	Non Utility Plant - Other	740,277	676,991	63,286
		\$1,158,289	\$868,113	\$290,176

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission

FR X.3

Pennsylvania-American Water Company
X. Balance Sheet

3. Provide the amounts and purpose of Special Cash Accounts as of the historic test-year end.

Answer: The Petty Cash Account had a balance of \$3,350 at the end of the historic test year.

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Notes Receivable, Accounts Receivable from Associated Companies and Other
 Receivables as of December 31, 2016

FR X.4

Pennsylvania-American Water Company**X. Balance Sheet**

4. Describe the nature and amounts of notes receivable, accounts receivable from associated companies, and any other receivables, other than customers' accounts, greater than 15% of the total. Limit the explanation to variances greater than \$10,000.

Answer:

Please refer to the summary below. Additional detail attached.

Miscellaneous Receivables (Total Company)

Account/Description	Amount	% of Total
14510000 A/R Assoc Cos - Miscellaneous	\$53,965	1.1%
14510100 A/R Assoc Cos - Reconciliation Account	1,198,398	24.6%
14511001 A/R Assoc Cos - Service Company Bill	107,746	2.2%
14573000 A/R Assoc Cos - Dividend Equivalents	25,229	0.5%
Sub-Total A/R Assoc Cos	\$1,385,338	
14610000 Misc A/R - Reconciliation Account	\$190,197	4%
14611000 Misc A/R - Manual	818,964	17%
14611300 Misc A/R - Liability Insurance	1,997,080	41%
14611500 Misc A/R - Medicare Subsidy	480,183	10%
14613000 Misc A/R - Employees	170	0%
14613100 Misc A/R - Employees Payroll	2,542	0%
Sub-Total Misc A/R	\$3,489,136	
14620000 Misc Rec - Allow for Uncollectible Accts	(\$180)	0.0%
Total Miscellaneous Receivables	\$4,874,294	

Pennsylvania American Water Company - A/R Associated Companies
Balance Summary as of December 31, 2016

Description	Amount
Accrued Power	\$5,757
IHC Clearing - Incoming Payment	(4,845)
Accrued Power	952,611
Transportation Lease Costs	27,566
Insurance General Liability	179,961
Telephone - Natural Account	12,781
Township of Upper St Clair	30
Borough of Carnegie	168
R & K SEPTIC & SERVICES INC	2,205
Alcosan Leslie Sanford	6,239
North Fayette Township	15
City of Warren	207
J GALLAGHER SEPTIC & WASTEWATE	12,966
Mount Lebanon Municipality	30
Ace Disposal Corp	886
Bruce Steinhiser	220
Parratt-Wolff Inc	500
FB70-manual payments	150
Cecil Twsp Municipal Auth.	888
Perry Township Mun Authority	63
Total	\$1,198,398

**Pennsylvania American Water Company - Miscellaneous A/R Manual Register
Balance Summary as of December 31, 2016**

Description	Amount
Current Portion - Red Barn Deposit	\$12,500
Scranton Acquisition	753,031
Data Usage accrual	32,078
RR Donnelley	8,763
RR Donnelley	9,624
RR Donnelley	5,528
RR Donnelley	10,128
RR Donnelley	(10,777)
U.S. Army Corps of Engineers	(122)
Charter Communications	(405)
Melvin Napkora	540
U.S. Army Corps of Engineers	(183)
Coon and Co	(1,743)
Total	\$818,964

**Pennsylvania American Water Company - Miscellaneous A/R Liability Insurance
Balance Summary as of December 31, 2016**

Description	Amount
Accrued Insurance	\$1,997,080
Total	\$1,997,080

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Uncollectibles as of December 31, 2012

FR X.5

Pennsylvania-American Water Company
X. Balance Sheet

5. Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written-off in each of the last three years.

Answer:

Accumulated Reserve – Uncollectible Accounts (Total Company) \$13,060,324

The method of accrual is approved percentages based on Accounts Receivable Aging bucket balances and reconciled aging reports as well as unique customer balance reserves which are reviewed by an Accounting Manager and approved by an Assistant Controller of Accounting. Finance Accounting Directors submit unusual customer balances monthly for unique reserve treatment including support and explanation (i.e. bankruptcy, litigation settlement, etc.). Installment Plan customers are removed from the Accounts Receivable Aging balances. Installment plan balances are looked at in total and not by age since the customer has signed on for the agreed amount and is currently making payments. If customer defaults on agreed payment amount, customer is removed from installment plan balances and is included in standard aging/reserve calculations in subsequent months. A standard installment plan percentage is proposed for total balance owed (regardless of age) based on historical data on these types of customers.

	Total Company		
	Year-end 2014	Year-end 2015	Year-end 2016
Accrued Expense	\$9,708,607	\$10,007,216	\$8,409,370
Net Charge Offs	\$10,113,515	\$8,459,944	\$8,968,979

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Prepayments

FR X.6

Pennsylvania-American Water Company

X. Balance Sheet

6. Provide a list of prepayments and give an explanation of special prepayments.

Answer:

(Total Company)	
Prepayments	12/31/2016
Account/Description	Balance
16410000 Other Deposits—McKeesport Acq.	\$5,028,051
16510000 Prepaid Taxes	1,060,944
16520000 Prepaid Insurance	296,485
16530000 Prepaid PUC/PSC Assessment	1,533,522
16540000 Prepaid Audit Fees	56,097
16550000 Prepaid Other	10,214
16550010 Prepaid Other - Global	786,852
Total	<u><u>\$8,772,165</u></u>

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Significant Items in Current Assets

FR X.7

Pennsylvania-American Water Company
X. Balance Sheet

7. Break down and explain in detail any significant items, greater than 15% of the total, in the current assets account listed on the balance sheet. Limit the explanation to variances greater than \$10,000.

Answer:

(Total Company)	12/31/2016	
Current Assets	Balance	
Cash and Cash Equivalents	(\$5,698,989)	
Accounts Receivable, net	44,389,144	See Below
Unbilled Revenues	38,298,920	
Materials and Supplies	9,726,870	See Below
Other Current Assets	8,772,165	See Below
Total	<u>\$95,488,110</u>	
Accounts Receivable, net		
Customer Accounts Receivable	\$52,575,174	
Accounts Receivable Assoc Co's	1,385,338	
Miscellaneous Receivables	3,489,136	
Allowance for Uncollectible Accounts	<u>(13,060,504)</u>	
Sub-Total	\$44,389,144	
Materials and Supplies		
Plant Material	\$7,971,838	
Fuel	14,630	
Chemicals	1,444,911	
Other Materials & Supplies	<u>295,491</u>	
Sub-Total	\$9,726,870	
Other		
Other Special Deposits	\$5,028,051	
Prepaid Taxes	1,060,944	
Prepaid Insurance	296,485	
Prepaid PUC/PSC Assessments	1,533,522	
Prepaid Audit Fees	56,097	
Prepaid Other	10,214	
Prepaid Other - Global	<u>786,852</u>	
Sub-Total	\$8,772,165	

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Deferred Assets as of December 31, 2012

FR X.8

Pennsylvania-American Water Company
X. Balance Sheet

8. Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to effect or will at a later date effect the operating account supplying:
- Origin of these accounts.
 - Probable changes to this account in the near future.
 - Amortization of these accounts currently charged to operations or to be charged in the near future.

Answer:**Deferred Assets (Total Company)**

Account/Description	12/31/2016 Balance	2016 Expense Amortization	Account Charged
Deferred Regulatory Assets – Inc. Tax	\$141,078,686		Various
Deferred Rate Proceedings	60,228	473,379	666.8
Deferred Purchase Prem Rec Thru Rat	1,216,349	199,489	426
Cost of Removal	39,573,716	8,981,733	403
Cost of Removal-RWIP	21,514,586		108
Deferred Vacation Pay	913,717		241
Deferred FAS 112 Costs	332,720		None
Deferred Treatment Plant	92,542	50,477	407.4
Cost of Service Study	263,365		None
Deferred Acquisition Costs	3,131,034		426
Deferred Other	270,833		Various
Total	\$208,447,776		

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Accounts Payable to Associated Companies as of December 31, 2012

FR X.9

Pennsylvania-American Water Company**X. Balance Sheet**

9. Explain the nature of accounts payable to associated companies. Provide a breakdown by category.

Answer: The Company has four accounts payable to associated companies accounts. The first account, 23410100, is a clearing account associated with receivables and disbursements of Pennsylvania American that are handled by American Water Capital Corporation. The second account, 23510000, includes accounts payable to two internal trading partners: AWCC and AWK. A/P AWCC is credit facility fees Pennsylvania American owes American Water Capital Corporation for short term debt. A/P AWK represents the balance Pennsylvania American owes to American Water Works company for accrued federal income taxes. The third and fourth accounts, 23520000 & 23520001 (A/P Service Co Bill), net, represents the balance Pennsylvania American owes AWWSC for support services.

Accounts Payable to Associated Companies
 (Total Company)

Account/Description	Amount
23410100 A/P Intercompany - Reconciliation Account	\$2,291,307
23510000 A/P Associated Companies - AWK	\$2,104,788
23510000 A/P Associated Companies - AWCC	\$11,682
23520000 A/P Associated Companies - Service Co Bill	(\$4,036,245)
23520001 A/P Associated Companies - Service Co Bill	\$6,148,394

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Deferred Credits as of December 31, 2012

FR X.10

Pennsylvania-American Water Company
X. Balance Sheet

10. Provide a breakdown and explanation of other deferred credits as to their origin and disposition policy, for example, amortization.

Answer:

Deferred Credits (Total Company)			
Account/Description	12/31/2016 Balance	2016 Expense Amortization	Account Charged
Deferred Regulatory Liabilities	\$4,837,175		Various
Pension Tracker	17,921,759	2,398,726	604.8
Service Company Pension	5,507,859	538,772	604.8
Accrued 401k Restoration	(1,285)		604.8
Gain on Acquisition	4,252,121	127,207	426
Accrued Pension Expense	(17,921,883)	8,410,968	604.8
Deferred OPEB	1,954,711	5,626,278	604.8
Deferred OPEB - Medicare Subsidy	4,045,423		142
FIN 48 Reserve - Federal Tax	27,508,820		265
FIN 48 Reserve - State Tax	12,642,183		265
Accrued Defined Contribution SERP	3,679		604.8
Deferred FAS 112 Costs	332,720		None
Deferred Revenue	(78,554)		Various
Advance Pay & Deposits	605,111		Various
Accrued Dividend Equivalents	25,229		145
Non-Qualified Savings & Def Compensation	45,762		Various
Total	\$61,680,830		

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Funding of Reserves

FR X.11

Pennsylvania-American Water Company
X. Balance Sheet

11. Provide an explanation and method of funding of any reserves, other than depreciation and bad debt appearing on historic balance sheet.

Answer: The Company maintains no reserves, other than depreciation and bad debt, appearing on historic balance sheet.

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Unappropriated Retained Earnings as of December 31, 2010

FR X.12

Pennsylvania-American Water Company
X. Balance Sheet

12. Provide an analysis of unappropriated retained earnings for the historic test year and two preceding years.

Answer: Total Company

Unappropriated Retained Earnings	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Water and Wastewater			
Balance at Beginning of Period	\$501,309,320	\$466,119,001	\$428,387,958
Add:			
Net Income for Period	153,116,632	143,311,303	140,182,030
Deduct:			
Preferred Stock Dividends	0	0	0
Declaration of Common Stock Dividends	111,483,879	108,120,984	102,450,987
Balance at the end of Period	\$542,942,074	\$501,309,320	\$466,119,001

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Advances to Parent

FR X.13

Pennsylvania-American Water Company
X. Balance Sheet

13. Describe the purpose of any advances made by the Company to its parent corporation and describe all terms and conditions associated with such advances, including an estimate of future advances or repayments that are expected to occur.

Answer: The Company made no advances to its parent corporation.

MFR Description

FR XI. OTHER DATA

- 1 Monthly balance sheets and income statements
- 2 Internal and external audit copies
- 3 Monthly budget variances reports to management Refer to XI.1
- 4 Operating and capital budgets
- 5 Unaccounted for water schedule , I & I for Wastewater
- 6 Corporate history

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Other Data Monthly Balance Sheet and Income Statement

FR XI.1

Pennsylvania-American Water Company
XI. Other Data

1. Provide the Company's monthly balance sheets and income statements for each month of the historic and future test year.

Answer: Please see attached.

Pennsylvania American Water Company
FR XI.01 Balance Sheet
Total Company

FR XI.1

	1/31/2016	2/28/2016	3/31/2016	4/30/2016
Assets				
Utility Plant In Service	\$4,524,377,631	\$4,536,371,702	\$4,546,444,930	\$4,566,524,576
Construction Work In Progress	55,591,239	59,412,173	66,702,476	70,894,485
Utility Plant Accumulated Depreciation/Amortization	(1,016,746,257)	(1,022,113,023)	(1,026,828,956)	(1,036,337,042)
Total Utility Plant Adjustment	14,194,555	14,163,660	14,132,766	14,101,871
Utility property, net of accumulated depreciation	3,577,417,167	3,587,834,513	3,600,451,216	3,615,183,890
Nonutility property, net of accumulated depreciation	334,423	328,416	322,409	316,401
Total Property, Plant and Equipment	\$3,577,751,591	\$3,588,162,929	\$3,600,773,624	\$3,615,500,291
Cash and Cash Equivalents	(\$5,387,952)	(\$3,047,407)	(\$2,674,771)	(\$2,798,526)
Accounts Receivable, net	44,471,524	38,931,881	40,520,449	43,192,498
Unbilled Revenues	31,668,823	32,916,266	34,773,438	31,863,510
Materials and Supplies	9,217,654	9,404,731	9,822,749	9,788,266
Assets of discontinued operations				
Other current assets	2,050,811	4,541,312	2,940,818	7,691,949
Total Current Assets	\$82,020,859	\$82,746,784	\$85,382,684	\$89,737,698
Regulatory Assets	\$207,984,595	\$207,761,318	\$208,163,615	\$209,522,991
Other Investments	31,600	31,600	31,600	31,600
Goodwill	40,003,180	40,003,180	40,003,180	40,003,180
Other Long Term Assets	895,966	881,093	993,996	976,618
Total Regulatory and Other L/T Assets	248,915,342	248,677,191	249,192,392	250,534,389
Total Assets	\$3,908,687,791	\$3,919,586,904	\$3,935,348,700	\$3,955,772,378
Capital & Liabilities				
Common stock	\$21,506,887	\$21,506,887	\$21,506,887	\$21,506,887
Paid in Capital	869,996,874	870,019,129	870,025,583	870,048,287
Retained Earnings	512,944,804	523,559,894	509,906,394	521,656,779
Total Stockholder(s) Equity	1,404,448,565	1,415,085,909	1,401,438,864	1,413,211,953
Total Equity	1,404,448,565	1,415,085,909	1,401,438,864	1,413,211,953
Long Term Debt	1,140,522,710	1,140,161,439	1,139,758,047	1,141,494,981
Redeemable Preferred Stock at redemption value	6,451,500	6,451,500	6,451,500	6,451,500
Total Long-term debt	1,146,974,210	1,146,612,939	1,146,209,547	1,147,946,481
Total Capitalization	\$2,551,422,775	\$2,561,698,848	\$2,547,648,410	\$2,561,158,434
Short-Term Debt	\$95,031,405	\$92,593,020	\$89,026,190	\$86,053,312
Current Portion Long-term Debt	18,664,744	18,628,080	18,636,796	18,645,529
Current portion redeemable preferred stock	1,200,000	1,200,000	1,200,000	1,200,000
Accounts Payable	68,370,394	60,698,695	65,256,416	66,925,725
Taxes Accrued	(19,765,934)	(19,289,245)	4,131,305	6,062,887
Interest Accrued	16,616,398	21,527,965	16,382,258	17,784,729
Other current liabilities	25,142,977	23,238,986	24,103,497	21,430,289
Total Current Liabilities	\$205,259,984	\$198,597,501	\$218,736,462	\$218,102,471
Customer Advances for Construction	\$72,315,544	\$72,850,944	\$76,392,538	\$76,241,217
Deferred Income Taxes	834,267,323	840,825,150	844,702,811	850,931,490
Deferred Investment tax credits	5,353,106	5,333,640	5,314,174	5,294,708
Regulatory liability	35,656,589	35,182,258	34,912,821	34,638,384
Accrued Pension	(19,619,571)	(20,495,037)	(19,794,123)	(19,093,209)
Accrued postretirement benefit expense	6,976,605	6,078,906	6,524,027	7,032,899
Other Deferred Credits	52,887,068	52,874,762	53,584,725	53,586,085
Regulatory & Other Long Term Liabilities	\$987,836,664	\$992,650,623	\$1,001,636,972	\$1,008,631,573
Contributions in aid of Construction	\$164,168,368	\$166,639,932	\$167,326,855	\$167,879,900
Total Capital and Liabilities	\$3,908,687,791	\$3,919,586,904	\$3,935,348,700	\$3,955,772,378

Pennsylvania American Water Company
FR XI.01 Balance Sheet
Total Company

FR XI.1

	5/31/2016	6/30/2016	7/31/2016	8/31/2016
Assets				
Utility Plant In Service	\$4,597,712,479	\$4,614,438,378	\$4,627,733,992	\$4,670,690,587
Construction Work In Progress	70,206,737	78,649,365	88,847,144	84,297,026
Utility Plant Accumulated Depreciation/Amortization	(1,043,809,748)	(1,050,750,951)	(1,058,361,562)	(1,066,255,657)
Total Utility Plant Adjustment	14,070,977	14,040,083	14,009,188	13,977,994
Utility property, net of accumulated depreciation	3,638,180,445	3,656,376,875	3,672,228,762	3,702,709,951
Nonutility property, net of accumulated depreciation	310,393	304,386	298,378	296,855
Total Property, Plant and Equipment	\$3,638,490,838	\$3,656,681,261	\$3,672,527,141	\$3,703,006,806
Cash and Cash Equivalents	(\$1,351,338)	(\$2,808,003)	(\$5,979,629)	\$1,097,966
Accounts Receivable, net	38,064,408	39,934,128	48,813,409	36,653,524
Unbilled Revenues	34,460,570	35,251,269	35,073,788	37,292,250
Materials and Supplies	10,018,901	10,500,192	10,936,902	10,302,596
Assets of discontinued operations				
Other current assets	5,795,146	9,910,147	8,339,793	7,362,246
Total Current Assets	\$86,987,687	\$92,787,733	\$97,184,262	\$92,708,582
Regulatory Assets	\$210,491,642	\$210,612,555	\$213,408,476	\$214,684,802
Other Investments	31,600	31,600	31,600	31,600
Goodwill	40,003,180	40,003,585	40,003,585	40,003,585
Other Long Term Assets	959,239	941,861	924,482	907,104
Total Regulatory and Other L/T Assets	251,485,661	251,589,601	254,368,143	255,627,090
Total Assets	\$3,976,964,187	\$4,001,058,594	\$4,024,079,546	\$4,051,342,477
Capital & Liabilities				
Common stock	\$21,506,887	\$21,506,887	\$21,506,887	\$21,506,887
Paid in Capital	870,065,795	870,090,198	870,112,237	870,138,813
Retained Earnings	533,990,421	522,914,078	537,887,664	553,574,764
Total Stockholder(s) Equity	1,425,563,102	1,414,511,163	1,429,506,787	1,445,220,463
Total Equity	1,425,563,102	1,414,511,163	1,429,506,787	1,445,220,463
Long Term Debt	1,141,090,115	1,140,672,071	1,140,248,715	1,139,824,594
Redeemable Preferred Stock at redemption value	6,451,500	6,451,500	6,451,500	6,451,500
Total Long-term debt	1,147,541,615	1,147,123,571	1,146,700,215	1,146,276,094
Total Capitalization	\$2,573,104,717	\$2,561,634,734	\$2,576,207,003	\$2,591,496,557
Short-Term Debt	\$70,904,348	\$104,767,964	\$103,230,833	\$86,882,237
Current Portion Long-term Debt	18,654,281	18,675,887	18,702,080	18,728,310
Current portion redeemable preferred stock	1,200,000	1,200,000	1,200,000	1,200,000
Accounts Payable	83,896,608	86,645,956	78,641,228	95,159,160
Taxes Accrued	8,211,184	4,250,348	6,698,430	7,719,413
Interest Accrued	17,678,112	12,436,159	16,624,022	21,536,934
Other current liabilities	22,996,953	23,264,769	25,963,829	26,218,837
Total Current Liabilities	\$223,541,485	\$251,241,083	\$251,060,421	\$257,444,892
Customer Advances for Construction	\$72,855,725	\$71,925,093	\$71,298,719	\$68,513,341
Deferred Income Taxes	857,467,631	861,627,277	869,478,767	877,702,745
Deferred Investment tax credits	5,275,242	5,255,776	5,236,310	5,216,844
Regulatory liability	34,363,947	34,165,537	33,891,100	33,616,663
Accrued Pension	(19,968,675)	(19,267,761)	(18,566,973)	(19,295,799)
Accrued postretirement benefit expense	6,198,892	6,518,402	7,027,274	6,129,576
Other Deferred Credits	53,544,359	56,779,486	56,782,411	56,783,334
Regulatory & Other Long Term Liabilities	\$1,009,737,120	\$1,017,003,810	\$1,025,147,608	\$1,028,666,704
Contributions in aid of Construction	\$170,580,864	\$171,178,968	\$171,664,514	\$173,734,325
Total Capital and Liabilities	\$3,976,964,187	\$4,001,058,594	\$4,024,079,546	\$4,051,342,477

Pennsylvania American Water Company
FR XI.01 Balance Sheet
Total Company

FR XI.1

	9/30/2016	10/31/2016	11/30/2016	12/31/2016
Assets				
Utility Plant In Service	\$4,685,956,403	\$4,725,820,886	\$4,793,972,173	\$4,998,104,829
Construction Work In Progress	98,321,381	104,986,643	95,519,652	105,683,787
Utility Plant Accumulated Depreciation/Amortization	(1,073,991,941)	(1,077,714,629)	(1,089,639,481)	(1,154,197,722)
Total Utility Plant Adjustment	13,946,800	13,915,606	13,884,412	13,385,704
Utility property, net of accumulated depreciation	3,724,232,643	3,767,008,505	3,813,736,757	3,962,976,598
Nonutility property, net of accumulated depreciation	290,847	284,840	305,779	290,176
Total Property, Plant and Equipment	\$3,724,523,490	\$3,767,293,345	\$3,814,042,535	\$3,963,266,774
Cash and Cash Equivalents	(\$4,537,520)	(\$1,201,612)	\$205,351	(\$5,698,989)
Accounts Receivable, net	50,832,222	43,575,129	39,595,354	44,389,144
Unbilled Revenues	35,455,421	34,864,598	36,110,432	38,298,920
Materials and Supplies	10,524,649	10,217,565	9,484,690	9,726,870
Assets of discontinued operations				
Other current assets	11,019,368	12,373,370	10,474,683	8,772,165
Total Current Assets	\$103,294,140	\$99,829,050	\$95,870,510	\$95,488,110
Regulatory Assets	\$215,658,573	\$217,364,585	\$218,990,397	\$219,003,967
Other Investments	31,600	31,600	31,600	106,600
Goodwill	40,003,585	40,003,585	41,738,306	76,146,302
Other Long Term Assets	877,225	857,763	839,343	820,923
Total Regulatory and Other L/T Assets	256,570,982	258,257,533	261,599,646	296,077,792
Total Assets	\$4,084,388,612	\$4,125,379,928	\$4,171,512,690	\$4,354,832,675
Capital & Liabilities				
Common stock	\$21,506,887	\$21,506,887	\$21,506,887	\$21,506,887
Paid in Capital	870,149,007	870,177,577	870,200,295	870,246,287
Retained Earnings	539,730,064	552,501,814	565,014,315	542,942,075
Total Stockholder(s) Equity	1,431,385,958	1,444,186,278	1,456,721,496	1,434,695,248
Total Equity	1,431,385,958	1,444,186,278	1,456,721,496	1,434,695,248
Long Term Debt	1,139,399,706	1,138,974,050	1,106,434,028	1,112,256,953
Redeemable Preferred Stock at redemption value	6,451,500	6,451,500	6,451,500	6,451,500
Total Long-term debt	1,145,851,206	1,145,425,550	1,112,885,528	1,118,708,453
Total Capitalization	\$2,577,237,164	\$2,589,611,827	\$2,569,607,025	\$2,553,403,701
Short-Term Debt	\$129,920,477	\$150,866,494	\$145,730,801	\$387,470,103
Current Portion Long-term Debt	18,754,579	18,780,885	51,798,950	38,061,380
Current portion redeemable preferred stock	1,200,000	1,200,000	1,200,000	1,200,000
Accounts Payable	92,737,149	91,414,383	104,347,883	89,457,869
Taxes Accrued	8,974,797	10,580,707	12,585,657	6,166,748
Interest Accrued	16,381,255	17,782,988	17,674,917	12,416,200
Other current liabilities	26,036,007	24,738,518	25,822,807	28,547,240
Total Current Liabilities	\$294,004,264	\$315,363,974	\$359,161,014	\$563,319,540
Customer Advances for Construction	\$67,573,910	\$66,033,621	\$81,198,810	\$77,451,755
Deferred Income Taxes	888,306,880	895,251,101	902,269,014	908,217,277
Deferred Investment tax credits	5,197,378	5,177,912	5,158,446	5,138,980
Regulatory liability	33,342,324	33,067,788	32,793,351	32,518,914
Accrued Pension	(18,594,885)	(17,893,971)	(18,622,797)	(17,921,883)
Accrued postretirement benefit expense	5,824,227	5,925,988	5,898,312	6,000,074
Other Deferred Credits	56,785,423	56,782,656	56,776,458	41,243,342
Regulatory & Other Long Term Liabilities	\$1,038,435,257	\$1,044,345,095	\$1,065,471,594	\$1,052,648,459
Contributions in aid of Construction	\$174,711,927	\$176,059,031	\$177,273,059	\$185,460,976
Total Capital and Liabilities	\$4,084,388,612	\$4,125,379,928	\$4,171,512,690	\$4,354,832,675

