

PENNSYLVANIA-AMERICAN WATER COMPANY

**2020 GENERAL BASE RATE CASE
R-2020-3019369 (WATER)
R-2020-3019371 (WASTEWATER)**

**EXHIBIT NO. 3-A
REVENUE DEFICIENCY AND ADJUSTMENTS**

Pennsylvania-American Water Company

Exhibit No. 3-A

Revenue Deficiency and Adjustments

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Pennsylvania-American Water Company

3-A Combined Water and Wastewater Revenue Requirement - Summary

		Total Company	Water Operations Excl. Steelton	Water Steelton Operations	Wastewater SSS Excl. Sadsbury and Exeter Operations	Wastewater SSS Sadsbury Operations	Wastewater SSS Exeter Operations	Wastewater CSS Scranton Operations	Wastewater CSS McKeesport Operations	Wastewater CSS Kane Operations
RATE YEAR 1 12/31/21										
Present Rate Revenue Rate Year 1 Additional Revenue	(1)	\$715,449,380	\$639,540,327	\$2,808,571	\$26,594,302	\$1,019,361	\$8,186,390	\$23,457,185	\$12,369,057	\$1,474,187
Requirement Rate Year 1 Proposed Revenue	(2)	92,457,316	44,905,131	2,381,281	7,290,108	147,751	6,944,114	11,297,127	17,678,525	1,813,279
Requirement Rate Year 1		\$807,906,695	\$684,445,458	\$5,189,852	\$33,884,410	\$1,167,112	\$15,130,504	\$34,754,312	\$30,047,582	\$3,287,466
		12.9%	7.0%	84.8%	27.4%	14.5%	84.8%	48.2%	142.9%	123.0%
RATE YEAR 2 12/31/22										
Present Rate Revenue Rate Year 2 Additional Revenue	(1)	\$802,537,775	\$679,808,401	\$5,167,175	\$33,796,301	\$1,148,790	\$15,008,421	\$34,418,178	\$29,903,044	\$3,287,466
Requirement Rate Year 2 Proposed Revenue	(2)	46,189,053	39,203,243	130,592	3,239,322	(14,806)	318,862	2,707,920	78,557	525,363
Requirement Rate Year 2		\$848,726,828	\$719,011,643	\$5,297,767	\$37,035,623	\$1,133,984	\$15,327,283	\$37,126,098	\$29,981,600	\$3,812,829
		5.8%	5.8%	2.5%	9.6%	-1.3%	2.1%	7.9%	0.3%	16.0%
Overall Rate Year 1 and Rate Year 2 Increase/(Decrease)		\$138,646,369	\$84,108,373	\$2,511,873	\$10,529,430	\$132,946	\$7,262,976	\$14,005,047	\$17,757,081	\$2,338,642
		18.7%	12.8%	87.3%	37.0%	13.2%	86.9%	56.0%	143.2%	139.0%

Rate Year 1 - Cost of Service Allocation including Act 11										
Revenues Before Rate Year 1 Increase	(3)	\$715,449,380	\$639,540,327	\$2,808,571	\$26,594,302	\$1,019,361	\$8,186,390	\$23,457,185	\$12,369,057	\$1,474,187
Proposed Revenue Requirement Rate Year 1	(4)	807,906,695	684,445,458	5,189,852	33,884,410	1,167,112	15,130,504	34,754,312	30,047,582	3,287,466
Cost of Service Allocation Rate Year 1	(5)	0	1,776,829	(1,776,829)	(671,275)	671,275	0	0	0	0
Act 11 - Wastewater Allocation Rate Year 1	(6)	0	32,851,567	0	(2,428,123)	(878,532)	(4,059,372)	(8,457,047)	(15,544,509)	(1,483,984)
Proposed Revenues Rate Year 1		\$807,906,695	\$719,073,854	\$3,413,023	\$30,785,012	\$959,855	\$11,071,132	\$26,297,265	\$14,503,073	\$1,803,482
Rate Increase/(Decrease) Rate Year 1		\$92,457,316	\$79,533,527	\$604,452	\$4,190,710	(\$59,506)	\$2,884,742	\$2,840,080	\$2,134,016	\$329,295
		12.9%	12.4%	21.5%	15.8%	-5.8%	35.2%	12.1%	17.3%	22.3%
Rate Year 2 - Cost of Service Allocation including Act 11										
Proposed Revenues Rate Year 1		\$807,906,695	\$719,073,854	\$3,413,023	\$30,785,012	\$959,855	\$11,071,132	\$26,297,265	\$14,503,073	\$1,803,482
Change in Present Rate Revenues Rate Year 2	(7)	(5,368,920)	(4,637,057)	(22,677)	(88,109)	(18,322)	(122,083)	(336,134)	(144,538)	0
Going Level Revenues Rate Year 2		802,537,775	714,436,797	3,390,346	30,696,903	941,533	10,949,049	25,961,131	14,358,535	1,803,482
Proposed Revenue Requirement Rate Year 2	(8)	848,726,828	719,011,643	5,297,767	37,035,623	1,133,984	15,327,283	37,126,098	29,981,600	3,812,829
Cost of Service Allocation Rate Year 1	(5)	0	1,776,829	(1,776,829)	(671,275)	671,275	0	0	0	0
Change in Cost of Service Allocation Rate Year 2	(9)	0	(415,971)	415,971	(28,148)	28,148	0	0	0	0
Cost of Service Allocation Rate Year 2		0	1,360,858	(1,360,858)	(699,423)	699,423	0	0	0	0
Act 11 - Wastewater Allocation Rate Year 1	(6)	0	32,851,567	0	(2,428,123)	(878,532)	(4,059,372)	(8,457,047)	(15,544,509)	(1,483,984)
Change in Act 11 - Wastewater Allocation Rate Year 2	(10)	0	2,320,391	0	(1,078,338)	51,826	339,394	(2,386,514)	925,088	(171,847)
Act 11 - Wastewater Allocation Rate Year 2		0	35,171,958	0	(3,506,461)	(826,706)	(3,719,978)	(10,843,561)	(14,619,421)	(1,655,831)
Proposed Revenues Rate Year 2		\$848,726,828	\$755,544,459	\$3,936,909	\$32,829,739	\$1,006,701	\$11,607,305	\$26,282,537	\$15,362,179	\$2,156,998
Rate Increase/(Decrease) Rate Year 2		\$46,189,053	\$41,107,663	\$546,563	\$2,132,836	\$65,168	\$658,256	\$321,406	\$1,003,645	\$353,516
		5.8%	5.8%	16.1%	6.9%	6.9%	6.0%	1.2%	7.0%	19.6%
Overall Rate Year 1 and Rate Year 2 Increase/(Decrease)		\$138,646,369	\$120,641,189	\$1,151,015	\$6,323,546	\$5,663	\$3,542,998	\$3,161,486	\$3,137,660	\$682,811
		18.7%	18.2%	37.6%	22.7%	1.1%	41.3%	13.3%	24.2%	41.9%

Notes:

- (1) **Present Rate Revenue:** Present Rate Revenues for Rate Year 1 and Rate Year 2 are developed in the sections of Exhibit 3-A that relate to each of these operations.
- (2) **Additional Revenue Requirement:** The Additional Revenue Requirement for Rate Year 1 and Rate Year 2 are developed in subsequent sections of this Exhibit 3-A for each of the operations.
- (3) **Revenues before Rate Year 1 Increase** are equal to Present Rate Revenue in Rate Year 1.
- (4) **Proposed Revenue Requirement Rate Year 1** is equal to the proposed revenue requirement for Rate Year 1 before Cost of Service Allocation and Act 11.
- (5) **Cost of Service Allocation Rate Year 1** from Water Steelton to Water Operations Excl. Steelton and from Wastewater SSS Excl. Sadsbury and Exeter to Wastewater SSS Sadsbury Operations.
- (6) **Act 11 - Wastewater Allocation Rate Year 1** is the allocation between wastewater operations and water operations achieved by the proposed consolidation of water and wastewater revenue requirements to derive the water and wastewater rates proposed by the Company in this case.
- (7) **Change in Present Rate Revenues Rate Year 2** are developed in the sections of Exhibit 3-A that relate to each of these operations.
- (8) **Proposed Revenue Requirement Rate Year 2** is equal to the proposed revenue requirement for Rate Year 2 before Cost of Service Allocation and Act 11.
- (9) **Change in Cost of Service Allocation Rate Year 2** is the incremental change in cost of service allocation between Rate Year 1 and Rate Year 2.
- (10) **Change in Act 11 - Wastewater Allocation Rate Year 2** is the incremental change in Act 11 between Rate Year 1 and Rate Year 2.

(Tab)

Water Operations Excluding Steelton

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Pennsylvania-American Water Company - Water Operations Excl. Steelton

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020, 2021, and 2022 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		PER BOOKS	ADJUSTMENT	12/31/19		12/31/20		12/31/21		PROPOSED RATES		ADJUSTMENT	12/31/22		PROPOSED RATES			
				AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT		ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT		
1	Operating Revenue	\$625,525,443	(\$1,936,318)	\$623,589,125	\$22,260,592	\$645,849,717	(\$6,309,390)	\$639,540,327	\$44,905,131	\$684,445,458	(\$4,637,057)	\$679,808,401	\$39,203,243	\$719,011,643	1			
2	Operating Revenue Deductions:														2			
3	Operating Expenses	196,770,324	2,697,064	199,467,388	7,169,057	206,636,445	5,569,192	212,205,637	541,107	212,746,744	5,575,746	218,322,490	472,399	218,794,889	3			
4	Depreciation	120,181,839	19,535,500	139,717,339	1,682,810	141,400,149	1,845,570	143,245,719	0	143,245,719	3,249,809	146,495,528	0	146,495,528	4			
5	Amortizations	954,803	0	954,803	(185,571)	769,232	(7,558,748)	(6,789,516)	0	(6,789,516)	8,389	(6,781,127)	0	(6,781,127)	5			
6	Taxes, Other Than Income:														6			
7	Local Property And Miscellaneous	1,129,037	0	1,129,037	(48,469)	1,080,568	36,505	1,117,073	0	1,117,073	73,759	1,190,831	0	1,190,831	7			
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
9	Public Utility Realty Taxes	(2,365,897)	0	(2,365,897)	4,463,470	2,097,573	70,862	2,168,435	0	2,168,435	143,179	2,311,614	0	2,311,614	9			
10	Payroll Taxes	4,015,314	0	4,015,314	211,311	4,226,625	78,966	4,305,591	0	4,305,591	167,493	4,473,084	0	4,473,084	10			
11	General Assessment	3,198,224	355,598	3,553,822	127,657	3,681,479	(36,576)	3,644,903	258,622	3,903,525	(26,873)	3,876,652	225,785	4,102,437	11			
12	State Capital Stock Tax	(250,000)	250,000	0	0	0	0	0	0	0	0	0	0	0	12			
13	Total Taxes Other Than Income	5,726,678	605,598	6,332,276	4,753,969	11,086,245	149,757	11,236,002	258,622	11,494,624	357,558	11,852,182	225,785	12,077,967	13			
14	Utility Operating Income Before Income Taxes	301,891,799	(24,774,480)	277,117,319	8,840,328	285,957,647	(6,315,161)	279,642,486	44,105,402	323,747,888	(13,828,560)	309,919,328	38,505,059	348,424,387	14			
15	Income Taxes:														15			
16	State Income Tax	23,372,327	(525,316)	22,847,011	(6,116,127)	16,730,884	(1,079,735)	15,651,149	4,404,887	20,056,036	(2,977,061)	17,078,975	3,845,597	20,924,572	16			
17	Federal Income Tax	41,745,605	(8,344,705)	33,400,900	12,907,339	46,308,239	(15,743,791)	30,564,448	8,334,497	38,898,945	(3,098,730)	35,800,215	7,276,262	43,076,477	17			
18	Amortization Of ITC & Excess Deferred Taxes	(233,592)	0	(233,592)	0	(233,592)	0	(233,592)	0	(233,592)	0	(233,592)	0	(233,592)	18			
19	Total Income Taxes	64,884,340	(8,870,021)	56,014,319	6,791,212	62,805,531	(16,823,526)	45,982,005	12,739,384	58,721,389	(6,075,791)	52,645,598	11,121,859	63,767,457	19			
20	Total Operating Revenue Deductions	388,517,984	13,968,141	402,486,125	20,211,476	422,697,601	(16,817,755)	405,879,846	13,539,113	419,418,959	3,115,712	422,534,670	11,820,043	434,354,713	20			
21	Utility Operating Income	237,007,459	(15,904,459)	221,103,000	2,049,116	223,152,116	10,508,365	233,660,481	31,366,018	265,026,499	(7,752,769)	257,273,730	27,383,200	284,656,930	21			
22	Income Deductions:														22			
23	Interest On Long Term Debt	61,012,815	0	61,012,815	2,807,636	63,820,451	984,137	64,804,588	12,434	64,817,022	3,736,030	68,553,052	10,598	68,563,650	23			
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	24			
25	Interest On Notes Payable To Others	1,751,199	0	1,751,199	(1,751,199)	0	0	0	0	0	0	0	0	0	25			
26	Total Income Deductions	62,764,014	0	62,764,014	1,056,437	63,820,451	984,137	64,804,588	12,434	64,817,022	3,736,030	68,553,052	10,598	68,563,650	26			
27	Net Income	\$174,243,445	(\$15,904,459)	\$158,338,986	\$992,679	\$159,331,665	\$9,524,228	\$168,855,893	\$31,353,584	\$200,209,477	(\$11,488,799)	\$188,720,678	\$27,372,602	\$216,093,280	27			
28	Preferred Dividends	296,768		296,768		195,460		174,448		174,481		34,726		34,732	28			
29	Net Income To Common	\$173,946,677		\$158,042,218		\$159,136,205		\$168,681,445		\$200,034,996		\$188,685,952		\$216,058,548	29			

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS EXCL. STEELTON

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	ACQUISITION ADJUSTMENTS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE		DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	461.1	RESIDENTIAL	\$402,586,277	(\$1,483,253)	\$87,503	\$1,039,463	\$402,229,990	\$1,918,320	(\$6,697,165)		\$19,460,339	\$416,911,484
4	461.2	COMMERCIAL	150,163,677	(13,349)	28,608	(853,134)	149,325,802	(1,539,659)	(899,726)		7,277,410	154,163,827
5	461.3	INDUSTRIAL	28,384,660	(60,189)		(103,888)	28,220,583	(214,656)			1,169,687	29,175,614
6	464	MUNICIPAL	19,658,798	(6,161)	312	(848,611)	18,804,338	215,211			966,757	19,986,306
7	466	SALES FOR RESALE	2,393,606	17,665		10,079	2,421,350	67,761			35,410	2,524,521
8		TOTAL METERED SALES	603,187,018	(1,545,287)	116,423	(756,091)	601,002,063	446,977	(7,596,891)	0	28,909,603	622,761,752
9		UNMETERED SALES										
10	460	RESIDENTIAL	98,711	0	0	0	98,711	12,362			6,276	117,349
11	460	COMMERCIAL	0	0	0	0	0	0			0	0
12	460	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
13	460	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
14	460	MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0
15		TOTAL UNMETERED SALES	98,711	0	0	0	98,711	12,362	0	0	6,276	117,349
16	462.1	PRIVATE FIRE PROTECTION	3,892,970	25,623	0	63,962	3,982,555	0	0	0	197,144	4,179,699
17	462.2	PUBLIC FIRE PROTECTION	7,945,450	240,493	0	(41,482)	8,144,461	52,357	0	0	0	8,196,818
18		TOTAL WATER SALES	615,124,149	(1,279,171)	116,423	(733,611)	613,227,790	511,696	(7,596,891)	0	29,113,023	635,255,618
19		OTHER OPERATING REVENUES										
20	469	GUARANTEED REVENUES	698,178	0	0	(78,543)	619,635	14,784	0	0	0	634,419
21	470	LATE PAYMENT FEES	3,789,797	0	0	38,584	3,828,381	137,520	0	0	0	3,965,901
22	471	MISC SERVICE REVENUES	4,629,466	0	0	0	4,629,466	8,759	0	0	0	4,638,225
23	472	RENTS FROM PROPERTIES	696,450	0	0	0	696,450	71,701	0	0	0	768,151
24	473	INTERCOMPANY RENTS	587,403	0	0	0	587,403	0	0	0	0	587,403
25	474	OTHER WATER REVENUES	0	0	0	0	0	0	0	0	0	0
26		TOTAL OTHER OPERATING REVENUES	10,401,294	0	0	(39,959)	10,361,335	232,764	0	0	0	10,594,099
27												
28		TOTAL OPERATING REVENUES	\$625,525,443	(\$1,279,171)	\$116,423	(\$773,570)	\$623,589,125	\$744,460	(\$7,596,891)	\$0	\$29,113,023	\$645,849,717
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PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS EXCL. STEELTON

