

**Pennsylvania-American Water Company
Exeter Wastewater System
Wastewater System
Potential Purchaser: Investor-Owned Utility
As of January 1, 2018
Calculated Rates of Return on Rate Base and Equity
(Years 1 through 20)**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Period	Age	Revenues	O&M Expenses	Book Depreciation	Ratemaking Interest Expense	Book Taxable Income (Current + Deferred)	State and Federal Taxes @ 28.89%	Net Operating Income	Net (Equity) Income	Net Plant	Working Capital	Accumulated Deferred Income Taxes (ADIT)	Rate Base	Return on Rate Base	Net Equity	Return on Equity
						(3)-(4)-(5)-(6)	(7) *28.89%	(7)-(8)+(6)	(9) - (6)				(11)+(12)+(13)	(9)/(14)		(10)/(16)
1	0.5	9,664,515	2,566,310	2,286,303	1,009,442	3,802,460	1,098,531	3,713,371	2,703,929	98,714,670	(560,542)	(469,923)	97,684,205	3.80%	73,479,093	3.68%
2	1.5	9,761,160	2,647,124	2,283,005	975,794	3,855,237	1,113,778	3,717,253	2,741,459	97,861,625	(566,147)	(954,729)	96,340,749	3.86%	75,322,031	3.64%
3	2.5	9,858,772	2,730,555	2,287,217	943,268	3,897,732	1,126,055	3,714,945	2,771,677	97,023,444	(571,809)	(1,452,659)	94,998,976	3.91%	77,225,137	3.59%
4	3.5	9,957,360	2,816,691	2,276,378	911,826	3,952,465	1,141,867	3,722,424	2,810,598	96,215,463	(577,527)	(1,968,481)	93,669,455	3.97%	79,196,117	3.55%
5	4.5	11,052,670	2,905,623	2,279,906	881,431	4,985,710	1,440,372	4,426,769	3,545,338	95,423,596	(641,055)	(2,498,473)	92,284,068	4.80%	81,929,824	4.33%
6	5.5	11,273,723	2,997,447	2,282,095	852,050	5,142,131	1,485,562	4,508,619	3,656,569	94,649,465	(653,876)	(3,043,459)	90,952,130	4.96%	84,801,816	4.31%
7	6.5	11,499,197	3,092,260	2,302,731	823,649	5,280,557	1,525,553	4,578,653	3,755,004	94,089,728	(666,953)	(3,615,646)	89,807,129	5.10%	87,798,396	4.28%
8	7.5	11,729,181	3,190,168	2,292,559	796,194	5,450,260	1,574,580	4,671,874	3,875,680	93,571,192	(680,292)	(4,211,001)	88,679,899	5.27%	90,940,933	4.26%
9	8.5	12,667,515	3,291,272	2,307,139	769,654	6,299,450	1,819,911	5,249,193	4,479,539	93,069,702	(734,716)	(4,823,108)	87,511,878	6.00%	94,711,767	4.73%
10	9.5	13,427,566	3,395,679	2,299,813	743,999	6,988,075	2,018,855	5,713,219	4,969,220	92,607,779	(778,799)	(5,459,052)	86,369,928	6.61%	98,995,905	5.02%
11	10.5	13,696,117	3,503,505	2,308,945	719,199	7,164,468	2,069,815	5,813,852	5,094,653	92,169,589	(794,375)	(6,114,856)	85,260,358	6.82%	103,428,312	4.93%
12	11.5	13,970,039	3,614,865	2,305,153	695,226	7,354,795	2,124,800	5,925,221	5,229,995	91,768,691	(810,262)	(6,795,054)	84,163,375	7.04%	108,018,136	4.84%
13	12.5	15,087,642	3,729,879	2,317,080	672,051	8,368,632	2,417,698	6,622,985	5,950,934	91,390,018	(875,083)	(7,492,190)	83,022,745	7.98%	113,350,238	5.25%
14	13.5	15,389,395	3,848,672	2,329,790	649,650	8,561,283	2,473,355	6,737,578	6,087,928	91,033,450	(892,585)	(8,210,605)	81,930,260	8.22%	118,839,962	5.12%
15	14.5	16,312,759	3,971,376	2,328,849	627,995	9,384,539	2,711,193	7,301,341	6,673,346	90,713,316	(946,140)	(8,955,114)	80,812,062	9.03%	124,935,044	5.34%
16	15.5	16,312,759	4,098,124	2,336,426	607,062	9,271,147	2,678,434	7,199,775	6,592,713	90,055,887	(946,140)	(9,656,500)	79,453,247	9.06%	130,968,768	5.03%
17	16.5	17,291,525	4,229,050	2,322,873	586,826	10,152,776	2,933,137	7,806,465	7,219,639	89,435,771	(1,002,908)	(10,382,649)	78,050,214	10.00%	137,648,051	5.24%
18	17.5	17,291,525	4,364,305	2,336,674	567,265	10,023,281	2,895,726	7,694,820	7,127,555	88,825,973	(1,002,908)	(11,106,359)	76,716,706	10.03%	144,253,262	4.94%
19	18.5	17,291,525	4,504,038	2,354,782	548,356	9,884,349	2,855,589	7,577,116	7,028,760	88,222,553	(1,002,908)	(11,826,417)	75,393,228	10.05%	150,777,090	4.66%
20	19.5	17,983,186	4,648,405	2,338,566	530,078	10,466,137	3,023,667	7,972,548	7,442,470	87,660,213	(1,043,025)	(12,573,220)	74,043,968	10.77%	157,731,459	4.72%