Pennsylvania American Water Company
FR XI.01 Balance Sheet
Total Company

FR XI.1

	<u>1/31/2017</u>	<u>2/28/2017</u>
Assets		
Utility Plant In Service	\$5,007,077,911	\$5,018,951,298
Construction Work In Progress	106,362,612	106,954,737
Utility Plant Accumulated Depreciation/Amortization	(1,162,035,114)	(1,170,803,588)
Total Utility Plant Adjustment	13,355,948	13,326,192
Utility property, net of accumulated depreciation	3,964,761,357	3,968,428,640
Nonutility property, net of accumulated depreciation	283,373	277,366
Total Property, Plant and Equipment	<u>\$3,965,044,730</u>	<u>\$3,968,706,006</u>
Cash and Cash Equivalents	(\$1,249,907)	(\$465,973)
Accounts Receivable, net	47,249,603	45,836,428
Unbilled Revenues	35,861,415	33,858,280
Materials and Supplies	9,707,696	9,635,175
Assets of discontinued operations		
Other current assets	7,077,551	10,845,468
Total Current Assets	<u>\$98,646,357</u>	<u>\$99,709,377</u>
Regulatory Assets	\$222,337,196	\$222,160,224
Other Investments	106,600	106,600
Goodwill	76,146,302	76,146,302
Other Long Term Assets	802,502	784,082
Total Regulatory and Other L/T Assets	<u>299,392,600</u>	<u>299,197,208</u>
Total Assets	<u>\$4,363,083,687</u>	<u>\$4,367,612,591</u>
Capital & Liabilities		
Common stock	\$21,506,887	\$21,506,887
Paid in Capital	870,246,287	870,264,807
Retained Earnings	556,877,615	568,170,382
Total Stockholder(s) Equity	1,448,630,788	1,459,942,076
Total Equity	1,448,630,788	1,459,942,076
Long Term Debt	1,111,797,150	1,111,340,529
Redeemable Preferred Stock at redemption value	5,251,500	5,251,500
Total Long-term debt	<u>1,117,048,650</u>	<u>1,116,592,029</u>
Total Capitalization	<u>\$2,565,679,438</u>	<u>\$2,576,534,105</u>
Short-Term Debt	\$394,316,752	\$387,604,465
Current Portion Long-term Debt	38,120,692	38,176,083
Current portion redeemable preferred stock	1,200,000	1,200,000
Accounts Payable	66,845,984	59,368,098
Taxes Accrued	16,757,190	18,617,561
Interest Accrued	16,539,227	21,371,087
Other current liabilities	27,955,458	24,891,431
Total Current Liabilities	<u>\$561,735,303</u>	<u>\$551,228,726</u>
Customer Advances for Construction	\$76,335,575	\$76,280,427
Deferred Income Taxes	900,917,676	906,982,568
Deferred Investment tax credits	5,119,514	5,100,048
Regulatory liability	32,168,815	31,818,716
Accrued Pension	(17,069,754)	(18,018,865)
Accrued postretirement benefit expense	6,148,484	5,884,492
Other Deferred Credits	46,147,568	46,130,941
Regulatory & Other Long Term Liabilities	<u>\$1,049,767,878</u>	<u>\$1,054,178,327</u>
Contributions in aid of Construction	\$185,901,068	\$185,671,433
Total Capital and Liabilities	<u>\$4,363,083,687</u>	<u>\$4,367,612,591</u>

Pennsylvania American Water Company
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Total Company

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	Jan 2016	Feb 2016	Mar 2016	Apr 2016
OPERATING REVENUE				
Water revenues	\$48,732,271	\$45,767,464	\$48,785,768	\$47,223,057
Sewer revenues	1,603,151	1,673,330	1,963,032	1,923,606
Other operating revenues	1,052,231	896,187	1,265,374	1,006,142
Operating revenues	\$51,387,654	\$48,336,980	\$52,014,175	\$50,152,804
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	\$241,544	\$258,534	\$214,222	\$247,808
Fuel and power	1,257,986	1,316,223	1,272,285	1,063,580
Chemicals	653,865	707,809	693,713	580,882
Waste Disposal	115,201	214,622	354,149	156,661
Total Production Costs	\$2,268,595	\$2,497,188	\$2,534,369	\$2,048,931
Salaries and Wages	\$4,188,673	\$3,913,378	\$4,273,639	\$4,030,046
Pensions	355,280	340,238	328,091	333,541
Group insurances	936,553	827,426	840,879	780,680
Other benefits	277,356	236,661	275,671	246,537
Total employee related	\$5,757,862	\$5,317,703	\$5,718,281	\$5,390,803
Service Company costs	\$3,417,333	\$3,543,156	\$3,350,490	\$3,545,605
Contracted Services	\$453,559	\$456,882	\$607,059	\$361,139
Building maintenance and services	386,009	281,459	281,494	302,868
Telecommunication expenses	206,927	197,450	263,161	193,578
Postage, printing and stationery	18,674	15,510	18,367	19,202
Office supplies and services	150,370	107,795	145,290	102,605
Advertising & marketing expenses	945	782	0	5
Employee related expense travel & entertainment	80,063	78,161	128,915	180,604
Miscellaneous expenses	239,122	517,072	687,340	253,711
Rents	41,035	49,163	35,504	44,234
Transportation	329,483	267,841	260,525	218,187
Operating supplies and services	\$1,906,185	\$1,972,116	\$2,427,656	\$1,676,133
Uncollectible Accounts Exp	\$1,087,643	(\$38,123)	\$1,017,824	\$306,629
Customer accounting other	498,907	521,262	512,872	598,178
Regulatory Expense	39,448	39,448	44,891	39,798
Insurance other than group	1,045,036	1,010,394	1,281,208	1,023,456
Maintenance service & supplies	700,389	624,858	921,587	547,155
Total operations and maintenance	\$16,721,399	\$15,488,002	\$17,809,179	\$15,176,688
Depreciation	\$7,555,355	\$7,573,010	\$7,598,213	\$7,601,970
Amortization	83,470	83,470	83,470	83,470
Removal Costs	748,478	748,478	748,478	748,478
Depreciation and Amortization	\$8,387,303	\$8,404,958	\$8,430,161	\$8,433,917
General Taxes	\$1,182,994	\$1,004,817	\$1,006,687	\$1,049,136
Loss (gain) on sale of assets	(10,601)	(10,601)	(10,601)	(10,601)
Total operating expenses, net	\$26,281,095	\$24,887,176	\$27,235,426	\$24,649,141
Operating income (loss)	\$25,106,558	\$23,449,804	\$24,778,749	\$25,503,663
OTHER INCOME (EXPENSES)				
Interest Income	(\$74)	\$0	(\$175)	(\$5)
Interest on Long Term Debt	5,422,025	5,415,078	5,434,577	5,424,623
Interest on Short Term Debt	62,636	58,783	61,740	56,406
Other Interest Expense	0	34	62	0
Interest net (Income)/Expense	\$5,484,588	\$5,473,895	\$5,496,204	\$5,481,025
AFUDC Equity Income/(Expense)	(\$49,266)	\$2	\$0	\$439
AFUDC Debt Income/(Expense)	(22,440)	(26,464)	(28,431)	(33,154)
Amortization of Debt Expense (Income)/Expense	99,312	98,066	100,558	101,818
Other Net Income/(Expense)	34,217	59,518	41,582	50,752
Total other Income/(Expense)	(\$5,546,411)	(\$5,605,018)	(\$5,609,913)	(\$5,600,880)
Income (loss) before income taxes	\$19,560,148	\$17,844,786	\$19,168,836	\$19,902,784
Provision for Income Taxes	\$7,924,664	\$7,229,697	\$8,069,865	\$8,152,399
Income (loss) from continuing operations	11,635,484	10,615,090	11,098,971	11,750,385
Income (loss) from discontinued operations net of tax				
Net income (loss)	11,635,484	10,615,090	11,098,971	11,750,385
Preferred dividend declared				
Net income attributable to non-controlling interest				
Net income available to common stockholders	11,635,484	10,615,090	11,098,971	11,750,385
Common dividends	0	0	24,752,471	0
Current Year Retained Earnings	\$11,635,484	\$10,615,090	(\$13,653,500)	\$11,750,385

Pennsylvania American Water Company
FR XI.01 Income Statement
Total Company

FR XI.1

	May 2016	Jun 2016	Jul 2016	Aug 2016
OPERATING REVENUE				
Water revenues	\$49,869,067	\$52,733,701	\$55,266,327	\$54,481,747
Sewer revenues	1,769,558	1,859,608	1,660,793	1,798,994
Other operating revenues	890,323	991,208	1,178,156	955,417
Operating revenues	\$52,528,948	\$55,584,516	\$58,105,276	\$57,236,158
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	\$253,273	\$269,511	\$308,328	\$307,568
Fuel and power	1,120,224	1,144,889	1,259,211	1,317,304
Chemicals	708,217	814,937	803,632	950,171
Waste Disposal	225,160	165,412	253,408	199,820
Total Production Costs	\$2,306,875	\$2,394,750	\$2,624,580	\$2,774,864
Salaries and Wages	\$4,340,253	\$4,057,807	\$3,848,886	\$4,210,170
Pensions	328,060	249,460	101,438	252,204
Group insurances	845,408	1,369,276	1,578,424	274,639
Other benefits	277,291	226,031	240,609	230,865
Total employee related	\$5,791,013	\$5,902,575	\$5,769,357	\$4,967,879
Service Company costs	\$3,310,361	\$3,970,193	\$3,886,795	\$3,227,056
Contracted Services	\$554,290	\$385,104	\$529,405	\$640,154
Building maintenance and services	320,920	442,486	336,603	357,578
Telecommunication expenses	233,492	229,314	226,653	241,302
Postage, printing and stationery	16,073	21,782	15,858	28,672
Office supplies and services	128,432	135,819	87,942	124,188
Advertising & marketing expenses	460	1,401	608	(509)
Employee related expense travel & entertainment	61,692	94,590	65,422	78,116
Miscellaneous expenses	428,200	388,715	299,218	439,759
Rents	34,618	46,035	47,589	39,887
Transportation	294,468	303,845	200,125	212,174
Operating supplies and services	\$2,072,645	\$2,049,092	\$1,809,422	\$2,161,322
Uncollectible Accounts Exp	\$423,352	\$357,945	\$1,262,757	\$447,701
Customer accounting other	544,706	535,983	582,830	612,066
Regulatory Expense	41,168	39,448	43,932	39,448
Insurance other than group	1,018,886	1,370,430	1,003,643	1,010,848
Maintenance service & supplies	948,408	720,200	814,582	836,416
Total operations and maintenance	\$16,457,413	\$17,340,615	\$17,797,898	\$16,077,599
Depreciation	\$7,630,188	\$7,674,307	\$7,703,193	\$7,727,227
Amortization	83,470	83,470	83,470	83,470
Removal Costs	748,478	748,478	748,478	748,478
Depreciation and Amortization	\$8,462,136	\$8,506,255	\$8,535,141	\$8,559,175
General Taxes	\$1,134,819	\$993,049	\$906,005	\$598,060
Loss (gain) on sale of assets	(10,601)	(10,601)	(10,601)	(10,601)
Total operating expenses, net	\$26,043,766	\$26,829,318	\$27,228,444	\$25,224,233
Operating income (loss)	\$26,485,182	\$28,755,198	\$30,876,832	\$32,011,925
OTHER INCOME (EXPENSES)				
Interest income	\$0	\$0	(\$4)	\$0
Interest on Long Term Debt	5,425,596	5,426,634	5,425,039	5,424,310
Interest on Short Term Debt	52,006	50,866	73,609	64,338
Other Interest Expense	0	0	0	0
Interest net (Income)/Expense	\$5,477,602	\$5,477,500	\$5,498,645	\$5,488,648
AFUDC Equity Income/(Expense)	\$0	(\$18,745)	(\$8,267)	\$1
AFUDC Debt Income/(Expense)	(35,103)	(40,601)	(42,585)	(46,237)
Amortization of Debt Expense (Income)/Expense	101,818	101,818	101,818	101,818
Other Net Income/(Expense)	50,159	53,110	83,469	21,042
Total other Income/(Expense)	(\$5,594,476)	(\$5,573,083)	(\$5,633,080)	(\$5,565,272)
Income (loss) before income taxes	\$20,890,706	\$23,182,116	\$25,243,753	\$26,446,653
Provision for Income Taxes	\$8,557,065	\$9,232,264	\$10,270,167	\$10,759,554
Income (loss) from continuing operations	12,333,642	13,949,852	14,973,586	15,687,099
Income (loss) from discontinued operations net of tax				
Net Income (loss)	12,333,642	13,949,852	14,973,586	15,687,099
Preferred dividend declared				
Net income attributable to non-controlling interest				
Net income available to common stockholders	12,333,642	13,949,852	14,973,586	15,687,099
Common dividends	0	25,026,195	0	0
Current Year Retained Earnings	\$12,333,642	(\$11,076,343)	\$14,973,586	\$15,687,099

	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Total 2016
OPERATING REVENUE					
Water revenues	\$52,757,787	\$50,849,298	\$48,571,033	\$48,771,942	\$603,809,461
Sewer revenues	1,884,184	1,634,798	1,855,046	1,989,732	21,615,831
Other operating revenues	1,095,589	1,496,213	965,580	1,322,771	13,115,191
Operating revenues	\$55,737,560	\$53,980,309	\$51,391,659	\$52,084,445	\$638,540,484
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	\$216,053	\$303,734	\$248,472	\$239,195	\$3,108,243
Fuel and power	1,240,790	1,158,661	1,240,534	1,242,125	14,633,813
Chemicals	899,975	769,671	705,992	714,045	9,002,909
Waste Disposal	311,221	305,952	243,066	300,176	2,844,849
Total Production Costs	\$2,668,039	\$2,538,018	\$2,438,064	\$2,495,541	\$29,589,813
Salaries and Wages	\$4,573,986	\$4,221,740	\$3,484,829	\$4,911,204	\$50,054,612
Pensions	261,348	323,878	220,586	276,460	3,370,585
Group insurances	624,267	377,155	675,219	694,511	9,824,438
Other benefits	279,493	196,895	201,335	283,735	2,972,480
Total employee related	\$5,739,095	\$5,119,668	\$4,581,969	\$6,165,910	\$66,222,114
Service Company costs	\$3,167,825	\$3,706,427	\$3,128,410	\$5,146,662	\$43,400,313
Contracted Services	\$397,116	\$615,920	\$305,554	\$609,950	\$5,916,131
Building maintenance and services	253,710	303,204	368,535	347,257	3,982,125
Telecommunication expenses	232,322	236,883	225,117	230,047	2,716,247
Postage, printing and stationery	28,855	24,877	17,972	19,045	244,888
Office supplies and services	112,460	124,745	131,113	194,330	1,545,088
Advertising & marketing expenses	10	66	636	0	4,404
Employee related expense travel & entertainment	95,819	137,083	61,795	83,319	1,145,578
Miscellaneous expenses	1,153,759	481,145	303,691	202,239	5,393,970
Rents	41,826	40,716	32,700	65,816	519,125
Transportation	243,819	148,282	204,973	216,068	2,899,790
Operating supplies and services	\$2,559,695	\$2,112,921	\$1,652,086	\$1,968,071	\$24,367,346
Uncollectible Accounts Exp	\$632,743	\$773,557	\$677,572	\$1,483,616	\$8,433,218
Customer accounting other	453,124	555,964	484,659	608,297	6,508,846
Regulatory Expense	43,635	39,448	48,469	39,773	498,907
Insurance other than group	483,103	1,009,372	974,543	775,796	12,006,715
Maintenance service & supplies	728,581	854,148	671,727	837,993	9,206,044
Total operations and maintenance	\$16,475,841	\$16,709,523	\$14,657,499	\$19,521,659	\$200,233,315
Depreciation	\$7,787,081	\$7,805,419	\$7,897,531	\$8,049,764	\$92,603,258
Amortization	83,470	83,470	83,470	83,470	1,001,639
Removal Costs	748,478	748,478	748,478	748,478	8,981,733
Depreciation and Amortization	\$8,619,029	\$8,637,367	\$8,729,478	\$8,881,711	\$102,586,631
General Taxes	\$1,002,351	\$1,364,100	\$928,793	\$1,071,093	\$12,241,901
Loss (gain) on sale of assets	(1,760,601)	(10,601)	(10,601)	(2,535,401)	(4,402,007)
Total operating expenses, net	\$24,336,620	\$26,700,390	\$24,305,169	\$26,939,062	\$310,659,840
Operating income (loss)	\$31,400,940	\$27,279,919	\$27,086,490	\$25,145,383	\$327,880,644
OTHER INCOME (EXPENSES)					
Interest Income	\$0	(\$4)	\$14	\$0	(\$247)
Interest on Long Term Debt	5,423,580	5,422,848	5,422,285	5,405,686	65,072,281
Interest on Short Term Debt	66,608	90,013	105,160	159,830	901,996
Other Interest Expense	0	0	0	0	96
Interest net (Income)/Expense	\$5,490,188	\$5,512,857	\$5,527,459	\$5,565,516	\$65,974,127
AFUDC Equity Income/(Expense)	(\$45,507)	\$16	\$0	\$357	(\$120,967)
AFUDC Debt Income/(Expense)	(54,364)	(50,569)	(48,597)	(44,052)	(472,598)
Amortization of Debt Expense (Income)/Expense	101,818	101,818	101,818	101,702	1,214,181
Other Net Income/(Expense)	(28,545)	49,147	58,600	48,799	521,850
Total other Income/(Expense)	(\$5,463,590)	(\$5,613,269)	(\$5,639,280)	(\$5,672,322)	(\$67,116,592)
Income (loss) before income taxes	\$25,937,350	\$21,666,650	\$21,447,210	\$19,473,060	\$260,764,052
Provision for Income Taxes	\$11,275,649	\$8,894,901	\$8,934,710	\$8,346,490	\$107,647,420
Income (loss) from continuing operations	14,661,701	12,771,750	12,512,500	11,126,571	153,116,632
Income (loss) from discontinued operations net of tax					
Net Income (loss)	14,661,701	12,771,750	12,512,500	11,126,571	153,116,632
Preferred dividend declared					-
Net income attributable to non-controlling interest					
Net income available to common stockholders	14,661,701	12,771,750	12,512,500	11,126,571	153,116,632
Common dividends	28,506,400	0	0	33,198,812	111,483,879
Current Year Retained Earnings	(\$13,844,699)	\$12,771,750	\$12,512,500	(\$22,072,241)	\$41,632,753

	Jan 2017	Feb 2017	Total 2017
OPERATING REVENUE			
Water revenues	\$49,495,581	\$45,694,016	\$95,189,597
Sewer revenues	3,341,528	3,391,548	6,733,075
Other operating revenues	954,630	1,135,359	2,089,989
Operating revenues	\$53,791,739	\$50,220,923	\$104,012,661
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	\$410,162	\$12,669	\$422,831
Fuel and power	1,392,548	1,342,410	2,734,958
Chemicals	759,544	626,882	1,386,427
Waste Disposal	187,328	273,014	460,342
Total Production Costs	\$2,749,583	\$2,254,975	\$5,004,558
Salaries and Wages	\$4,771,777	\$4,051,671	\$8,823,447
Pensions	361,923	355,365	717,289
Group insurances	624,866	881,335	1,506,200
Other benefits	259,859	211,884	471,743
Total employee related	\$6,018,425	\$5,500,254	\$11,518,679
Service Company costs	\$4,112,392	\$2,478,666	\$6,591,058
Contracted Services	\$447,830	\$429,192	\$877,022
Building maintenance and services	473,624	391,294	864,919
Telecommunication expenses	247,572	251,311	498,882
Postage, printing and stationery	23,056	17,289	40,345
Office supplies and services	176,328	136,685	313,013
Advertising & marketing expenses	(10)	10	0
Employee related expense travel & entertainment	64,628	73,686	138,314
Miscellaneous expenses	449,282	411,306	860,589
Rents	61,921	54,502	116,423
Transportation	223,769	324,349	548,117
Operating supplies and services	\$2,168,001	\$2,089,624	\$4,257,625
Uncollectible Accounts Exp	\$706,917	(\$52,091)	\$654,826
Customer accounting other	523,958	509,515	1,033,473
Regulatory Expense	941	0	941
Insurance other than group	1,031,209	1,087,791	2,119,000
Maintenance service & supplies	707,811	834,693	1,542,503
Total operations and maintenance	\$18,019,235	\$14,703,428	\$32,722,663
Depreciation	\$8,423,539	\$8,443,155	\$16,866,694
Amortization	81,792	81,792	163,584
Removal Costs	896,565	896,565	1,793,129
Depreciation and Amortization	\$9,401,895	\$9,421,512	\$18,823,407
General Taxes	\$1,297,770	\$1,180,627	\$2,478,397
Loss (gain) on sale of assets	(355,982)	(10,601)	(366,583)
Total operating expenses, net	\$28,362,918	\$25,294,966	\$53,657,884
Operating income (loss)	\$25,428,820	\$24,925,957	\$50,354,778
OTHER INCOME (EXPENSES)			
Interest Income	\$0	(\$476)	(\$476)
Interest on Long Term Debt	5,362,550	5,345,593	10,708,144
Interest on Short Term Debt	337,995	303,242	641,237
Other Interest Expense			0
Interest net (Income)/Expense	\$5,700,546	\$5,648,359	\$11,348,905
AFUDC Equity Income/(Expense)	\$0	\$0	\$0
AFUDC Debt Income/(Expense)	(57,102)	(63,543)	(120,645)
Amortization of Debt Expense (Income)/Expense	101,431	98,965	200,396
Other Net Income/(Expense)	49,464	55,497	104,961
Total other income/(Expense)	(\$5,794,339)	(\$5,739,278)	(\$11,533,617)
Income (loss) before income taxes	\$19,634,481	\$19,186,679	\$38,821,160
Provision for Income Taxes	\$8,087,158	\$7,893,912	\$15,981,069
Income (loss) from continuing operations	11,547,323	11,292,768	22,840,091
Income (loss) from discontinued operations net of tax			
Net Income (loss)	11,547,323	11,292,768	22,840,091
Preferred dividend declared			-
Net income attributable to non-controlling interest			
Net income available to common stockholders	11,547,323	11,292,768	22,840,091
Common dividends	0		0
Current Year Retained Earnings	\$11,547,323	\$11,292,768	\$22,840,091



Assets	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec.	Increase (Decrease)	% Variance
▶ Utility Plant in Service	4,524,378	4,502,348	22,029	0.5%	4,500,722	23,656	0.5%
▶ Construction Work in Progress	55,591	48,298	7,293	15.1%	53,534	2,057	3.8%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,016,746)	(1,004,813)	(11,933)	(1.2)%	(1,000,570)	(16,176)	(1.6)%
▶ Total Utility Plant Adjustments	14,195	15,053	(859)	(5.7)%	14,225	(30)	(0.2)%
▶ Utility property net of accumulated depreciation	3,577,417	3,560,887	16,530	0.5%	3,567,910	9,507	0.3%
▶ Nonutility property net of accumulated depreciation	334	177	157	88.9%	340	(6)	(1.8)%
Total Property Plant and Equipment	3,577,752	3,561,064	16,688	0.5%	3,568,250	9,501	0.3%
▶ Cash and Cash Equivalents	(5,388)	17	(5,405)	(31,808.6)%	(6,117)	729	11.9%
▶ Restricted funds-current	0	0	0		0	0	
▶ Accounts receivable net	44,472	34,143	10,329	30.3%	45,699	(1,228)	(2.7)%
▶ Unbilled Revenues	31,669	33,162	(1,493)	(4.5)%	30,739	930	3.0%
▶ Materials and supplies	9,218	7,087	2,131	30.1%	9,079	138	1.5%
▶ Current portion of deferred tax asset	-	0	0		-	0	
▶ Assets of discontinued operations	-	0	0		-	0	
▶ Other Current Assets	2,051	5,487	(3,437)	(62.6)%	3,909	(1,858)	(47.5)%
Total Current Assets	82,021	79,895	2,126	2.7%	83,309	(1,286)	(1.5)%
▶ Regulatory assets	202,938	193,669	9,269	4.8%	201,819	1,119	0.6%
▶ Other investments	32	32	0	0.0%	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0		0	0	
▶ Goodwill	40,003	39,782	221	0.6%	40,003	0	0.0%
▶ Intangible assets	-	0	0		-	0	
▶ Other Long Term Assets	896	401	495	123.5%	623	273	43.7%
Total Regulatory & Other LT Assets	243,869	233,883	9,986	4.3%	242,477	1,391	0.6%
Total Assets	3,903,641	3,874,842	28,799	0.7%	3,894,037	9,604	0.2%
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	869,997	870,861	(863)	(0.1)%	869,971	27	0.0%
▶ Retained Earnings	512,945	520,884	(7,939)	(1.5)%	501,309	11,635	2.3%
▶ Accumulated other comprehensive income	-	0	0		-	0	
▶ Treasury stock	-	0	0		-	0	
Total Stockholders' equity	1,404,449	1,413,251	(8,802)	(0.6)%	1,392,787	11,662	0.8%
▶ Preferred Stock without mandatory redemption requirements	0	0	0		0	0	
▶ Noncontrolling Interest	0	0	0		0	0	
Total Equity	1,404,449	1,413,251	(8,802)	(0.6)%	1,392,787	11,662	0.8%
▶ Long term debt	1,140,523	1,138,682	1,840	0.2%	1,140,916	(393)	0.0%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
Total Long-term debt	1,146,975	1,145,134	1,840	0.2%	1,148,567	(1,593)	(0.1)%
Total Capitalization	2,551,423	2,558,383	(6,962)	(0.3)%	2,541,354	10,069	0.4%
▶ Short Term Debt	95,031	102,754	(7,723)	(7.5)%	66,393	28,639	43.1%
▶ Current Portion of Long-term Debt	18,665	19,920	(1,255)	(6.3)%	18,669	(4)	0.0%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	68,370	74,479	(6,109)	(8.2)%	117,193	(48,823)	(41.7)%
▶ Taxes Accrued	(19,766)	38,769	(58,535)	(151.0)%	(20,517)	751	3.7%
▶ Interest Accrued	16,616	18,883	(2,267)	(12.0)%	12,449	4,167	33.5%
▶ Liabilities of Discontinued Operations	-	0	0		-	0	
▶ Other current liabilities	25,143	0	25,143	0.0%	25,650	(547)	(2.1)%
Total Current Liabilities	205,260	256,006	(50,746)	(19.8)%	221,077	(15,817)	(7.2)%
▶ Customer Advances for Construction	73,316	81,076	(8,760)	(10.8)%	73,526	(1,210)	(1.6)%
▶ Deferred Income Taxes	834,267	767,992	66,275	8.6%	827,082	7,185	0.9%
▶ Deferred Investment tax credits	5,353	5,353	0	0.0%	5,373	(19)	(0.4)%
▶ Regulatory liability	30,610	29,971	639	2.1%	29,090	1,520	5.2%
▶ Accrued Pension	(19,620)	(20,240)	620	3.1%	(20,320)	701	3.4%
▶ Accrued postretirement benefit expense	6,977	3,762	3,214	85.4%	6,468	509	7.9%
▶ Other Deferred Credits	52,887	33,413	19,474	58.3%	52,366	521	1.0%
Regulatory & Other Long Term Liabilities	982,790	901,328	81,462	9.0%	973,584	9,206	0.9%
▶ Contributions in aid of construction	164,168	159,123	5,045	3.2%	158,022	6,146	3.9%
Total Capital and Liabilities	3,903,641	3,874,842	28,799	0.7%	3,894,037	9,604	0.2%



Balance Sheet
E24_Pennsylvania American
FEBYTD 2016
(\$ In Thousands)