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	461.1	RESIDENTIAL	\$416,911,484	\$959,160	\$0	(\$6,712,014)		\$411,158,630	7.33%	\$30,120,361	441,278,991
4	461.2	COMMERCIAL	154,163,827	176,084	0	(900,760)		153,439,151	8.08%	12,390,654	165,829,805
5	461.3	INDUSTRIAL	29,175,614	71,472	0	0		29,247,086	2.91%	850,225	30,097,311
6	464	MUNICIPAL	19,986,306	0	0	0		19,986,306	0.00%	252	19,986,558
7	466	SALES FOR RESALE	2,524,521	68,492	0	0		2,593,013	1.80%	46,616	2,639,629
8		TOTAL METERED SALES	622,761,752	1,275,208	0	(7,612,774)	0	616,424,186	7.04%	43,408,108	659,832,294
9		UNMETERED SALES									
10	460	RESIDENTIAL	117,349	0	0	0		117,349	1.67%	1,963	119,312
11	460	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	460	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	460	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	460	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	117,349	0	0	0	0	117,349	1.67%	1,963	119,312
16	462.1	PRIVATE FIRE PROTECTION	4,179,699	0	0	0	0	4,179,699	15.34%	641,348	4,821,047
17	462.2	PUBLIC FIRE PROTECTION	8,196,818	26,076	0	0	0	8,222,894	6.99%	575,109	8,798,003
18		TOTAL WATER SALES	635,255,618	1,301,284	0	(7,612,774)	0	628,944,128	7.10%	44,626,528	673,570,656
19		OTHER OPERATING REVENUES									
20	469	GUARANTEED REVENUES	634,419	0	6,780	0	0	641,199	0.00%	0	641,199
21	470	LATE PAYMENT FEES	3,965,901	0	(39,403)	0	0	3,926,498	7.10%	278,603	4,205,101
22	471	MISC SERVICE REVENUES	4,638,225	8,211	0	0	0	4,646,436	0.00%	0	4,646,436
23	472	RENTS FROM PROPERTIES	768,151	0	26,512	0	0	794,663	0.00%	0	794,663
24	473	INTERCOMPANY RENTS	587,403	0	0	0	0	587,403	0.00%	0	587,403
25	474	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
26		TOTAL OTHER OPERATING REVENUES	10,594,099	8,211	(6,111)	0	0	10,596,199	2.63%	278,603	10,874,802
27											
28		TOTAL OPERATING REVENUES	\$645,849,717	\$1,309,495	(\$6,111)	(\$7,612,774)	\$0	\$639,540,327	7.02%	\$44,905,131	\$684,445,458

PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS EXCL. STEELTON

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	461.1	RESIDENTIAL	\$441,278,991	\$3,228,621	\$0	(\$7,661,881)		\$436,845,731	5.83%	\$25,476,058	\$462,321,789
4	461.2	COMMERCIAL	165,829,805	594,604	0	(1,000,931)		165,423,478	6.54%	10,824,296	176,247,774
5	461.3	INDUSTRIAL	30,097,311	51,976	0	0		30,149,287	6.39%	1,925,705	32,074,992
6	464	MUNICIPAL	19,986,558	0	0	0		19,986,558	1.64%	327,360	20,313,918
7	466	SALES FOR RESALE	2,639,629	73,105	0	0		2,712,734	1.85%	50,197	2,762,931
8		TOTAL METERED SALES	659,832,294	3,948,306	0	(8,662,812)	0	655,117,788	5.89%	38,603,616	693,721,404
9		UNMETERED SALES									
10	460	RESIDENTIAL	119,312	0	0	0		119,312	5.20%	6,204	125,516
11	460	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	460	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	460	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	460	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	119,312	0	0	0	0	119,312	5.20%	6,204	125,516
16	462.1	PRIVATE FIRE PROTECTION	4,821,047	0	0	0	0	4,821,047	4.93%	237,874	5,058,921
17	462.2	PUBLIC FIRE PROTECTION	8,798,003	77,534	0	0	0	8,875,537	1.27%	112,322	8,987,859
18		TOTAL WATER SALES	673,570,656	4,025,840	0	(8,662,812)	0	668,933,684	5.82%	38,960,016	707,893,700
19		OTHER OPERATING REVENUES									
20	469	GUARANTEED REVENUES	641,199	0	6,840	0	0	648,039	0.00%	0	648,039
21	470	LATE PAYMENT FEES	4,205,101	0	(28,948)	0	0	4,176,153	5.82%	243,227	4,419,380
22	471	MISC SERVICE REVENUES	4,646,436	0	8,383	0	0	4,654,819	0.00%	0	4,654,819
23	472	RENTS FROM PROPERTIES	794,663	0	13,640	0	0	808,303	0.00%	0	808,303
24	473	INTERCOMPANY RENTS	587,403	0	0	0	0	587,403	0.00%	0	587,403
25	474	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
26		TOTAL OTHER OPERATING REVENUES	10,874,802	0	(85)	0	0	10,874,717	2.24%	243,227	11,117,944
27											
28		TOTAL OPERATING REVENUES	\$684,445,458	\$4,025,840	(\$85)	(\$8,662,812)	\$0	\$679,808,401	5.77%	\$39,203,243	\$719,011,644
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PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS EXCL. STEELTON

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/19 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/20 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$625,525,443						
2	Present Rates At 12/31/19				\$623,589,125				
3	Present Rates At 12/31/20						\$645,849,717		
4	Proposed Rates At 12/31/21								\$684,445,458
5	Unbilled Adjustment	(1,279,171)							
6	Change In Customers Adjustment	184,441		2,270,486		1,135,244		3,823,225	
7	DSIC Annualization			29,113,023					
8	Private Fire Protection	63,962							
9	Public Fire Protection	(41,482)		52,357		26,076		77,534	
10	Declining Residential and Commercial Usage			(7,596,891)		(7,612,774)		(8,662,812)	
11	Specific Customers Adjustment	(942,428)		(1,823,509)		139,964		125,081	
12	Rate Zone 2 Rate Increase	1,616							
13	Rate Zone 3 Rate Increase	280							
14	Winola Acquisition			12,362					
15	Turbotville Acquisition	116,423							
16	Other Operating Revenues								
17	469 - Guaranteed Revenues	(78,543)		14,784		6,780		6,840	
18	470 - Penalties	38,584		137,520		(39,403)		(28,948)	
19	471 - Misc Service Revenues			8,759		8,211		8,383	
20	472 -Rents From Properties			71,701		26,512		13,640	
21	Pro Forma Adjustment		<u>(1,936,318)</u>		<u>22,260,592</u>		<u>(6,309,390)</u>		<u>(4,637,057)</u>
22	Pro Forma Present Rates At December 31, 2019		<u><u>\$623,589,125</u></u>						
23	Pro Forma Present Rates At December 31, 2020				<u><u>\$645,849,717</u></u>				
24	Pro Forma Present Rates At December 31, 2021						<u><u>\$639,540,327</u></u>		
25	Pro Forma Present Rates At December 31, 2022								<u><u>\$679,808,401</u></u>

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	(\$1,483,253)
3	Commercial	(13,349)
4	Industrial	(60,189)
5	Municipal	(6,161)
6	Sales For Resale	17,665
7	Miscellaneous	
8	Total Metered Sales	(\$1,545,287)
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
15	Total Unmetered Sales	\$0
16	Private Fire Protection	\$25,623
17	Public Fire Protection	240,493
18	Total Unbilled Water Sales	(\$1,279,171)
19	Other Operating Revenues	\$0
20	Pro Forma Adjustment	(\$1,279,171)

Witness: Ashley Everette

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

DSIC Annualization Adjustment

This revenue adjustment is being made to reflect the annualization of the Distribution System Improvement Charge revenues for 2020 based on the Company's pro forma level at December 31, 2020 and the 5.65% rate that is expected to become effective on October 1, 2020.

LINE NO.	DESCRIPTION	12/31/2019 PER BOOK DSIC REVENUE	12/31/2020 ANNUALIZED DSIC REVENUE	12/31/2020 PRO FORMA ADJUSTMENT
1	Metered Sales			
2	Residential	\$2,826,759	\$22,287,098	\$19,460,339
3	Commercial	1,074,351	8,351,761	7,277,410
4	Industrial	176,616	1,346,303	1,169,687
5	Municipal	138,215	1,104,972	966,757
6	Sales For Resale	5,641	41,051	35,410
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$4,221,582	\$33,131,185	\$28,909,603
9	Unmetered Sales			
10	Residential	\$0	\$6,276	\$6,276
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$6,276	\$6,276
16	Private Fire Protection	\$26,380	\$223,524	\$197,144
17	Public Fire Protection	0	0	0
18	Total Unbilled Water Sales	\$4,247,962	\$33,360,985	\$29,113,023
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$4,247,962	\$33,360,985	\$29,113,023

Witness: Ashley Everette
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Private Fire Protection

This revenue adjustment is being made to reflect the annualization of rates for private fire service based upon the number of customers receiving such service at December 31, 2019. The Company is not projecting a change in the number of customers for 2020 through 2022. The change in revenues at present rates 2020 is due to the annualization of DSIC revenue at a DSIC rate of 5.65%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annual Charge For Private Fire Protection				
2	Facilities In Service At 12/31/22 at new 2021 rates				\$4,821,047
3	Annual Charge For Private Fire Protection				
4	Facilities In Service At 12/31/21, Including DSIC and TCJA			\$4,179,699	4,179,699
5	Annual Charge For Private Fire Protection				
6	Facilities In Service At 12/31/20, Including DSIC and TCJA		\$4,179,699	4,179,699	
7	Annual Charge For Private Fire Protection				
8	Facilities In Service At 12/31/19, Including DSIC and TCJA	\$3,982,555	3,982,555		
9	Less: Private Fire Protection Revenue For				
10	The Twelve Months Ended 12/31/19	3,892,970			
11	Unbilled	25,623			
12	Pro Forma Adjustment	<u>\$63,962</u>	<u>\$197,144</u>	<u>\$0</u>	<u>\$641,348</u>

Witness: Ashley E. Everette
Reference: FR II.10

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Public Fire Protection

This adjustment is being made to reflect the annualization of revenues for public fire service based upon the number of customers/hydrants at December 31, 2019 and as projected at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PROPOSED RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annual Charge For Public Fire Protection					
2	Facilities In Service At 12/31/22 at 2021 rates					\$8,875,537
3	Annual Charge For Public Fire Protection					
4	Facilities In Service At 12/31/21 at Proposed rates				8,798,003	8,798,003
3	Annual Charge For Public Fire Protection					
4	Facilities In Service At 12/31/21, Including TCJA			\$8,222,894	8,222,894	
5	Annual Charge For Public Fire Protection					
6	Facilities In Service At 12/31/20, Including TCJA		\$8,196,818	8,196,818		
7	Annual Charge For Public Fire Protection					
8	Facilities In Service At 12/31/19, Including TCJA	\$8,144,461	8,144,461			
9	Less: Public Fire Protection Revenue For					
10	The Twelve Months Ended 12/31/19	7,945,450				
11	Unbilled	240,493				
12	Pro Forma Adjustment	(\$41,482)	\$52,357	\$26,076	\$575,109	\$77,534

Witness: Ashley Everette

Reference: FR II.10

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Declining Residential and Commercial Usage Adjustment

This adjustment is being made to address the declining trend in residential and commercial usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Gregory Roach (PAWC Statement No. 9).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales			
2	Residential	(\$6,697,165)	(\$6,712,014)	(\$7,661,881)
3	Commercial	(899,726)	(900,760)	(1,000,931)
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$7,596,891)	(\$7,612,774)	(\$8,662,812)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$7,596,891)	(\$7,612,774)	(\$8,662,812)
19	Miscellaneous Service Fees	\$0	\$0	\$0
20	Rents From Properties	0	0	0
21	Other Water Revenues	0	0	0
22	Total Operating Revenues	(\$7,596,891)	(\$7,612,774)	(\$8,662,812)

Witness: Ashley E. Everette

Reference: FR II.2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Turbotville

On July 24, 2019, the Company closed on the acquisition of the water utility property of the Municipal Authority of the Borough of Turbotville and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition. The adjustment was based on a six month average of August 2019 through December of 2019 and January of 2020. An Adjustment was also made for Eden Mist Laundromat that was over billed in September, October and November 2019 and corrected in January of 2020.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AJUSTMENT
1	Metered Sales			
2	Residential	\$62,603	\$150,106	\$87,503
3	Commercial	25,923	54,531	28,608
4	Industrial	0	0	0
5	Municipal	230	542	312
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$88,756	\$205,179	\$116,423
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Water Sales	\$88,756	\$205,179	\$116,423
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$88,756	\$205,179	\$116,423

Witness: Ashley Everette

Reference: FR II. 2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Winola Water Company

During 2020, the Company will close on the acquisition of the water utility property of the Winola Water Company and begin providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Metered Sales	
2	Residential	\$0
3	Commercial	0
4	Industrial	0
5	Municipal	0
6	Sales For Resale	0
7	Miscellaneous	0
8	Total Metered Sales	\$0
9	Unmetered Sales	
10	Residential	\$12,362
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
15	Total Unmetered Sales	\$12,362
16	Total Water Sales	\$12,362
17	Miscellaneous Service Fees	\$0
18	Rents From Properties	0
19	Total Operating Revenues	\$12,362

Witness: Ashley Everette
Reference: FR II. 2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Specific Customer Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT
1	Commercial				
2	Hershey Medical Center		(\$223,487)		
3	Shale Gas Drilling		(1,668,338)		
4	Industrial				
5	Conagra	40,588	38,832	39,612	40,696
6	Hershey Foods	(20,787)	10,800	11,040	11,280
7	US Steel	(7,340)	0	20,820	0
8	Ferro Corporation		(141,904)		
9	Ellwood City Forge	(116,349)			
10	Ingredion Inc.		(122,384)		
11	Municipal				
12	Retreat Institutions	(676,230)			
13	Hershey Medical Center		215,211		
14	State Correctional Institute	(172,389)			
15	Sale For Resale				
16	Newtown Artesian Water Company	1,482	3,102	3,174	3,174
17	Oakdale Borough	(726)	1,987	2,019	2,052
18	Evans City	298	3,132	3,759	3,759
19	WACMA	9,025	59,540	59,540	64,120
20	Total	<u>(\$942,428)</u>	<u>(\$1,823,509)</u>	<u>\$139,964</u>	<u>\$125,081</u>

Witness: Ashley E. Everette

Reference: FR II.2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Annualization of Rate Zone 2 - Nittany Increase

Per the settlement agreement in the Company's last Rate Case at R-2017-2595853, the Company agreed to phase in the rate increase for Rate Zone 2 - Nittany over two years with increases occurring in January 2018 and January 2019. This adjustment annualizes the increase that occurred in January of 2019.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AJUSTMENT
1	Metered Sales			
2	Residential	\$303,010	\$304,472	\$1,462
3	Commercial	52,639	52,786	147
4	Industrial	0	0	0
5	Municipal	3,014	3,021	7
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$358,663	\$360,279	\$1,616
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Water Sales	\$358,663	\$360,279	\$1,616
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$358,663	\$360,279	\$1,616

Witness: Ashley Everette
Reference: FR II. 2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Annualization of Rate Zone 3 - McEwensville Increase