	Actuals	Budget (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
Assets						
▶ Utility Plant in Service	4,536,372	4,508,659	27,713	4,500,722	35,650	0.8%
▶ Construction Work in Progress	59,412	49,440	9,972	53,534	5,878	11.0%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,022,113)	(1,011,336)	(10,777)	(1,000,570)	(21,543)	(2.2)%
▶ Total Utility Plant Adjustments	14,164	15,003	(840)	14,225	(61)	(0.4)%
▶ Utility property net of accumulated depreciation	3,587,835	3,561,766	26,068	3,567,910	19,925	0.6%
▶ Nonutility property net of accumulated depreciation	328	171	158	340	(12)	(3.5)%
Total Property Plant and Equipment	3,588,163	3,561,937	26,226	3,568,250	19,913	0.6%
▶ Cash and Cash Equivalents	(3,047)	17	(3,064)	(6,117)	3,070	50.2%
▶ Restricted funds-current	0	0	0	0	0	0
▶ Accounts receivable net	38,932	34,794	4,138	45,699	(6,768)	(14.8)%
▶ Unbilled Revenues	32,916	33,161	(245)	30,739	2,177	7.1%
▶ Materials and supplies	9,405	7,087	2,318	9,079	326	3.6%
▶ Current portion of deferred tax asset	-	-	-	-	-	-
▶ Assets of discontinued operations	-	0	0	-	0	0
▶ Other Current Assets	4,541	5,487	(946)	3,909	632	16.2%
Total Current Assets	82,747	80,546	2,201	83,309	(563)	(0.7)%
▶ Regulatory assets	202,734	193,589	9,145	201,819	914	0.5%
▶ Other investments	32	32	0	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0	0	0	0.0%
▶ Goodwill	40,003	39,782	221	40,003	0	0.0%
▶ Intangible assets	-	0	0	-	0	0.0%
▶ Other Long Term Assets	881	401	480	623	258	41.4%
Total Regulatory & Other LT Assets	243,650	233,803	9,846	242,477	1,172	0.5%
Total Assets	3,914,559	3,876,286	38,273	3,894,037	20,522	0.5%
Capital & Liabilities						
▶ Common Stock	21,507	21,507	0	21,507	0	0.0%
▶ Paid in Capital	870,020	870,879	(859)	869,971	49	0.0%
▶ Retained Earnings	523,560	530,890	(7,330)	501,309	22,251	4.4%
▶ Accumulated other comprehensive income	-	0	0	-	0	0
▶ Treasury stock	0	0	0	0	0	0
Total Stockholders' equity	1,415,086	1,423,276	(8,190)	1,392,787	22,299	1.6%
▶ Preferred Stock without mandatory redemption requirements	0	0	0	0	0	0
▶ Noncontrolling Interest	0	0	0	0	0	0
Total Equity	1,415,086	1,423,276	(8,190)	1,392,787	22,299	1.6%
▶ Long term debt	1,140,161	1,138,871	1,290	1,140,916	(754)	(0.1)%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	7,852	(1,200)	(15.7)%
Total Long-term debt	1,146,613	1,145,323	1,290	1,148,567	(1,954)	(0.2)%
Total Capitalization	2,561,699	2,568,598	(6,900)	2,541,354	20,345	0.8%
▶ Short Term Debt	92,593	79,057	13,536	66,393	26,200	39.5%
▶ Current Portion of Long-term Debt	18,628	19,928	(1,300)	18,669	(41)	(0.2)%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	1,200	0	0.0%
▶ Accounts Payable	60,699	77,878	(17,179)	117,193	(56,495)	(48.2)%
▶ Taxes Accrued	(19,289)	44,899	(64,188)	(20,517)	1,228	6.0%
▶ Interest Accrued	21,528	23,780	(2,252)	12,449	9,079	72.9%
▶ Liabilities of Discontinued Operations	-	0	0	-	0	0
▶ Other current liabilities	23,239	0	23,239	25,690	(2,451)	(9.5)%
Total Current Liabilities	198,598	246,742	(48,145)	221,077	(22,480)	(10.2)%
▶ Customer Advances for Construction	72,851	81,038	(8,187)	73,526	(675)	(0.9)%
▶ Deferred Income Taxes	840,825	769,355	71,470	827,082	13,743	1.7%
▶ Deferred investment tax credits	5,334	5,334	0	5,373	(39)	(0.7)%
▶ Regulatory liability	30,155	30,024	131	29,090	1,064	3.7%
▶ Accrued Pension	(20,495)	(21,529)	1,034	(20,320)	(175)	(0.9)%
▶ Accrued postretirement benefit expense	6,079	4,333	1,746	6,468	(389)	(6.0)%
▶ Other Deferred Credits	52,875	33,413	19,462	52,366	509	1.0%
Regulatory & Other Long Term Liabilities	987,623	901,967	85,656	973,584	14,039	1.4%
▶ Contributions in aid of construction	166,640	158,979	7,661	158,022	8,618	5.5%
Total Capital and Liabilities	3,914,559	3,876,286	38,273	3,894,037	20,522	0.5%



	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
ASSETS							
▶ Utility Plant in Service	4,546,445	4,515,720	30,725	0.7%	4,500,722	45,723	1.0%
▶ Construction Work in Progress	66,702	52,216	14,486	27.7%	53,534	13,169	24.6%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,026,829)	(1,017,867)	(8,961)	(0.9)%	(1,000,570)	(26,259)	(2.6)%
▶ Total Utility Plant Adjustments	14,133	14,953	(820)	(5.5)%	14,225	(92)	(0.6)%
Utility property net of accumulated depreciation	3,600,451	3,585,022	35,429	1.0%	3,567,910	32,541	0.9%
▶ Nonutility property net of accumulated depreciation	322	165	158	96.0%	340	(18)	(5.3)%
Total Property Plant and Equipment	3,600,774	3,565,187	35,587	1.0%	3,568,250	32,523	0.9%
▶ Cash and Cash Equivalents	(2,675)	17	(2,692)	(15,763.0)%	(6,117)	3,443	56.3%
▶ Restricted funds-current	0	0	0		0	0	
▶ Accounts receivable net	40,520	34,413	6,107	17.7%	45,699	(5,179)	(11.3)%
▶ Unbilled Revenues	34,773	33,285	1,488	4.5%	30,739	4,035	13.1%
▶ Materials and supplies	9,823	7,087	2,736	38.6%	9,079	744	8.2%
▶ Current portion of deferred tax asset	-	-	-		-	-	
▶ Assets of discontinued operations	0	0	0		-	-	
▶ Other Current Assets	2,941	5,487	(2,547)	(46.4)%	3,909	(968)	(24.8)%
Total Current Assets	85,383	80,290	5,093	6.3%	83,309	2,073	2.5%
▶ Regulatory assets	203,155	193,586	9,570	4.9%	201,819	1,336	0.7%
▶ Other investments	32	32	0	0.0%	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0		0	0	
▶ Goodwill	40,003	39,782	221	0.6%	40,003	0	0.0%
▶ Intangible assets	984	401	583	148.0%	623	371	59.5%
▶ Other Long Term Assets	244,184	233,800	10,384	4.4%	242,477	1,706	0.7%
Total Regulatory & Other LT Assets	3,930,340	3,879,276	51,064	1.3%	3,894,037	36,303	0.9%
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,026	870,899	(873)	(0.1)%	869,971	55	0.0%
▶ Retained Earnings	509,906	517,398	(7,491)	(1.4)%	501,309	8,597	1.7%
▶ Accumulated other comprehensive income	-	0	0		0	0	
▶ Treasury stock	-	0	0		-	-	
Total Stockholders' equity	1,401,439	1,409,803	(8,364)	(0.6)%	1,392,787	8,652	0.6%
▶ Preferred Stock without mandatory redemption requirements	0	0	0		0	0	
▶ Noncontrolling Interest	0	0	0		0	0	
Total Equity	1,401,439	1,409,803	(8,364)	(0.6)%	1,392,787	8,652	0.6%
▶ Long term debt	1,139,758	1,138,480	1,298	0.1%	1,140,916	(1,158)	(0.1)%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
Total Long-term debt	1,146,210	1,144,932	1,298	0.1%	1,148,567	(2,358)	(0.2)%
Total Capitalization	2,547,648	2,554,734	(7,086)	(0.3)%	2,541,354	6,295	0.2%
▶ Short Term Debt	89,026	110,766	(21,740)	(19.6)%	66,393	22,634	34.1%
▶ Current Portion of Long-term Debt	18,637	19,937	(1,300)	(6.5)%	18,669	(32)	(0.2)%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	65,256	76,629	(11,373)	(14.8)%	117,193	(51,937)	(44.3)%
▶ Taxes Accrued	4,131	35,248	(31,117)	(88.3)%	(20,517)	24,648	120.1%
▶ Interest Accrued	16,382	18,608	(2,226)	(12.0)%	12,449	3,933	31.6%
▶ Liabilities of Discontinued Operations	-	0	0		-	-	
▶ Other current liabilities	24,103	0	24,103	0.0%	25,690	(1,586)	(6.2)%
Total Current Liabilities	218,736	282,388	(43,652)	(16.6)%	221,077	(2,341)	(1.1)%
▶ Customer Advances for Construction	76,393	80,011	(3,618)	(4.5)%	73,526	2,867	3.9%
▶ Deferred Income Taxes	844,703	770,940	73,763	9.6%	827,082	17,620	2.1%
▶ Deferred investment tax credits	5,314	5,314	0	0.0%	5,373	(58)	(1.1)%
▶ Regulatory liability	29,904	29,973	(69)	(0.2)%	29,090	814	2.8%
▶ Accrued Pension	(19,794)	(21,108)	1,314	6.2%	(20,320)	526	2.6%
▶ Accrued postretirement benefit expense	6,524	4,903	1,621	33.1%	6,468	56	0.9%
▶ Other Deferred Credits	53,585	33,413	20,172	60.4%	52,366	1,219	2.3%
Regulatory & Other Long Term Liabilities	996,628	903,446	93,182	10.3%	973,584	23,044	2.4%
▶ Contributions in aid of construction	167,327	158,728	8,599	5.4%	158,022	9,305	5.9%
Total Capital and Liabilities	3,930,340	3,879,276	51,064	1.3%	3,894,037	36,303	0.9%



	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec.	Increase (Decrease)	% Variance
Assets							
▶ Utility Plant in Service	4,566,525	4,531,625	34,900	0.8%	4,500,722	65,803	1.5%
▶ Construction Work in Progress	70,894	57,175	13,719	24.0%	53,534	17,361	32.4%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,036,337)	(1,024,413)	(11,924)	(1.2)%	(1,000,570)	(35,767)	(3.6)%
▶ Total Utility Plant Adjustments	14,102	14,903	(801)	(5.4)%	14,225	(123)	(0.9)%
▶ Utility property net of accumulated depreciation	3,615,184	3,579,289	35,894	1.0%	3,567,910	47,274	1.3%
▶ Nonutility property net of accumulated depreciation	316	158	158	100.0%	340	(24)	(7.1)%
Total Property Plant and Equipment	3,615,500	3,579,448	36,053	1.0%	3,568,250	47,250	1.3%
▶ Cash and Cash Equivalents	(2,799)	17	(2,816)	(16,520.4)%	(6,117)	3,319	54.3%
▶ Restricted funds-current	0	0	0	0.0%	0	0	0.0%
▶ Accounts receivable net	43,192	35,394	7,799	22.0%	45,699	(2,507)	(5.5)%
▶ Unbilled Revenues	31,864	33,629	(1,766)	(5.3)%	30,739	1,125	3.7%
▶ Materials and supplies	9,788	7,087	2,702	38.1%	9,079	709	7.8%
▶ Current portion of deferred tax asset	-	-	-	-	-	-	-
▶ Assets of discontinued operations	-	0	-	-	-	-	-
▶ Other Current Assets	7,692	5,487	2,205	40.2%	3,909	3,783	96.8%
Total Current Assets	89,738	81,614	8,124	10.0%	83,309	6,428	7.7%
▶ Regulatory assets	204,533	193,581	10,952	5.7%	201,819	2,714	1.3%
▶ Other investments	32	32	0	0.0%	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0	0.0%	0	0	0.0%
▶ Goodwill	40,003	39,782	221	0.6%	40,003	0	0.0%
▶ Intangible assets	-	0	-	-	-	-	-
▶ Other Long Term Assets	977	401	576	143.7%	623	353	56.7%
Total Regulatory & Other LT Assets	245,545	233,796	11,749	5.0%	242,477	3,067	1.3%
Total Assets	3,950,783	3,894,858	55,925	1.4%	3,894,037	56,746	1.5%
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,049	870,918	(869)	(0.1)%	869,971	78	0.0%
▶ Retained Earnings	521,657	529,154	(7,497)	(1.4)%	501,309	20,347	4.1%
▶ Accumulated other comprehensive income	-	0	-	-	-	-	-
▶ Treasury stock	-	0	-	-	-	-	-
Total Stockholders' equity	1,413,212	1,421,578	(8,366)	(0.6)%	1,392,787	20,425	1.5%
▶ Preferred Stock without mandatory redemption requirements	0	0	0	0.0%	0	0	0.0%
▶ Noncontrolling Interest	0	0	0	0.0%	0	0	0.0%
Total Equity	1,413,212	1,421,578	(8,366)	(0.6)%	1,392,787	20,425	1.5%
▶ Long term debt	1,141,495	1,140,048	1,447	0.1%	1,140,916	579	0.1%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
Total Long-term debt	1,147,946	1,146,499	1,447	0.1%	1,148,567	(621)	(0.1)%
Total Capitalization	2,561,158	2,568,077	(6,919)	(0.3)%	2,541,354	19,805	0.8%
▶ Short Term Debt	86,053	102,636	(16,582)	(16.2)%	66,393	19,661	29.6%
▶ Current Portion of Long-term Debt	18,646	19,945	(1,300)	(6.5)%	18,668	(24)	(0.1)%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	66,926	74,002	(7,076)	(9.6)%	117,193	(50,268)	(42.9)%
▶ Taxes Accrued	6,063	41,161	(35,098)	(85.3)%	(20,517)	26,580	129.6%
▶ Interest Accrued	17,785	20,164	(2,379)	(11.8)%	12,449	5,336	42.9%
▶ Liabilities of Discontinued Operations	-	0	-	-	-	-	-
▶ Other current liabilities	21,430	0	21,430	0.0%	25,690	(4,260)	(16.6)%
Total Current Liabilities	218,102	259,107	(41,005)	(15.8)%	221,077	(2,975)	(1.3)%
▶ Customer Advances for Construction	76,241	79,794	(3,552)	(4.5)%	73,526	2,715	3.7%
▶ Deferred Income Taxes	850,931	773,664	77,268	10.0%	827,082	23,849	2.9%
▶ Deferred investment tax credits	5,295	5,295	0	0.0%	5,373	(78)	(1.4)%
▶ Regulatory liability	29,649	29,023	626	2.2%	29,090	559	1.9%
▶ Accrued Pension	(19,093)	(20,686)	1,593	7.7%	(20,320)	1,227	6.0%
▶ Accrued postretirement benefit expense	7,033	5,474	1,559	28.5%	6,468	565	8.7%
▶ Other Deferred Credits	53,586	33,413	20,173	60.4%	52,366	1,220	2.3%
Regulatory & Other Long Term Liabilities	1,003,642	905,975	97,667	10.8%	973,584	30,058	3.1%
▶ Contributions in aid of construction	167,880	161,698	6,181	3.8%	158,022	9,858	6.2%
Total Capital and Liabilities	3,950,783	3,894,858	55,925	1.4%	3,894,037	56,746	1.5%



	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec.	Increase (Decrease)	% Variance
ASSETS							
▶ Utility Plant in Service	4,597,712	4,556,788	40,924		4,500,722	96,991	2.2%
▶ Construction Work in Progress	70,207	63,931	6,276		53,534	16,673	31.1%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,043,810)	(1,031,000)	(12,809)		(1,000,570)	(43,240)	(4.3)%
▶ Total Utility Plant Adjustments	14,071	14,853	(782)		14,225	(154)	(1.1)%
Utility property net of accumulated depreciation	3,638,180	3,604,572	33,608		3,567,910	70,271	2.0%
▶ Nonutility property net of accumulated depreciation	310	152	158		340	(30)	(8.8)%
Total Property Plant and Equipment	3,638,491	3,604,724	33,767		3,568,250	70,240	2.0%
▶ Cash and Cash Equivalents	(1,351)	17	(1,368)		(6,117)	4,766	77.9%
▶ Restricted funds-current	0	0	0		0	0	0%
▶ Accounts receivable net	38,064	35,104	2,961		45,699	(7,635)	(16.7)%
▶ Unbilled Revenues	34,461	33,669	792		30,739	3,722	12.1%
▶ Materials and supplies	10,019	7,087	2,932		9,079	940	10.4%
▶ Current portion of deferred tax asset	-	-	-		-	-	0%
▶ Assets of discontinued operations	-	0	0		-	-	0%
▶ Other Current Assets	5,795	5,487	308		3,909	1,886	48.2%
Total Current Assets	86,988	81,384	5,604		83,309	3,678	4.4%
▶ Regulatory assets	205,521	193,500	12,021		201,819	3,702	1.8%
▶ Other investments	32	32	0		32	0	0%
▶ Restricted Funds - Long-term	0	0	0		0	0	0%
▶ Goodwill	40,003	39,782	221		40,003	0	0%
▶ Intangible assets	-	0	0		-	-	0%
▶ Other Long Term Assets	959	401	558		623	336	53.9%
Total Regulatory & Other LT Assets	246,515	233,715	12,800		242,477	4,038	1.7%
Total Assets	3,971,994	3,919,822	52,171		3,894,037	77,957	2.0%
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0		21,507	0	0%
▶ Paid in Capital	870,066	870,938	(871)		869,971	95	0%
▶ Retained Earnings	533,990	541,437	(7,446)		501,309	32,681	6.5%
▶ Accumulated other comprehensive income	-	0	0		-	-	0%
▶ Treasury stock	-	0	0		-	-	0%
Total Stockholders' equity	1,425,564	1,433,881	(8,318)		1,392,787	32,777	2.4%
▶ Preferred Stock without mandatory redemption requirements	0	0	0		0	0	0%
▶ Noncontrolling Interest	0	0	0		0	0	0%
Total Equity	1,425,563	1,433,881	(8,318)		1,392,787	32,777	2.4%
▶ Long term debt	1,141,090	1,151,135	(10,045)		1,140,916	174	0%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0		7,652	(1,200)	(15.7)%
Total Long-term debt	1,147,542	1,157,586	(10,044)		1,148,567	(1,026)	(0.1)%
Total Capitalization	2,573,105	2,591,467	(18,362)		2,541,354	31,751	1.2%
▶ Short Term Debt	70,904	95,775	(24,871)		66,393	4,512	6.8%
▶ Current Portion of Long-term Debt	18,654	19,953	(1,299)		18,669	(15)	(0.1)%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0		1,200	0	0%
▶ Accounts Payable	83,897	75,003	8,893		117,193	(33,297)	(28.4)%
▶ Taxes Accrued	8,211	47,472	(39,261)		(20,517)	28,728	140.0%
▶ Interest Accrued	17,678	20,191	(2,513)		12,449	5,229	42.0%
▶ Liabilities of Discontinued Operations	-	0	0		-	-	0%
▶ Other current liabilities	22,997	0	22,997		25,690	(2,693)	(10.5)%
Total Current Liabilities	223,541	259,595	(36,054)		221,077	2,464	1.1%
▶ Customer Advances for Construction	72,856	79,525	(6,669)		73,526	(670)	(0.9)%
▶ Deferred Income Taxes	857,468	776,337	81,130		827,082	30,385	3.7%
▶ Deferred investment tax credits	5,275	5,275	0		5,373	(97)	(1.8)%
▶ Regulatory liability	29,393	28,226	1,168		29,090	303	1.0%
▶ Accrued Pension	(19,969)	(21,976)	2,007		(20,320)	352	1.7%
▶ Accrued postretirement benefit expense	6,199	6,044	155		6,468	(269)	(4.2)%
▶ Other Deferred Credits	53,544	33,413	20,132		52,366	1,178	2.3%
Regulatory & Other Long Term Liabilities	1,004,767	906,844	97,923		973,584	31,182	3.2%
▶ Contributions in aid of construction	170,581	151,916	18,665		158,022	12,559	7.9%
Total Capital and Liabilities	3,971,994	3,919,822	52,171		3,894,037	77,957	2.0%

	Actuals	Budget (Decrease)	% Variance	Prior Yr. Dec.	Increase (Decrease)	% Variance
Assets						
▶ Utility Plant in Service	4,613,547	4,589,245	44,302	1.0%	4,500,722	112,825 2.5%
▶ Construction Work in Progress	78,649	73,132	5,518	7.5%	53,534	25,116 46.9%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,050,751)	(1,037,611)	(13,139)	(1.3)%	(1,000,570)	(50,181) (5.0)%
▶ Total Utility Plant Adjustments	14,040	14,803	(763)	(5.2)%	14,225	(185) (1.3)%
▶ Utility property net of accumulated depreciation	3,655,485	3,619,588	35,897	1.0%	3,567,910	87,575 2.5%
▶ Nonutility property net of accumulated depreciation	304	146	159	109.1%	340	(36) (10.6)%
Total Property Plant and Equipment	3,655,790	3,619,714	36,076	1.0%	3,568,250	87,539 2.5%
▶ Cash and Cash Equivalents	(2,808)	17	(2,825)	(16.553.8)%	(6,117)	3,309 54.1%
▶ Restricted funds-current	0	0	0	0.0%	0	0 0.0%
▶ Accounts receivable net	39,934	38,513	1,421	3.7%	45,699	(5,765) (12.6)%
▶ Unbilled Revenues	35,251	35,943	(692)	(1.9)%	30,739	4,512 14.7%
▶ Materials and supplies	10,500	7,087	3,413	48.2%	9,079	1,421 15.7%
▶ Current portion of deferred tax asset	-	-	-	-	-	- 0.0%
▶ Assets of discontinued operations	-	0	0	-	-	- 0.0%
▶ Other Current Assets	9,910	5,487	4,423	80.6%	3,909	6,001 153.5%
Total Current Assets	92,788	87,047	5,740	6.6%	83,309	9,478 11.4%
▶ Regulatory assets	206,553	193,460	13,093	6.8%	201,819	4,733 2.3%
▶ Other investments	32	32	0	0.0%	32	0 0.0%
▶ Restricted Funds - Long-term	0	0	0	0.0%	0	0 0.0%
▶ Goodwill	40,004	39,782	221	0.6%	40,003	0 0.0%
▶ Intangible assets	942	401	541	135.0%	623	319 51.1%
▶ Other Long Term Assets	247,530	233,674	13,855	5.9%	242,477	5,052 2.1%
Total Regulatory & Other LT Assets	3,956,107	3,940,435	55,672	1.4%	3,894,037	102,070 2.6%
Capital & Liabilities						
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0 0.0%
▶ Paid in Capital	870,091	870,957	(867)	(0.1)%	869,971	120 0.0%
▶ Retained Earnings	523,025	529,566	(6,541)	(1.2)%	501,309	21,715 4.3%
▶ Accumulated other comprehensive income	-	0	0	-	-	- 0.0%
▶ Treasury stock	-	0	0	-	-	- 0.0%
Total Stockholders' equity	1,414,622	1,422,030	(7,408)	(0.5)%	1,392,787	21,835 1.6%
▶ Preferred Stock without mandatory redemption requirements	0	0	0	0.0%	0	0 0.0%
▶ Noncontrolling Interest	0	0	0	0.0%	0	0 0.0%
Total Equity	1,414,622	1,422,030	(7,408)	(0.5)%	1,392,787	21,835 1.6%
▶ Long term debt	1,140,672	1,151,721	(11,049)	(1.0)%	1,140,916	(244) 0.0%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200) (15.7)%
Total Long-term debt	1,147,124	1,158,173	(11,049)	(1.0)%	1,148,567	(1,444) (0.1)%
Total Capitalization	2,561,745	2,580,202	(18,457)	(0.7)%	2,541,354	20,392 0.8%
▶ Short Term Debt	104,768	124,604	(19,836)	(15.9)%	66,393	38,375 57.8%
▶ Current Portion of Long-term Debt	18,676	19,962	(1,286)	(6.4)%	18,669	7 0.0%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0 0.0%
▶ Accounts Payable	86,646	77,183	9,463	12.3%	117,193	(30,547) (26.1)%
▶ Taxes Accrued	4,250	37,887	(33,637)	(88.8)%	(20,517)	24,767 120.7%
▶ Interest Accrued	12,436	15,192	(2,756)	(18.1)%	12,449	(13) (0.1)%
▶ Liabilities of Discontinued Operations	-	0	0	-	-	- 0.0%
▶ Other current liabilities	23,084	0	23,084	0.0%	25,690	(2,606) (10.1)%
Total Current Liabilities	251,060	276,029	(24,969)	(9.0)%	221,077	29,983 13.6%
▶ Customer Advances for Construction	71,925	78,595	(6,670)	(8.5)%	73,526	(1,601) (2.2)%
▶ Deferred Income Taxes	861,698	778,631	83,067	10.7%	827,082	34,616 4.2%
▶ Deferred investment tax credits	5,256	5,256	0	0.0%	5,373	(117) (2.2)%
▶ Regulatory liability	29,214	27,530	1,684	6.1%	29,090	124 0.4%
▶ Accrued Pension	(19,268)	(21,554)	2,286	(21.554)%	(20,320)	1,053 5.2%
▶ Accrued postretirement benefit expense	6,518	6,614	(96)	(1.5)%	6,468	51 0.8%
▶ Other Deferred Credits	56,779	33,413	23,367	69.9%	52,366	4,414 8.4%
Regulatory & Other Long Term Liabilities	1,012,123	908,486	103,637	11.4%	973,584	38,539 4.0%
▶ Contributions in aid of construction	171,179	175,719	(4,540)	(2.6)%	158,022	13,157 8.3%
Total Capital and Liabilities	3,956,107	3,940,435	55,672	1.4%	3,894,037	102,070 2.6%



	Actuals	Budget (Decrease)	Increase (Decrease)	% Variance	Prior Yr. Dec (Decrease)	Increase (Decrease)	% Variance
Assets							
▶ Utility Plant in Service	4,627,734	4,624,884	2,850	0.1%	4,500,722	127,012	2.8%
▶ Construction Work in Progress	88,847	85,663	3,184	3.7%	53,534	35,313	66.0%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,058,362)	(1,044,227)	(14,135)	(1.4)%	(1,000,570)	(57,791)	(5.8)%
▶ Total Utility Plant Adjustments	14,009	14,753	(744)	(5.0)%	14,225	(216)	(1.5)%
▶ Utility property net of accumulated depreciation	3,572,229	3,581,073	(8,844)	(0.2)%	3,557,910	104,319	2.9%
▶ Nonutility property net of accumulated depreciation	298	139	159	114.3%	340	(42)	(12.4)%
▶ Total Property Plant and Equipment	3,572,527	3,581,212	(8,685)	(0.2)%	3,568,250	104,277	2.9%
▶ Cash and Cash Equivalents	(5,980)	17	(5,997)	(35,304.6)%	(6,117)	138	2.3%
▶ Restricted funds-current	0	0	0		0	0	
▶ Accounts receivable net	48,813	40,283	8,531	21.2%	45,699	3,114	6.8%
▶ Unbilled Revenues	35,074	37,218	(2,145)	(5.8)%	30,739	4,335	14.1%
▶ Materials and supplies	10,937	7,087	3,850	54.3%	9,079	1,858	20.5%
▶ Current portion of deferred tax asset	0	0	0		0	0	
▶ Assets of discontinued operations	0	0	0		0	0	
▶ Other Current Assets	8,340	5,487	2,852	52.0%	3,909	4,431	113.3%
▶ Total Current Assets	97,184	90,092	7,092	7.9%	83,309	13,875	16.7%
▶ Regulatory assets	208,476	193,766	14,710	7.6%	201,819	6,657	3.3%
▶ Other investments	32	32	0	0.0%	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0		0	0	
▶ Goodwill	40,004	39,782	221	0.6%	40,003	0	0.0%
▶ Intangible assets	924	401	524	130.7%	623	301	48.3%
▶ Other Long Term Assets	249,436	233,980	15,456	6.6%	242,477	6,958	2.9%
▶ Total Regulatory & Other LT Assets	4,019,147	4,005,285	13,862	0.3%	3,894,037	125,110	3.2%
Total Assets							
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,113	870,976	(863)	(0.1)%	869,971	142	0.0%
▶ Retained Earnings	537,888	544,990	(7,103)	(1.3)%	501,309	36,578	7.3%
▶ Accumulated other comprehensive income	0	0	0		0	0	
▶ Treasury stock	0	0	0		0	0	
▶ Total Stockholders' equity	1,429,507	1,437,473	(7,966)	(0.6)%	1,392,787	36,720	2.6%
▶ Preferred Stock without mandatory redemption requirements	0	0	0		0	0	
▶ Noncontrolling Interest	0	0	0		0	0	
▶ Total Equity	1,429,507	1,437,473	(7,966)	(0.6)%	1,392,787	36,720	2.6%
▶ Long term debt	1,140,249	1,185,307	(45,058)	(3.8)%	1,140,916	(667)	(0.1)%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
▶ Total Long-term debt	1,146,701	1,191,759	(45,058)	(3.8)%	1,148,567	(1,867)	(0.2)%
▶ Total Capitalization	2,576,207	2,629,231	(53,024)	(2.0)%	2,541,354	34,853	1.4%
▶ Short Term Debt	103,231	127,725	(24,495)	(19.2)%	66,393	36,838	55.5%
▶ Current Portion of Long-term Debt	18,702	19,970	(1,268)	(6.4)%	18,669	33	0.2%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	78,641	76,328	2,313	3.0%	117,193	(38,552)	(32.9)%
▶ Taxes Accrued	6,698	45,472	(38,774)	(85.3)%	(20,517)	27,215	132.6%
▶ Interest Accrued	16,624	19,755	(3,131)	(15.8)%	12,449	4,175	33.5%
▶ Liabilities of Discontinued Operations	0	0	0		0	0	
▶ Other current liabilities	25,964	0	25,964	0.0%	25,690	274	1.1%
▶ Total Current Liabilities	251,060	290,451	(39,390)	(13.6)%	221,077	29,983	13.6%
▶ Customer Advances for Construction	71,299	77,312	(6,013)	(7.8)%	73,526	(2,227)	(3.0)%
▶ Deferred Income Taxes	869,479	782,290	87,189	11.1%	827,082	42,396	5.1%
▶ Deferred investment tax credits	5,236	5,236	0	0.0%	5,373	(136)	(2.5)%
▶ Regulatory liability	28,959	25,845	3,113	12.0%	29,090	(131)	(0.5)%
▶ Accrued Pension	(18,567)	(21,133)	2,566	(12.1)%	(20,320)	1,754	8.6%
▶ Accrued postretirement benefit expense	7,027	7,185	(158)	(2.2)%	6,468	560	8.7%
▶ Other Deferred Credits	56,782	33,413	23,370	69.9%	52,366	4,416	8.4%
▶ Regulatory & Other Long Term Liabilities	1,020,215	910,149	110,066	12.1%	973,584	46,631	4.8%
▶ Contributions in aid of construction	171,665	175,454	(3,790)	(2.2)%	158,022	13,642	8.6%
▶ Total Capital and Liabilities	4,019,147	4,005,285	13,862	0.3%	3,894,037	125,110	3.2%



Assets	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
▶ Utility Plant in Service	4,670,691	4,665,134	5,556	0.1%	4,500,722	169,969	3.8%
▶ Construction Work in Progress	84,297	97,926	(13,629)	(13.9)%	53,534	30,763	57.5%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,066,256)	(1,050,910)	(15,346)	(1.5)%	(1,000,570)	(65,686)	(6.6)%
▶ Total Utility Plant Adjustments	13,978	14,703	(725)	(4.9)%	14,225	(247)	(1.7)%
▶ Utility property net of accumulated depreciation	3,702,710	3,726,853	(24,144)	(0.6)%	3,567,910	134,800	3.8%
▶ Nonutility property net of accumulated depreciation	297	103	194	186.5%	340	(44)	(12.9)%
▶ Total Property Plant and Equipment	3,703,007	3,726,956	(23,950)	(0.6)%	3,568,250	134,756	3.8%
▶ Cash and Cash Equivalents	1,098	17	1,081	6,420.6%	(6,117)	7,215	117.9%
▶ Restricted funds-current	0	0	0	0.0%	0	0	0.0%
▶ Accounts receivable net	36,654	40,418	(3,765)	(9.3)%	45,699	(9,046)	(19.8)%
▶ Unbilled Revenues	37,292	36,779	514	1.4%	30,739	6,553	21.3%
▶ Materials and supplies	10,303	7,087	3,216	45.4%	9,079	1,223	13.5%
▶ Current portion of deferred tax asset	-	-	-	-	-	-	-
▶ Assets of discontinued operations	-	-	-	-	-	-	-
▶ Other Current Assets	7,362	5,487	1,875	34.2%	3,909	3,453	88.3%
▶ Total Current Assets	92,709	89,788	2,921	3.3%	83,309	9,399	11.3%
▶ Regulatory assets	209,771	193,706	16,065	8.3%	201,819	7,952	3.9%
▶ Other investments	32	32	0	0.0%	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0	0.0%	0	0	0.0%
▶ Goodwill	40,004	39,782	221	0.6%	40,003	0	0.0%
▶ Intangible assets	-	0	-	-	-	-	-
▶ Other Long Term Assets	907	401	506	126.3%	623	284	45.5%
▶ Total Regulatory & Other L/T Assets	250,714	233,921	16,793	7.2%	242,477	8,236	3.4%
▶ Total Assets	4,046,429	4,050,665	(4,236)	(0.1)%	3,894,037	152,392	3.9%
▶ Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,139	870,997	(858)	(0.1)%	869,971	169	0.0%
▶ Retained Earnings	553,575	561,442	(7,867)	(1.4)%	501,309	52,265	10.4%
▶ Accumulated other comprehensive income	-	0	-	-	-	-	-
▶ Treasury stock	-	0	-	-	-	-	-
▶ Total Stockholders' equity	1,445,221	1,453,946	(8,725)	(0.6)%	1,392,787	52,434	3.8%
▶ Preferred Stock without mandatory redemption requirements	0	0	0	0.0%	0	0	0.0%
▶ Noncontrolling Interest	0	0	0	0.0%	0	0	0.0%
▶ Total Equity	1,445,220	1,453,945	(8,725)	(0.6)%	1,392,787	52,434	3.8%
▶ Long term debt	1,139,825	1,199,892	(60,067)	(5.0)%	1,140,916	(1,091)	(0.1)%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
▶ Total Long-term debt	1,146,276	1,206,343	(60,067)	(5.0)%	1,148,567	(2,291)	(0.2)%
▶ Total Capitalization	2,591,497	2,660,288	(68,792)	(2.6)%	2,541,354	50,143	2.0%
▶ Short Term Debt	86,882	91,809	(4,927)	(5.4)%	66,393	20,490	30.9%
▶ Current Portion of Long-term Debt	18,728	19,979	(1,250)	(6.3)%	18,669	59	0.3%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	95,159	112,008	(16,849)	(15.0)%	117,193	(22,034)	(18.8)%
▶ Taxes Accrued	7,719	52,662	(44,943)	(85.3)%	(20,517)	28,236	137.6%
▶ Interest Accrued	21,537	24,898	(3,361)	(13.5)%	12,449	9,088	73.0%
▶ Liabilities of Discontinued Operations	-	0	-	-	-	-	-
▶ Other current liabilities	26,219	0	26,219	0.0%	25,690	529	2.1%
▶ Total Current Liabilities	257,445	302,566	(45,121)	(14.9)%	221,077	36,368	16.5%
▶ Customer Advances for Construction	68,513	76,069	(7,555)	(9.9)%	73,526	(5,012)	(6.8)%
▶ Deferred Income Taxes	877,703	786,877	90,826	11.5%	827,082	50,620	6.1%
▶ Deferred investment tax credits	5,217	5,217	0	0.0%	5,373	(156)	(2.9)%
▶ Regulatory liability	28,703	23,821	4,882	20.5%	29,090	(387)	(1.3)%
▶ Accrued Pension	(19,296)	(22,422)	3,126	(13.9)%	(20,320)	1,025	5.0%
▶ Accrued postretirement benefit expense	6,130	7,755	(1,626)	(21.0)%	6,468	(338)	(5.2)%
▶ Other Deferred Credits	56,783	33,413	23,371	69.9%	52,366	4,417	8.4%
▶ Regulatory & Other Long Term Liabilities	1,023,753	910,729	113,024	12.4%	973,584	50,169	5.2%
▶ Contributions in aid of construction	173,734	177,090	(3,356)	(1.9)%	158,022	15,712	9.9%
▶ Total Capital and Liabilities	4,046,429	4,050,665	(4,236)	(0.1)%	3,894,037	152,392	3.9%



Assets	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec.	Increase (Decrease)	% Variance
▶ Utility Plant in Service	4,685,956	4,703,024	(17,067)	(0.4)%	4,500,722	185,235	4.1%
▶ Construction Work in Progress	98,321	92,855	5,466	5.9%	53,534	44,788	83.7%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,073,992)	(1,057,627)	(16,365)	(1.5)%	(1,000,570)	(73,422)	(7.3)%
▶ Total Utility Plant Adjustments	13,947	14,653	(706)	(4.8)%	14,225	(278)	(2.0)%
▶ Utility property net of accumulated depreciation	3,724,233	3,752,905	(28,672)	(0.8)%	3,567,910	156,323	4.4%
▶ Nonutility property net of accumulated depreciation	291	97	194	207.2%	340	(50)	(14.6)%
▶ Total Property Plant and Equipment	3,724,523	3,753,001	(28,478)	(0.8)%	3,568,250	156,273	4.4%
▶ Cash and Cash Equivalents	(4,538)	17	(4,554)	(26,974.1)%	(6,117)	1,580	25.8%
▶ Restricted funds-current	0	0	0		0	0	
▶ Accounts receivable net	50,832	41,027	9,805	23.9%	45,699	5,133	11.2%
▶ Unbilled Revenues	35,455	36,758	(1,303)	(3.5)%	30,739	4,717	15.3%
▶ Materials and supplies	10,525	7,087	3,438	48.5%	9,079	1,445	15.9%
▶ Current portion of deferred tax asset	-	-	-		-	-	
▶ Assets of discontinued operations	-	0	0		-	-	
▶ Other Current Assets	11,019	5,487	5,532	100.8%	3,909	7,110	181.9%
▶ Total Current Assets	103,294	90,377	12,917	14.3%	83,309	19,985	24.0%
▶ Regulatory assets	210,764	193,014	17,751	9.2%	201,819	8,945	4.4%
▶ Other investments	32	32	0	0.0%	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0		0	0	
▶ Goodwill	40,004	39,782	221	0.6%	40,003	0	0.0%
▶ Intangible assets	-	0	0		-	-	
▶ Other Long Term Assets	877	401	476	118.9%	623	254	40.7%
▶ Total Regulatory & Other LT Assets	251,677	233,228	18,449	7.9%	242,477	9,199	3.8%
▶ Total Assets	4,079,494	4,076,606	2,888	0.1%	3,894,037	185,457	4.8%
▶ Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,149	871,017	(867)	(0.1)%	869,971	179	0.0%
▶ Retained Earnings	539,730	547,149	(7,419)	(1.4)%	501,309	38,421	7.7%
▶ Accumulated other comprehensive income	-	0	0		-	-	
▶ Treasury stock	-	0	0		-	-	
▶ Total Stockholders' equity	1,431,386	1,439,672	(8,286)	(0.6)%	1,392,787	38,899	2.8%
▶ Preferred Stock without mandatory redemption requirements	0	0	0		0	0	
▶ Noncontrolling Interest	0	0	0		0	0	
▶ Total Equity	1,431,386	1,439,672	(8,286)	(0.6)%	1,392,787	38,899	2.8%
▶ Long term debt	1,139,400	1,194,726	(55,326)	(4.6)%	1,140,916	(1,516)	(0.1)%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
▶ Total Long-term debt	1,145,852	1,201,177	(55,326)	(4.6)%	1,148,567	(2,716)	(0.2)%
▶ Total Capitalization	2,577,237	2,640,849	(63,612)	(2.4)%	2,541,354	35,884	1.4%
▶ Short Term Debt	129,920	147,164	(17,243)	(11.7)%	66,393	63,528	95.7%
▶ Current Portion of Long-term Debt	18,755	19,987	(1,232)	(6.2)%	18,669	85	0.5%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	92,737	113,818	(21,081)	(18.5)%	117,193	(24,456)	(20.9)%
▶ Taxes Accrued	8,975	38,642	(29,667)	(76.8)%	(20,517)	29,492	143.7%
▶ Interest Accrued	16,381	19,956	(3,574)	(17.9)%	12,449	3,932	31.6%
▶ Liabilities of Discontinued Operations	-	0	0		-	-	
▶ Other current liabilities	26,036	0	26,036	0.0%	25,690	346	1.3%
▶ Total Current Liabilities	294,004	340,767	(46,763)	(13.7)%	221,077	72,927	33.0%
▶ Customer Advances for Construction	67,574	76,258	(8,684)	(11.4)%	73,526	(5,952)	(8.1)%
▶ Deferred Income Taxes	888,307	794,500	93,806	11.8%	827,082	61,224	7.4%
▶ Deferred investment tax credits	5,197	5,197	0	0.0%	5,373	(175)	(3.3)%
▶ Regulatory liability	28,448	22,289	6,159	27.8%	29,090	(642)	(2.2)%
▶ Accrued Pension	(18,595)	(22,001)	3,406	15.5%	(20,320)	1,726	8.5%
▶ Accrued postretirement benefit expense	5,824	8,326	(2,502)	(30.0)%	6,468	(644)	(9.9)%
▶ Other Deferred Credits	56,785	33,413	23,373	70.0%	52,366	4,419	8.4%
▶ Regulatory & Other Long Term Liabilities	1,033,541	917,983	115,558	12.6%	973,584	59,957	6.2%
▶ Contributions in aid of construction	174,712	177,008	(2,296)	(1.3)%	158,022	16,690	10.6%
▶ Total Capital and Liabilities	4,079,494	4,076,606	2,888	0.1%	3,894,037	185,457	4.8%



	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
Assets							
▶Utility Plant in Service	4,725,821	4,721,845	3,976	0.1%	4,500,722	225,099	5.0%
▶Construction Work in Progress	104,987	103,881	1,106	1.1%	53,534	51,453	96.1%
▶Utility Plant Accumulated Depreciation/Amortization	(1,077,715)	(1,064,417)	(13,298)	(1.2)%	(1,000,570)	(77,145)	(7.7)%
▶Total Utility Plant Adjustments	13,916	14,603	(687)	(4.7)%	14,225	(309)	(2.2)%
▶Utility property net of accumulated depreciation	3,767,009	3,775,911	(8,903)	(0.2)%	3,567,910	199,099	5.6%
▶Nonutility property net of accumulated depreciation	285	90	195	215.6%	340	(56)	(16.3)%
Total Property Plant and Equipment	3,767,293	3,776,002	(8,708)	(0.2)%	3,568,250	199,043	5.6%
▶Cash and Cash Equivalents	(1,202)	17	(1,218)	(7,290.0)%	(6,117)	4,916	80.4%
▶Restricted funds-current	0	0	0		0	0	
▶Accounts receivable net	43,575	39,315	4,260	10.8%	45,699	(2,124)	(4.6)%
▶Unbilled Revenues	34,865	35,121	(257)	(0.7)%	30,739	4,126	13.4%
▶Materials and supplies	10,218	7,087	3,131	44.2%	9,079	1,138	12.5%
▶Current portion of deferred tax asset	-	-	-		-	-	
▶Assets of discontinued operations	-	0	0		-	-	
▶Other Current Assets	12,373	5,487	6,886	125.5%	3,909	8,464	216.5%
Total Current Assets	99,829	87,028	12,801	14.7%	83,309	16,520	19.8%
▶Regulatory assets	212,489	192,801	19,689	10.2%	201,819	10,670	5.3%
▶Other investments	32	32	0	0.0%	32	0	0.0%
▶Restricted Funds - Long-term	0	0	0		0	0	
▶Goodwill	40,004	39,782	221	0.6%	40,003	0	0.0%
▶Intangible assets	-	0	0		-	0	
▶Other Long Term Assets	858	401	457	114.0%	623	234	37.6%
Total Regulatory & Other LT Assets	253,382	233,015	20,367	8.7%	242,477	10,905	4.5%
Total Assets	4,120,505	4,096,044	24,460	0.6%	3,894,037	226,468	5.8%
Capital & Liabilities							
▶Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶Paid in Capital	870,178	871,035	(857)	(0.1)%	869,971	207	0.0%
▶Retained Earnings	552,502	560,487	(7,985)	(1.4)%	501,309	51,192	10.2%
▶Accumulated other comprehensive income	-	0	0		-	-	
▶Treasury stock	-	0	0		-	-	
Total Stockholders' equity	1,444,187	1,453,029	(8,843)	(0.6)%	1,392,787	51,400	3.7%
▶Preferred Stock without mandatory redemption requirements	0	0	0		0	0	
▶Noncontrolling interest	0	0	0		0	0	
Total Equity	1,444,186	1,453,029	(8,843)	(0.6)%	1,392,787	51,400	3.7%
▶Long term debt	1,138,974	1,192,337	(53,363)	(4.5)%	1,140,916	(1,942)	(0.2)%
▶Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
Total Long-term debt	1,145,426	1,198,789	(53,363)	(4.5)%	1,148,567	(3,142)	(0.3)%
Total Capitalization	2,589,612	2,651,817	(62,205)	(2.3)%	2,541,354	48,258	1.9%
▶Short Term Debt	150,866	145,542	5,324	3.7%	66,393	84,474	127.2%
▶Current Portion of Long-term Debt	18,781	19,996	(1,215)	(6.1)%	18,669	112	0.6%
▶Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶Accounts Payable	91,414	111,657	(20,243)	(18.1)%	117,193	(25,779)	(22.0)%
▶Taxes Accrued	10,581	44,816	(34,235)	(76.4)%	(20,517)	31,098	151.6%
▶Interest Accrued	17,783	21,727	(3,944)	(18.2)%	12,449	5,334	42.8%
▶Liabilities of Discontinued Operations	-	0	0		-	-	
▶Other current liabilities	24,739	0	24,739	0.0%	25,690	(951)	(3.7)%
Total Current Liabilities	315,364	344,938	(29,574)	(8.6)%	221,077	94,287	42.6%
▶Customer Advances for Construction	66,034	77,183	(11,149)	(14.4)%	73,526	(7,492)	(10.2)%
▶Deferred Income Taxes	895,251	798,287	96,964	12.1%	827,082	68,169	8.2%
▶Deferred investment tax credits	5,178	5,178	0	0.0%	5,373	(195)	(3.6)%
▶Regulatory liability	28,193	21,166	7,027	33.2%	29,090	(898)	(3.1)%
▶Accrued Pension	(17,894)	(21,579)	3,685	(17.1)%	(20,320)	2,427	11.9%
▶Accrued postretirement benefit expense	5,926	8,896	(2,970)	(33.4)%	6,468	(542)	(8.4)%
▶Other Deferred Credits	56,783	33,413	23,370	69.9%	52,366	4,417	8.4%
Regulatory & Other Long Term Liabilities	1,039,470	922,544	116,926	12.7%	973,584	65,886	6.8%
▶Contributions in aid of construction	176,059	176,746	(687)	(0.4)%	158,022	18,037	11.4%
Total Capital and Liabilities	4,120,505	4,096,044	24,460	0.6%	3,894,037	226,468	5.8%



Balance Sheet
E24, Pennsylvania American
NOVYTD 2016
(\$ in Thousands)

	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
Assets							
▶ Utility Plant in Service	4,793,972	4,755,021	38,951	0.8%	4,500,722	293,251	6.5%
▶ Construction Work in Progress	95,520	105,003	(9,484)	(9.0)%	53,534	41,986	78.4%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,089,639)	(1,071,243)	(18,397)	(1.7)%	(1,000,570)	(89,069)	(8.9)%
▶ Total Utility Plant Adjustments	13,884	14,553	(668)	(4.6)%	14,225	(340)	(2.4)%
▶ Utility property net of accumulated depreciation	3,813,737	3,803,334	10,403	0.3%	3,557,910	245,827	6.9%
▶ Nonutility property net of accumulated depreciation	306	84	222	264.3%	340	(35)	(10.2)%
▶ Total Property Plant and Equipment	3,814,043	3,803,418	10,624	0.3%	3,558,250	245,792	6.9%
▶ Cash and Cash Equivalents	205	16	189	1,147.2%	(5,117)	6,323	103.4%
▶ Restricted funds-current	0	0	0	0.0%	0	0	0.0%
▶ Accounts receivable net	39,595	39,600	(4)	0.0%	45,699	(6,104)	(13.4)%
▶ Unbilled Revenues	36,110	34,831	1,280	3.7%	30,739	5,372	17.5%
▶ Materials and supplies	9,485	7,087	2,398	33.8%	9,079	406	4.5%
▶ Current portion of deferred tax asset	-	-	-	-	-	-	-
▶ Assets of discontinued operations	-	-	-	-	-	-	-
▶ Other Current Assets	10,475	5,487	4,987	90.9%	3,909	6,565	167.9%
▶ Total Current Assets	95,871	87,021	8,850	10.2%	83,309	12,561	15.1%
▶ Regulatory assets	214,134	192,664	21,470	11.1%	201,819	12,315	6.1%
▶ Other investments	32	32	0	0.0%	32	0	0.0%
▶ Restricted Funds - Long-term	0	0	0	0.0%	0	0	0.0%
▶ Goodwill	41,738	39,782	1,956	4.9%	40,003	1,735	4.3%
▶ Intangible assets	839	401	439	109.4%	623	216	34.7%
▶ Other Long Term Assets	256,743	232,879	23,865	10.2%	242,477	14,266	5.9%
▶ Total Regulatory & Other LT Assets	4,186,656	4,123,318	43,339	1.1%	3,894,037	272,619	7.0%
Total Assets							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,201	871,055	(854)	(0.1)%	869,971	230	0.0%
▶ Retained Earnings	565,014	572,692	(7,678)	(1.3)%	501,309	63,705	12.7%
▶ Accumulated other comprehensive income	-	0	0	0.0%	-	-	0.0%
▶ Treasury Stock	-	0	0	0.0%	-	-	0.0%
▶ Total Stockholders' equity	1,456,722	1,465,254	(8,532)	(0.6)%	1,392,787	63,935	4.6%
▶ Preferred Stock without mandatory redemption requirements	0	0	0	0.0%	0	0	0.0%
▶ Noncontrolling Interest	0	0	0	0.0%	0	0	0.0%
▶ Total Equity	1,456,722	1,465,254	(8,532)	(0.6)%	1,392,787	63,935	4.6%
▶ Long term debt	1,106,434	1,161,420	(54,986)	(4.7)%	1,140,916	(34,482)	(3.0)%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
▶ Total Long-term debt	1,112,886	1,167,872	(54,986)	(4.7)%	1,148,567	(35,682)	(3.1)%
▶ Total Capitalization	2,569,607	2,633,125	(63,518)	(2.4)%	2,541,354	28,253	1.1%
▶ Short Term Debt	145,731	117,505	28,226	24.0%	66,393	79,338	119.5%
▶ Current Portion of Long-term Debt	51,799	53,004	(1,205)	(2.3)%	18,669	33,130	177.5%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	104,348	144,012	(39,665)	(27.5)%	117,193	(12,845)	(11.0)%
▶ Taxes Accrued	12,586	48,269	(35,683)	(73.9)%	(20,517)	33,103	161.3%
▶ Interest Accrued	17,675	21,834	(4,159)	(19.0)%	12,449	5,226	42.0%
▶ Liabilities of Discontinued Operations	-	0	0	0.0%	-	-	0.0%
▶ Other current liabilities	25,823	0	25,823	0.0%	25,690	133	0.5%
▶ Total Current Liabilities	359,161	385,825	(26,664)	(6.9)%	221,077	138,084	62.5%
▶ Customer Advances for Construction	81,199	77,800	3,399	4.3%	73,526	7,673	10.4%
▶ Deferred Income Taxes	902,269	803,807	98,462	12.2%	827,082	75,187	9.1%
▶ Deferred investment tax credits	5,158	5,158	0	0.0%	5,373	(214)	(4.0)%
▶ Regulatory liability	27,937	20,390	7,547	37.0%	29,090	(1,153)	(4.0)%
▶ Accrued Pension	(18,623)	(22,869)	4,246	18.6%	(20,320)	1,698	8.4%
▶ Accrued postretirement benefit expense	5,898	9,466	(3,568)	(37.7)%	6,468	(569)	(8.8)%
▶ Other Deferred Credits	56,776	33,413	23,364	69.9%	52,366	4,411	8.4%
▶ Regulatory & Other Long Term Liabilities	1,060,615	927,197	133,419	14.4%	973,584	87,031	8.9%
▶ Contributions in aid of construction	177,273	177,171	102	0.1%	158,022	19,251	12.2%
▶ Total Capital and Liabilities	4,186,656	4,123,318	43,339	1.1%	3,894,037	272,619	7.0%