Per the settlement agreement in the Company's last Rate Case at R-2017-2595853, the Company agreed to phase in the rate increase for Rate Zone 3 - McEwensville over two years with increases occurring in January 2018 and January 2019. This adjustment annualizes the increase that occurred in January of 2019.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AJUSTMENT
1	Metered Sales			
2	Residential	\$47,885	\$48,118	\$233
3	Commercial	10,164	10,210	46
4	Industrial	0	0	0
5	Municipal	223	224	1
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$58,272	\$58,552	\$280
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Water Sales	\$58,272	\$58,552	\$280
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$58,272	\$58,552	\$280

Witness: Ashley Everette
Reference: FR II. 2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Office Rental Income

Pennsylvania American collects office rent for the Service Company portion of the Wilkes Barre Scranton office. This adjustment annualizes the office rent income at present rates December 31, 2019, 2020, 2021 and 2022 for this office. Pennsylvania American also collects Service Company rent for the lease of office space by Service Company employees of American Water in the Mechanicsburg Corporate Office of Pennsylvania American Water. This adjustment also annualizes the Service Company office rental income at present rates December 31, 2019, 2020, 2021 and 2022 for the new Corporate Center at the Mechanicsburg office.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Wilkes Barre Scranton Office	\$182,520	\$187,500	\$192,492	\$197,472
2	New Corporate Center in Mechanicsburg	326,340	336,144	337,932	339,792
	Sub-Total	\$508,860	\$523,644	\$530,424	\$537,264
3	Less: Office Rental Income The Twelve Months Ended 12/31/2019	587,403			
4	Pro Forma Adjustment	<u>(\$78,543)</u>	<u>\$14,784</u>	<u>\$6,780</u>	<u>\$6,840</u>
	469 Other Water Revenues	(\$78,543)	\$14,784	\$6,780	\$6,840

Witness: Ashley E. Everette

Wilkes Barre Scranton Office	Monthly Rent	Annualized Rent
Rent at December 31, 2019	\$15,210	\$182,520
Rent at December 31, 2020	15,625	187,500
Rent at December 31, 2021	16,041	192,492
Rent at December 31, 2022	16,456	197,472

Mechanicsburg Office	Monthly Rent	Annualized Rent
Rent at December 31, 2019	\$27,195	\$326,340
Rent at December 31, 2020	28,012	336,144
Rent at December 31, 2021	28,161	337,932
Rent at December 31, 2022	28,316	339,792

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Rental Income - Cell Phone Towers

The Company receives money from cellular phone providers for the lease of space on top of its water towers for the placement of antennas. This adjustment is being made to adjust for the difference between revenues that were recorded in 2019 and the revenue that is expected to be recorded as cell tower rental income in 2020, 2021 and 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Cell Tower Rental Income	\$766,287	\$792,799	\$806,439
2	Less: Cell Tower Rental Income for			
3	The Twelve Months Ended 12/31/2019	694,586		
4	Pro Forma Adjustment	<u>\$71,701</u>	<u>\$26,512</u>	<u>\$13,640</u>
	472 Other Water Revenues	\$71,701	\$26,512	\$13,640

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Usage Data

The Company supplies water usage data to municipalities so they can bill their residents for sewer. The Company increases this fee annually based on the change in the CPI. An adjustment is being made in 2020 for 2.28%, which is the actual 2019 change in the CPI. An adjustment is also being made in 2021 and 2022 for 2.09%, which is the four year average of the change in the CPI.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Fee Increase	\$384,127	\$392,886	\$401,097	\$409,480
2	Pro Forma Adjustment		\$8,759	\$8,211	\$8,383
	471 Other Water Revenues	\$0	\$8,759	\$8,211	\$8,383

Witness: Ashley E. Everette
Reference: FRII.2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Change in Revenues due to change in Number of Customers

The following Historic revenue adjustment reflects the change in revenues due to the average change in number of customers during the twelve months ended December 31, 2019. The following future and fully forecasted revenue adjustment reflects the change in revenues due to the projected change in number of customers during the twelve months ending December 31, 2020 through December 31, 2022. Projections were based on a three year historical growth average exclusive of acquisitions.

LINE NO.	DESCRIPTION	CALCULATION REFERENCE	PRESENT RATES 12/31/2019 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2020 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2021 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2022 REVENUE ADJUSTMENT
1	Residential Metered Customers	FR II.2	\$1,037,768	\$1,918,320	\$959,160	\$3,228,621
2	Residential revenue was adjusted by applying					
3	the average annual consumption per residential					
4	customer to the projected increase in customers					
5	for the test year 2019, 2020, 2021 and 2022.					
6	Residential Unmetered Customers					
7	Commercial Metered Customers	FR II.2	(853,327)	352,166	176,084	594,604
8	Commercial revenue was adjusted by applying					
9	the average annual consumption per residential					
10	customer to the projected increase in customers					
11	for the test year 2019, 2020, 2021 and 2022.					
12						
13	Any adjustments to large commercial accounts					
14	would be shown as specific customer adjustments.					
15	Industrial, Municipal And Sale For Resale	FR II.2				
16	Metered Customers					
17	Those large enough to warrant an adjustment are					
18	shown as specific customer adjustments.					
19	Pro Forma Adjustment		<u>\$184,441</u>	<u>\$2,270,486</u>	<u>\$1,135,244</u>	<u>\$3,823,225</u>

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	607,813	611,147	613,868	616,589	619,310	619,310	0	0
3	601.2	Commercial	45,022	45,174	45,278	45,382	45,486	45,486	0	0
4	601.3	Industrial	523	521	521	521	521	521	0	0
5	606	Municipal	2,234	2,186	2,186	2,186	2,186	2,186	0	0
6	607	Resale	23	22	22	22	22	22	0	0
7	601.4	Miscellaneous	0	0	0	0	0	0	0	0
8		Metered	655,615	659,050	661,875	664,700	667,525	667,525	0	0
9		Unmetered								
10	602.1	Residential	134	134	165	165	165	134	0	31
11	602.2	Commercial	0	0	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	134	134	165	165	165	134	0	31
16	604	Private Fire	3,880	3,882	3,882	3,882	3,882	3,407	0	475
17	605	Public Fire	409	409	409	409	409	349	0	60
18		Total Customers	660,038	663,475	666,331	669,156	671,981	671,415	0	566

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020, 2021, and 2022. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Water Sales	\$613,844,978	\$613,227,790	\$635,255,618	\$628,944,128	\$673,570,656	\$668,933,684	\$707,893,699
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	3,789,797	3,828,381	3,965,901	3,926,498	4,205,102	4,176,153	4,419,380
5 Less: Per Books At 12/31/2019		3,789,797					
6 Less: Present Rates At 12/31/2019			3,828,381				
7 Less: Present Rates At 12/31/2020				3,965,901			
8 Less: Present Rates At 12/31/2021					3,926,498		
9 Less: Proposed Rates At 12/31/2021						4,205,102	
10 Less: Present Rates At 12/31/2022							4,176,153
11 Pro Forma Adjustments		\$38,584	\$137,520	(\$39,403)	\$278,604	(\$28,949)	\$243,227

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		DEPRECIATED ORIGINAL COST 12/31/19	DEPRECIATED ORIGINAL COST 12/31/20	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED PROPOSED 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED PROPOSED 12/31/22
1	Non-Depreciable Plant	\$25,555,367	\$26,871,761	\$26,932,290	\$26,932,290	\$27,588,410	\$27,588,410
2	Depreciable Plant	5,207,216,552	5,455,004,771	5,614,995,824	5,614,995,824	6,027,333,980	6,027,333,980
3	Total Utility Plant In Service	5,232,771,919	5,481,876,532	5,641,928,114	5,641,928,114	6,054,922,390	6,054,922,390
4	Deduct:						
5	Contributions In Aid Of Construction	224,157,007	225,068,327	225,523,987	225,523,987	226,890,967	226,890,967
6	Customer Advances For Construction	64,511,651	66,940,332	68,154,673	68,154,673	71,797,694	71,797,694
7	Excluded Property	1,558,014	1,558,014	1,558,014	1,558,014	1,558,014	1,558,014
8	Sub-Total	290,226,672	293,566,673	295,236,674	295,236,674	300,246,675	300,246,675
9	Net Utility Plant In Service	4,942,545,247	5,188,309,859	5,346,691,440	5,346,691,440	5,754,675,715	5,754,675,715
10	Accumulated Depreciation	954,316,390	1,054,514,266	1,101,184,033	1,101,184,033	1,222,092,872	1,222,092,872
11	Depreciated Utility Plant In Service	3,988,228,857	4,133,795,593	4,245,507,407	4,245,507,407	4,532,582,843	4,532,582,843
12	Add:						
13	Materials And Supplies	10,331,405	10,331,405	10,331,405	10,331,405	10,331,405	10,331,405
14	Cash Working Capital - Expenses	18,492,199	20,064,496	20,089,831	20,089,831	20,582,604	20,582,604
15	Accrued And Prepaid Taxes	3,983,807	5,117,031	4,465,587	5,100,928	4,896,147	5,450,820
16	Acquisition Adjustments	8,274,056	7,759,510	7,500,012	7,500,012	6,758,742	6,758,742
17	Other Additions	0	466,686	443,352	443,352	373,349	373,349
18	Deduct:						
19	Cash Working Capital - Int And Div	6,796,502	7,288,875	7,401,559	7,402,977	7,831,542	7,832,751
20	Unamortized Itc (3%)	300,107	284,303	268,499	268,499	252,695	252,695
21	Extension Deposits In Suspense	18,942	18,942	18,942	18,942	18,942	18,942
22	Citizens Acquisition CIAC & CAC, per settlement	0	19,333,006	19,166,263	19,166,263	18,666,034	18,666,034
23	Tax Cuts and Jobs Act -Stub Period	21,736,427	22,633,729	18,861,441	18,861,441	7,544,577	7,544,577
24	Other Deductions	0	863,839	842,243	842,243	777,455	777,455
25	Deferred Taxes	895,864,396	928,620,977	937,842,759	937,842,759	960,396,999	960,396,999
26	Total Rate Base Elements	\$3,104,593,950	\$3,198,491,050	\$3,303,935,888	\$3,304,569,811	\$3,580,036,845	\$3,580,590,309
27	Utility Operating Income						
28	Per Books	\$237,007,459	7.63%	7.41%	7.17%	7.17%	6.62%
29	Present Rates At 12/31/2019	221,103,000	7.12%	-	-	-	-
30	Present Rates At 12/31/2020	223,152,116	-	6.98%	-	-	-
31	Present Rates At 12/31/2021	233,660,481	-	-	7.07%	-	-
32	Proposed Rates At 12/31/2021	265,026,499	-	-	8.02%	-	-
33	Present Rates At 12/31/2022	257,273,730	-	-	-	7.19%	-
34	Proposed Rates At 12/31/2022	284,656,930	-	-	-	-	7.95%

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	301.00	Organization	\$766,405	\$0	\$0	\$766,405	\$0	\$0	\$766,405	\$766,405	\$0	\$0	\$766,405
2	302.00	Franchises & Consents	2,404,599	0	0	2,404,599	0	0	2,404,599	2,404,599	0	0	2,404,599
3	303.00	Miscellaneous Intangible Plant	15,569	1,316,394	0	1,331,963	128,673	7,616	1,453,021	1,392,492	612,618	17,028	2,048,611
4		Total Intangible Plant	<u>\$3,186,573</u>	<u>\$1,316,394</u>	<u>\$0</u>	<u>\$4,502,967</u>	<u>\$128,673</u>	<u>\$7,616</u>	<u>\$4,624,025</u>	<u>\$4,563,496</u>	<u>\$612,618</u>	<u>\$17,028</u>	<u>\$5,219,615</u>
5	303.00	Land & Land Rights	22,368,794	\$0	\$0	\$22,368,794	\$0	\$0	\$22,368,794	\$22,368,794	\$0	\$0	\$22,368,794
6		Total Land & Land Rights	<u>\$22,368,794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,368,794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,368,794</u>	<u>\$22,368,794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,368,794</u>
7	303.14	Water Rights - Hibernia	\$1,942,823	\$0	\$0	\$1,942,823	\$0	\$0	\$1,942,823	\$1,942,823	\$0	\$0	\$1,942,823
8	303.35	Waste Handling and Treatment Land	155,025	0	0	155,025	0	0	155,025	155,025	0	0	155,025
9	303.99	Comprehensive Planning Studies	7,896,046	517,500	0	8,413,546	1,357,500	60,985	9,710,061	9,061,804	472,500	0	10,182,561
10	304.15	Other Water Source Structures	40,065,584	581,824	44,292	40,603,116	4,036,313	390,721	44,248,708	42,425,912	1,884,400	74,319	46,058,789
11	304.20	Power and Pumping Structures	109,879,854	1,657,987	147,376	111,390,466	11,101,819	674,004	121,818,280	116,604,373	5,938,988	558,708	127,198,560
12	304.30	Purification Buildings	264,136,219	3,586,194	246,069	267,476,343	25,051,925	2,425,064	290,103,204	278,789,774	11,630,000	856,455	300,876,749
13	304.36	Waste Handling Struct. & Improv.	11,734,845	0	0	11,734,845	0	0	11,734,845	11,734,845	0	0	11,734,845
14	304.61	Office Buildings	42,436,270	1,144,559	108,042	43,472,787	575,383	55,698	43,992,472	43,732,630	799,003	75,166	44,716,309
15	304.62	Stores, Shop and Garage Buildings	54,505,165	439,869	41,522	54,903,512	244,921	23,709	55,124,724	55,014,118	335,320	31,545	55,428,498
16	304.63	Miscellaneous Structures and Improvements	3,743,190	283,732	26,783	4,000,139	146,896	14,220	4,132,816	4,066,477	199,763	18,793	4,313,786
17	305.00	Collecting and Impounding Reservoirs	134,992,381	680,283	0	135,672,664	0	0	135,672,664	135,672,664	0	0	135,672,664
18	306.00	Lake, River and Other Intakes	18,257,338	0	0	18,257,338	0	0	18,257,338	18,257,338	0	0	18,257,338
19	307.00	Wells and Springs	9,969,633	0	0	9,969,633	730,000	4,840	10,694,793	10,332,213	2,570,600	161,630	13,103,763
20	310.00	Other Power Production Equipment	18,106,149	193,941	18,307	18,281,783	1,851,878	179,265	19,954,396	19,118,090	834,050	78,463	20,709,984
21	311.00	Electric Pumping Equipment	86,143,271	2,056,684	194,143	88,005,812	8,945,144	865,903	96,085,053	92,045,433	3,650,427	228,131	99,507,348
22	320.00	Purification System	293,748,102	18,854,737	1,738,396	310,864,443	60,905,269	5,412,526	366,357,186	338,610,815	37,748,509	2,888,421	401,217,274
23	320.30	Granular Activated Carbon	8,643,532	0	0	8,643,532	0	0	8,643,532	8,643,532	0	0	8,643,532
24	320.37	Waste Handling and Treatment Equipment	14,969,799	0	0	14,969,799	0	0	14,969,799	14,969,799	0	0	14,969,799
25	330.00	Distribution Reservoirs and Standpipes	178,402,935	3,654,000	344,924	181,712,011	21,002,009	1,622,346	201,091,675	191,401,843	9,788,826	720,612	210,159,889
26	331.00	Mains and Accessories	2,792,124,873	158,354,539	13,197,166	2,937,282,246	138,190,994	10,787,314	3,064,685,925	3,000,984,086	153,488,630	13,289,784	3,204,884,771
27	333.00	Services	595,182,118	28,735,604	1,588,650	622,329,072	28,876,019	1,654,334	649,550,757	635,939,914	28,876,019	1,607,732	676,819,044
28	334.00	Meters	186,897,244	11,795,955	847,998	197,845,200	10,780,698	663,090	207,962,808	202,904,004	9,324,259	644,411	216,642,656
29	335.00	Fire Hydrants	112,896,261	7,940,774	566,969	120,270,065	7,976,788	620,991	127,625,862	123,947,963	7,804,788	584,683	134,845,967
30	340.00	Office Furniture and Equipment	57,569,983	19,317,538	9,267,688	67,619,833	22,435,904	12,066,022	77,989,715	72,804,774	22,862,087	11,851,704	89,000,098
31	340.31	Computer Software	62,990,459	0	0	62,990,459	0	0	62,990,459	62,990,459	0	25,489,250	37,501,209
32	341.00	Transportation Equipment	50,678,292	8,916,840	841,716	58,753,417	8,380,230	811,219	66,322,428	62,537,922	8,467,650	796,591	73,993,487
33	342.00	Stores Equipment	448,034	0	0	448,034	0	0	448,034	448,034	0	0	448,034
34	343.00	Tools and Work Equipment	25,585,542	3,492,569	0	29,078,111	3,019,088	0	32,097,199	30,587,655	3,019,088	175,949	34,940,337
35	344.00	Laboratory Equipment	2,606,821	0	0	2,606,821	0	0	2,606,821	2,606,821	0	0	2,606,821
36	345.00	Power Operated Equipment	2,405,806	0	0	2,405,806	0	0	2,405,806	2,405,806	0	0	2,405,806
37	346.00	Communication Equipment	7,727,052	3,665,513	544,883	10,847,681	3,252,777	891,016	13,209,442	12,028,561	3,261,987	422,889	16,048,540
38	347.00	Miscellaneous Equipment	9,582,110	1,713,870	31,369	11,264,612	398,954	55,135	11,608,430	11,436,521	0	54,554	11,553,877
39	348.00	Other Tangible Equipment	793,797	0	0	793,797	0	0	793,797	793,797	0	0	793,797
40		Total Tangible Plant	<u>\$5,207,216,552</u>	<u>\$277,584,514</u>	<u>\$29,796,294</u>	<u>\$5,455,004,771</u>	<u>\$359,260,508</u>	<u>\$39,278,401</u>	<u>\$5,774,986,877</u>	<u>\$5,614,995,824</u>	<u>\$312,956,893</u>	<u>\$60,609,790</u>	<u>\$6,027,333,980</u>
41		Total Utility Plant In Service	<u>\$5,232,771,919</u>	<u>\$278,900,908</u>	<u>\$29,796,294</u>	<u>\$5,481,876,532</u>	<u>\$359,389,181</u>	<u>\$39,286,017</u>	<u>\$5,801,979,696</u>	<u>\$5,641,928,114</u>	<u>\$313,569,511</u>	<u>\$60,626,818</u>	<u>\$6,054,922,389</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Contributions in Aid of Construction (CIAC)