	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
Assets							
▶ Utility Plant in Service	5,006,761	4,789,504	217,257	4.5%	4,500,722	506,039	11.2%
▶ Construction Work in Progress	113,258	100,927	12,331	12.2%	53,534	59,724	111.6%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,166,961)	(1,078,100)	(88,861)	(8.2)%	(1,000,570)	(166,391)	(16.6)%
▶ Total Utility Plant Adjustments	13,386	14,502	(1,117)	(7.7)%	14,225	(839)	(5.9)%
Utility property net of accumulated depreciation	3,966,444	3,826,833	139,610	3.6%	3,567,910	398,534	11.2%
▶ Nonutility property net of accumulated depreciation	280	78	202	273.9%	340	(50)	(14.8)%
Total Property Plant and Equipment	3,966,734	3,826,911	139,823	3.7%	3,568,250	398,484	11.2%
▶ Cash and Cash Equivalents	(5,699)	17	(5,716)	(34,602.2)%	(6,117)	418	6.8%
▶ Restricted funds-current	0	0	0		0	0	
▶ Accounts receivable net	44,369	39,052	5,337	13.7%	45,699	(1,310)	(2.9)%
▶ Unbilled Revenues	36,299	34,090	2,209	12.3%	30,739	7,560	24.6%
▶ Materials and supplies	9,727	7,087	2,640	37.3%	9,079	648	7.1%
▶ Current portion of deferred tax asset	-	-	-		-	-	
▶ Assets of discontinued operations	-	0	0		-	-	
▶ Other Current Assets	8,772	5,487	3,285	59.9%	3,909	4,863	124.4%
Total Current Assets	95,488	85,732	9,756	11.4%	83,309	12,179	14.6%
▶ Regulatory assets	214,167	192,605	21,562	11.2%	201,819	12,347	6.1%
▶ Other investments	107	32	75	237.3%	32	75	237.3%
▶ Restricted Funds - Long-term	0	0	0		0	0	
▶ Goodwill	70,657	39,782	30,875	77.6%	40,003	30,654	76.6%
▶ Intangible assets	821	401	420	104.8%	623	198	31.7%
▶ Other Long Term Assets	285,752	232,820	52,932	22.7%	242,477	43,274	17.8%
Total Regulatory & Other LT Assets	4,347,974	4,145,463	202,511	4.9%	3,894,037	453,937	11.7%
Total Assets	8,314,708	8,001,374	313,334	3.9%	7,462,287	852,421	11.4%
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,247	871,075	(828)	(0.1)%	869,971	276	0.0%
▶ Retained Earnings	542,942	551,231	(8,289)	(1.5)%	501,309	41,633	8.3%
▶ Accumulated other comprehensive income	-	0	0		-	-	
▶ Treasury stock	-	0	0		-	-	
Total Stockholders' equity	1,434,696	1,443,813	(9,117)	(0.6)%	1,392,787	41,809	3.0%
▶ Preferred Stock without mandatory redemption requirements	0	0	0		0	0	
▶ Noncontrolling Interest	0	0	0		0	0	
Total Equity	1,434,696	1,443,813	(9,117)	(0.6)%	1,392,787	41,809	3.0%
▶ Long term debt	1,112,257	1,154,124	(41,867)	(3.6)%	1,140,916	(28,659)	(2.5)%
▶ Redeemable preferred stock at redemption value	6,452	6,452	0	0.0%	7,652	(1,200)	(15.7)%
Total Long-term debt	1,118,709	1,160,576	(41,867)	(3.6)%	1,148,567	(29,859)	(2.6)%
Total Capitalization	2,553,404	2,604,388	(50,984)	(2.0)%	2,541,354	12,050	0.5%
▶ Short Term Debt	387,470	208,353	179,117	86.0%	66,393	321,077	483.6%
▶ Current Portion of Long-term Debt	38,061	39,212	(1,151)	(2.9)%	18,669	19,392	103.9%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	89,458	130,892	(41,435)	(31.7)%	117,193	(27,735)	(23.7)%
▶ Taxes Accrued	14,755	32,160	(17,406)	(54.1)%	(20,517)	35,272	171.9%
▶ Interest Accrued	12,416	16,718	(4,302)	(25.7)%	12,449	(33)	(0.3)%
▶ Liabilities of Discontinued Operations	-	0	0		-	-	
▶ Other current liabilities	28,547	0	28,547	0.0%	25,690	2,857	11.1%
Total Current Liabilities	571,908	428,537	143,371	33.5%	221,077	350,830	158.7%
▶ Customer Advances for Construction	77,452	78,589	(1,137)	(1.4)%	73,526	3,926	5.3%
▶ Deferred Income Taxes	894,721	812,079	82,643	10.2%	827,082	67,639	8.2%
▶ Deferred investment tax credits	5,139	5,139	0	0.0%	5,373	(234)	(4.3)%
▶ Regulatory liability	27,682	18,822	8,859	47.1%	29,090	(1,408)	(4.8)%
▶ Accrued Pension	(17,922)	(22,447)	4,525	20.2%	(20,320)	2,399	11.8%
▶ Accrued postretirement benefit expense	6,000	10,037	(4,037)	(40.2)%	6,468	(468)	(7.2)%
▶ Other Deferred Credits	46,151	33,413	12,739	38.1%	52,366	(6,215)	(11.9)%
Regulatory & Other Long Term Liabilities	1,039,223	935,632	103,592	11.1%	973,594	65,639	6.7%
▶ Contributions in aid of construction	183,439	176,906	6,533	3.7%	158,022	25,417	16.1%
Total Capital and Liabilities	4,347,974	4,145,463	202,511	4.9%	3,894,037	453,937	11.7%



Balance Sheet
E24_Pennsylvania American
JAN/YTD 2017
(\$ In Thousands)

	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
Assets							
▶ Utility Plant in Service	5,015,734	5,087,483	(71,749)	(1.4)%	5,006,761	8,973	0.2%
▶ Construction Work in Progress	113,937	104,753	9,184	8.8%	113,258	679	0.6%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,174,798)	(1,161,508)	(13,291)	(1.1)%	(1,166,961)	(7,837)	(0.7)%
▶ Total Utility Plant Adjustments	13,356	14,452	(1,096)	(7.6)%	13,386	(30)	(0.2)%
▶ Utility property net of accumulated depreciation	3,968,229	4,045,180	(76,951)	(1.9)%	3,968,444	1,785	0.0%
▶ Nonutility property net of accumulated depreciation	283	72	212	295.8%	290	(7)	(2.3)%
▶ Total Property Plant and Equipment	3,968,512	4,045,252	(76,740)	(1.9)%	3,966,734	1,778	0.0%
▶ Cash and Cash Equivalents	(1,250)	0	(1,250)	(0.0)%	(5,699)	4,449	78.1%
▶ Restricted funds-current	0	0	0	0.0%	0	0	0.0%
▶ Accounts receivable net	47,250	50,427	(3,178)	(6.3)%	44,389	2,860	6.4%
▶ Unbilled Revenues	35,861	34,786	1,076	3.1%	38,299	(2,438)	(6.4)%
▶ Materials and supplies	9,708	7,087	2,621	37.0%	9,727	(19)	(0.2)%
▶ Current portion of deferred tax asset	0	0	0	0.0%	0	0	0.0%
▶ Assets of discontinued operations	0	0	0	0.0%	0	0	0.0%
▶ Other Current Assets	7,078	5,487	1,590	29.0%	8,772	(1,695)	(19.3)%
▶ Total Current Assets	98,646	97,787	859	0.9%	95,488	3,158	3.3%
▶ Regulatory assets	215,131	194,060	21,071	10.9%	214,167	964	0.5%
▶ Other investments	107	32	75	237.3%	107	0	0.0%
▶ Restricted Funds - Long-term	0	0	0	0.0%	0	0	0.0%
▶ Goodwill	70,657	109,182	(38,525)	(35.3)%	70,657	0	0.0%
▶ Intangible assets	0	0	0	0.0%	0	0	0.0%
▶ Other Long Term Assets	803	630	172	27.3%	821	(18)	(2.2)%
▶ Total Regulatory & Other LT Assets	286,697	303,904	(17,206)	(5.7)%	285,752	946	0.3%
▶ Total Assets	4,353,856	4,446,943	(93,087)	(2.1)%	4,347,974	5,882	0.1%
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,247	942,295	(72,048)	(7.6)%	870,247	0	0.0%
▶ Retained Earnings	554,489	557,827	(3,338)	(0.6)%	542,942	11,547	2.1%
▶ Accumulated other comprehensive income	0	0	0	0.0%	0	0	0.0%
▶ Treasury stock	0	0	0	0.0%	0	0	0.0%
▶ Total Stockholders' equity	1,446,243	1,521,629	(75,386)	(5.0)%	1,434,696	11,547	0.8%
▶ Preferred Stock without mandatory redemption requirements	0	0	0	0.0%	0	0	0.0%
▶ Noncontrolling interest	0	0	0	0.0%	0	0	0.0%
▶ Total Equity	1,446,243	1,521,629	(75,386)	(5.0)%	1,434,696	11,547	0.8%
▶ Long term debt	1,111,797	1,102,639	9,158	0.8%	1,112,257	(460)	0.0%
▶ Redeemable preferred stock at redemption value	5,252	5,252	0	0.0%	6,452	(1,200)	(18.6)%
▶ Total Long-term debt	1,117,049	1,107,891	9,158	0.8%	1,118,708	(1,660)	(0.1)%
▶ Total Capitalization	2,563,291	2,629,519	(66,228)	(2.5)%	2,553,404	9,888	0.4%
▶ Short Term Debt	394,317	372,293	22,024	5.9%	387,470	6,847	1.8%
▶ Current Portion of Long-term Debt	38,121	37,925	196	0.5%	38,061	59	0.2%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	66,846	135,079	(68,233)	(60.5)%	89,458	(22,612)	(25.3)%
▶ Taxes Accrued	16,757	37,566	(20,809)	(55.4)%	14,755	2,002	13.6%
▶ Interest Accrued	16,539	19,748	(3,208)	(16.2)%	12,416	4,123	33.2%
▶ Liabilities of Discontinued Operations	0	0	0	0.0%	0	0	0.0%
▶ Other current liabilities	27,955	0	27,955	0.0%	28,547	(592)	(2.1)%
▶ Total Current Liabilities	561,735	603,810	(42,075)	(7.0)%	571,908	(10,172)	(1.8)%
▶ Customer/Advances for Construction	76,336	77,996	(1,660)	(2.1)%	77,452	(1,116)	(1.4)%
▶ Deferred Income Taxes	900,918	912,270	(11,352)	(1.2)%	894,721	6,196	0.7%
▶ Deferred investment tax credits	5,120	5,114	6	0.1%	5,139	(19)	(0.4)%
▶ Regulatory liability	27,351	19,018	8,333	43.8%	27,682	(331)	(1.2)%
▶ Accrued Pension	(17,070)	(21,829)	4,760	(21.8)%	(17,922)	852	4.8%
▶ Accrued postretirement benefit expense	6,148	10,553	(4,405)	(41.7)%	6,000	148	2.5%
▶ Other Deferred Credits	46,148	33,574	12,574	37.5%	46,151	(4)	0.0%
▶ Regulatory & Other Long Term Liabilities	1,044,950	1,036,695	8,255	0.8%	1,039,223	5,726	0.6%
▶ Contributions in aid of construction	183,879	176,918	6,961	3.9%	183,439	440	0.2%
▶ Total Capital and Liabilities	4,353,856	4,446,943	(93,087)	(2.1)%	4,347,974	5,882	0.1%



Balance Sheet
E24_Pennsylvania American
FEBYTD 2017
(\$ in Thousands)

	Actuals	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
Assets							
▶ Utility Plant in Service	5,027,607	5,093,630	(66,023)	(1.3)%	5,006,761	20,846	0.4%
▶ Construction Work in Progress	114,529	109,866	4,663	4.2%	113,258	1,271	1.1%
▶ Utility Plant Accumulated Depreciation/Amortization	(1,183,567)	(1,169,140)	(14,426)	(1.2)%	(1,166,961)	(16,606)	(1.4)%
▶ Total Utility Plant Adjustments	13,326	14,402	(1,076)	(7.5)%	13,386	(60)	(0.4)%
▶ Utility property net of accumulated depreciation	3,971,895	4,048,758	(76,863)	(1.9)%	3,965,444	5,452	0.1%
▶ Nonutility property net of accumulated depreciation	277	66	212	327.9%	290	(13)	(4.4)%
Total Property Plant and Equipment	3,972,173	4,048,824	(76,650)	(1.9)%	3,966,734	5,439	0.1%
▶ Cash and Cash Equivalents	(466)	0	(466)	(0.0)%	(5,699)	5,233	91.8%
▶ Restricted funds-current	0	0	0		0	0	
▶ Accounts receivable net	45,836	53,749	(7,912)	(14.7)%	44,389	1,447	3.3%
▶ Unbilled Revenues	33,858	32,973	885	2.7%	38,299	(4,441)	(11.6)%
▶ Materials and supplies	9,635	7,087	2,548	36.0%	9,727	(92)	(0.9)%
▶ Current portion of deferred tax asset	-	-	-		-	-	
▶ Assets of discontinued operations	-	0	0		-	-	
▶ Other Current Assets	10,845	5,487	5,358	97.6%	8,772	2,073	23.6%
Total Current Assets	99,709	99,296	414	0.4%	95,488	4,221	4.4%
▶ Regulatory assets	214,973	193,942	21,031	10.8%	214,167	806	0.4%
▶ Other investments	107	32	75	237.3%	107	0	0.0%
▶ Restricted Funds - Long-term	0	0	0		0	0	
▶ Goodwill	70,657	109,182	(38,525)	(35.3)%	70,657	0	0.0%
▶ Intangible assets	-	0	0		-	-	
▶ Other Long Term Assets	784	630	154	24.4%	821	(37)	(4.5)%
Total Regulatory & Other L/T Assets	286,521	303,786	(17,265)	(5.7)%	285,752	769	0.3%
Total Assets	4,358,404	4,451,905	(93,501)	(2.1)%	4,347,974	10,430	0.2%
Capital & Liabilities							
▶ Common Stock	21,507	21,507	0	0.0%	21,507	0	0.0%
▶ Paid in Capital	870,265	942,303	(72,038)	(7.6)%	870,247	19	0.0%
▶ Retained Earnings	565,782	569,717	(3,935)	(0.7)%	542,942	22,840	4.2%
▶ Accumulated other comprehensive income	-	0	0		-	-	
▶ Treasury stock	-	0	0		-	-	
Total Stockholders' equity	1,457,554	1,533,528	(75,973)	(5.0)%	1,434,696	22,859	1.6%
▶ Preferred Stock without mandatory redemption requirements	0	0	0		0	0	
▶ Noncontrolling interest	0	0	0		0	0	
Total Equity	1,457,554	1,533,527	(75,973)	(5.0)%	1,434,695	22,859	1.6%
▶ Long term debt	1,111,341	1,102,235	9,105	0.8%	1,112,257	(916)	(0.1)%
▶ Redeemable preferred stock at redemption value	5,252	5,252	0	0.0%	6,452	(1,200)	(18.6)%
Total Long-term debt	1,116,592	1,107,487	9,105	0.8%	1,118,708	(2,116)	(0.2)%
Total Capitalization	2,574,146	2,641,014	(66,868)	(2.5)%	2,553,404	20,742	0.8%
▶ Short Term Debt	387,604	355,302	32,302	9.1%	387,470	134	0.0%
▶ Current Portion of Long-term Debt	38,176	37,926	250	0.7%	38,061	115	0.3%
▶ Current portion of redeemable stock at redemption value	1,200	1,200	0	0.0%	1,200	0	0.0%
▶ Accounts Payable	59,368	135,168	(75,800)	(56.1)%	89,458	(30,090)	(33.6)%
▶ Taxes Accrued	18,618	41,434	(22,817)	(55.1)%	14,755	3,863	26.2%
▶ Interest Accrued	21,371	24,546	(3,175)	(12.9)%	12,416	8,955	72.1%
▶ Liabilities of Discontinued Operations	-	0	0		-	-	
▶ Other current liabilities	24,891	0	24,891	0.0%	28,547	(3,656)	(12.8)%
Total Current Liabilities	551,229	595,576	(44,348)	(7.4)%	571,908	(20,679)	(3.6)%
▶ Customer Advances for Construction	76,280	77,958	(1,677)	(2.2)%	77,452	(1,171)	(1.5)%
▶ Deferred Income Taxes	906,983	916,423	(9,440)	(1.0)%	894,721	12,261	1.4%
▶ Deferred investment tax credits	5,100	5,089	11	0.2%	5,139	(39)	(0.8)%
▶ Regulatory liability	27,020	19,147	7,873	41.1%	27,682	(662)	(2.4)%
▶ Accrued Pension	(18,019)	(23,144)	5,125	22.1%	(17,922)	(97)	(0.5)%
▶ Accrued postretirement benefit expense	5,884	9,520	(3,636)	(38.2)%	6,000	(116)	(1.9)%
▶ Other Deferred Credits	46,131	33,574	12,557	37.4%	46,151	(20)	0.0%
Regulatory & Other Long Term Liabilities	1,049,379	1,038,566	10,813	1.0%	1,039,223	10,156	1.0%
▶ Contributions in aid of construction	183,650	176,748	6,901	3.9%	183,439	210	0.1%
Total Capital and Liabilities	4,358,404	4,451,905	(93,501)	(2.1)%	4,347,974	10,430	0.2%



Income Statement - Month To Date
E24_Pennsylvania American
Jan 2016
(\$ in Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr Yr	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
▶Water revenues	1	48,732	48,731	2	0.00%	46,643	2,089 4.48%
▶Sewer revenues	2	1,603	1,724	(121)	(7.01)%	1,105	498 45.12%
▶Other operating revenues	3	1,052	1,149	(97)	(8.45)%	1,088	(35) (3.25)%
▶Market-Based revenues	4	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-
Operating revenues		51,388	51,604	(216)	(0.42)%	48,836	2,552 5.23%
OPERATIONS & MAINTENANCE EXPENSE							
▶Purchased water	6	242	244	3	1.15%	255	13 5.14%
▶Fuel and Power	7	1,258	1,173	(85)	(7.23)%	1,266	8 0.62%
▶Chemicals	8	654	698	44	6.32%	623	(31) (4.96)%
▶Waste disposal	9	115	206	90	43.96%	180	65 36.08%
Total production costs		2,269	2,321	53	2.26%	2,324	55 2.37%
▶Salaries & Wages	10	4,189	4,237	49	1.15%	4,309	120 2.79%
▶Pensions	11	355	299	(56)	(18.67)%	151	(204) (134.62)%
▶Group insurances	12	937	948	12	1.24%	1,027	90 8.80%
▶Other benefits	13	277	208	(69)	(33.37)%	256	(21) (8.37)%
Total employee related		5,758	5,693	(65)	(1.14)%	5,743	(15) (0.26)%
▶Service Company costs	14	3,417	3,352	(65)	(1.94)%	3,737	320 8.56%
▶Contracted services	15	454	369	(84)	(22.87)%	317	(137) (43.27)%
▶Building maintenance and services	16	386	598	212	35.42%	516	130 25.14%
▶Telecommunication expenses	17	207	222	15	6.58%	233	26 11.33%
▶Postage printing and stationery	18	19	15	(3)	(22.91)%	25	6 24.05%
▶Office supplies & expenses	19	150	142	(8)	(5.66)%	118	(32) (26.95)%
▶Advertising & marketing expenses	20	1	0	(1)	(383.64)%	0	(1) (3,050.68)%
▶Employee related expense travel & entertainment	21	80	62	(18)	(28.79)%	90	10 10.68%
▶Miscellaneous expenses	22	239	309	69	22.52%	408	169 41.37%
▶Rents	23	41	65	24	37.04%	47	6 12.88%
▶Transportation	24	329	253	(77)	(30.33)%	230	(100) (43.35)%
Operating supplies & services		1,906	2,035	129	6.32%	1,983	77 3.88%
▶Uncollectible Accounts Exp	25	1,088	660	(427)	(64.71)%	1,384	296 21.42%
▶Customer accounting other	26	499	504	5	0.97%	517	18 3.54%
▶Regulatory expense	27	39	39	0	(0.01)%	42	3 7.14%
▶Insurance other than group	28	1,045	1,088	43	3.95%	813	(232) (28.53)%
▶Maintenance service & supplies	29	700	947	247	26.08%	798	97 12.19%
Total operation and maintenance		16,721	16,640	(81)	(0.49)%	17,341	620 3.58%
▶Depreciation	30	7,555	7,472	(83)	(1.11)%	7,055	(500) (7.09)%
▶Amortization	31	83	83	0	(0.54)%	83	0 (0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38) (5.28)%
Depreciation and Amortization		8,387	8,289	(99)	(1.19)%	7,849	(538) (6.85)%
▶General taxes	33	1,183	1,198	15	1.28%	1,268	85 6.72%
▶Loss (gain) on sale of assets	34	(11)	0	11	0.00%	(11)	0 0.00%
▶Impairment charges	35	-	-	-	-	-	-
Total operating expenses net		26,281	26,127	(154)	(0.59)%	26,448	167 0.63%
Operating income (loss)		25,107	25,477	(370)	(1.45)%	22,387	2,719 12.15%
OTHER INCOME (EXPENSES)							
▶Interest Income	36	0	-	0	-	0	0 (44.08)%
▶Interest on long-term debt	37	5,422	5,441	19	0.35%	5,424	2 0.05%
▶Interest on Short-Term Bank Debt	38	63	45	(18)	(39.36)%	26	(37) (142.50)%
▶Other Interest Expense	39	-	-	-	-	-	-
Interest net		5,485	5,486	1	0.02%	5,450	(34) (0.63)%
▶Allowance for other funds used during construction	40	49	58	(9)	(15.06)%	65	(16) (24.31)%
▶Allowance for borrowed funds used during construction	41	22	93	(71)	(75.87)%	26	(3) (12.53)%
▶Amortization of debt expense	42	99	95	(4)	(4.42)%	91	(8) (9.25)%
▶Other Net	43	(34)	0	(34)	-	3	(37) (1,309.60)%
Total other income (expenses)		(5,546)	(5,430)	(116)	(2.14)%	(5,448)	(99) (1.82)%
Income (loss) before income taxes		19,560	20,047	(486)	(2.43)%	16,940	2,620 15.47%
▶Provision for income taxes	44	7,925	8,454	530	6.26%	6,902	(1,022) (14.81)%
▶Income (loss) from continuing operations		11,635	11,592	43	0.37%	10,037	1,598 15.92%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-
Net income (loss)		11,635	11,592	43	0.37%	10,037	1,598 15.92%
▶Preferred dividend declared	45	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-
Net income available to common stockholders		11,635	11,592	43	0.37%	10,037	1,598 15.92%
▶Common dividends	47	-	0	0	-	-	-
Current Year Retained Earnings		11,635	11,592	43	0.37%	10,037	1,598 15.92%



Income Statement - Month To Date
E24_Pennsylvania American
Feb 2016
(\$ in Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	45,767	45,889	(122)	(0.27)%	43,208	2,560	5.92%
▶Sewer revenues	2	1,673	1,579	94	5.98%	1,378	295	21.41%
▶Other operating revenues	3	896	1,099	(203)	(18.45)%	908	(12)	(1.32)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		48,337	48,567	(230)	(0.47)%	45,494	2,843	6.25%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	259	247	(11)	(4.53)%	243	(16)	(6.61)%
▶Fuel and Power	7	1,316	1,179	(138)	(11.67)%	1,110	(206)	(18.61)%
▶Chemicals	8	708	641	(67)	(10.44)%	614	(94)	(15.32)%
▶Waste disposal	9	215	212	(3)	(1.38)%	193	(21)	(10.93)%
Total production costs		2,497	2,279	(219)	(9.59)%	2,160	(338)	(15.64)%
▶Salaries & Wages	10	3,913	4,203	290	6.89%	3,815	(98)	(2.58)%
▶Pensions	11	340	299	(41)	(13.64)%	174	(166)	(95.48)%
▶Group insurances	12	827	948	121	12.73%	976	148	15.19%
▶Other benefits	13	237	207	(30)	(14.26)%	216	(20)	(9.43)%
Total employee related		5,318	5,658	340	6.01%	5,181	(137)	(2.64)%
▶Service Company costs	14	3,543	3,390	(153)	(4.52)%	3,404	(139)	(4.08)%
▶Contracted services	15	457	372	(85)	(22.74)%	317	(140)	(44.13)%
▶Building maintenance and services	16	281	542	261	48.11%	512	230	44.99%
▶Telecommunication expenses	17	197	212	15	6.88%	235	37	15.87%
▶Postage printing and stationery	18	16	15	0	(2.75)%	12	(4)	(31.80)%
▶Office supplies & expenses	19	108	133	25	18.69%	102	(6)	(5.49)%
▶Advertising & marketing expenses	20	1	1	0	8.04%	0	0	(104.08)%
▶Employee related expense travel & entertainment	21	78	77	(1)	(1.48)%	85	7	8.17%
▶Miscellaneous expenses	22	517	339	(178)	(52.39)%	278	(239)	(85.84)%
▶Rents	23	49	57	8	13.63%	58	9	15.80%
▶Transportation	24	268	235	(33)	(14.02)%	315	47	15.00%
Operating supplies & services		1,972	1,983	11	0.57%	1,914	(58)	(3.01)%
▶Uncollectible Accounts Exp	25	(38)	638	676	105.97%	75	113	151.05%
▶Customer accounting other	26	521	497	(24)	(4.88)%	495	(26)	(5.34)%
▶Regulatory expense	27	39	39	0	(0.01)%	40	1	2.57%
▶Insurance other than group	28	1,010	1,088	78	7.14%	819	(191)	(23.38)%
▶Maintenance service & supplies	29	625	945	320	33.86%	870	245	28.17%
Total operation and maintenance		15,488	16,517	1,029	6.23%	14,858	(630)	(3.54)%
▶Depreciation	30	7,573	7,489	(84)	(1.12)%	7,065	(508)	(7.19)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,405	8,305	(100)	(1.20)%	7,859	(546)	(6.95)%
▶General taxes	33	1,005	1,113	108	9.72%	1,096	91	8.31%
▶Loss (gain) on sale of assets	34	(11)	0	11	(11)	0	0	0.00%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		24,887	25,935	1,048	4.04%	23,903	(985)	(4.12)%
Operating income (loss)		23,450	22,632	818	3.61%	21,591	1,858	8.61%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	-	-	-	-	0	0	(100.00)%
▶Interest on long-term debt	37	5,415	5,442	27	0.50%	5,420	5	0.08%
▶Interest on Short Term Bank Debt	38	59	54	(5)	(9.20)%	26	(33)	(127.63)%
▶Other Interest Expense	39	0	-	0	-	0	0	-
Interest net		5,474	5,496	22	0.41%	5,445	(29)	(0.53)%
▶Allowance for other funds used during construction	40	0	29	(29)	(100.01)%	(1)	1	99.79%
▶Allowance for borrowed funds used during construction	41	26	47	(20)	(43.09)%	8	18	225.99%
▶Amortization of debt expense	42	98	95	(3)	(3.11)%	88	(10)	(11.05)%
▶Other Net	43	(60)	(260)	200	77.11%	(50)	(10)	(20.15)%
Total other income (expenses)		(5,605)	(5,776)	171	2.96%	(5,576)	(29)	(0.52)%
Income (loss) before income taxes		17,845	16,856	989	5.86%	16,015	1,829	11.42%
▶Provision for income taxes	44	7,230	6,850	(380)	(5.54)%	6,531	(699)	(10.70)%
▶Income (loss) from continuing operations		10,615	10,006	609	6.08%	9,484	1,131	11.92%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		10,615	10,006	609	6.08%	9,484	1,131	11.92%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		10,615	10,006	609	6.08%	9,484	1,131	11.92%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		10,615	10,006	609	6.08%	9,484	1,131	11.92%