The Company receives Contributions in Aid of Construction (CIAC) on an annual basis. The Commission's Order dated April 21, 1993, at Docket No. R-922428 approved the use of a three year average to calculate the future test year additions to CIAC. The projected CIAC to be received during the twelve months ended December 31, 2021 reflects a half-year convention. The projected CIAC to be received during the twelve months ended December 31, 2022 reflects the full three year average of 2022 CIAC and half of the three year average projected in 2021. The following adjustment reflects the projected CIAC balances during the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Contributions In Aid Of Construction		\$224,157,007	\$225,068,327	\$225,523,987
2	Plus: Three Year Average Of Contributions	911,320	<u>911,320</u>	<u>455,660</u>	<u>1,366,980</u>
3	Contributions In Aid Of Construction		<u>(\$225,068,327)</u>	<u>(\$225,523,987)</u>	<u>(\$226,890,967)</u>

Witness: Dr. Christina E. Chard
Reference: FR V.16

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Customer Advances For Construction (CAC)

The Company requires Customer Advances for Construction (CAC) for all main extensions requested by developers. New projects increase the CAC account and refunds to be made during the future test year to developers for prior year CAC decrease the CAC account. The projected CAC during the twelve months ended December 31, 2021 reflects a half-year convention. The projected CAC to be received during the twelve months ended December 31, 2022 reflects the full year projected CAC and half of the projected CAC in 2021. The following adjustment reflects the level of activity (advances and refunds) projected for the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Customer Advances For Construction	\$64,511,651	\$66,940,332	\$68,154,673
2	Plus: Customer Advances For Construction To Be Capitalized	<u>7,428,681</u>	<u>3,714,341</u>	<u>11,143,022</u>
3	Sub-Total	<u>71,940,332</u>	<u>70,654,673</u>	<u>79,297,694</u>
4	Less: Customer Advances For Construction To Be Refunded	<u>5,000,000</u>	<u>2,500,000</u>	<u>7,500,000</u>
5	Customer Advances For Construction	<u><u>(\$66,940,332)</u></u>	<u><u>(\$68,154,673)</u></u>	<u><u>(\$71,797,694)</u></u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Excluded Property

Contained on the Company's records as of December 31, 2019 are several items which the Company excludes for rate-making purposes.

LINE NO.	DESCRIPTION	PRESENT RATES
		12/31/2019 AMOUNT
1	Excluded Property At 12/31/19	<u>(\$1,558,014)</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the materials and supplies account during the period December 2018 to December 2019.

LINE NO.	MONTH	DETAIL	PRESENT RATES
			12/31/2020 through 12/31/2022 AMOUNT
1	December, 2018	\$9,191,378	
2	January, 2019	9,189,721	
3	February	9,352,262	
4	March	9,727,876	
5	April	10,329,531	
6	May	10,717,195	
7	June	11,616,226	
8	July	11,661,844	
9	August	11,061,057	
10	September	10,900,535	
11	October	10,537,527	
12	November	10,056,044	
13	December, 2019	9,967,063	
14	Total	<u>\$134,308,260</u>	
15	Average		\$10,331,405
16	Allowance For Materials And Supplies		
17	At 12/31/2020 through 12/31/2022		<u><u>\$10,331,405</u></u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for water service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO.	DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1	Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2	Bi-Monthly Billings					
3	Lag Days					
4	Dollar Days					
5	Quarterly					
6	Lag Days					
7	Dollar Days					
8	Monthly Billings	\$624,246,272	\$623,589,125	\$645,849,717	\$639,540,327	\$679,808,401
9	Lag Days	50.7	50.7	50.7	50.7	50.7
10	Dollar Days	\$31,655,528,453	\$31,622,204,529	\$32,751,039,149	\$32,431,089,982	\$34,473,084,008
11	Total Billed Revenue	\$624,246,272	\$623,589,125	\$645,849,717	\$639,540,327	\$679,808,401
12	Total Dollar Days	\$31,655,528,453	\$31,622,204,529	\$32,751,039,149	\$32,431,089,982	\$34,473,084,008
13	Average Lag In Receipt Of Revenue (Line 12 / Line11)	50.7	50.7	50.7	50.7	50.7
14	Deduct: Average Lag In Payment Of					
15	Operating Expenses	15.6	15.2	13.6	14.6	14.7
16	Average Lag Between Payment Of Operating					
17	Expenses And Receipt Of Revenues	35.1	35.5	37.1	36.1	36.0
18	Working Capital Requirements					
19	Annual Operating Expenses (Including Payroll Expenses)		\$190,131,022	\$197,400,170	\$203,124,356	\$208,684,867
20	Operating Expenses Per Day (Line 20 / 365 Days)		520,907	540,822	556,505	571,739
21	Cash Working Capital Required					
22	(Line 17 * Line 20)		\$18,492,199	\$20,064,496	\$20,089,831	\$20,582,604

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	DOLLAR	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022	
		AMOUNT	DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.14	\$52,354,447	\$635,582,987	\$52,354,447	\$635,582,987	\$58,504,372	\$710,243,080	\$59,611,870	\$723,688,106	\$62,012,668	\$752,833,794
2 Group Insurance	10.92	8,211,378	89,668,248	8,211,378	89,668,248	9,158,043	100,005,830	9,765,865	106,643,246	10,402,291	113,593,018
3 OPEB's and VEBA	0.00	(6,952,689)	0	(2,064,308)	0	(2,529,410)	0	(2,529,410)	0	(2,529,410)	0
4 Pension	13.14	5,136,239	67,490,180	5,136,239	67,490,180	(390,013)	(5,124,771)	(390,013)	(5,124,771)	(390,013)	(5,124,771)
5 Purchased Power	24.97	13,453,781	335,940,912	13,414,168	334,951,775	12,042,089	300,690,962	11,746,309	293,305,336	11,431,617	285,447,476
6 Purchased Water	34.69	2,578,352	89,443,031	2,578,352	89,443,031	2,904,914	100,771,471	2,965,191	102,862,480	3,024,495	104,919,730
7 Chemicals	48.81	9,455,008	461,498,940	9,455,008	461,498,940	10,497,111	512,364,000	11,198,264	546,587,278	11,840,645	577,941,895
8 Miscellaneous	31.01	33,414,485	1,036,183,180	33,433,222	1,036,764,214	27,790,343	861,778,536	31,413,610	974,136,033	32,018,028	992,879,035
9 Transportation	39.23	2,153,364	84,476,470	2,153,364	84,476,470	2,371,585	93,037,280	2,476,857	97,167,100	2,575,351	101,031,020
10 Ins Other Than Group	(53.43)	11,889,139	(635,236,697)	11,889,139	(635,236,697)	15,117,509	(807,728,506)	13,166,870	(703,505,837)	13,429,037	(717,513,447)
11 Service Company	12.14	46,566,045	565,311,786	46,566,045	565,311,786	54,920,918	666,739,945	56,686,235	688,170,893	57,857,450	702,389,440
12 Waste Disposal	45.65	1,830,364	83,556,117	1,830,364	83,556,117	1,830,364	83,556,117	1,830,364	83,556,117	1,830,364	83,556,117
13 Telephone	8.71	3,798,036	33,080,894	3,798,036	33,080,894	3,798,036	33,080,894	3,798,036	33,080,894	3,798,036	33,080,894
14 Rents	8.05	381,320	3,069,626	381,320	3,069,626	390,060	3,139,983	390,060	3,139,983	390,060	3,139,983
15 Natural Gas	31.80	994,248	31,617,086	994,248	31,617,086	994,248	31,617,086	994,248	31,617,086	994,248	31,617,086
16 Totals		\$185,263,517	\$2,881,682,760	\$190,131,022	\$2,881,274,657	\$197,400,170	\$2,684,171,907	\$203,124,356	\$2,975,323,944	\$208,684,867	\$3,059,791,270
17 Average Lag			15.6		15.2		13.6		14.6		14.7
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$200,785,638		\$203,482,702		\$210,863,070		\$216,511,228		\$222,795,574	
19 Uncollectibles		9,684,690		7,514,249		7,782,489		7,706,461		8,430,296	
20 Amortizations		5,837,431		5,837,431		5,680,411		5,680,411		5,680,411	
21 Sum Of Other Expenses		151,849,032		156,697,800		169,609,827		171,710,746		176,666,839	
22 Miscellaneous		\$33,414,485		\$33,433,222		\$27,790,343		\$31,413,610		\$32,018,028	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		RATE YEAR 1 PROPOSED RATES 12/31/2021		RATE YEAR 2			
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PRESENT RATES 12/31/2022		PROPOSED RATES 12/31/2022	
											TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	197.2	\$3,553,822	\$1,920,038	\$3,681,479	\$1,989,007	\$3,644,903	\$1,969,246	\$3,903,525	\$2,108,973	\$3,876,652	\$2,094,454	\$4,102,437	\$2,216,440
2	Public Utility Realty Tax	66.5	(2,365,897)	(431,047)	2,097,573	382,161	2,168,435	395,071	2,168,435	395,071	2,311,614	421,157	2,311,614	421,157
3	Local Property Tax	99.1	1,129,037	306,541	1,080,568	293,382	1,117,073	303,293	1,117,073	303,293	1,190,831	323,319	1,190,831	323,319
4	State Income Tax	14.2	22,847,011	888,843	16,730,884	650,900	15,651,149	608,894	20,056,036	780,262	17,078,975	664,442	20,924,572	814,052
5	Federal Income Tax	14.2	33,400,900	1,299,432	46,308,239	1,801,581	30,564,448	1,189,083	38,898,945	1,513,329	35,800,215	1,392,775	43,076,477	1,675,852
6	Totals			<u>\$3,983,807</u>		<u>\$5,117,031</u>		<u>\$4,465,587</u>		<u>\$5,100,928</u>		<u>\$4,896,147</u>		<u>\$5,450,820</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE NO.	DESCRIPTION	LONG TERM	SHORT TERM	PREFERRED			
		INTEREST	INTEREST	DIVIDEND			
1	Average Lag Calculation						
2	Future Revenue Lag Days	50.7	50.7	50.7			
3	Less: Interest Payments Lag Days	92.4	15.2	46.2			
4	Average Lag Between The Payment	(41.7)	35.5	4.5			
5	Of Interest And The Receipt						
6	Of Revenues						
		PRESENT		PRESENT	RATE YEAR 1	RATE YEAR 2	
		RATES		RATES	PROPOSED	PRESENT	PROPOSED
		12/31/19		12/31/20	AMOUNT	RATES	AMOUNT
7	Long Term Debt						
8	Working Capital Requirements						
9	Pro Forma Annual Interest Expense	\$61,012,815		\$63,820,451	\$64,804,588	\$64,817,022	\$68,553,052
10	Interest Expense Per Day						
11	(Line 9 / 365 Days)	167,158		174,851	177,547	177,581	187,817
12	Cash Working Capital Required						
13	(Line 4 Col.1 X Line 11)		(6,970,489)	(7,291,287)	(7,403,710)	(7,405,128)	(7,831,969)
14	Short Term Debt						
15	Working Capital Requirements						
16	Pro Forma Annual Interest Expense	1,751,199		0	0	0	0
17	Interest Expense Per Day						
18	(Line 16 / 365 Days)	4,798		0	0	0	0
19	Cash Working Capital Required						
20	(Line 4 Col.2 X Line 18)		170,329	0	0	0	0
21	Preferred Dividends						
22	Working Capital Requirements						
23	Pro Forma Annual Dividend Expense	296,768		195,460	174,448	174,481	34,726
24	Dividend Expense Per Day						
25	(Line 23 / 365 Days)	813		536	478	478	95
26	Cash Working Capital Required						
27	(Line 4 Col.3 X Line 25)		3,659	2,412	2,151	2,151	428
28	Total Cash Working Capital Required						
29	(Line 13 + Line 20 + Line 27)		<u>(\$6,796,502)</u>	<u>(\$7,288,875)</u>	<u>(\$7,401,559)</u>	<u>(\$7,402,977)</u>	<u>(\$7,831,542)</u>
							<u>(\$7,832,751)</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Acquisition Adjustments

The following adjustment reflects the recognition of the positive Utility Plant Acquisition Adjustments (UPAA) associated with the acquisition of the various water utility assets pursuant to the terms of the Commission-approved settlement of the Company's rate cases at Docket Nos. R-973944, R-2011-2232243 and R-2013-2355276. In addition, the Company is requesting recognition of the transaction costs associated with its acquisition of the water assets of the Municipal Authority of the Borough of Turbotville at Docket No. A-2018-3004191.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2019	2020	PRESENT RATES 12/31/2020	2021	PRESENT RATES 12/31/2021	2021	2022	PRESENT RATES 12/31/2022
			AMOUNT	Amortizations	AMOUNT	Amortizations (Half-Year)	AMOUNT	Amortizations (Half-Year)	Amortizations	AMOUNT
1	PG&W	Approved Docket No. R-973944	\$8,093,226	\$455,956	\$7,637,270	\$227,978	\$7,409,292	\$227,978	\$455,956	\$6,725,358
2	Saxonburg	Approved Docket No. R-2011-2232243	80,748	44,046	36,702	18,351	18,351	18,351	0	0
3	Birch Acres	Approved Docket No. R-2011-2232243	1,145	625	520	260	260	260	0	0
4	Lake Spangenberg	Approved Docket No. R-2013-2355276	54,834	13,709	41,125	6,855	34,270	6,854	13,709	13,707
5	Fernwood	Approved Docket No. R-2013-2355276	22,522	5,630	16,892	2,815	14,077	2,815	5,630	5,632
6	Olwen Heights	Approved Docket No. R-2013-2355276	21,581	5,396	16,185	2,698	13,487	2,698	5,396	5,393
7	Turbotville Water Transaction Costs	Seeking Approval			10,816	541	10,275	541	1,082	8,652
8	Effect to Rate Base Element		<u>\$8,274,056</u>	<u>\$525,362</u>	<u>\$7,759,510</u>	<u>\$259,498</u>	<u>\$7,500,012</u>	<u>\$259,497</u>	<u>\$481,773</u>	<u>\$6,758,742</u>

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Other Rate Base Additions

The Company is requesting recognition of the costs incurred by the Company as receiver of Winola Water Company and Indian Springs Water Company.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	Winola Water Company (P-2018-3006216)	Seeking Approval	\$406,190	\$20,310	\$385,881	\$20,310	\$40,619	\$324,952
2	Indian Springs Water Company (M-2019-3011972)	Seeking Approval	60,496	3,025	57,471	3,025	6,050	48,397
3	Effect to Rate Base Element		<u>\$466,686</u>	<u>\$23,335</u>	<u>\$443,352</u>	<u>\$23,334</u>	<u>\$46,669</u>	<u>\$373,349</u>

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Other Rate Base Deductions

The Company is reflecting a rate base deduction associated with an equipment discount in 2019 amortized over 20 years.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	Equipment Discount	(\$863,839)	(\$21,596)	(\$842,243)	(\$21,596)	(\$43,192)	(\$777,455)
2	Effect to Rate Base Element	<u>(\$863,839)</u>	<u>(\$21,596)</u>	<u>(\$842,243)</u>	<u>(\$21,596)</u>	<u>(\$43,192)</u>	<u>(\$777,455)</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Tax Cuts and Jobs Act Stub Period

The following adjustment reflects the federal income tax savings associated with the 2017 Tax Cuts and Jobs Act ("TCJA") for January 1, 2018 through June 30, 2018 (the "Stub Period"). The adjustment reflects the accrual of interest at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et seq.). The 2020 interest accrual is projected based on the 4.5% interest rate in effect at December 2019. The reconciliation amounts shown in the Company's 2019 and 2020 TCJA Reconciliation filings are included as part of this adjustment.

LINE NO.	DESCRIPTION	12/31/2018 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Tax Cuts and Jobs Act Stub Period	\$19,940,044	\$20,747,108	\$21,736,427	\$22,633,729	\$18,861,441
2	Interest Accrual	835,684	1,001,150	897,302	0	0
3	TCJA Surcharge Reconciliation	(28,620)	(11,831)	0	0	0
4	Less: One-Half Year 2021 Amortization				3,772,288	3,772,288
5	Less: One Year 2022 Amortization					7,544,576
6	Effect to Rate Base Element	<u>\$20,747,108</u>	<u>\$21,736,427</u>	<u>\$22,633,729</u>	<u>\$18,861,441</u>	<u>\$7,544,577</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Unamortized Investment Tax Credit

The unamortized balance of the 3% Investment Tax Credit is not allowed as a part of the Rate Base Elements. The following sets forth the unamortized portion of the 3% Investment Tax Credit at December 31, 2019. The unamortized balance at December 31, 2020, December 31, 2021, and December 31, 2022 reflects one additional year of amortization.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Unamortized 3% ITC	\$300,107	\$284,303	\$268,499
2	Less: 3% ITC Amortization For The Twelve			
3	Months Ending 12/31/20	15,804		
4	Less: 3% ITC Amortization For The Twelve			
5	Months Ending 12/31/21		15,804	
6	Less: 3% ITC Amortization For The Twelve			
7	Months Ending 12/31/22			15,804
8	Effect On Rate Base Elements	<u>(\$284,303)</u>	<u>(\$268,499)</u>	<u>(\$252,695)</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Extension Deposits in Suspense

The Company requires customer advances for construction to extend its mains to serve new developments based upon an estimate of construction costs. At the completion of the project, entries are made to adjust estimated costs of construction to actual cost of construction. The difference is charged to the extension deposit in suspense account until it is refunded to the customer. The Commission's Order at Docket No. R-891208 approved an adjustment to rate base of an average of extension deposits in suspense. The following reflects the adjustment to rate base for such an average.

LINE NO.	MONTH	DETAIL	12/31/2020 through 12/31/2022 AMOUNT
1	December, 2018	(\$19,250)	
2	January, 2019	(10,750)	
3	February	(10,750)	
4	March	(14,500)	
5	April	(20,750)	
6	May	(20,250)	
7	June	(21,000)	
8	July	(21,000)	
9	August	(21,000)	
10	September	(24,000)	
11	October	(24,750)	
12	November	(21,000)	
13	December, 2019	<u>(17,250)</u>	
14	Total	(\$246,250)	
15	Average		<u>(\$18,942)</u>
16	Effect On Rate Base Elements		<u><u>\$18,942</u></u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Citizens Utilities Water Company Acquisition

Customer Advances for Construction (CAC) and Contributions in Aid of Construction (CIAC) Adjustment

Paragraph 8.d of the Joint Petition for Settlement at Docket No. R-2009-2097323, which was approved by the Commission in its final order entered November 7, 2009, provides that: "for ratemaking purposes: (i) \$14,147,208, or 40%, of the December 31, 2009 balance of the net customer advances for which Citizens Utilities Water Company of Pennsylvania ("Citizens") retained the refund liability upon the Company's acquisition of Citizens' water utility assets will be deemed deducted from the Company's rate base; (ii) \$8,895,830 (100%) of the December 31, 2009 balance of the net contributions in aid of construction the OCA proposed to attribute to PAWC from its acquisition of Citizens' water assets will be deducted from PAWC's rate base; (iii) in future base rate cases, the foregoing balances, adjusted to reflect accumulated amortization, will be deducted for ratemaking purposes until such balances are fully amortized; and (iv) the applicable depreciation rate for PAWC's transmission and distribution mains will be used to calculate the amortization of such balances for ratemaking purposes to offset the portion of depreciation expense on gross plant in service that is related to these advances and contributions." Shown below are the adjustments that are called for by the settlement at Docket No. R-2009-

LINE NO.	DESCRIPTION	Advances Acquisition Adjustment	CIAC Acquisition Adjustment	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 2021 AMOUNT	PRESENT RATES 2022 AMOUNT
1	AMOUNT ESTABLISHED IN CASE R-2009-2097323	\$14,147,208	\$8,895,830			
2	Less: 2010 - AMORTIZATION	202,846	152,873			
3	2011 - AMORTIZATION	202,846	152,873			
4	2012 - AMORTIZATION	202,846	152,873			
5	2013 - AMORTIZATION	202,846	152,873			
6	2014 - AMORTIZATION	186,998	140,930			
7	2015 - AMORTIZATION	186,998	140,930			
8	2016 - AMORTIZATION	186,998	140,930			
9	2017 - AMORTIZATION	186,998	140,930			
10	2018 - AMORTIZATION	185,413	139,735			
11	2019 - AMORTIZATION	185,413	139,735			
12	2020 - AMORTIZATION	185,413	139,735			
	PRESENT RATES 12/31/20	\$12,031,593	\$7,301,413	\$19,333,006		
13	Less: 2021 - AMORTIZATION (1/2 year)	95,084	71,659			
	Rate Year 1 - 2021	11,936,509	7,229,754		\$19,166,263	
	Less: 2021 - AMORTIZATION (1/2 Year)	95,084	71,659			
14	2022 - AMORTIZATION	190,168	143,318			
15	Rate Year 2 - 2022	\$11,651,257	\$7,014,777			\$18,666,034
9	TOTAL CITIZENS ACQUISITION ADJUSTMENT			\$19,333,006	\$19,166,263	\$18,666,034

WITNESS: Dr. Christina E. Chard

REFERENCE: EXHIBIT 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax	(\$895,864,396)	(\$928,620,977)	(\$937,842,759)	(\$960,396,999)
2	Less: Prior Year		(895,864,396)	(928,620,977)	(937,842,759)
3	Effect to Rate Base Element	<u>(\$895,864,396)</u>	<u>(\$32,756,581)</u>	<u>(\$9,221,782)</u>	<u>(\$22,554,240)</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$158,715	\$158,715	\$178,210	\$181,586	\$188,917
4	601.2	Salary And Wages	324,441	324,441	364,291	371,193	386,179
5	610.1	Purchased Water	2,578,352	2,578,352	2,904,914	2,965,191	3,024,495
6	615.1	Purchased Power	2,717,781	2,713,071	2,465,729	2,430,558	2,385,591
7	616.1	Purchased Fuel	28,576	28,576	28,576	28,576	28,576
8	620.1	Materials And Supplies	31,728	31,728	31,728	31,728	31,728
9	631.1	Contract Services - Engineering	49,465	49,465	49,465	49,465	49,465
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	741,618	741,618	741,618	741,618	741,618
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	656	656	656	656	656
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	51,759	51,759	51,759	51,759	51,759
17	631.2	Contract Services - Engineering	41,725	41,725	41,725	41,725	41,725
18	636.2	Contract Services	523,900	523,900	523,900	523,900	523,900
19	650.2	Transportation	(93)	(93)	(93)	(93)	(93)
20		-Miscellaneous-					
21	675.1	Miscellaneous Operating Expense	1,090,662	1,090,662	1,090,662	2,767,162	2,767,162
22	675.2	Miscellaneous Maintenance Expense	7,916	7,916	7,916	7,916	7,916
23		Total Source Of Supply Expenses	\$8,347,201	\$8,342,491	\$8,481,056	\$10,192,940	\$10,229,594
24		Water Treatment					
25		-Operation-					
26	601.3	Salary And Wages	\$10,248,660	\$10,248,660	\$11,507,481	\$11,725,501	\$12,198,899
27	601.4	Salary And Wages	2,905,251	2,905,251	3,262,097	3,323,901	3,458,098
28	604.3	Employee Pension And Benefits	8,708	8,708	8,708	8,708	8,708
29	615.3	Purchased Power	10,095,113	10,077,617	9,158,883	9,028,246	8,861,220
30	618.3	Chemicals	9,455,008	9,438,622	10,328,316	10,907,117	11,456,542
31	620.3	Materials And Supplies	301,201	301,201	301,201	301,201	301,201
32	631.3	Contract Services - Engineering	50,830	50,830	50,830	50,830	50,830
33	633.3	Contract Services - Legal	0	0	0	0	0
34	634.3	Contract Services - Management	0	0	0	0	0
35	635.3	Contract Services - Test	179,379	179,379	179,379	179,379	179,379
36	636.3	Contract Services	1,105,256	1,105,256	1,102,638	1,102,638	1,102,638
37	641.3	Rental Of Building	2,360	2,360	2,360	2,360	2,360
38	642.3	Rental Of Equipment	48,817	48,817	48,817	48,817	48,817
39	650.3	Transportation	27,669	27,669	27,669	27,669	27,669
40		-Maintenance-					
41	620.4	Materials And Supplies	263,555	263,555	264,343	264,343	264,343
42	631.4	Contract Services - Engineering	23,769	23,769	23,769	23,769	23,769
43	636.4	Contract Services	832,224	832,224	828,660	828,660	828,660
44	650.4	Transportation	1,140	1,140	1,140	1,140	1,140
45	675.4	Miscellaneous Maintenance Expense	312,714	312,714	312,714	312,714	312,714
46		-Miscellaneous-					
47	675.3	Miscellaneous Operating Expense	6,432,687	6,432,687	6,435,506	6,435,506	6,435,506
48		Total Water Treatment Expense	\$42,294,341	\$42,260,459	\$43,844,511	\$44,572,499	\$45,562,493
49		Transmission And Distribution					
50		-Operation-					
51	601.5	Salary And Wages	\$5,474,954	\$5,474,954	\$6,147,431	\$6,263,900	\$6,516,795
52	601.6	Salary And Wages	7,659,226	7,659,226	8,599,992	8,762,927	9,116,716
53	604.5	Employee Pension And Benefits	1,982	1,982	1,982	1,982	1,982
54	615.5	Purchased Power	588,906	587,885	534,288	526,666	516,921
55	620.5	Materials And Supplies	574,583	574,583	580,301	580,301	580,301
56	631.5	Contract Services - Engineering	213,285	213,285	213,285	213,285	213,285
57	636.5	Contract Services	278,055	271,858	271,858	271,858	271,858
58	641.5	Rental Of Building	72,840	72,840	72,840	72,840	72,840
59	642.5	Rental Of Equipment	40,182	40,182	40,182	40,182	40,182
60	650.5	Transportation	35,510	35,510	35,510	35,510	35,510

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$694,950	\$694,950	\$818,835	\$951,554	\$1,081,823
3	631.6	Contract Services - Engineering	12,198	12,198	12,198	12,198	12,198
4	636.6	Contract Services	1,295,410	1,290,303	1,285,025	1,285,025	1,285,025
5	650.6	Transportation	480,866	480,866	480,866	480,866	480,866
6	675.6	Miscellaneous Operating Expense	1,603,342	1,603,342	1,603,267	1,603,267	1,603,267
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	2,139,214	2,139,214	2,139,214	2,139,214	2,139,214
9		Total Transmission And Distribution	\$21,165,503	\$21,153,178	\$22,837,074	\$23,241,575	\$23,968,783
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$5,382,471	\$5,382,471	\$6,043,588	\$6,158,090	\$6,406,713
13	604.7	Employee Pension And Benefits	2,502	2,502	2,502	2,502	2,502
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	35,902	35,902	35,902	35,902	35,902
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	217,091	217,091	217,091	217,091	217,091
20	642.7	Rental Of Equipment	8,741	8,741	8,741	8,741	8,741
21	650.7	Transportation	36,804	36,804	36,804	36,804	36,804
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	9,684,701	7,514,260	7,782,500	7,706,472	8,191,702
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	8,587,435	8,587,435	1,055,824	2,392,182	2,427,317
26		Total Customer Accounting	\$23,955,647	\$21,785,206	\$15,182,952	\$16,557,784	\$17,326,772
27		Administrative And General					
28	601.8	Salary And Wages	\$16,195,371	\$16,230,124	\$18,219,367	\$18,563,891	\$19,311,977
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	9,727,490	14,615,871	9,819,752	10,477,151	11,232,765
31	615.8	Purchased Power	23,405	23,405	23,405	23,405	23,405
32	620.8	Materials And Supplies	806,392	806,392	806,129	806,129	806,129
33	631.8	Contract Services	52,388	52,388	52,388	52,388	52,388
34	632.8	Contract Services - Accounting	804,766	804,766	804,766	804,766	804,766
35	633.8	Contract Services - Legal	1,744,193	1,744,193	1,744,193	1,744,193	1,744,193
36	634.8	Contract Services - Management	46,566,045	46,566,045	54,920,918	56,686,235	57,857,450
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	1,190,260	1,079,752	847,309	847,309	847,309
39	641.8	Rental Of Building	118,520	118,520	127,260	127,260	127,260
40	642.8	Rental Of Equipment	89,203	89,203	89,203	89,203	89,203
41	650.8	Transportation	1,571,468	1,571,468	1,789,689	1,894,961	1,993,455
42	656.8	Insurance - Vehicles	205,407	205,407	245,347	213,709	217,982
43	657.8	Insurance	8,588,286	8,588,286	10,443,602	9,095,669	9,276,411
44	658.8	Workers Compensation	1,562,352	1,562,352	1,670,843	1,455,386	1,484,494
45	659.8	Insurance	1,533,094	1,533,094	2,757,717	2,402,106	2,450,150
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	852,081	852,081	695,061	695,061	695,061
48	667.8	Regulatory Commission	21,327	21,327	21,327	21,327	21,327
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	9,355,584	9,461,380	11,212,575	11,640,690	12,199,123
51		Total Administrative And General	\$101,007,632	\$105,926,054	\$116,290,851	\$117,640,838	\$121,234,847
52		Total Operating Expenses	\$196,770,324	\$199,467,388	\$206,636,445	\$212,205,637	\$218,322,490