Income Statement - Month To Date
E24_Pennsylvania American
Mar 2016
(\$ in Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	48,786	49,354	(568)	(1.15)%	49,093	(307)	(0.63)%
▶Sewer revenues	2	1,963	1,948	15	0.75%	1,287	676	52.55%
▶Other operating revenues	3	1,265	1,115	150	13.45%	961	305	31.74%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		52,014	52,418	(404)	(0.77)%	51,340	674	1.31%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	214	251	36	14.50%	302	88	29.00%
▶Fuel and Power	7	1,272	1,424	152	10.68%	1,342	70	5.20%
▶Chemicals	8	694	650	(43)	(6.67)%	835	142	16.94%
▶Waste disposal	9	354	231	(123)	(53.37)%	202	(152)	(75.09)%
Total production costs		2,534	2,556	22	0.85%	2,681	147	5.48%
▶Salaries & Wages	10	4,274	4,461	187	4.20%	4,432	159	3.58%
▶Pensions	11	328	299	(29)	(9.59)%	409	81	19.73%
▶Group insurances	12	841	949	108	11.43%	801	(40)	(4.96)%
▶Other benefits	13	276	220	(56)	(25.37)%	212	(64)	(29.96)%
Total employee related		5,718	5,930	211	3.57%	5,854	136	2.33%
▶Service Company costs	14	3,350	3,434	84	2.44%	3,211	(140)	(4.36)%
▶Contracted services	15	607	368	(239)	(64.89)%	415	(192)	(46.41)%
▶Building maintenance and services	16	281	508	227	44.62%	536	254	47.45%
▶Telecommunication expenses	17	263	237	(26)	(10.84)%	246	(17)	(7.10)%
▶Postage printing and stationery	18	18	20	2	9.04%	16	(3)	(17.98)%
▶Office supplies & expenses	19	145	151	5	3.53%	111	(34)	(30.61)%
▶Advertising & marketing expenses	20	-	2	2	100.00%	0	(2)	(100.00)%
▶Employee related expense travel & entertainment	21	129	126	(3)	(2.57)%	114	(15)	(12.77)%
▶Miscellaneous expenses	22	687	321	(367)	(114.33)%	300	(388)	(129.46)%
▶Rents	23	36	59	23	39.40%	55	19	34.99%
▶Transportation	24	261	266	6	2.15%	246	(14)	(5.85)%
Operating supplies & services		2,428	2,058	(370)	(17.99)%	2,037	(390)	(19.15)%
▶Uncollectible Accounts Exp	25	1,018	663	(355)	(53.48)%	1,560	542	34.75%
▶Customer accounting other	26	513	501	(12)	(2.34)%	494	(19)	(3.92)%
▶Regulatory expense	27	45	39	(5)	(13.81)%	39	(5)	(13.81)%
▶Insurance other than group	28	1,281	1,088	(193)	(17.75)%	1,668	387	23.20%
▶Maintenance service & supplies	29	922	979	57	5.85%	1,234	313	25.34%
Total operation and maintenance		17,809	17,249	(561)	(3.25)%	18,779	970	5.16%
▶Depreciation	30	7,598	7,498	(100)	(1.33)%	7,074	(525)	(7.42)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,430	8,315	(116)	(1.39)%	7,868	(563)	(7.15)%
▶General taxes	33	1,007	1,054	47	4.49%	989	(18)	(1.83)%
▶Loss (gain) on sale of assets	34	(11)	0	11		(11)	0	0.00%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		27,235	26,617	(618)	(2.32)%	27,625	389	1.41%
Operating income (loss)		24,779	25,800	(1,022)	(3.96)%	23,716	1,063	4.48%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	0	-	0		0	0	22.675.32%
▶Interest on long-term debt	37	5,435	5,442	7	0.13%	5,419	(15)	(0.28)%
▶Interest on Short-Term Bank Debt	38	62	59	(3)	(5.20)%	36	(26)	(71.79)%
▶Other Interest Expense	39	0	-	0		-	0	
Interest net		5,496	5,500	4	0.08%	5,455	(41)	(0.75)%
▶Allowance for other funds used during construction	40	0	58	(58)	(100.00)%	1	(1)	(100.00)%
▶Allowance for borrowed funds used during construction	41	28	93	(65)	(69.43)%	11	18	169.38%
▶Amortization of debt expense	42	101	95	(5)	(5.73)%	96	(5)	(4.83)%
▶Other Net	43	(42)	0	(42)		80	(121)	(152.09)%
Total other income (expenses)		(5,610)	(5,445)	(165)	(3.04)%	(5,459)	(150)	(2.76)%
Income (loss) before income taxes		19,169	20,356	(1,187)	(5.83)%	18,256	913	5.00%
▶Provision for income taxes	44	8,070	8,125	55	0.67%	7,838	(232)	(2.96)%
▶Income (loss) from continuing operations		11,099	12,231	(1,132)	(9.26)%	10,418	681	6.54%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		11,099	12,231	(1,132)	(9.26)%	10,418	681	6.54%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		11,099	12,231	(1,132)	(9.26)%	10,418	681	6.54%
▶Common dividends	47	24,752	25,724	971	3.78%	25,886	1,134	4.38%
Current Year Retained Earnings		(13,653)	(13,493)	(161)	(1.19)%	(15,468)	1,815	11.73%



Income Statement - Month To Date
E24_Pennsylvania American
Apr 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	47,223	47,538	(315)	(0.66)%	46,238	985	2.13%
▶Sewer revenues	2	1,924	1,966	(42)	(2.14)%	1,659	265	15.95%
▶Other operating revenues	3	1,006	1,155	(149)	(12.88)%	1,383	(377)	(27.26)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		50,153	50,659	(506)	(1.00)%	49,280	872	1.77%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	248	256	9	3.39%	225	(23)	(10.23)%
▶Fuel and Power	7	1,064	1,120	57	5.08%	1,195	132	11.01%
▶Chemicals	8	581	646	65	10.06%	684	103	15.12%
▶Waste disposal	9	157	222	65	29.42%	226	69	30.68%
Total production costs		2,049	2,245	196	8.72%	2,330	281	12.08%
▶Salaries & Wages	10	4,030	4,097	67	1.62%	3,991	(39)	(0.97)%
▶Pensions	11	334	299	(34)	(11.41)%	234	(100)	(42.78)%
▶Group insurances	12	781	950	169	17.84%	888	107	12.04%
▶Other benefits	13	247	202	(45)	(22.34)%	251	4	1.71%
Total employee related		5,391	5,548	157	2.83%	5,363	(28)	(0.51)%
▶Service Company costs	14	3,546	3,293	(253)	(7.68)%	3,683	138	3.74%
▶Contracted services	15	361	356	(5)	(1.33)%	360	(1)	(0.37)%
▶Building maintenance and services	16	303	460	157	34.12%	459	156	34.02%
▶Telecommunication expenses	17	194	215	21	9.89%	189	(4)	(2.37)%
▶Postage printing and stationery	18	19	16	(4)	(22.59)%	19	0	(1.03)%
▶Office supplies & expenses	19	103	128	25	19.71%	118	16	13.40%
▶Advertising & marketing expenses	20	0	0	0	-	0	0	96.30%
▶Employee related expense travel & entertainment	21	181	102	(79)	(77.92)%	149	(31)	(20.88)%
▶Miscellaneous expenses	22	254	299	45	15.09%	409	155	37.98%
▶Rents	23	44	72	28	38.85%	49	4	9.05%
▶Transportation	24	218	250	32	12.76%	226	7	3.28%
Operating supplies & services		1,676	1,897	221	11.65%	1,978	302	15.27%
▶Uncollectible Accounts Exp	25	307	651	344	52.88%	51	(256)	(504.83)%
▶Customer accounting other	26	598	502	(96)	(19.05)%	529	(69)	(13.07)%
▶Regulatory expense	27	40	39	0	(0.90)%	39	0	(0.90)%
▶Insurance other than group	28	1,023	1,088	65	5.94%	815	(209)	(25.61)%
▶Maintenance service & supplies	29	547	843	296	35.10%	1,120	573	51.16%
Total operation and maintenance		15,177	16,106	929	5.77%	15,910	733	4.61%
▶Depreciation	30	7,602	7,512	(90)	(1.19)%	7,083	(519)	(7.32)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,434	8,329	(105)	(1.26)%	7,877	(557)	(7.07)%
▶General taxes	33	1,049	1,012	(37)	(3.66)%	1,127	78	6.92%
▶Loss (gain) on sale of assets	34	(11)	0	11	(11.11)%	(11)	0	0.00%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		24,649	25,447	798	3.13%	24,903	254	1.02%
Operating income (loss)		25,504	25,212	292	1.16%	24,377	1,126	4.62%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	0	-	0	-	0	0	(97.03)%
▶Interest on long-term debt	37	5,425	5,448	24	0.43%	5,422	(3)	(0.05)%
▶Interest on Short-Term Bank Debt	38	56	70	14	19.45%	43	(13)	(30.64)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,481	5,518	37	0.67%	5,465	(16)	(0.29)%
▶Allowance for other funds used during construction	40	0	58	(58)	(100.76)%	-	0	-
▶Allowance for borrowed funds used during construction	41	33	93	(60)	(64.35)%	14	19	139.27%
▶Amortization of debt expense	42	102	95	(7)	(7.05)%	99	(3)	(2.59)%
▶Other Net	43	(51)	0	(51)	(100.00)%	(20)	(30)	(149.27)%
Total other income (expenses)		(5,601)	(5,462)	(139)	(2.54)%	(5,571)	(30)	(0.54)%
Income (loss) before income taxes		19,903	19,750	153	0.77%	18,806	1,096	5.83%
▶Provision for income taxes	44	8,152	7,994	(158)	(1.99)%	7,639	(513)	(6.71)%
▶Income (loss) from continuing operations		11,750	11,756	(6)	(0.05)%	11,167	584	5.23%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		11,750	11,756	(6)	(0.05)%	11,167	584	5.23%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		11,750	11,756	(6)	(0.05)%	11,167	584	5.23%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		11,750	11,756	(6)	(0.05)%	11,167	584	5.23%



Income Statement - Month To Date
E24_Pennsylvania American
May 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
▶Water revenues	1	49,869	49,200	669	1.36%	48,245	3.37%
▶Sewer revenues	2	1,770	2,006	(236)	(11.79)%	1,836	(3.60)%
▶Other operating revenues	3	890	1,227	(337)	(27.44)%	1,147	(22.40)%
▶Market-Based revenues	4	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-
Operating revenues		52,529	52,433	96	0.18%	51,228	2.54%
OPERATIONS & MAINTENANCE EXPENSE							
▶Purchased water	6	253	229	(25)	(10.84)%	230	(9.98)%
▶Fuel and Power	7	1,120	1,079	(41)	(3.77)%	1,015	(10.38)%
▶Chemicals	8	708	715	6	0.90%	681	(4.05)%
▶Waste disposal	9	225	217	(8)	(3.59)%	189	(19.42)%
Total production costs		2,307	2,240	(67)	(2.98)%	2,114	(9.11)%
▶Salaries & Wages	10	4,340	4,238	(102)	(2.41)%	3,756	(585)
▶Pensions	11	328	299	(29)	(9.58)%	235	(93)
▶Group insurances	12	845	951	105	11.08%	875	29
▶Other benefits	13	277	208	(69)	(33.00)%	193	(84)
Total employee related		5,791	5,697	(94)	(1.66)%	5,058	(733)
▶Service Company costs	14	3,310	3,328	17	0.52%	3,185	(126)
▶Contracted services	15	554	506	(48)	(9.45)%	484	(70)
▶Building maintenance and services	16	321	449	128	28.46%	304	(17)
▶Telecommunication expenses	17	233	247	13	5.32%	240	6
▶Postage printing and stationery	18	16	16	0	(0.33)%	14	(2)
▶Office supplies & expenses	19	128	151	23	15.21%	97	(31)
▶Advertising & marketing expenses	20	0	1	0	29.92%	1	0
▶Employee related expense travel & entertainment	21	62	104	42	40.78%	89	27
▶Miscellaneous expenses	22	428	472	44	9.37%	165	(263)
▶Rents	23	35	55	20	36.93%	46	11
▶Transportation	24	294	267	(28)	(10.37)%	295	0
Operating supplies & services		2,073	2,268	195	8.62%	1,733	(339)
▶Uncollectible Accounts Exp	25	423	681	258	37.86%	786	363
▶Customer accounting other	26	545	496	(49)	(9.82)%	479	(65)
▶Regulatory expense	27	41	39	(2)	(4.37)%	39	(2)
▶Insurance other than group	28	1,019	1,088	69	6.36%	808	(211)
▶Maintenance service & supplies	29	948	909	(39)	(4.33)%	702	(246)
Total operation and maintenance		16,457	16,746	289	1.72%	14,905	(1,552)
▶Depreciation	30	7,630	7,553	(77)	(1.02)%	7,109	(521)
▶Amortization	31	83	83	0	(0.54)%	83	0
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)
Depreciation and Amortization		8,462	8,370	(92)	(1.10)%	7,903	(559)
▶General taxes	33	1,135	1,010	(125)	(12.38)%	1,045	(90)
▶Loss (gain) on sale of assets	34	(11)	0	11		(11)	0
▶Impairment charges	35	-	-	-	-	-	-
Total operating expenses net		26,044	26,126	82	0.31%	23,843	(2,201)
Operating income (loss)		26,485	26,307	178	0.68%	27,385	(900)
OTHER INCOME (EXPENSES)							
▶Interest Income	36	-	-	-	-	0	0
▶Interest on long-term debt	37	5,426	5,592	167	2.98%	5,423	(3)
▶Interest on Short-Term Bank Debt	38	52	70	18	25.83%	33	(19)
▶Other Interest Expense	39	-	-	-	-	-	-
Interest net		5,478	5,663	185	3.27%	5,455	(22)
▶Allowance for other funds used during construction	40	0	29	(29)	(100.00)%	-	0
▶Allowance for borrowed funds used during construction	41	35	47	(11)	(24.52)%	17	18
▶Amortization of debt expense	42	102	95	(7)	(7.05)%	93	(8)
▶Other Net	43	(50)	0	(50)		(50)	(1)
Total other income (expenses)		(5,594)	(5,682)	88	1.54%	(5,581)	(13)
Income (loss) before income taxes		20,891	20,625	265	1.29%	21,804	(913)
▶Provision for income taxes	44	8,557	8,342	(215)	(2.58)%	8,857	300
▶Income (loss) from continuing operations		12,334	12,283	51	0.41%	12,947	(613)
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-
Net income (loss)		12,334	12,283	51	0.41%	12,947	(613)
▶Preferred dividend declared	45	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-
Net income available to common stockholders		12,334	12,283	51	0.41%	12,947	(613)
▶Common dividends	47	-	0	0	-	-	-
Current Year Retained Earnings		12,334	12,283	51	0.41%	12,947	(613)



Income Statement - Month To Date
E24 Pennsylvania American
Jun 2016
(\$ in Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	52,734	50,862	1,871	3.68%	52,851	(117)	(0.22)%
▶Sewer revenues	2	1,860	2,060	(200)	(9.71)%	1,656	204	12.31%
▶Other operating revenues	3	991	1,207	(216)	(17.91)%	1,287	(296)	(22.97)%
▶Market Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		55,585	54,129	1,455	2.69%	55,794	(209)	(0.37)%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	270	216	(54)	(24.97)%	247	(23)	(9.23)%
▶Fuel and Power	7	1,145	1,141	(4)	(0.38)%	1,200	55	4.60%
▶Chemicals	8	815	734	(81)	(11.05)%	855	40	4.64%
▶Waste disposal	9	165	217	52	23.94%	243	77	31.90%
Total production costs		2,395	2,307	(87)	(3.78)%	2,544	150	5.88%
▶Salaries & Wages	10	3,877	4,236	360	8.49%	3,854	(23)	(0.60)%
▶Pensions	11	249	299	50	16.68%	224	(25)	(11.31)%
▶Group insurances	12	1,369	951	(419)	(44.02)%	838	(531)	(63.33)%
▶Other benefits	13	226	206	(20)	(9.72)%	219	(7)	(3.04)%
Total employee related		5,721	5,693	(29)	(0.51)%	5,135	(586)	(11.41)%
▶Service Company costs	14	3,970	3,353	(617)	(18.39)%	3,515	(455)	(12.94)%
▶Contracted services	15	385	443	58	13.01%	430	44	10.35%
▶Building maintenance and services	16	442	448	6	1.33%	354	(88)	(24.83)%
▶Telecommunication expenses	17	229	226	(3)	(1.38)%	217	(12)	(5.52)%
▶Postage printing and stationery	18	22	21	(1)	(5.23)%	20	(2)	(11.55)%
▶Office supplies & expenses	19	136	160	24	14.97%	116	(19)	(16.68)%
▶Advertising & marketing expenses	20	1	0	(1)	(1,406.40)%	0	(2)	(557.80)%
▶Employee related expense travel & entertainment	21	95	96	2	1.78%	149	54	36.52%
▶Miscellaneous expenses	22	389	420	31	7.36%	458	69	15.09%
▶Rents	23	46	60	14	23.63%	30	(16)	(51.51)%
▶Transportation	24	304	238	(66)	(27.78)%	264	(40)	(15.22)%
Operating supplies & services		2,049	2,112	63	2.97%	2,038	(11)	(0.55)%
▶Uncollectible Accounts Exp	25	358	701	343	48.95%	986	628	63.68%
▶Customer accounting other	26	536	508	(28)	(5.58)%	545	9	1.62%
▶Regulatory expense	27	39	39	0	(0.01)%	43	3	7.31%
▶Insurance other than group	28	1,370	1,088	(282)	(25.95)%	2,200	830	37.71%
▶Maintenance service & supplies	29	720	974	254	26.09%	864	144	16.67%
Total operation and maintenance		17,159	16,776	(383)	(2.29)%	17,870	711	3.98%
▶Depreciation	30	7,674	7,577	(97)	(1.28)%	7,141	(533)	(7.46)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,506	8,394	(113)	(1.34)%	7,935	(571)	(7.19)%
▶General taxes	33	993	1,007	14	1.42%	1,026	33	3.22%
▶Loss (gain) on sale of assets	34	(11)	0	11		(11)	0	0.00%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		26,648	26,177	(471)	(1.80)%	26,821	173	0.64%
Operating income (loss)		28,936	27,952	984	3.52%	28,973	(36)	(0.13)%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	-	-	-	-	0	0	(100.00)%
▶Interest on long-term debt	37	5,427	5,699	272	4.78%	5,423	(4)	(0.07)%
▶Interest on Short-Term Bank Debt	38	51	84	33	39.25%	27	(24)	(88.33)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,478	5,783	305	5.28%	5,450	(28)	(0.51)%
▶Allowance for other funds used during construction	40	19	58	(39)	(67.68)%	0	19	13,568.38%
▶Allowance for borrowed funds used during construction	41	41	93	(52)	(56.35)%	16	25	158.12%
▶Amortization of debt expense	42	102	95	(7)	(7.05)%	90	(12)	(13.38)%
▶Other Net	43	(53)	0	(53)		(50)	(3)	(6.65)%
Total other income (expenses)		(5,573)	(5,727)	154	2.69%	(5,573)	0	0.00%
Income (loss) before income taxes		23,363	22,225	1,138	5.12%	23,399	(36)	(0.15)%
▶Provision for income taxes	44	9,303	8,900	(402)	(4.52)%	9,700	397	4.09%
▶Income (loss) from continuing operations		14,060	13,325	735	5.52%	13,700	361	2.63%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		14,060	13,325	735	5.52%	13,700	361	2.63%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		14,060	13,325	735	5.52%	13,700	361	2.63%
▶Common dividends	47	25,026	25,196	169	0.67%	22,445	(2,581)	(11.50)%
Current Year Retained Earnings		(10,966)	(11,871)	905	7.62%	(8,746)	(2,220)	(25.38)%



Income Statement - Month To Date
E24 Pennsylvania American
Jul 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	55,266	54,787	479	0.87%	50,157	5,110	10.19%
▶Sewer revenues	2	1,661	1,929	(268)	(13.88)%	594	1,066	179.44%
▶Other operating revenues	3	1,178	1,341	(163)	(12.12)%	1,593	(415)	(26.05)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		58,105	58,057	49	0.08%	52,344	5,761	11.01%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	308	214	(95)	(44.21)%	245	(64)	(26.10)%
▶Fuel and Power	7	1,259	1,195	(64)	(5.33)%	1,195	(64)	(5.37)%
▶Chemicals	8	804	904	100	11.06%	906	103	11.32%
▶Waste disposal	9	253	208	(45)	(21.58)%	175	(78)	(44.87)%
Total production costs		2,625	2,521	(103)	(4.10)%	2,521	(104)	(4.13)%
▶Salaries & Wages	10	4,030	4,106	76	1.84%	4,006	(24)	(0.61)%
▶Pensions	11	101	299	198	66.12%	221	119	54.02%
▶Group insurances	12	1,578	948	(630)	(66.45)%	877	(702)	(80.08)%
▶Other benefits	13	241	200	(41)	(20.53)%	209	(32)	(15.08)%
Total employee related		5,951	5,553	(398)	(7.16)%	5,312	(639)	(12.02)%
▶Service Company costs	14	3,887	3,263	(624)	(19.13)%	3,457	(430)	(12.43)%
▶Contracted services	15	529	430	(100)	(23.24)%	463	(66)	(14.27)%
▶Building maintenance and services	16	337	444	107	24.10%	421	85	20.12%
▶Telecommunication expenses	17	227	220	(6)	(2.84)%	251	25	9.85%
▶Postage printing and stationery	18	16	16	0	2.23%	26	10	38.01%
▶Office supplies & expenses	19	88	143	55	38.50%	81	(7)	(8.20)%
▶Advertising & marketing expenses	20	1	0	0	(176.47)%	0	(1)	(496.67)%
▶Employee related expense travel & entertainment	21	65	71	6	8.41%	147	82	55.56%
▶Miscellaneous expenses	22	299	665	365	54.98%	326	27	8.24%
▶Rents	23	48	64	16	25.23%	42	(5)	(12.60)%
▶Transportation	24	200	231	31	13.55%	286	86	30.13%
Operating supplies & services		1,809	2,284	475	20.78%	2,045	235	11.51%
▶Uncollectible Accounts Exp	25	1,263	756	(507)	(67.03)%	507	(756)	(149.07)%
▶Customer accounting other	26	583	501	(82)	(16.39)%	544	(39)	(7.09)%
▶Regulatory expense	27	44	39	(4)	(11.38)%	51	7	13.87%
▶Insurance other than group	28	1,004	1,088	84	7.76%	808	(196)	(24.22)%
▶Maintenance service & supplies	29	815	929	114	12.32%	839	25	2.93%
Total operation and maintenance		17,979	16,934	(1,045)	(6.17)%	16,084	(1,896)	(11.79)%
▶Depreciation	30	7,703	7,582	(121)	(1.60)%	7,148	(555)	(7.76)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,535	8,398	(137)	(1.63)%	7,942	(593)	(7.46)%
▶General taxes	33	906	999	93	9.30%	1,033	127	12.31%
▶Loss (gain) on sale of assets	34	(11)	0	11	-	(11)	0	0.00%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		27,410	26,332	(1,078)	(4.09)%	25,049	(2,361)	(9.43)%
Operating income (loss)		30,696	31,725	(1,029)	(3.24)%	27,295	3,400	12.46%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	0	-	0	-	-	0	-
▶Interest on long-term debt	37	5,425	5,667	242	4.27%	5,423	(2)	(0.04)%
▶Interest on Short-Term Bank Debt	38	74	87	14	15.83%	31	(43)	(138.26)%
▶Other Interest Expense	39	-	-	-	-	0	0	100.00%
Interest net		5,499	5,754	256	4.44%	5,454	(45)	(0.82)%
▶Allowance for other funds used during construction	40	8	58	(50)	(85.75)%	-	8	-
▶Allowance for borrowed funds used during construction	41	43	93	(50)	(54.21)%	15	27	178.68%
▶Amortization of debt expense	42	102	97	(5)	(5.49)%	99	(3)	(2.52)%
▶Other Net	43	(83)	0	(83)	-	(51)	(32)	(62.86)%
Total other income (expenses)		(5,633)	(5,700)	67	1.17%	(5,589)	(44)	(0.79)%
Income (loss) before income taxes		25,063	26,025	(963)	(3.70)%	21,706	3,356	15.45%
▶Provision for income taxes	44	10,200	10,601	401	3.79%	8,819	(1,380)	(15.65)%
▶Income (loss) from continuing operations		14,863	15,424	(561)	(3.64)%	12,887	1,976	15.33%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		14,863	15,424	(561)	(3.64)%	12,887	1,976	15.33%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		14,863	15,424	(561)	(3.64)%	12,887	1,976	15.33%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		14,863	15,424	(561)	(3.64)%	12,887	1,976	15.33%



Income Statement - Month To Date
E24_Pennsylvania American
Aug 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	54,482	54,257	224	0.41%	51,936	2,546	4.90%
▶Sewer revenues	2	1,799	1,844	(45)	(2.42)%	1,436	363	25.26%
▶Other operating revenues	3	955	1,274	(319)	(25.00)%	1,572	(617)	(39.23)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		57,236	57,375	(139)	(0.24)%	54,944	2,292	4.17%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	308	221	(87)	(39.46)%	230	(77)	(33.48)%
▶Fuel and Power	7	1,317	1,124	(193)	(17.21)%	1,192	(125)	(10.50)%
▶Chemicals	8	950	824	(127)	(15.37)%	881	(69)	(7.79)%
▶Waste disposal	9	200	214	14	6.74%	157	(42)	(27.01)%
Total production costs		2,775	2,382	(393)	(16.48)%	2,461	(314)	(12.74)%
▶Salaries & Wages	10	4,210	4,447	236	5.32%	3,655	(555)	(15.20)%
▶Pensions	11	252	299	47	15.76%	227	(26)	(11.25)%
▶Group insurances	12	275	948	674	71.04%	819	545	66.47%
▶Other benefits	13	231	217	(14)	(6.63)%	190	(41)	(21.31)%
Total employee related		4,968	5,911	943	15.95%	4,891	(77)	(1.57)%
▶Service Company costs	14	3,227	3,440	213	6.18%	3,415	188	5.50%
▶Contracted services	15	640	410	(230)	(56.11)%	397	(243)	(61.20)%
▶Building maintenance and services	16	358	439	82	18.57%	359	2	0.43%
▶Telecommunication expenses	17	241	222	(20)	(8.90)%	237	(5)	(2.02)%
▶Postage printing and stationery	18	29	17	(11)	(65.33)%	14	(15)	(106.79)%
▶Office supplies & expenses	19	124	139	15	10.86%	105	(19)	(18.05)%
▶Advertising & marketing expenses	20	(1)	1	2	143.47%	0	0	4,991.09%
▶Employee related expense travel & entertainment	21	78	80	2	2.84%	79	1	1.13%
▶Miscellaneous expenses	22	440	694	254	36.62%	325	(115)	(35.27)%
▶Rents	23	40	67	27	40.39%	52	12	23.85%
▶Transportation	24	212	264	52	19.60%	298	86	28.86%
Operating supplies & services		2,161	2,334	172	7.38%	1,867	(295)	(15.79)%
▶Uncollectible Accounts Exp	25	448	742	294	39.68%	921	474	51.41%
▶Customer accounting other	26	612	501	(111)	(22.11)%	556	(57)	(10.17)%
▶Regulatory expense	27	39	39	0	(0.01)%	40	0	1.23%
▶Insurance other than group	28	1,011	1,088	77	7.10%	812	(198)	(24.42)%
▶Maintenance service & supplies	29	836	996	160	16.05%	807	(29)	(3.61)%
Total operation and maintenance		16,078	17,434	1,356	7.78%	15,770	(307)	(1.95)%
▶Depreciation	30	7,727	7,649	(78)	(1.02)%	7,179	(548)	(7.64)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,559	8,465	(94)	(1.11)%	7,973	(586)	(7.35)%
▶General taxes	33	598	1,017	419	41.18%	989	391	39.54%
▶Loss (gain) on sale of assets	34	(11)	(2,912)	(2,901)	(99.64)%	(54)	(43)	(80.32)%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		25,224	24,004	(1,220)	(5.08)%	24,679	(545)	(2.21)%
Operating income (loss)		32,012	33,371	(1,359)	(4.07)%	30,266	1,746	5.77%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	-	-	-	-	0	0	(100.00)%
▶Interest on long-term debt	37	5,424	5,685	261	4.59%	5,422	(2)	(0.04)%
▶Interest on Short-Term Bank Debt	38	64	78	14	17.43%	22	(42)	(194.23)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,489	5,763	274	4.76%	5,444	(45)	(0.82)%
▶Allowance for other funds used during construction	40	0	29	(29)	(100.00)%	0	0	(325.81)%
▶Allowance for borrowed funds used during construction	41	46	47	0	(0.58)%	14	32	233.47%
▶Amortization of debt expense	42	102	98	(4)	(3.98)%	99	(3)	(2.52)%
▶Other Net	43	(21)	0	(21)	-	(50)	29	58.02%
Total other income (expenses)		(5,565)	(5,785)	220	3.80%	(5,579)	14	0.25%
Income (loss) before income taxes		26,447	27,586	(1,139)	(4.13)%	24,686	1,761	7.13%
▶Provision for income taxes	44	10,760	11,134	374	3.36%	10,030	(730)	(7.27)%
▶Income (loss) from continuing operations		15,687	16,452	(765)	(4.65)%	14,656	1,031	7.03%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		15,687	16,452	(765)	(4.65)%	14,656	1,031	7.03%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		15,687	16,452	(765)	(4.65)%	14,656	1,031	7.03%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		15,687	16,452	(765)	(4.65)%	14,656	1,031	7.03%



Income Statement - Month To Date
E24_Pennsylvania American
Sep 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	52,758	52,411	347	0.66%	51,120	1,638	3.20%
▶Sewer revenues	2	1,884	1,842	43	2.32%	1,353	531	39.28%
▶Other operating revenues	3	1,096	1,253	(158)	(12.59)%	1,380	(284)	(20.59)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		55,738	55,506	232	0.42%	53,853	1,885	3.50%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	216	222	6	2.76%	315	99	31.43%
▶Fuel and Power	7	1,241	1,225	(16)	(1.32)%	1,191	(50)	(4.17)%
▶Chemicals	8	900	836	(64)	(7.59)%	759	(141)	(16.63)%
▶Waste disposal	9	311	216	(95)	(44.03)%	11	(301)	(2,836.95)%
Total production costs		2,668	2,499	(169)	(6.75)%	2,275	(393)	(17.25)%
▶Salaries & Wages	10	4,574	4,315	(258)	(5.99)%	3,834	(740)	(19.31)%
▶Pensions	11	261	299	38	12.71%	224	(37)	(16.74)%
▶Group insurances	12	624	948	324	34.14%	831	207	24.86%
▶Other benefits	13	279	213	(67)	(31.40)%	197	(83)	(42.03)%
Total employee related		5,739	5,775	36	0.63%	5,085	(654)	(12.86)%
▶Service Company costs	14	3,168	3,343	175	5.24%	3,176	8	0.25%
▶Contracted services	15	397	436	39	8.88%	544	147	26.99%
▶Building maintenance and services	16	254	418	164	39.27%	383	129	33.77%
▶Telecommunication expenses	17	232	221	(12)	(5.30)%	242	9	3.86%
▶Postage printing and stationery	18	29	20	(9)	(45.41)%	9	(20)	(211.55)%
▶Office supplies & expenses	19	112	154	42	27.12%	90	(23)	(25.04)%
▶Advertising & marketing expenses	20	0	0	0	95.46%	-	0	-
▶Employee related expense travel & entertainment	21	96	100	4	4.02%	87	(9)	(10.65)%
▶Miscellaneous expenses	22	1,154	708	(446)	(62.91)%	326	(828)	(254.26)%
▶Rents	23	42	60	18	30.62%	51	10	18.60%
▶Transportation	24	244	238	(5)	(2.25)%	278	34	12.18%
Operating supplies & services		2,560	2,355	(204)	(8.68)%	2,009	(551)	(27.40)%
▶Uncollectible Accounts Exp	25	633	714	81	11.36%	788	155	19.72%
▶Customer accounting other	26	453	504	51	10.08%	495	42	8.39%
▶Regulatory expense	27	44	39	(4)	(10.62)%	39	(4)	(10.61)%
▶Insurance other than group	28	483	1,088	605	55.60%	2,066	1,583	76.61%
▶Maintenance service & supplies	29	729	941	212	22.57%	617	(111)	(18.06)%
Total operation and maintenance		16,476	17,259	783	4.54%	16,550	75	0.45%
▶Depreciation	30	7,787	7,684	(103)	(1.34)%	7,215	(572)	(7.94)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,619	8,500	(119)	(1.40)%	8,009	(611)	(7.62)%
▶General taxes	33	1,002	1,015	13	1.24%	220	(783)	(356.48)%
▶Loss (gain) on sale of assets	34	(1,761)	0	1,761	-	(18)	1,743	9,948.88%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		24,337	26,774	2,438	9.10%	24,761	424	1.71%
Operating income (loss)		31,401	28,731	2,670	9.29%	29,092	2,309	7.94%
OTHER INCOME (EXPENSES)								
▶Interest income	36	-	-	-	-	-	-	-
▶Interest on long-term debt	37	5,424	5,667	244	4.30%	5,423	0	0.00%
▶Interest on Short-Term Bank Debt	38	67	107	41	37.86%	2	(64)	(2,629.21)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,490	5,774	284	4.92%	5,426	(64)	(1.19)%
▶Allowance for other funds used during construction	40	46	58	(12)	(21.54)%	113	(67)	(59.57)%
▶Allowance for borrowed funds used during construction	41	54	93	(39)	(41.55)%	44	11	24.41%
▶Amortization of debt expense	42	102	98	(4)	(3.98)%	99	(3)	(2.52)%
▶Other Net	43	29	0	29	-	(49)	78	157.89%
Total other income (expenses)		(5,464)	(5,721)	258	4.51%	(5,418)	(45)	(0.84)%
Income (loss) before income taxes		25,937	23,010	2,927	12.72%	23,673	2,264	9.56%
▶Provision for income taxes	44	11,276	9,795	(1,481)	(15.12)%	9,245	(2,031)	(21.97)%
▶Income (loss) from continuing operations		14,662	13,215	1,446	10.95%	14,429	233	1.62%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		14,662	13,215	1,446	10.95%	14,429	233	1.62%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		14,662	13,215	1,446	10.95%	14,429	233	1.62%
▶Common dividends	47	28,506	27,509	(998)	(3.63)%	28,350	(156)	(0.55)%
Current Year Retained Earnings		(13,845)	(14,294)	449	3.14%	(13,921)	77	0.55%



Income Statement - Month To Date
E24 Pennsylvania American
Oct 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	50,849	51,857	(1,007)	(1.94)%	49,610	1,240	2.50%
▶Sewer revenues	2	1,635	1,882	(247)	(13.13)%	1,296	339	26.15%
▶Other operating revenues	3	1,496	1,266	230	18.15%	1,666	(170)	(10.18)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		53,980	55,005	(1,025)	(1.86)%	52,571	1,409	2.68%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	304	213	(91)	(42.45)%	307	3	1.05%
▶Fuel and Power	7	1,159	1,222	64	5.21%	1,151	(7)	(0.63)%
▶Chemicals	8	770	866	96	11.13%	790	20	2.54%
▶Waste disposal	9	306	183	(123)	(67.50)%	222	(84)	(37.58)%
Total production costs		2,538	2,484	(54)	(2.16)%	2,471	(68)	(2.73)%
▶Salaries & Wages	10	4,222	4,149	(73)	(1.76)%	3,797	(424)	(11.18)%
▶Pensions	11	324	299	(24)	(8.18)%	223	(101)	(45.36)%
▶Group insurances	12	377	948	571	60.20%	830	453	54.55%
▶Other benefits	13	197	210	13	6.33%	226	29	12.84%
Total employee related		5,120	5,606	486	8.67%	5,076	(44)	(0.86)%
▶Service Company costs	14	3,706	3,251	(455)	(14.00)%	3,265	(441)	(13.52)%
▶Contracted services	15	616	389	(227)	(58.33)%	365	(251)	(68.62)%
▶Building maintenance and services	16	303	452	149	32.91%	328	25	7.57%
▶Telecommunication expenses	17	237	222	(15)	(6.83)%	234	(3)	(1.37)%
▶Postage printing and stationery	18	25	17	(8)	(45.20)%	25	0	1.10%
▶Office supplies & expenses	19	125	163	39	23.59%	120	(5)	(3.79)%
▶Advertising & marketing expenses	20	0	0	0	69.88%	1	1	92.74%
▶Employee related expense travel & entertainment	21	137	87	(50)	(57.70)%	115	(22)	(19.53)%
▶Miscellaneous expenses	22	481	743	262	35.24%	317	(164)	(51.72)%
▶Rents	23	41	62	21	34.33%	42	2	3.57%
▶Transportation	24	148	232	84	36.20%	361	213	58.94%
Operating supplies & services		2,113	2,368	255	10.75%	1,908	(204)	(10.71)%
▶Uncollectible Accounts Exp	25	774	704	(70)	(9.95)%	886	113	12.73%
▶Customer accounting other	26	556	501	(55)	(10.87)%	532	(24)	(4.44)%
▶Regulatory expense	27	39	39	0	(0.01)%	68	28	41.81%
▶Insurance other than group	28	1,009	1,088	79	7.23%	803	(206)	(25.64)%
▶Maintenance service & supplies	29	854	982	128	13.01%	881	27	3.03%
Total operation and maintenance		16,710	17,024	314	1.84%	15,890	(819)	(5.15)%
▶Depreciation	30	7,805	7,756	(49)	(0.63)%	7,249	(556)	(7.68)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,637	8,573	(65)	(0.76)%	8,043	(594)	(7.39)%
▶General taxes	33	1,364	1,007	(357)	(35.47)%	989	(375)	(37.97)%
▶Loss (gain) on sale of assets	34	(11)	0	11		(11)	0	0.00%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		26,700	26,603	(97)	(0.37)%	24,912	(1,789)	(7.18)%
Operating income (loss)		27,280	28,402	(1,122)	(3.95)%	27,660	(380)	(1.37)%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	0	-	0	-	0	0	(96.32)%
▶Interest on long-term debt	37	5,423	5,660	237	4.18%	5,426	3	0.05%
▶Interest on Short-Term Bank Debt	38	90	139	49	35.26%	15	(75)	(515.45)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,513	5,799	286	4.93%	5,440	(73)	(1.33)%
▶Allowance for other funds used during construction	40	0	58	(58)	(100.03)%	318	(318)	(100.01)%
▶Allowance for borrowed funds used during construction	41	51	93	(42)	(45.63)%	100	(49)	(49.45)%
▶Amortization of debt expense	42	102	98	(4)	(3.98)%	99	(3)	(2.52)%
▶Other Net	43	(49)	0	(49)		(50)	0	0.88%
Total other income (expenses)		(5,613)	(5,745)	132	2.30%	(5,171)	(443)	(8.56)%
Income (loss) before income taxes		21,667	22,656	(990)	(4.37)%	22,489	(822)	(3.66)%
▶Provision for income taxes	44	8,895	9,318	423	4.54%	9,091	196	2.16%
▶Income (loss) from continuing operations		12,772	13,339	(567)	(4.25)%	13,398	(626)	(4.67)%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		12,772	13,339	(567)	(4.25)%	13,398	(626)	(4.67)%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		12,772	13,339	(567)	(4.25)%	13,398	(626)	(4.67)%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		12,772	13,339	(567)	(4.25)%	13,398	(626)	(4.67)%



Income Statement - Month To Date
E24_Pennsylvania American
Nov 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	48,571	49,787	(1,216)	(2.44)%	45,693	2,878	6.30%
▶Sewer revenues	2	1,855	1,897	(42)	(2.19)%	1,370	485	35.42%
▶Other operating revenues	3	966	1,128	(163)	(14.43)%	1,331	(366)	(27.47)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		51,392	52,812	(1,421)	(2.69)%	48,394	2,998	6.19%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	248	217	(32)	(14.59)%	212	(37)	(17.28)%
▶Fuel and Power	7	1,241	1,002	(239)	(23.85)%	1,001	(239)	(23.92)%
▶Chemicals	8	706	665	(41)	(6.16)%	619	(87)	(13.98)%
▶Waste disposal	9	243	185	(59)	(31.70)%	229	(14)	(6.16)%
Total production costs		2,438	2,068	(370)	(17.89)%	2,061	(377)	(18.28)%
▶Salaries & Wages	10	3,485	4,373	888	20.31%	3,788	303	8.01%
▶Pensions	11	221	299	79	26.32%	244	23	9.52%
▶Group insurances	12	675	948	272	28.75%	880	204	23.24%
▶Other benefits	13	201	212	11	5.20%	187	(14)	(7.69)%
Total employee related		4,582	5,832	1,250	21.44%	5,099	517	10.13%
▶Service Company costs	14	3,128	3,279	150	4.58%	3,229	101	3.13%
▶Contracted services	15	306	365	60	16.34%	521	216	41.37%
▶Building maintenance and services	16	369	479	111	23.09%	381	12	3.16%
▶Telecommunication expenses	17	225	218	(7)	(3.30)%	174	(51)	(29.33)%
▶Postage printing and stationery	18	18	15	(3)	(19.08)%	16	(2)	(10.24)%
▶Office supplies & expenses	19	131	151	20	13.11%	141	9	6.70%
▶Advertising & marketing expenses	20	1	0	0	(188.96)%	(1)	(1)	(180.71)%
▶Employee related expense travel & entertainment	21	62	81	19	23.74%	99	37	37.33%
▶Miscellaneous expenses	22	304	725	421	58.11%	372	68	18.28%
▶Rents	23	33	55	22	40.10%	42	9	21.28%
▶Transportation	24	205	266	61	22.80%	276	71	25.85%
Operating supplies & services		1,652	2,355	703	29.84%	2,020	368	18.21%
▶Uncollectible Accounts Exp	25	678	675	(3)	(0.44)%	344	(333)	(96.84)%
▶Customer accounting other	26	485	501	16	3.29%	551	66	12.01%
▶Regulatory expense	27	48	39	(9)	(22.88)%	39	(9)	(22.87)%
▶Insurance other than group	28	975	1,088	114	10.43%	811	(163)	(20.16)%
▶Maintenance service & supplies	29	672	982	310	31.59%	708	36	5.06%
Total operation and maintenance		14,657	16,819	2,161	12.85%	14,862	205	1.38%
▶Depreciation	30	7,898	7,792	(105)	(1.35)%	7,313	(584)	(7.99)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,729	8,608	(121)	(1.41)%	8,107	(622)	(7.67)%
▶General taxes	33	929	1,028	99	9.64%	924	(5)	(0.57)%
▶Loss (gain) on sale of assets	34	(11)	0	11	(66)	(55)	(83.89)%	
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		24,305	26,455	2,150	8.13%	23,827	(478)	(2.00)%
Operating income (loss)		27,086	26,357	729	2.77%	24,567	2,520	10.26%
OTHER INCOME (EXPENSES)								
▶Interest income	36	0	-	0	0	0	0	(118.62)%
▶Interest on long-term debt	37	5,422	5,668	246	4.33%	5,427	5	0.08%
▶Interest on Short-Term Bank Debt	38	105	132	26	20.10%	15	(90)	(591.24)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,527	5,799	272	4.69%	5,442	(85)	(1.57)%
▶Allowance for other funds used during construction	40	-	29	(29)	(100.00)%	200	(200)	(100.00)%
▶Allowance for borrowed funds used during construction	41	49	47	2	4.50%	69	(20)	(29.62)%
▶Amortization of debt expense	42	102	98	(4)	(3.98)%	99	(3)	(2.52)%
▶Other Net	43	(59)	0	(59)	(71)	13	(71)	(564.54)%
Total other income (expenses)		(5,639)	(5,822)	183	3.14%	(5,260)	(379)	(7.21)%
Income (loss) before income taxes		21,447	20,535	912	4.44%	19,307	2,141	11.09%
▶Provision for income taxes	44	8,935	8,331	(604)	(7.25)%	7,914	(1,021)	(12.90)%
▶Income (loss) from continuing operations		12,513	12,205	308	2.52%	11,393	1,119	9.83%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		12,513	12,205	308	2.52%	11,393	1,119	9.83%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		12,513	12,205	308	2.52%	11,393	1,119	9.83%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		12,513	12,205	308	2.52%	11,393	1,119	9.83%



Income Statement - Month To Date
E24_Pennsylvania American
Dec 2016
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr Yr	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	48,772	50,461	(1,689)	(3.35)%	46,722	2,050	4.39%
▶Sewer revenues	2	1,990	1,839	151	8.18%	1,553	436	28.09%
▶Other operating revenues	3	1,323	1,105	218	19.69%	1,344	(21)	(1.57)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		52,084	53,406	(1,321)	(2.47)%	49,620	2,465	4.97%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	239	215	(25)	(11.43)%	225	(15)	(6.51)%
▶Fuel and Power	7	1,242	1,262	20	1.57%	1,010	(232)	(22.94)%
▶Chemicals	8	714	744	30	4.03%	725	10	1.45%
▶Waste disposal	9	300	228	(72)	(31.44)%	147	(153)	(103.60)%
Total production costs		2,496	2,449	(47)	(1.90)%	2,107	(389)	(18.45)%
▶Salaries & Wages	10	4,911	4,459	(452)	(10.14)%	4,498	(413)	(9.18)%
▶Pensions	11	276	299	23	7.66%	219	(57)	(26.22)%
▶Group Insurances	12	695	947	252	26.65%	831	136	16.39%
▶Other benefits	13	284	217	(67)	(30.72)%	273	(10)	(3.78)%
Total employee related		6,166	5,922	(244)	(4.12)%	5,821	(345)	(5.92)%
▶Service Company costs	14	5,147	3,249	(1,898)	(58.43)%	3,976	(1,171)	(29.44)%
▶Contracted services	15	610	382	(228)	(59.87)%	456	(154)	(33.72)%
▶Building maintenance and services	16	347	480	132	27.61%	380	33	8.69%
▶Telecommunication expenses	17	230	222	(8)	(3.79)%	204	(26)	(12.56)%
▶Postage printing and stationery	18	19	21	2	10.07%	18	(1)	(7.37)%
▶Office supplies & expenses	19	194	145	(49)	(33.57)%	171	(23)	(13.43)%
▶Advertising & marketing expenses	20	-	0	0	100.00%	0	0	100.00%
▶Employee related expense travel & entertainment	21	83	71	(12)	(16.99)%	143	60	41.93%
▶Miscellaneous expenses	22	202	772	570	73.81%	412	210	50.95%
▶Rents	23	66	63	(2)	(3.66)%	63	(3)	(4.25)%
▶Transportation	24	216	243	27	11.04%	217	1	0.64%
Operating supplies & services		1,968	2,400	431	17.98%	2,066	98	4.76%
▶Uncollectible Accounts Exp	25	1,484	684	(800)	(116.96)%	1,638	155	9.45%
▶Customer accounting other	26	608	505	(103)	(20.36)%	501	(108)	(21.48)%
▶Regulatory expense	27	40	39	0	(0.83)%	39	0	(0.82)%
▶Insurance other than group	28	776	1,088	312	28.70%	3,628	2,852	78.62%
▶Maintenance service & supplies	29	838	1,053	215	20.43%	727	(111)	(15.34)%
Total operation and maintenance		19,522	17,389	(2,133)	(12.26)%	20,504	982	4.79%
▶Depreciation	30	8,050	7,824	(226)	(2.89)%	7,430	(620)	(8.35)%
▶Amortization	31	83	83	0	(0.54)%	83	0	(0.54)%
▶Removal costs	32	748	733	(15)	(2.08)%	711	(38)	(5.28)%
Depreciation and Amortization		8,882	8,640	(242)	(2.80)%	8,224	(658)	(8.00)%
▶General taxes	33	1,071	1,034	(37)	(3.58)%	1,034	(37)	(3.63)%
▶Loss (gain) on sale of assets	34	(2,535)	0	2,535	(71)	2,465	3,494.49%	
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		26,939	27,063	124	0.46%	29,691	2,752	9.27%
Operating income (loss)		25,145	26,343	(1,197)	(4.55)%	19,929	5,216	26.17%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	-	-	-	-	(2)	(2)	(100.00)%
▶Interest on long-term debt	37	5,406	5,579	173	3.11%	5,425	20	0.36%
▶Interest on Short-Term Bank Debt	38	160	172	12	7.12%	29	(131)	(450.95)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,566	5,751	186	3.23%	5,452	(113)	(2.07)%
▶Allowance for other funds used during construction	40	0	58	(58)	(100.62)%	180	(180)	(100.20)%
▶Allowance for borrowed funds used during construction	41	44	93	(49)	(52.64)%	62	(18)	(28.44)%
▶Amortization of debt expense	42	102	98	(4)	(3.99)%	99	(2)	(2.41)%
▶Other Net	43	(49)	0	(49)	(40)	(9)	(21.66)%	
Total other income (expenses)		(5,672)	(5,698)	26	0.45%	(5,350)	(322)	(6.02)%
Income (loss) before income taxes		19,473	20,645	(1,172)	(5.68)%	14,579	4,894	33.57%
▶Provision for income taxes	44	8,346	8,354	7	0.09%	6,235	(2,111)	(33.86)%
▶Income (loss) from continuing operations		11,127	12,291	(1,165)	(9.48)%	8,343	2,783	33.36%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		11,127	12,291	(1,165)	(9.48)%	8,343	2,783	33.36%
▶Preferred dividend declared	45	-	-	-	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		11,127	12,291	(1,165)	(9.48)%	8,343	2,783	33.36%
▶Common dividends	47	33,199	33,752	554	1.64%	31,439	(1,760)	(5.60)%
Current Year Retained Earnings		(22,072)	(21,461)	(611)	(2.85)%	(23,096)	1,023	4.43%



Income Statement - Month To Date
E24 - Pennsylvania American
Jan 2017
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	49,496	50,356	(860)	(1.71)%	48,732	763	1.57%
▶Sewer revenues	2	3,342	4,560	(1,218)	(26.72)%	1,603	1,738	108.43%
▶Other operating revenues	3	955	1,072	(117)	(10.93)%	1,052	(98)	(9.28)%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		53,792	55,987	(2,196)	(3.92)%	51,388	2,404	4.68%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	410	226	(185)	(81.79)%	242	(169)	(69.81)%
▶Fuel and Power	7	1,393	1,502	109	7.27%	1,258	(135)	(10.70)%
▶Chemicals	8	760	754	(5)	(0.71)%	654	(106)	(16.16)%
▶Waste disposal	9	187	303	116	38.27%	115	(72)	(62.61)%
Total production costs		2,750	2,785	36	1.27%	2,269	(481)	(21.20)%
▶Salaries & Wages	10	4,772	4,749	(23)	(0.49)%	4,189	(583)	(13.92)%
▶Pensions	11	362	371	9	2.44%	355	(7)	(1.87)%
▶Group insurances	12	625	884	259	29.27%	937	312	33.28%
▶Other benefits	13	260	259	(1)	(0.45)%	277	17	6.31%
Total employee related		6,018	6,262	243	3.89%	5,758	(261)	(4.53)%
▶Service Company costs	14	4,112	3,670	(442)	(12.05)%	3,417	(695)	(20.34)%
▶Contracted services	15	448	467	20	4.19%	454	6	1.26%
▶Building maintenance and services	16	474	390	(83)	(21.29)%	386	(88)	(22.70)%
▶Telecommunication expenses	17	248	234	(14)	(5.88)%	207	(41)	(19.64)%
▶Postage printing and stationery	18	23	18	(5)	(27.37)%	19	(4)	(23.47)%
▶Office supplies & expenses	19	176	173	(3)	(1.90)%	150	(26)	(17.26)%
▶Advertising & marketing expenses	20	0	0	0	102.31%	1	1	101.06%
▶Employee related expense travel & entertainment	21	65	70	5	7.31%	80	15	19.28%
▶Miscellaneous expenses	22	449	85	(364)	(427.13)%	239	(210)	(87.89)%
▶Rents	23	62	46	(16)	(34.00)%	41	(21)	(50.90)%
▶Transportation	24	224	284	60	21.13%	329	106	32.08%
Operating supplies & services		2,168	1,768	(400)	(22.61)%	1,906	(262)	(13.74)%
▶Uncollectible Accounts Exp	25	707	504	(203)	(40.38)%	1,088	381	35.00%
▶Customer accounting other	26	524	527	3	0.58%	499	(25)	(5.02)%
▶Regulatory expense	27	1	0	(1)	(10,650.17)%	39	39	97.62%
▶Insurance other than group	28	1,031	1,170	139	11.86%	1,045	14	1.32%
▶Maintenance service & supplies	29	708	822	114	13.85%	700	(7)	(1.06)%
Total operation and maintenance		18,019	17,507	(512)	(2.92)%	16,721	(1,298)	(7.76)%
▶Depreciation	30	8,424	8,505	81	0.95%	7,555	(868)	(11.49)%
▶Amortization	31	82	89	7	8.32%	83	2	2.01%
▶Removal costs	32	897	806	(90)	(11.22)%	748	(148)	(19.79)%
Depreciation and Amortization		9,402	9,400	(2)	(0.02)%	8,387	(1,015)	(12.10)%
▶General taxes	33	1,298	1,321	24	1.78%	1,183	(115)	(9.70)%
▶Loss (gain) on sale of assets	34	(356)	0	356	(11)	345	3,258.14%	
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		28,363	28,229	(134)	(0.48)%	26,281	(2,082)	(7.92)%
Operating income (loss)		25,429	27,759	(2,330)	(8.39)%	25,107	322	1.28%
OTHER INCOME (EXPENSES)								
▶Interest Income	36	-	0	0	-	0	0	(100.00)%
▶Interest on long-term debt	37	5,363	5,349	(14)	(0.25)%	5,422	59	1.10%
▶Interest on Short-Term Bank Debt	38	338	195	(143)	(73.25)%	63	(275)	(439.61)%
▶Other Interest Expense	39	-	-	-	-	-	-	-
Interest net		5,701	5,544	(156)	(2.82)%	5,485	(216)	(3.94)%
▶Allowance for other funds used during construction	40	-	67	(67)	(100.00)%	49	(49)	(100.00)%
▶Allowance for borrowed funds used during construction	41	57	34	23	68.89%	22	35	154.46%
▶Amortization of debt expense	42	101	103	2	1.51%	99	(2)	(2.13)%
▶Other Net	43	(49)	(28)	(21)	(76.55)%	(34)	(15)	(44.56)%
Total other income (expenses)		(5,794)	(5,574)	(220)	(3.95)%	(5,546)	(248)	(4.47)%
Income (loss) before income taxes		19,634	22,185	(2,550)	(11.50)%	19,560	74	0.38%
▶Provision for income taxes	44	8,087	9,047	960	10.61%	7,925	(162)	(2.05)%
▶Income (loss) from continuing operations		11,547	13,138	(1,590)	(12.11)%	11,635	(88)	(0.76)%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		11,547	13,138	(1,590)	(12.11)%	11,635	(88)	(0.76)%
▶Preferred dividend declared	45	-	0	0	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		11,547	13,138	(1,590)	(12.11)%	11,635	(88)	(0.76)%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		11,547	13,138	(1,590)	(12.11)%	11,635	(88)	(0.76)%



Income Statement - Month To Date
E24_Pennsylvania American
Feb 2017
(\$ In Thousands)