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	12/31/19 DETAIL	PRESENT RATES 12/31/19 AMOUNT	12/31/20 DETAIL	PRESENT RATES 12/31/20 AMOUNT	12/31/21 DETAIL	PRESENT RATES 12/31/21 AMOUNT	12/31/22 DETAIL	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$196,770,324						
2	Present Rates At 12/31/2019				\$199,467,388				
3	Present Rates At 12/31/2020						\$206,636,445		
4	Proposed Rates At 12/31/2021								\$212,746,744
5	Compensation	\$0		\$5,938,614		\$1,028,532		\$2,233,305	
6	Group Insurance	0		946,665		607,822		636,426	
7	Other Post Employment Benefits & VEBA	4,888,381		(465,102)		-		-	
8	Pension	0		(5,526,252)		-		-	
9	Purchased Power	0		(1,003,638)		-		(89,976)	
10	Purchased Water	0		326,562		60,277		59,304	
11	Chemicals	0		1,042,103		701,153		642,381	
12	Change In Consumption Expense	(39,613)		(368,441)		(295,780)		(224,716)	
13	Transportation Expense	0		218,221		105,272		98,494	
14	Insurance Other Than Group	0		3,228,370		(1,950,640)		262,168	
15	Regulatory Expense (Rate Case Expense)	0		(157,020)		-		-	
16	Service Company Expense	0		8,354,873		1,765,317		1,171,215	
17	Postage and Customer Accounting	0		-		-		-	
18	Inflation	0		688,365		737,449		723,835	
19	401K & Defined Contribution Plan	0		248,570		49,577		119,188	
20	Rent Expense	0		8,740		-		-	
21	Waste Disposal	0		0		-		-	
22	Miscellaneous Adjustments	18,737		(6,579,814)		2,836,241		0	
23	Uncollectibles	(2,170,441)		268,240		(76,028)		(55,877)	
24	Pro Forma Adjustments		2,697,064		7,169,057		5,569,192		5,575,746
25	Present Rates At 12/31/2019		<u>\$199,467,388</u>						
26	Present Rates At 12/31/2020				<u>\$206,636,445</u>				
27	Present Rates At 12/31/2021						<u>\$212,205,637</u>		
28	Present Rates At 12/31/2022								<u>\$218,322,490</u>

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2020, December 31, 2021, and December 31, 2022 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Salary and Wages	\$81,262,243	\$82,787,043	\$86,116,563
2	Annualized Performance Plan	5,140,349	5,252,829	5,478,418
3	Less: 37.18% Capitalized portion not charged to operating expense	<u>32,124,845</u>	<u>32,733,593</u>	<u>34,055,397</u>
4	Sub-Total	54,277,747	55,306,279	57,539,584
5	Less: Amount Charged To Operating Expense			
6	During The Twelve Months Ended 12/31/19	<u>48,339,133</u>		
7	Less: Amount Charged To Present Rates			
8	At 12/31/20 and 12/31/21		<u>54,277,747</u>	<u>55,306,279</u>
9	Pro Forma Adjustment	<u>\$5,938,614</u>	<u>\$1,028,532</u>	<u>\$2,233,305</u>
	601.1 Salary and Wages - Source of Supply	\$19,495	\$3,376	\$7,331
	601.2 Salary and Wages - Source of Supply	39,850	6,902	14,986
	601.3 Salary and Wages - Water Treatment	1,258,821	218,020	473,398
	601.4 Salary and Wages - Water Treatment	356,846	61,804	134,197
	601.5 Salary and Wages - Transmission & Distribution	672,477	116,469	252,895
	601.6 Salary and Wages - Transmission & Distribution	940,766	162,935	353,789
	601.7 Salary and Wages - Customer Accounting	661,117	114,502	248,623
	601.8 Salary and Wages - Administrative and General	1,989,243	344,524	748,086

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2020 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected test years were developed by adjusting the annualized 2020 amount by a 3 year average of 6.18%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Group Insurance Cost	\$14,578,325	\$15,545,893	\$16,558,994
2	Less: 37.18% Not Charged To Operating Expense	5,420,282	5,780,028	6,156,703
3	Sub-Total	<u>9,158,043</u>	<u>9,765,865</u>	<u>10,402,291</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	8,211,378		
6	Less: Amount Charged To Operating Expense			
7	During the Calendar Years Ended 2020 and 2021		<u>9,158,043</u>	<u>9,765,865</u>
8	Pro Forma Adjustment	<u>\$946,665</u>	<u>\$607,822</u>	<u>\$636,426</u>
	604.8 A&G Employees Pension And Benefits	\$946,665	\$607,822	\$636,426

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Other Post Employment Benefits (OPEB)

The following sets forth the Company's adjustment for post-retirement benefit costs under FAS 106 using the methodology approved by the Commission in the Company's base rate cases since 1992. In addition the Company has included the expense associated with the Company's contributions to the Voluntary Employee Beneficiary Association (VEBA) administered by the Utility Workers Union of America.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT
1	Annualized OPEB Expense	(\$2,044,423)	(\$2,511,148)
2	Annualized Retiree VEBA Expense (\$600 x 329 employees)	177,785	197,400
3	Less: Capitalized portion not charged to operating expense	197,670	215,661
4	Sub-Total	<u>(2,064,308)</u>	<u>(2,529,409)</u>
5	Less: Amount Charged To Operating Expenses		
6	For The Twelve Months Ended 12/31/19	(6,952,689)	(2,064,308)
7	Pro Forma Adjustment	<u>\$4,888,381</u>	<u>(\$465,102)</u>
	604.8 A&G Employees' Welfare Expenses	\$4,888,381	(\$465,102)

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Pension

The following adjustment is being made to reflect the Company's projected Pension cost based on ASC715 (formerly FAS87) for PAWC employees. In addition, as approved at Docket No. R-2017-2595853, the Company continues to amortize the deferred pension liability for the difference between ASC 715 and ERISA for both PAWC and Service Company over a 10 year period beginning January 1, 2018.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	PAWC Pension Costs	\$3,594,619
2	Less: 37.18% Capitalized service costs portion not charged to operating expense	2,026,214
3	10 yr. amortization of Deferred Pension Liability	(1,958,418)
4	Sub-Total	<u>(390,013)</u>
5	Less: Amount Charged To Operating Expense	
6	During The Twelve Months Ended 12/31/19	<u>5,136,239</u>
7	Pro Forma Adjustment	<u><u>(\$5,526,252)</u></u>
	604.8 A&G Employee Pension And Benefits	(\$5,526,252)

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized 401K - Company Match	\$2,051,012	\$2,089,299	\$2,181,038
2	Annualized DCP	2,344,860	2,381,539	2,471,145
3	Less: 37.18% Not Charged To Operating Expense	1,634,404	1,662,276	1,729,701
4	Sub-Total	<u>2,761,468</u>	<u>2,808,562</u>	<u>2,922,482</u>
5	Annualized ESPP	141,899	144,382	149,650
6	Less: Amount Charged To Operating Expense	2,654,797	2,903,367	2,952,944
7	Pro Forma Adjustment	<u>\$248,570</u>	<u>\$49,577</u>	<u>\$119,188</u>
	604.8 Employee Pension And Benefits AG	\$248,570	\$49,577	\$119,188

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2019 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Power Cost	\$12,398,162	\$12,398,162	\$12,308,186
2	Less: Amount Charged To Operating Expense	13,401,800	12,398,162	12,398,162
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>(\$1,003,638)</u>	<u>\$0</u>	<u>(\$89,976)</u>
	615.1 Purchased Power - Source Of Supply	(\$203,531)	\$0	(\$18,246)
	615.3 Purchased Power - Water Treatment	(756,005)	0	(67,776)
	615.5 Purchased Power - Transmission and Distribution	(44,102)	0	(3,954)

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Purchased Water

This adjustment reflects the application of rates for purchased water in effect as of December 31, 2019 to anticipated billing units for the future test year. 2020 Diversion rights were inflated by 1.98% over 2019 amounts. The claimed amounts for the fully forecasted future test years (2021 and 2022) were developed by applying inflation factors of 2.08% to the 2020 amounts for 2021 and 2.0% to the 2021 amounts for 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Purchased Water Cost	\$2,904,915	\$2,965,192	\$3,024,495
2	Less: Amount Charged To Operating Expense During the Preceding Calendar Year	2,578,352	2,904,915	2,965,192
3	Pro Forma Adjustment	<u>\$326,562</u>	<u>\$60,277</u>	<u>\$59,304</u>
	610.1 Purchased Water	\$326,562	\$60,277	\$59,304

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of contract prices in effect at January 1, 2020 to anticipated 2020 usage. The present rates December 31, 2020 amount was increased by the 3 year weighted average (5.06%) cost increase to project 2021 through 2022 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Chemical Costs	\$10,497,111	\$11,198,264	\$11,840,645
2	Less: Amount Charged To Operating Expense	9,455,008	10,497,111	11,198,264
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$1,042,103</u>	<u>\$701,153</u>	<u>\$642,381</u>
	618.3 Chemicals - Water Treatment	<u>\$1,042,103</u>	<u>\$701,153</u>	<u>\$642,381</u>

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future (2020) and fully projected test years (2021-2022), the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Consumption (00 Gallons)	445,510,987	444,738,817	437,556,751	431,791,086	427,410,676
2	Change In Consumption		(772,170)	(7,182,066)	(5,765,665)	(4,380,410)
3	Power Costs Per Book	\$13,401,800				
4	Chemical Costs Per Book	9,455,008				
5	Total	<u>\$22,856,808</u>				
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.05130</u>	<u>\$0.05130</u>	<u>\$0.05130</u>	<u>\$0.05130</u>
7	Pro Forma Adjustment		<u>(\$39,613)</u>	<u>(\$368,441)</u>	<u>(\$295,780)</u>	<u>(\$224,716)</u>
	615.1 Source of Supply - Purchased Power		(\$4,710)	(\$43,811)	(\$35,171)	(\$26,721)
	615.3 Water Treatment - Purchased Power		(17,496)	(162,729)	(130,637)	(99,250)
	615.5 Transmission & Distribution - Purchased Power		(1,021)	(9,495)	(7,622)	(5,791)
	618.3 Water Treatment - Chemicals		(16,386)	(152,409)	(122,352)	(92,956)

Witness: Dominic DeGrazia

Reference: FR II.09

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Leased Vehicles Expense	\$3,775,207	\$3,942,784	\$4,099,571
2	Less: 37.18% Not Charged To Operating Expense	1,403,622	1,465,927	1,524,220
3	Sub-Total	<u>2,371,585</u>	<u>2,476,857</u>	<u>2,575,351</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	2,153,364		
6	Less: Present Rates During the Preceding Calendar Year	<u></u>	<u>2,371,585</u>	<u>2,476,857</u>
7	Pro Forma Adjustment	<u>\$218,221</u>	<u>\$105,272</u>	<u>\$98,494</u>
	650.8 A & G - Miscellaneous General Expense	\$218,221	\$105,272	\$98,494

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2020, adjusted for the 5 year average of retroactive adjustments. The Present Rates 12/31/2021 and 12/31/2022 amounts were further adjusted by 2.08% and 2.0% (Blue Chip GDP Price Indexes for 2021 and 2022). Present Rates for Water at 2021 and 2022 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/19.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT	
1	Annualized Workers Compensation Premium	\$2,659,731	\$2,316,755	\$2,363,091	
2	Less: 37.18% Not Charged To Operating Expense	988,888	861,369	878,597	
3	Sub-Total	1,670,843	1,455,386	1,484,494	
4	Add: Annualized Vehicle, General Liability,				
5	Property And Other Insurance	13,446,666	11,711,484	11,944,543	
6	Sub-Total	15,117,509	13,166,870	13,429,037	
7	Less: Per Books and Present Rates	11,889,139	15,117,509	13,166,870	
8	Pro Forma Adjustment	\$3,228,370	(\$1,950,640)	\$262,168	
	656.8 Vehicle Insurance	55110000	\$39,940	(\$31,638)	\$4,273
	657.8 General Liability Insurance	55710000	1,855,316	(1,347,933)	180,742
	658.8 Workers Compensation	55720000	223,745	(342,976)	46,336
	658.8 Insurance Wc Capitalized Credits	55720100	(115,254)	127,519	(17,228)
	659.8 Other Insurance	55730000	1,224,623	(355,612)	48,045

Witness: Dominic DeGrazia
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there are adjustments for 10 year amortizations of the Customer Class Demand Study, as well as Lead Service Line Program costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$1,938,141
2	Normalized Over 3 Years	646,047
3	Plus Allocation of Amortization of Demand Study	23,878
4	Plus Allocation of Amortization of Lead Service Line Costs	25,136
5	Less: Amount Charged To Operating Expense	
6	During The Twelve Months Ended 12/31/19	<u>852,081</u>
7	Pro Forma Adjustment	<u><u>(\$157,020)</u></u>
	666.8 Regulatory Commission Expense	(\$157,020)

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022. For the years ending in 2021 and 2022, an allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Service Company Cost	\$54,920,919	\$56,686,236	\$57,857,451
2	Less: Amount Charged To Operating Expense			
3	During The Twelve Months Ended 12/31/19	46,566,046		
4	And Present Rates 12/31/20 and 12/31/2021	<u> </u>	<u>54,920,919</u>	<u>56,686,236</u>
5	Pro Forma Adjustment	<u><u>\$8,354,873</u></u>	<u><u>\$1,765,317</u></u>	<u><u>\$1,171,215</u></u>
	634.8 AG - Contract Services - Management	\$8,354,873	\$1,765,317	\$1,171,215

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Total O & M Expenses Per Books	\$196,770,324	\$196,770,324	\$196,770,324
2	Less: Adjusted Expenses	<u>162,004,394</u>	<u>162,004,394</u>	<u>162,004,394</u>
3	2020 Expenses Subject To Inflation	34,765,930	34,765,930	34,765,930
4	2020 Inflation		<u>688,365</u>	<u>688,365</u>
5	2021 Expenses Subject To Inflation		35,454,295	35,454,295
6	2021 Inflation			<u>737,449</u>
7	2022 Expenses Subject To Inflation			36,191,744
8	Inflation Factor	<u>1.98%</u>	<u>2.08%</u>	<u>2.00%</u>
9	Pro Forma Adjustment	<u>\$688,365</u>	<u>\$737,449</u>	<u>\$723,835</u>
	620.6 Materials And Supplies	\$123,885	\$132,719	\$130,269
	675.7 Miscellaneous Expense	33,413	35,796	35,135
	675.8 Miscellaneous Expense	531,067	568,935	558,431

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Rent Expense

This adjustment is being made to reflect the Company's claim for the property lease agreements.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1	Annualized Rent Expense	\$150,988	\$150,988	\$150,988
2	Less: Per Books Amount and Present Rates	142,248	150,988	150,988
		<hr/>	<hr/>	<hr/>
3	Pro Forma Adjustment	<u>\$8,740</u>	<u>\$0</u>	<u>\$0</u>
	641.8 Rents - Real Property - Admin & General	\$8,740	\$0	\$0

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment reflects miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		12/31/2019 AMOUNT	12/31/2020 AMOUNT	12/31/2021 and 12/31/2022 AMOUNT
1	<u>Additions:</u>			
2	DEP Adjustment			\$1,676,500
3	Amortization of Revolving Credit Line Fees			266,610
4	Injuries And Damages 3 Year Average	\$258,793		
5	Severance Pay 3 Year Average	34,753		
6	Turbotville Water Annualized O&M		\$20,845	
7	Winola Water Annualized O&M		9,207	
8	Credit Card/E-check Transaction Fees			1,300,562
9	General Facility Maintenance		1,200,000	
10	<u>Deductions:</u>			
11	Donations	(31,245)		
12	Lobbying	(47,664)		
13	Temporary Employee Costs	(121,812)		
14	Fines	(39,920)		
15	Postage - transfer to Service Company bill		(3,003,036)	
16	Customer Accounting - transfer to Service Company bill		(4,806,830)	
17	Removal of duplicate expense	(34,168)		
18	PA HQ - Corporate Campus			(407,432)
19	Pro Forma Adjustment	<u>\$18,737</u>	<u>(\$6,579,814)</u>	<u>\$2,836,241</u>
	601.8 Salary & Wages - Admin & General	\$34,753		
	620.4 M&S Maint WT		\$788	
	620.5 M&S Oper TD		5,718	
	620.8 M&S AG		(263)	
	636.3 Cont Serv Other Operating		(2,618)	
	636.4 Cont Serv Other Main		(3,564)	
	636.6 Contract Services - Water Treatment	(5,107)	(5,278)	
	636.5 Contract Services - Transmission & Distribution	(6,197)		
	636.7 Contract Service - Ca			
	636.8 Contract Service - Admin & General	(110,508)	(232,443)	
	675.1 Misc Operations SS			\$1,676,500
	675.3 Misc Exp Oper WT		2,819	
	675.6 Misc Expense Maintenance TD		(75)	
	675.7 Misc Exp Customer Accounting		(7,565,024)	1,300,562
	675.8 Misc Expense Admin & General	105,796	1,220,125	(140,821)

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs.
This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$624,246,272	\$623,589,125	\$645,849,717	\$639,540,327	\$684,445,458	\$679,808,401	\$719,011,643
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$7,514,249	\$7,782,489	\$7,706,461	\$8,247,568	\$8,191,691	\$8,664,090
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		9,684,690					
6	Less: Present Rates 12/31/2019			7,514,249				
7	Less: Present Rates 12/31/2020				7,782,489			
8	Less: Present Rates 12/31/2021					7,706,461		
9	Less: Proposed Rates 12/31/2021						8,247,568	
10	Less: Present Rates 12/31/2022							8,191,691
11	Pro Forma Adjustment		(\$2,170,441)	\$268,240	(\$76,028)	\$541,107	(\$55,877)	\$472,399
670.7	Customer Accounting And Collecting - Bad Debt		(\$2,170,441)	\$268,240	(\$76,028)	\$541,107	(\$55,877)	\$472,399

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$139,717,339	\$141,725,297	\$143,579,205	\$146,829,014
2	Less: Citizens Acquisition CIAC & CAC		325,148	333,486	333,486
3	Subtotal	<u>\$139,717,339</u>	<u>\$141,400,149</u>	<u>\$143,245,719</u>	<u>\$146,495,528</u>
4	Book Depreciation	<u>120,181,839</u>	<u>139,717,339</u>	<u>141,400,149</u>	<u>143,245,719</u>
5	Pro Forma Adjustment	<u>\$19,535,500</u>	<u>\$1,682,810</u>	<u>\$1,845,570</u>	<u>\$3,249,809</u>
	503 Depreciation	\$19,535,500	\$1,682,810	\$1,845,570	\$3,249,809

Witness: Dr. Christina E. Chard, John Spanos

Reference: Exhibit No. 3-C, Exhibits No. 11

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Utility Plant Acquisition Adjustments:				
2	PG&W	Approved Docket No. R-973944	\$455,956	\$455,956	\$455,956
3	Saxonburg Area Authority	Approved Docket No. R-2011-2232243	44,046	36,702	0
4	Birch Acres Waterworks Inc.	Approved Docket No. R-2011-2232243	625	520	0
5	Lake Spangenberg Water Co.	Approved Docket No. R-2013-2355276	13,709	13,709	13,709
6	Fernwood Community Water System	Approved Docket No. R-2013-2355276	5,630	5,630	5,630
7	Olwen Heights Water Service Co.	Approved Docket No. R-2013-2355276	5,396	5,396	5,396
8	Boggs Township	Approved Docket No. R-2011-2232243	(27,154)	(22,626)	0
9	Amwell Municipal Authority	Approved Docket No. R-2011-2232243	(20,614)	(17,179)	0
10	Sutton Hills Homeowners Assn	Approved Docket No. R-2011-2232243	(6,967)	(5,806)	0
11	Indian Rocks Property Owners Assn.	Approved Docket No. R-2013-2355276	(1,234)	(1,234)	(1,234)
12	North Fayette County Mun Auth.	Approved Docket No. R-2013-2355276	(62,966)	(62,966)	(62,966)
13	Wildcat Park Corporation	Approved Docket No. R-2013-2355276	(8,271)	(8,271)	(8,271)
14	Turbotville Water Negative UPAA	Seeking Approval	0	(20,406)	(20,406)
15	Turbotville Water Transaction Costs	Seeking Approval	0	1,082	1,082
16	Equipment Discount		0	(43,192)	(43,192)
17	SFAS 109 Regulatory Assets Afudc	Approved Docket No. R-00072229	371,076	371,076	371,076
18	Receivership Costs:				
19	Winola Water Company (P-2018-3006216)	Seeking Approval	0	40,619	40,619
20	Indian Springs Water Company (M-2019-3011972)	Seeking Approval	0	6,050	6,050
21	Tax Cuts and Jobs Act Stub Period and Reconciliation		0	(7,544,576)	(7,544,576)
22	Proforma Expense		769,232	(6,789,516)	(6,781,127)
23	Less: Per Books		954,803	769,232	(6,789,516)
24	Pro Forma Adjustment		(\$185,571)	(\$7,558,748)	\$8,389

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense, local and PURTA, for the twelve months ended
December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Property Subject to Tax	\$549,024,946	\$556,105,028	\$574,891,948	\$612,851,355
2	PURTA Tax 2019	\$2,066,956			
3	Property Tax UPIS	1,070,751			
4	Total	<u>\$3,137,707</u>			
5	Rate (Line 4 / Line 1)	\$0.005715	\$0.005715	\$0.005715	\$0.005715
6	Projected property tax expense (Line 1 x Line 5)		<u>\$3,178,141</u>	<u>\$3,285,508</u>	<u>\$3,502,446</u>
7	Less: Amount Charged To Operating Expense			3,178,141	3,285,508
8	During The 12 Months Ended 12/31/19		(1,236,860)		
9	Pro Forma Adjustment		<u>\$4,415,001</u>	<u>\$107,367</u>	<u>\$216,938</u>
	408.11 Taxes, Other Than Income - PURTA		\$2,908,370	\$70,728	\$142,907
	408.2 Taxes, Other Than Income - Property		1,506,631	36,639	74,031
	Total PURTA		\$2,093,592	\$2,164,320	\$2,307,227
	Total Local Property Tax		<u>1,084,549</u>	<u>1,121,188</u>	<u>1,195,219</u>
	Total		<u>\$3,178,141</u>	<u>\$3,285,508</u>	<u>\$3,502,446</u>

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Taxes, Other than Income

Payroll Taxes

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Payroll Taxes	\$6,728,197	\$6,853,900	\$7,120,525
2	Less: 37.18% Not Charged To Operating Expense	2,501,572	2,548,309	2,647,441
3	Sub-Total	<u>4,226,625</u>	<u>4,305,591</u>	<u>4,473,084</u>
4	Less: Amount Charged To Operating Expense	4,015,314	4,226,625	4,305,591
5	Pro Forma Adjustment	<u>\$211,311</u>	<u>\$78,966</u>	<u>\$167,493</u>
	408.12 - Taxes - Payroll	\$211,311	\$78,966	\$167,493

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Water Sales	\$613,227,790	\$635,255,618	\$628,944,128	\$673,570,656	\$668,933,684	\$707,893,699
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	2,579,351	2,672,004	2,645,457	2,833,164	2,813,660	2,977,533
4	Consumer Advocate Fee At 0.001366996958	838,281	868,392	859,765	920,769	914,430	967,689
5	Small Business Advocate Fee At 0.000162780343	99,821	103,407	102,380	109,644	108,889	115,231
6	Damage Prevention Comittee Fee At 0.000059307687	36,369	37,676	37,301	39,948	39,673	41,984
7	Subtotal	3,553,822	3,681,479	3,644,903	3,903,525	3,876,652	4,102,437
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	3,198,224					
10	Less: Pro Forma Under Present Rates At 12/31/2019		3,553,822				
11	Less: Pro Forma Under Present Rates At 12/31/2020			3,681,479			
12	Less: Pro Forma Under Present Rates At 12/31/2021				3,644,903		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					3,903,525	
14	Less: Pro Forma Under Present Rates 12/31/2022						3,876,652
15	Pro Forma Adjustment	\$355,598	\$127,657	(\$36,576)	\$258,622	(\$26,873)	\$225,785

507.1 Taxes Other Than Income

\$705,301

\$198,912

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Taxes, Other than Income

Capital Stock Tax

The capital stock tax was eliminated as of January 1, 2016. The amount per books reflects refunds associated with the 2014 and 2015 tax years. The following adjustment is being made to reflect a capital stock tax of zero percent.

LINE NO.	DESCRIPTION	PRESENT RATES
		12/31/2019 AMOUNT
1	Capital Stock Tax Expense	-
2	Less: Amount Charged To Operating Expense	(250,000)
3	Pro Forma Adjustment	<u>\$250,000</u>
	408.13 - Taxes - Capital Stock Tax	\$250,000

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
	12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	\$22,847,011	\$16,730,884	\$15,651,149	\$20,056,036	\$17,078,975	\$20,924,572
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	23,372,327					
5 Less: Present Rates 12/31/2019		22,847,011				
6 Less: Present Rates 12/31/2020			16,730,884			
7 Less: Present Rates 12/31/2021				15,651,149		
8 Less: Proposed Rates 12/31/2021					20,056,036	
9 Less: Present Rates 12/31/2022						17,078,975
10 Pro Forma Adjustment	(\$525,316)	(\$6,116,127)	(\$1,079,735)	\$4,404,887	(\$2,977,061)	\$3,845,597
11 Federal Income Tax Per Computation						
12 Shown On Following Page	\$33,400,900	\$46,308,239	\$30,564,448	\$38,898,945	\$35,800,215	\$43,076,477
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	41,745,605					
15 Less: Present Rates 12/31/2019		33,400,900				
16 Less: Present Rates 12/31/2020			46,308,239			
17 Less: Present Rates 12/31/2021				30,564,448		
18 Less: Proposed Rates 12/31/2021					38,898,945	
19 Less: Present Rates 12/31/2022						35,800,215
20 Pro Forma Adjustment	(\$8,344,705)	\$12,907,339	(\$15,743,791)	\$8,334,497	(\$3,098,730)	\$7,276,262

Witness: John R. Wilde

Pennsylvania-American Water Company - Water Operations Excl. Steelton
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	RATE YEAR 1				RATE YEAR 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Utility Operating Income Before Taxes	\$301,891,799	\$277,117,319	\$285,957,647	\$279,642,486	\$323,747,888	\$309,919,328	\$348,424,387
2	Less: Interest Expense	62,764,014	62,764,014	63,820,451	64,804,588	64,817,022	68,553,052	68,563,650
3	Taxable Operating Income	239,127,785	214,353,305	222,137,196	214,837,898	258,930,866	241,366,276	279,860,737
4	Add: Premature Property Losses / Amortizations	954,803	954,803	769,232	(6,789,516)	(6,789,516)	(6,781,127)	(6,781,127)
5	Depr - Straight Line-Remaining Life (Including COR)	120,181,839	139,717,339	141,400,149	143,245,719	143,245,719	146,495,528	146,495,528
6	Taxable Meals & Entertainment	98,372	98,372	98,372	98,372	98,372	98,372	98,372
7	Total	121,235,014	140,770,514	142,267,753	136,554,575	136,554,575	139,812,773	139,812,773
8	Deduct:							
9	Tax Depreciation:							
10	State Tax Depreciation Adjustments	126,405,571	126,425,013	196,928,630	194,724,318	194,724,318	210,218,337	210,218,337
11	Total	126,405,571	126,425,013	196,928,630	194,724,318	194,724,318	210,218,337	210,218,337
12	State Taxable Income	233,957,228	228,698,806	167,476,319	156,668,155	200,761,123	170,960,713	209,455,173
13	State Income Tax At:							
14	Historic, Future And Fully Projected At 9.99%	23,372,327	22,847,011	16,730,884	15,651,149	20,056,036	17,078,975	20,924,572
15	Taxable Income After State Income Tax	210,584,901	205,851,795	150,745,435	141,017,006	180,705,087	153,881,738	188,530,601
16	Add:							
17	Federal Tax Depreciation Adjustments	6,723,009	(28,280,578)	59,280,632	61,696,013	61,696,013	73,494,335	73,494,335
18	Income Subject To Federal Income Tax	217,307,910	177,571,217	210,026,067	202,713,019	242,401,100	227,376,073	262,024,936
19	Federal Income Tax @ 21%	45,634,661	37,289,956	44,105,474	42,569,734	50,904,231	47,748,975	55,025,237
20	Excess ADIT	3,889,056	3,889,056	(2,202,765)	12,005,286	12,005,286	11,948,760	11,948,760
21	Federal Tax Liability	\$41,745,605	\$33,400,900	\$46,308,239	\$30,564,448	\$38,898,945	\$35,800,215	\$43,076,477
	Witness: John R. Wilde							

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	PROPOSED AMOUNT	12/31/22 AMOUNT	PROPOSED AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$61,012,815	\$63,820,451	\$64,804,588	\$64,817,022	\$68,553,052	\$68,563,650
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	61,012,815					
5	Less: Present Rates At 12/31/2019		61,012,815				
6	Less: Present Rates At 12/31/2020			63,820,451			
7	Less: Present Rates At 12/31/2021				64,804,588		
8	Less: Proposed Rates 12/31/2021					64,817,022	
9	Less: Present Rates 12/31/2022						68,553,052
10	Pro Forma Adjustment	\$0	\$2,807,636	\$984,137	\$12,434	\$3,736,030	\$10,598
11	Interest On Short Term Debt Per Computation						
12	Shown On Following Page	\$1,751,199	\$0	\$0	\$0	\$0	\$0
13	Less: Interest On Short Term Debt As Per Book						
14	Computation On Following Page	1,751,199					
15	Less: Present Rates At 12/31/2019		1,751,199				
16	Less: Present Rates At 12/31/2020			0			
17	Less: Present Rates At 12/31/2021				0		
18	Less: Proposed Rates 12/31/2021					0	
19	Less: Present Rates 12/31/2022						0
20	Pro Forma Adjustment	\$0	(\$1,751,199)	\$0	\$0	\$0	\$0

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2019					PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$1,601,450,952	42.63%	4.61%	\$1,717,501,018	43.95%	4.54%	\$1,747,908,457	43.88%	4.47%	\$1,889,585,925	44.02%	4.35%
3	Short Term Debt	114,723,817	3.05%	1.85%	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%
4	Total Debt	1,716,174,769	45.68%		1,717,501,018	43.95%		1,747,908,457	43.88%		1,889,585,925	44.02%	
5	Preferred Stock	4,051,500	0.11%	8.69%	2,851,500	0.07%	8.73%	2,251,500	0.06%	8.80%	451,500	0.01%	9.70%
6	Common Equity	2,036,296,182	54.21%		2,188,014,182	55.98%		2,232,531,683	56.06%		2,402,899,182	55.97%	
7	Totals	\$3,756,522,451	100.00%		\$3,908,366,700	100.00%		\$3,982,691,640	100.00%		\$4,292,936,607	100.00%	
					PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT			
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$3,104,593,951	\$3,198,491,050	\$3,303,935,888	\$3,304,569,811	\$3,580,036,846	\$3,580,590,310			
10	Debt Percentage (From Above)				42.63%	43.95%	43.88%	43.88%	44.02%	44.02%			
11	Debt Portion Of Rate Base				1,323,488,401	1,405,736,816	1,449,767,068	1,450,045,233	1,575,932,220	1,576,175,854			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$61,012,815	\$63,820,451	\$64,804,588	\$64,817,022	\$68,553,052	\$68,563,650			
14	Application Of Short Term Debt Interest:												
15	Original Cost Rate Base				\$3,104,593,951	\$3,198,491,050	\$3,303,935,888	\$3,304,569,811	\$3,580,036,846	\$3,580,590,310			
16	Debt Percentage (From Above)				3.05%	0.00%	0.00%	0.00%	0.00%	0.00%			
17	Debt Portion Of Rate Base				94,690,116	0	0	0	0	0			
18	Interest Cost (From Above)				1.85%	0.00%	0.00%	0.00%	0.00%	0.00%			
19	Pro Forma Short Term Interest Deduction				\$1,751,199	\$0	\$0	\$0	\$0	\$0			