	MTD Actuals	MTD Budget	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
▶Water revenues	1	45,694	46,432	(738)	(1.59)%	45,767	(73)	(0.16)%
▶Sewer revenues	2	3,392	4,739	(1,347)	(28.43)%	1,673	1,718	102.68%
▶Other operating revenues	3	1,135	823	312	37.88%	896	239	26.69%
▶Market-Based revenues	4	-	-	-	-	-	-	-
▶Management revenues	5	-	-	-	-	-	-	-
Operating revenues		50,221	51,994	(1,773)	(3.41)%	48,337	1,884	3.90%
OPERATIONS & MAINTENANCE EXPENSE								
▶Purchased water	6	13	213	200	94.04%	259	246	95.10%
▶Fuel and Power	7	1,342	1,186	(156)	(13.18)%	1,316	(26)	(1.99)%
▶Chemicals	8	627	708	82	11.52%	708	81	11.43%
▶Waste disposal	9	273	339	66	19.46%	215	(58)	(27.21)%
Total production costs		2,255	2,446	191	7.82%	2,497	242	9.70%
▶Salaries & Wages	10	4,052	4,322	270	6.24%	3,913	(138)	(3.53)%
▶Pensions	11	355	371	16	4.20%	340	(15)	(4.45)%
▶Group insurances	12	881	886	4	0.51%	827	(54)	(6.52)%
▶Other benefits	13	212	240	28	11.61%	237	25	10.47%
Total employee related		5,500	5,818	318	5.46%	5,318	(183)	(3.43)%
▶Service Company costs	14	2,479	3,291	812	24.68%	3,543	1,064	30.04%
▶Contracted services	15	429	503	74	14.67%	457	28	6.06%
▶Building maintenance and services	16	391	396	5	1.26%	281	(110)	(39.02)%
▶Telecommunication expenses	17	251	238	(13)	(5.63)%	197	(54)	(27.28)%
▶Postage printing and stationery	18	17	19	1	7.92%	16	(2)	(11.47)%
▶Office supplies & expenses	19	137	172	35	20.49%	108	(29)	(26.80)%
▶Advertising & marketing expenses	20	0	1	1	99.15%	1	1	98.72%
▶Employee related expense travel & entertainment	21	74	77	4	4.80%	78	4	5.73%
▶Miscellaneous expenses	22	411	111	(300)	(269.85)%	517	106	20.45%
▶Rents	23	55	46	(8)	(17.39)%	49	(5)	(10.86)%
▶Transportation	24	324	297	(27)	(9.25)%	268	(57)	(21.10)%
Operating supplies & services		2,090	1,861	(229)	(12.28)%	1,972	(118)	(5.96)%
▶Uncollectible Accounts Exp	25	(52)	475	527	110.97%	(38)	14	36.64%
▶Customer accounting other	26	510	529	19	3.67%	521	12	2.25%
▶Regulatory expense	27	-	0	0	100.00%	39	39	100.00%
▶Insurance other than group	28	1,088	1,170	82	7.02%	1,010	(77)	(7.66)%
▶Maintenance service & supplies	29	835	830	(5)	(0.58)%	625	(210)	(33.58)%
Total operation and maintenance		14,703	16,420	1,716	10.45%	15,488	785	5.07%
▶Depreciation	30	8,443	8,511	68	0.80%	7,573	(870)	(11.49)%
▶Amortization	31	82	89	7	8.32%	83	2	2.01%
▶Removal costs	32	897	807	(90)	(11.13)%	748	(148)	(19.79)%
Depreciation and Amortization		9,422	9,407	(14)	(0.15)%	8,405	(1,017)	(12.09)%
▶General taxes	33	1,181	1,185	4	0.35%	1,005	(176)	(17.50)%
▶Loss (gain) on sale of assets	34	(11)	0	11	-	(11)	0	0.00%
▶Impairment charges	35	-	-	-	-	-	-	-
Total operating expenses net		25,295	27,012	1,717	6.36%	24,887	(408)	(1.64)%
Operating income (loss)		24,926	24,982	(56)	(0.23)%	23,450	1,476	6.29%
OTHER INCOME (EXPENSES)								
▶Interest income	36	0	0	0	-	-	0	-
▶Interest on long-term debt	37	5,346	5,348	3	0.05%	5,415	69	1.28%
▶Interest on Short-Term Bank Debt	38	303	209	(94)	(45.21)%	59	(244)	(415.87)%
▶Other Interest Expense	39	-	-	-	-	0	0	100.00%
Interest net		5,648	5,557	(91)	(1.64)%	5,474	(174)	(3.19)%
▶Allowance for other funds used during construction	40	-	69	(69)	(100.00)%	0	0	100.00%
▶Allowance for borrowed funds used during construction	41	64	34	29	86.55%	26	37	140.11%
▶Amortization of debt expense	42	99	103	4	3.90%	98	(1)	(0.92)%
Other Net	43	(55)	(28)	(27)	(98.09)%	(60)	4	6.76%
Total other income (expenses)		(5,739)	(5,585)	(154)	(2.76)%	(5,605)	(134)	(2.40)%
Income (loss) before income taxes		19,187	19,398	(211)	(1.09)%	17,845	1,342	7.52%
▶Provision for income taxes	44	7,894	7,507	(386)	(5.15)%	7,230	(664)	(9.19)%
▶Income (loss) from continuing operations		11,293	11,890	(597)	(5.02)%	10,615	678	6.38%
▶Income (loss) from discontinued operations - net of tax		-	-	-	-	-	-	-
Net income (loss)		11,293	11,890	(597)	(5.02)%	10,615	678	6.38%
▶Preferred dividend declared	45	-	0	0	-	-	-	-
▶Net income attributable to non-controlling interest	46	-	-	-	-	-	-	-
Net income available to common stockholders		11,293	11,890	(597)	(5.02)%	10,615	678	6.38%
▶Common dividends	47	-	0	0	-	-	-	-
Current Year Retained Earnings		11,293	11,890	(597)	(5.02)%	10,615	678	6.38%

FR XI.2

Pennsylvania American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Other Data Internal and Independent Audit Reports

FR XI.2

Pennsylvania American Water Company
XI. Other Data

2. Supply a copy of internal and independent audit reports of the historic test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.

Answer: Please refer to FR VII.15 for the 2014 and 2015 Annual Report.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Other Data Budget Variance Reports

FR XI.3

Pennsylvania-American Water Company
XI. Other Data

3. Provide all monthly or quarterly, or both, budget variance reports to management or the Board of Directors, or both, submitted during the past year. Please provide the most recent detailed budget variance report which the Company compiled, and update as additional reports are issued.

Answer: Please refer to FR XI.1.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Other Data Operating and Capital Budgets

FR XI.4

Pennsylvania-American Water Company
XI. Other Data

4. Provide a copy of the Company's most recent operating and capital budgets.

Answer: Please see FR VII.8.

Pennsylvania-American Water Company
 Data Requirements of the Pennsylvania Public Utility Commission
 Other Data Unaccounted For Water

FR XI.5

Pennsylvania-American Water Company
XI. Other Data

5. Provide a schedule that shows the percentage of unaccounted for water for the test year and two prior years. Describe how this amount was determined and explain any steps taken to reduce unaccounted for water. Provide a similar analysis of infiltration for wastewater utilities.

Pennsylvania-American Water Company - Water Operations

Answer:

<i>Pennsylvania American (1,000 gallons)</i>	2014		2015		2016	
System Delivery	71,428,347	100.0%	71,082,779	100.0%	69,604,386	100.0%
Sales	47,804,985	66.9%	47,551,335	66.9%	45,984,086	66.0%
Non-revenue use	9,872,866	13.8%	11,592,211	16.3%	12,439,711	17.9%
Unaccounted - for	13,750,496	19.3%	11,939,233	16.8%	11,180,589	16.1%

System delivery is the amount of water delivered to the distribution system from water treatment plants and/or wells. Each source of supply has a system delivery meter which measures water delivered to the distribution system. The sales number is the water delivered to customers measured by meters at each premises. The non-revenue use volume is a combination of water used by the company or public entities which are not billed for revenue, estimated identified leakage lost on repaired leaks, and the unavoidable leakage as calculated by standard International Water Association and American Water Works Association methods.

Pennsylvania American Water management team employs an NRW action plan, which includes industry best practices to reduce lost water. The following best practices are implemented and tracked:

- Leak Survey – Manual and Logger
- Leak Correlations
- Un-Metered Fire Services Checked for Leakage
- Right of Ways Checked for Leakage
- River/Stream Crossings Checked for Leakage
- Retirement of Parallel Mains and Service Changeover

Replacement of Small Diameter Mains (DSIC program)
 Replacement of Leaking Services
 Replacement of Regulatory Periodic Meter Changes
 Customer Large Meter Testing
 System Delivery Meter Testing/Monitoring
 Training in NRW and Water Loss Practices
 Large Meter Usage Variance Report
 Large Meter Replacement Program
 Average Bill Days Report
 Leak on Owners Side (Service Line) Program
 Non Revenue Water Productivity Report (Rolling 12)
 Sales to System Delivery Report w/ District graphs
 Ludlow hydrant Replacement Program
 SCADA Programming of Night Flow Averages
 Theft of Service Policy
 AWWA /IWA District Water Audits

Pennsylvania-American Water Company - Wastewater Operations

Answer:

	2016	2015	2014
Customer Flow	1,838,276	1,674,252	1,503,018
I&I	668,199	946,954	1,130,910
Total Plant Flow	2,506,475	2,621,206	2,633,928
Number of Customers	24,516	21,216	17,088

(1,000 gallons)

Data does not include Scranton WW which was acquired

12/28/16

Infiltration and Inflow (I&I) reduction efforts typically involve inspection and rehabilitation/replacement of components of the gravity collection system; including manholes, sewer mains, and lateral connections. In conjunction with closed circuit television (CCTV) inspection of sewer mains, defects are graded using a NASSCO Pipeline Assessment and Certification Program (PACP) system. Rehabilitation/replacement work is subsequently prioritized to address the most critical deficiencies. In larger collection systems, the collection system is segmented into sub-sheds for evaluation and prioritization. In some instances, hydrologic evaluations will be undertaken to quantify rainfall induced I&I on a sub-shed basis, for use in prioritizing future improvement activity.

Pennsylvania-American Water Company
Data Requirements of the Pennsylvania Public Utility Commission
Other Data Corporate History

FR XI.6

Pennsylvania-American Water Company
XI. Other Data

6. Provide a corporate history (include the dates of original incorporation, subsequent mergers or acquisitions, or both). Indicate all counties and cities and other governmental subdivisions to which service is provided, including service areas outside the state, and the total population in the area served.

Answer: Please refer to attached sheets.

PENNSYLVANIA-AMERICAN WATER COMPANY

Pennsylvania-American Water Company, an investor-owned water company, with corporate offices at 800 West Hershey Park Drive, Hershey, is a subsidiary of American Water Works Company, Inc. On February 1, 1989, the then-existing Pennsylvania-American Water Company (the result of the January 1, 1987 merger of Riverton Consolidated Water Company with and into Keystone Water Company) was merged with and into Western Pennsylvania Water Company, and the name of the surviving corporation was changed to Pennsylvania-American Water Company. A brief summary of each of the three predecessor companies follows.

Riverton Consolidated Water Company was formed by the merger and consolidation of six operating water companies in 1904. It subsequently acquired seven additional systems, and at the time of its merger with Keystone, supplied water to 12 municipalities on the Harrisburg west shore, Cumberland County, and Fairview Township in York County.

Keystone Water Company resulted from the 1973 merger of 14 companies with and into White Deer Mountain Water Company. The Company later acquired four systems. It provided water service in 14 eastern Pennsylvania counties through the following distribution systems: Abington, Bangor, Berwick, Frackville, Hallstead, Hershey/Palmyra, Montrose, Moshannon Valley, Norristown, Northumberland, Susquehanna, Thompson, White Deer (Milton), and Yardley.

Western Pennsylvania Water Company was the product of the merger of 16 water companies with and into South Pittsburgh Water Company at various times from 1970 to 1973. WPW added seven water distribution systems, extending its service territory into portions of 12 western Pennsylvania counties. The company operated through the following district offices: Butler, Clarion, Connellsville, Ellwood, Indiana, Kane, Kittanning, McDonald, Mon Valley, New Castle, Pittsburgh, Punxsutawney, Uniontown, Warren, and Washington.

After the merger of Riverton and Keystone in 1987, the former Pennsylvania-American Water Company purchased five systems: Red Land Water Company in York County, Campbelltown Water Company in Lebanon County, and three systems in the Moshannon Valley area, Clearfield County - Woodland-Bigler Area Authority, Allport Water Authority, and Graham Water Association.

Since the merger of the former Pennsylvania-American Water Company (Riverton and Keystone) into Western Pennsylvania Water Company on February 1, 1989, the Company has acquired the following water and wastewater systems: Smith Township Municipal Authority system (Washington County, February 27, 1989); Abington Township system (Lackawanna County, August 5, 1989); Summit Township Municipal Authority system (Butler County, August 31, 1993); Skyline Water Company (Dauphin County, December 2, 1993); Gregg Township Municipal Authority system (Union County, April 25, 1994); P-F Area Water Association system (Washington County, October 1, 1994); Country Place Water Company, Inc. and Country Place Waste Treatment Company, Inc. (Monroe County, June 30, 1995); Hickory Water Company, Pocono Farms East Water Company, Inc., and Silver Water Company (Monroe and Pike Counties, December 21, 1995); the water utility assets of Pennsylvania Gas and Water

Company (Lackawanna, Luzerne, Susquehanna and Wayne Counties, February 16, 1996); the Municipal Authority of the Township of Morris system (Clearfield County, April 24, 1996); Westford Water Company (Dauphin County, August 2, 1996); Lackawanna County Water System at Montage (Lackawanna County, April 11, 1997); Clarion Township General Authority (Clarion County, January 28, 1998); Fairview Water Company, National Utilities, Inc.-Pocono Division, and Pocono Mountains Industrial Park Authority (Monroe County, May 7, 1998); Coolbaugh Township-Fire System (Monroe County, July 28, 1998); Greene Valley Water Company (Lackawanna County, August 28, 1998); Franklin Manor Utilities, Ltd. (Washington County, September 22, 1998); Taylor Township (Lawrence County, December 21, 1998); Evansburg Water Company (Montgomery County, December 30, 1998); Applewold Borough (Armstrong County, March 26, 1999); Cedar Grove Water Association (Washington County, July 8, 1999); Independence Township Municipal Authority (Washington County, July 8, 1999); Koppel Borough (Beaver County, November 5, 1999); Center Township (Butler County, December 30, 1999); Strattanville Borough (Clarion County, April 6, 2000); Franklin Township Municipal Authority (Beaver County, August 30, 2000); Elk Forest Estates (Wayne County, November 18, 2000); T.O.W. Associates (Butler County, February 13, 2001); City of Coatesville Authority (Chester and Lancaster Counties, March 22, 2001); Fox Knoll Water Company (Chester County, April 26, 2001); Butler Township Area Water and Sewer Authority (Butler County, April 27, 2001); Citizens Utilities Water Company of Pennsylvania (Adams, Berks, Chester, Monroe, Montgomery and Northampton Counties, January 15, 2002); LP Water & Sewer Company (Monroe and Pike Counties, April 3, 2002); Mid-Monroe Water Company (Monroe County, August 23, 2002); West Decatur Authority (Clearfield County, March 31, 2003); Rustic Acres Water Association (Pike County, September 30, 2003); Sandy Ridge Water Authority (Center County, October 14, 2003); Connoquenessing Borough Authority (Butler County, October 23, 2003); Skytop Water Company (Luzerne County, December 3, 2003); Sligo Borough Authority (Clarion County, August 31, 2004); Snowshoe at Mt. Pocono Condominiums, Inc. (Monroe County, February 24, 2005); Shippenville Municipal Authority (Clarion County, March 31, 2005); Blue Mountain Lake Associates, L.P. (Monroe County, October 31, 2005); East Fallowfield Township (Chester County, December 22, 2005); Stillwater Lakes Water Corporation (Monroe County, January 17, 2006); Winona Lakes Utilities, Inc. (Monroe and Pike Counties, January 26, 2006); Saville Rustin Water Company, Inc./Pine Ridge Community Association, Inc. (Pike County, March 29, 2006); Lexington Woods Corporation (Monroe County, July 24, 2006); Community Association of Pocono Farms, Incorporated (Monroe County, July 31, 2006); Redstone Water Company (Fayette and Washington Counties, March 20, 2007); Mountain Top Estates Property Owners Association (Monroe County, May 30, 2008); Claysville-Donegal Joint Municipal Authority (Washington County, July 31, 2008); Three Lane Utilities, Inc. (Pike County, September 10, 2008); Clarion Area Authority (Clarion County, October 30, 2008); Boggs Township (Centre County, September 10, 2009); Amwell Township Water Authority (Washington County, September 23, 2009); Wallaceton Municipal Authority (Clearfield County, October 1, 2009); Saxonburg Area Authority (Butler County, October 28, 2009); Nittany Water Company (Centre and Clinton Counties, February 3, 2010); Sutton Hills Homeowners Association (Luzerne County, May 5, 2010); Birch Acres Water Works, Inc. (Monroe County, December 7, 2010); Helen Norella and Louis & Isabelle Norella (Lackawanna County, October 5, 2011); Wildcat Park Corporation (Schuylkill County, November 17, 2011); Estate of George Spangenberg d/b/a Lake Spangenberg Water Company (Lackawanna County, May 3, 2012); North Fayette County Municipal Authority-Balsinger Public Water System and Springfield Pike Public Water System

(Fayette County, October 4, 2012); All Seasons Water Company (Pike County, December 20, 2012); Ha Ra Corporation-Fernwood Community Water System (Monroe County, December 31, 2012); Olwen Heights Water Service Company, Inc. (Lackawanna County, February 4, 2013); Indian Rocks Water Association (Wayne County, March 13, 2013); Koppel Borough (Beaver County, May 31, 2013); Pocono Mountain Lake Forest Community Association (Pike County, July 22, 2013); Clean Treatment Sewage Company (Pike County, August 21, 2013); Franklin Township Municipal Authority (Adams County, August 29, 2013); Berry Hollow Water Company (Northampton County, April 3, 2014); Scott Township (Lackawanna County, May 22, 2014); Paint-Elk Joint Sewer Authority (Clarion County, July 31, 2014); Hamiltonban Township Municipal Authority (Adams County, November 3, 2014); Abbey Woods Homeowners Association (Butler County, July 14, 2015); Shippenville Borough (Clarion County, August 4, 2015); Paint Township Municipal Water Authority (Clarion County, October 1, 2015); McEwensville Municipal Authority (Northumberland County, October 21, 2015); Fairview Township (York County, December 22, 2015); Borough of New Cumberland (Cumberland County, October 31, 2016) and Sewer Authority of the City of Scranton (Lackawanna County, December 29, 2016). On July 2, 1990, Brownsville Water Company (Fayette County) and California Water Company (Washington County) were acquired and merged into the Company. On June 16, 1992, the former Forge Road Acres water system (Cumberland County) was sold to South Middleton Township. On March 24, 2003, Salisbury Water Supply Company (State of Massachusetts) was acquired and merged into the Company.

As a result of the various mergers and acquisitions, the Company furnishes water service to about 654,770 customers in the following municipalities:

All, or portions of, the Townships of Mount Joy, Mount Pleasant and Straban in Adams County;

All, or portions of, the Cities of Clairton and Pittsburgh (16th, 18th, 19th, 20th, 28th, 29th, 30th, 31st and 32nd Wards), the Boroughs of Baldwin, Bethel Park, Brentwood, Bridgeville, Carnegie, Castle Shannon, Crafton, Dormont, Dravosburg, Elizabeth, Glassport, Greentree, Heidelberg, Homestead, Ingram, Jefferson, Liberty, Lincoln, Mount Oliver, Munhall, Pleasant Hills, Rosslyn Farms, Thornburg, West Elizabeth, West Homestead, West Mifflin, Whitaker and Whitehall and the Townships of Baldwin, Collier, Elizabeth, Forward, Mt. Lebanon, North Fayette, Robinson, Scott, South Fayette, South Park and Upper St. Clair in Allegheny County;

All, or portions of, the Boroughs of Applegold and Kittanning and the Townships of Manor and Rayburn in Armstrong County;

All, or portions of, the Boroughs of Big Beaver, Ellwood City, Frankfort Springs and Koppel and the Townships of Franklin, Hanover and North Sewickly in Beaver County;

All, or portions of, the Boroughs of Sinking Spring, St. Lawrence and Wyomissing and the Townships of Amity, Cumru, Earl, Exeter, Lower Heidelberg, Ruscombmanor, South Heidelberg and Spring in Berks County;

All, or portions of, the Borough of Yardley and the Townships of Falls and Lower Makefield in Bucks County;

All, or portions of, the City of Butler, the Boroughs of Connoquenessing, East Butler and Saxonburg and the Townships of Butler, Center, Clinton, Connoquenessing, Donegal, Forward, Franklin, Jackson, Jefferson, Lancaster, Oakland, Penn and Summit in Butler County;

All, or portions of, the Boroughs of Philipsburg and South Philipsburg and the Townships of Boggs, Rush and Walker in Centre County;

All, or portions of, the City of Coatesville, the Boroughs of Atglen, Parkesburg, South Coatesville and Spring City and the Townships of Caln, East Coventry, East Fallowfield, East Pikeland, East Vincent, Highland, Sadsbury, Schuylkill, Valley, West Caln, West Sadsbury and West Vincent in Chester County;

All, or portions of, the Boroughs of Clarion, Shippenville, Sligo and Strattanville and the Townships of Clarion, Elk, Farmington, Highland, Knox, Limestone, Monroe, Paint and Piney in Clarion County;

All, or portions of, the Boroughs of Chester Hill, Osceola Mills and Wallacetown and the Townships of Boggs, Bradford, Decatur, Graham and Morris in Clearfield County;

All, or portions of, the Township of Porter in Clinton County;

All, or portions of, the Boroughs of Berwick and Briar Creek and the Township of Briar Creek in Columbia County;

All, or portions of, the Boroughs of Camp Hill, Lemoyne, New Cumberland, Shiremanstown and Wormleysburg and the Townships of East Pennsboro, Hampden, Lower Allen, Silver Spring and Upper Allen in Cumberland County;

All, or portions of, the Townships of Conewago, Derry, Londonderry, South Hanover and West Hanover in Dauphin County;

All, or portions of, the Cities of Connellsville and Uniontown, the Boroughs of Brownsville and South Connellsville and the Townships of Brownsville, Bullskin, Connellsville, Dunbar, German, Jefferson, Luzerne, Menallen, North Union, Redstone and South Union in Fayette County;

All, or portions of, the Borough of Indiana and the Township of White in Indiana County;

All, or portions of, the Boroughs of Big Run and Punxsutawney and the Townships of Bell, Gaskill, Henderson, McCalmont and Young in Jefferson County;

All, or portions of, the Cities of Carbondale and Scranton, the Boroughs of Archbald, Blakely, Clarks Green, Clarks Summit, Dalton, Dickson City, Dunmore, Jermyn, Jessup, Mayfield, Moosic, Old Forge, Olyphant, Taylor, Throop and Vandling and the Townships of Carbondale, Fell, Glenburn, Jefferson, North Abington, Roaring Brook, Scott and South Abington in Lackawanna County;

All, or portions of, the Borough of Quarryville and the Townships of Bart, Colerain, Eden and Sadsbury in Lancaster County;

All, or portions of, the City of New Castle; the Boroughs of Ellport, Ellwood City, New Beaver and South New Castle and the Townships of Hickory, Mahoning, Neshannock, North Beaver, Perry, Shenango, Taylor, Union and Wayne in Lawrence County;

All, or portions of, the Borough of Palmyra and the Townships of Annville, North Annville, North Londonderry, South Annville and South Londonderry in Lebanon County;

All, or portions of, the Cities of Nanticoke, Pittston and Wilkes-Barre, the Boroughs of Ashley, Avoca, Courtdale, Dallas, Dupont, Duryea, Edwardsville, Exeter, Forty Fort, Hughestown, Kingston, Laflin, Larksville, Laurel Run, Luzerne, Nescopeck, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Pittston, West Wyoming, Wyoming and Yatesville and the Townships of Conyngham, Fairview, Hanover, Hunlock, Jackson, Jenkins, Kingston, Newport, Pittston, Plains, Plymouth, Rice, Salem, Union, Wilkes-Barre and Wright in Luzerne County;

All, or portions of, the Borough of Kane and the Township of Wetmore in McKean County;

All, or portions of, the Borough of Mount Pocono, the Townships of Coolbaugh, Hamilton, Middle Smithfield, Ross, Smithfield and Stroud and the Village of Tobyhanna in Monroe County;

All, or portions of, the Boroughs of Bridgeport, Norristown and Royersford and the Townships of East Norriton, Limerick, Lower Pottsgrove, Lower Providence, Perkiomen, Plymouth, Skippack, Upper Merion, Upper Providence, West Norriton, Whitmarsh, Whitpain and Worcester in Montgomery County;

All, or portions of, the Boroughs of Bangor, Nazareth, Pen Argyl, Roseto, Stockertown, Tatamy and Wind Gap and the Townships of Bushkill, Forks, Lower Mount Bethel, Lower Nazareth, Plainfield, Upper Mount Bethel, Upper Nazareth and Washington in Northampton County;

All, or portions of, the Boroughs of McEwensville, Milton, Northumberland and Watsonstown and the Townships of Delaware, East Chillisquaque, Point, Turbot, Upper Augusta and West Chillisquaque in Northumberland County;

Portions of the Townships of Delaware, Lehman and Westfall in Pike County;

All, or portions of, the Borough of Frackville and the Townships of Butler, Mahanoy, New Castle, Walker and West Mahanoy in Schuylkill County;

All, or portions of, the Boroughs of Forest City, Great Bend, Hallstead, Lanesboro, Montrose, Susquehanna and Thompson and the Townships of Bridgewater, Great Bend, Harmony and Oakland in Susquehanna County;

All, or portions of, the Borough of Lewisburg and the Townships of Buffalo, East Buffalo, Gregg, Kelly and White Deer in Union County;

All, or portions of, the City of Warren and the Townships of Conewango, Glade, Meade, and Pleasant in Warren County;

All, or portions of, the Cities of Monongahela and Washington and the Boroughs of Burgettstown, California, Canonsburg, Claysville, Coal Center, East Washington, Finleyville, Houston, McDonald, Midway, New Eagle, West Brownsville and West Middletown and the Townships of Amwell, Buffalo, Canton, Carroll, Cecil, Chartiers, Cross Creek, Donegal, East Finley, East Pike Run, Fallowfield, Hanover, Hopewell, Independence, Jefferson, Morris, Mount Pleasant, North Franklin, North Strabane, Nottingham, Peters, Robinson, Smith, Somerset, South Franklin, South Strabane and Union in Washington County;

Portions of the Townships of Clinton and Salem in Wayne County; and

All, or portions of, the Townships of Fairview and Newberry in York County.

As a result of acquisitions, the Company furnishes wastewater service to about 54,691 customers in the following municipalities:

Portions of, the Townships of Franklin, Hamiltonban and Highland in Adams County;

All of the Borough of Koppel in Beaver County;

All, or portions of, the City of Coatesville, the Boroughs of Parkesburg and South Coatesville and the Townships of Caln, East Fallowfield, Highland, Sadsbury, Valley, West Caln and West Sadsbury in Chester County;

All, or portions of, the Boroughs of Clarion and Shippenville and the Townships of Clarion, Elk, Monroe and Paint in Clarion County;

All, or portions of, the Borough of New Cumberland and the Township of Lower Allen in Cumberland County.

All of the City of Scranton and the Borough of Dunmore in Lackawanna County.

Portions of the Townships of Coolbaugh, Middle Smithfield, Smithfield and Stroud in Monroe County;

All of the Borough of McEwensville in Northumberland County;

Portions of the Townships of Delaware and Lehman in Pike County;

All, or portions of, the Borough of Claysville and the Township of Donegal in Washington County; and

A portion of the Township of Fairview in York County.

[399 municipalities in 36 counties.]

12/31/2016