Witness: Ann E. Bulkley

Water Steelton Operations

Pennsylvania-American Water Company - Water Steelton Operations

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Pennsylvania-American Water Company - Water Steelton Operations

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Pennsylvania-American Water Company - Water Steelton Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020, 2021, and 2022 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		PER BOOKS	ADJUSTMENT	12/31/19		12/31/20		12/31/21		PROPOSED RATES		ADJUSTMENT	12/31/22		PROPOSED RATES			
				AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT		ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT		
1	Operating Revenue	\$618,428	\$2,227,938	\$2,846,366	(\$18,898)	\$2,827,468	(\$18,897)	\$2,808,571	\$2,381,281	\$5,189,852	(\$22,677)	\$5,167,175	\$130,592	\$5,297,767	1			
2	Operating Revenue Deductions:														2			
3	Operating Expenses	236,578	17,095	253,673	1,160,103	1,413,776	318,462	1,732,238	28,695	1,760,933	32,797	1,793,731	1,574	1,795,305	3			
4	Depreciation	118,954	494,940	613,894	191,591	805,485	41,652	847,137	0	847,137	37,023	884,160	0	884,160	4			
5	Amortizations	0	0	0	0	0	18,393	18,393	0	18,393	0	18,393	0	18,393	5			
6	Taxes, Other Than Income:														6			
7	Local Property And Miscellaneous	0	0	0	26,217	26,217	9	26,225	0	26,225	27	26,252	0	26,252	7			
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
9	Public Utility Realty Taxes	0	0	0	50,891	50,891	18	50,909	0	50,909	52	50,961	0	50,961	9			
10	Payroll Taxes	8,579	0	8,579	16,542	25,121	198	25,319	0	25,319	896	26,215	0	26,215	10			
11	General Assessment	0	16,384	16,384	(109)	16,275	(110)	16,165	13,715	29,880	(131)	29,749	753	30,502	11			
12	State Capital Stock Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	12			
13	Total Taxes Other Than Income	8,579	16,384	24,963	93,541	118,504	115	118,618	13,715	132,333	844	133,177	753	133,930	13			
14	Utility Operating Income Before Income Taxes	254,317	1,699,519	1,953,836	(1,464,133)	489,703	(397,519)	92,184	2,338,871	2,431,055	(93,341)	2,337,714	128,265	2,465,979	14			
15	Income Taxes:														15			
16	State Income Tax	(18,266)	169,126	150,860	(195,331)	(44,471)	(37,648)	(82,119)	233,588	151,469	(14,265)	137,204	12,810	150,014	16			
17	Federal Income Tax	(32,957)	288,095	255,138	(258,474)	(3,336)	(64,584)	(67,920)	441,971	374,051	(11,492)	362,559	24,238	386,797	17			
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	18			
19	Total Income Taxes	(51,223)	457,221	405,998	(453,805)	(47,807)	(102,232)	(150,039)	675,559	525,520	(25,757)	499,763	37,048	536,811	19			
20	Total Operating Revenue Deductions	312,888	985,640	1,298,528	991,430	2,289,958	276,390	2,566,348	717,969	3,284,317	44,907	3,329,224	39,375	3,368,599	20			
21	Utility Operating Income	305,540	1,242,298	1,547,838	(1,010,328)	537,510	(295,287)	242,223	1,663,312	1,905,535	(67,584)	1,837,951	91,217	1,929,168	21			
22	Income Deductions:														22			
23	Interest On Long Term Debt	401,093	0	401,093	61,041	462,134	3,240	465,374	659	466,033	(1,401)	464,632	35	464,667	23			
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	24			
25	Interest On Notes Payable To Others	11,512	0	11,512	(11,512)	0	0	0	0	0	0	0	0	0	25			
26	Total Income Deductions	412,605	0	412,605	49,529	462,134	3,240	465,374	659	466,033	(1,401)	464,632	35	464,667	26			
27	Net Income	(\$107,065)	\$1,242,298	\$1,135,233	(\$1,059,857)	\$75,376	(\$298,527)	(\$223,151)	\$1,662,653	\$1,439,502	(\$66,183)	\$1,373,319	\$91,182	\$1,464,501	27			
28	Preferred Dividends	1,951		1,951		1,415		1,253		1,255		235		235	28			
29	Net Income To Common	(\$109,016)		\$1,133,282		\$73,961		(\$224,404)		\$1,438,247		\$1,373,084		\$1,464,266	29			

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS STEELTON

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	ANNUALIZATION OF ACQUIRED SYSTEMS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE			PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	461.1	RESIDENTIAL	\$173,637	(\$46,873)	\$788,555		\$915,319		(\$16,072)	0	0	\$899,247
4	461.2	COMMERCIAL	22,026	(6,403)	117,514		133,137		(2,708)	0	0	130,429
5	461.3	INDUSTRIAL	415,904	(143,470)	1,431,458		1,703,892		0	0	0	1,703,892
6	464	MUNICIPAL	4,907	(2,403)	23,138		25,642		0	0	0	25,642
7	466	SALES FOR RESALE	0	0	49,106		49,106		0	0	0	49,106
8		TOTAL METERED SALES	616,474	(199,149)	2,409,771	0	2,827,096	0	(18,780)	0	0	2,808,316
9		UNMETERED SALES										
10	460	RESIDENTIAL	0	0	0	0	0	0	0	0	0	0
11	460	COMMERCIAL	0	0	0	0	0	0	0	0	0	0
12	460	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
13	460	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
14	460	MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0	0	0	0
16	462.1	PRIVATE FIRE PROTECTION	0	0	0	0	0	0	0	0	0	0
17	462.2	PUBLIC FIRE PROTECTION	0	0	0	0	0	0	0	0	0	0
18		TOTAL WATER SALES	616,474	(199,149)	2,409,771	0	2,827,096	0	(18,780)	0	0	2,808,316
19		OTHER OPERATING REVENUES										
20	469	GUARANTEED REVENUES	0	0	0	0	0	0	0	0	0	0
21	470	LATE PAYMENT FEES	334	0	0	17,316	17,650	(118)	0	0	0	17,532
22	471	MISC SERVICE REVENUES	1,620	0	0	0	1,620	0	0	0	0	1,620
23	472	RENTS FROM PROPERTIES	0	0	0	0	0	0	0	0	0	0
24	473	INTERCOMPANY RENTS	0	0	0	0	0	0	0	0	0	0
25	474	OTHER WATER REVENUES	0	0	0	0	0	0	0	0	0	0
26		TOTAL OTHER OPERATING REVENUES	1,954	0	0	17,316	19,270	(118)	0	0	0	19,152
27												
28		TOTAL OPERATING REVENUES	\$618,428	(\$199,149)	\$2,409,771	\$17,316	\$2,846,366	(\$118)	(\$18,780)	\$0	\$0	\$2,827,468
												PAGE 1 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS STEELTON

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	461.1	RESIDENTIAL	\$899,247	\$0	\$0	(\$16,072)	\$0	\$883,175	110.83%	\$978,835	1,862,010
4	461.2	COMMERCIAL	130,429	0	0	(2,708)	0	127,721	90.54%	115,635	243,356
5	461.3	INDUSTRIAL	1,703,892	0	0	0	0	1,703,892	71.11%	1,211,695	2,915,587
6	464	MUNICIPAL	25,642	0	0	0	0	25,642	70.83%	18,162	43,804
7	466	SALES FOR RESALE	49,106	0	0	0	0	49,106	1.38%	680	49,786
8		TOTAL METERED SALES	2,808,316	0	0	(18,780)	0	2,789,536	83.35%	2,325,007	5,114,543
9		UNMETERED SALES									
10	460	RESIDENTIAL	0	0	0	0	0	0	0.00%	0	0
11	460	COMMERCIAL	0	0	0	0	0	0	0.00%	0	0
12	460	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	460	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	460	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
16	462.1	PRIVATE FIRE PROTECTION	0	0	0	0	0	0	0.00%	0	0
17	462.2	PUBLIC FIRE PROTECTION	0	0	0	0	0	0	0.00%	41,500	41,500
18		TOTAL WATER SALES	2,808,316	0	0	(18,780)	0	2,789,536	84.84%	2,366,507	5,156,043
19		OTHER OPERATING REVENUES									
20	469	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
21	470	LATE PAYMENT FEES	17,532	0	(117)	0	0	17,415	84.83%	14,774	32,189
22	471	MISC SERVICE REVENUES	1,620	0	0	0	0	1,620	0.00%	0	1,620
23	472	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
24	473	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
25	474	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
26		TOTAL OTHER OPERATING REVENUES	19,152	0	(117)	0	0	19,035	77.61%	14,774	33,809
27		TOTAL OPERATING REVENUES	\$2,827,468	\$0	(\$117)	(\$18,780)	\$0	\$2,808,571	84.79%	\$2,381,281	\$5,189,852
28											PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS STEELTON

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	461.1	RESIDENTIAL	\$1,862,010	\$0	\$0	(\$19,287)	\$0	\$1,842,723	-0.08%	(\$1,484)	\$1,841,239
4	461.2	COMMERCIAL	243,356	0	0	(3,249)	0	240,107	-1.42%	(3,403)	236,704
5	461.3	INDUSTRIAL	2,915,587	0	0	0	0	2,915,587	4.44%	129,479	3,045,066
6	464	MUNICIPAL	43,804	0	0	0	0	43,804	5.05%	2,211	46,015
7	466	SALES FOR RESALE	49,786	0	0	0	0	49,786	1.39%	691	50,477
8		TOTAL METERED SALES	5,114,543	0	0	(22,536)	0	5,092,007	2.50%	127,494	5,219,501
9		UNMETERED SALES									
10	460	RESIDENTIAL	0	0	0	0		0	0.00%	0	0
11	460	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	460	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	460	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	460	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
16	462.1	PRIVATE FIRE PROTECTION	0	0	0	0	0	0	0.00%	0	0
17	462.2	PUBLIC FIRE PROTECTION	41,500	0	0	0	0	41,500	5.51%	2,288	43,788
18		TOTAL WATER SALES	5,156,043	0	0	(22,536)	0	5,133,507	2.53%	129,782	5,263,289
19		OTHER OPERATING REVENUES									
20	469	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
21	470	LATE PAYMENT FEES	32,189	0	(141)	0	0	32,048	2.53%	810	32,858
22	471	MISC SERVICE REVENUES	1,620	0	0	0	0	1,620	0.00%	0	1,620
23	472	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
24	473	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
25	474	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
26		TOTAL OTHER OPERATING REVENUES	33,809	0	(141)	0	0	33,668	2.41%	810	34,478
27		TOTAL OPERATING REVENUES	\$5,189,852	\$0	(\$141)	(\$22,536)	\$0	\$5,167,175	2.53%	\$130,592	\$5,297,767
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PAGE 3 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS STEELTON

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/19 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/20 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$618,428						
2	Present Rates At 12/31/19				\$2,846,366				
3	Present Rates At 12/31/20						\$2,827,468		
4	Proposed Rates At 12/31/21								\$5,189,852
5	Unbilled Adjustment	(199,149)							
6	Annualization of Acquisition	2,409,771							
7	Declining Residential and Commercial Usage			(18,780)		(18,780)		(22,536)	
8	Other Operating Revenues								
9	470 - Penalties	<u>17,316</u>		<u>(118)</u>		<u>(117)</u>		<u>(141)</u>	
10	Pro Forma Adjustment		<u>2,227,938</u>		<u>(18,898)</u>		<u>(18,897)</u>		<u>(22,677)</u>
11	Pro Forma Present Rates At December 31, 2019		<u>\$2,846,366</u>						
12	Pro Forma Present Rates At December 31, 2020				<u>\$2,827,468</u>				
13	Pro Forma Present Rates At December 31, 2021						<u>\$2,808,571</u>		
14	Pro Forma Present Rates At December 31, 2022								<u>\$5,167,175</u>

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	(\$46,873)
3	Commercial	(6,403)
4	Industrial	(143,470)
5	Municipal	(2,403)
6	Sales For Resale	0
7	Miscellaneous	
		<hr/>
8	Total Metered Sales	(\$199,149)
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
		<hr/>
15	Total Unmetered Sales	\$0
16	Private Fire Protection	\$0
17	Public Fire Protection	0
		<hr/>
18	Total Unbilled Water Sales	(\$199,149)
19	Other Operating Revenues	\$0
20	Pro Forma Adjustment	<hr/> <hr/> (\$199,149)

Witness: Ashley Everette

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Revenues

Public Fire Protection

This adjustment is being made to reflect the the number of customers/hydrants at December 31, 2019. The Steelton hydrant rate was zero at present rates 2019, 2020, and 2021. Steelton did not have a hydrant rate until proposed rates 2021.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PROPOSED RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annual Charge For Public Fire Protection					
2	Facilities In Service At 12/31/22 at 2021 rates					\$41,500
3	Annual Charge For Public Fire Protection					
4	Facilities In Service At 12/31/21 at Proposed rates				41,500	41,500
3	Annual Charge For Public Fire Protection					
4	Facilities In Service At 12/31/21				0	
5	Annual Charge For Public Fire Protection					
6	Facilities In Service At 12/31/20					
7	Annual Charge For Public Fire Protection					
8	Facilities In Service At 12/31/19					
9	Less: Public Fire Protection Revenue For					
10	The Twelve Months Ended 12/31/19					
11	Unbilled					
12	Pro Forma Adjustment	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$41,500</u>	<u>\$0</u>

Witness: Ashley Everette

Reference: FR II.10

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Revenues

Declining Residential and Commercial Usage Adjustment

This adjustment is being made to address the declining trend in residential and commercial usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Gregory Roach (PAWC Statement No. 9).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales			
2	Residential	(\$16,072)	(\$16,072)	(\$19,287)
3	Commercial	(2,708)	(2,708)	(3,249)
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$18,780)	(\$18,780)	(\$22,536)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$18,780)	(\$18,780)	(\$22,536)
19	Miscellaneous Service Fees	\$0	\$0	\$0
20	Rents From Properties	0	0	0
21	Other Water Revenues	0	0	0
22	Total Operating Revenues	(\$18,780)	(\$18,780)	(\$22,536)

Witness: Ashley E. Everette
Reference: FR II.2

Pennsylvania-American Water Company - Water Operations Excl. Steelton

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Water Steelton

On October 9, 2019, the Company closed on the acquisition of the water utility property of the Steelton Borough Authority and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales				
2	Residential	\$788,555	\$0	\$0	\$0
3	Commercial	117,514	0	0	0
4	Industrial	1,431,458	0	0	0
5	Municipal	23,138	0	0	0
6	Sales For Resale	49,106	0	0	0
7	Miscellaneous	0	0	0	0
8	Total Metered Sales	\$2,409,771	\$0	\$0	\$0
9	Unmetered Sales				
10	Residential	\$0	\$0	\$0	\$0
11	Commercial	0	0	0	0
12	Industrial	0	0	0	0
13	Municipal	0	0	0	0
14	Sales For Resale	0	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0	\$0
16	Total Wastewater Sales	\$2,409,771	\$0	\$0	\$0
17	Miscellaneous Service Fees	\$0	\$0	\$0	\$0
18	Rents From Properties	0	0	0	0
19	Total Operating Revenues	\$2,409,771	\$0	\$0	\$0

Witness: Ashley Everette
Reference: Gannett Fleming Bill Analysis

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	0	2,179	2,179	2,179	2,179	2,179	0	0
3	601.2	Commercial	0	151	151	151	151	151	0	0
4	601.3	Industrial	0	11	11	11	11	11	0	0
5	606	Municipal	0	12	12	12	12	12	0	0
6	607	Resale	0	0	0	0	0	0	0	0
7	601.4	Miscellaneous	0	0	0	0	0	0	0	0
8		Metered	0	2,353	2,353	2,353	2,353	2,353	0	0
9		Unmetered								
10	602.1	Residential	0	0	0	0	0	0	0	0
11	602.2	Commercial	0	0	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	0	0	0	0	0	0	0	0
16	604	Private Fire	0	0	0	0	0	0	0	0
17	605	Public Fire	0	1	1	1	1	1	0	0
18		Total Customers	0	2,354	2,354	2,354	2,354	2,354	0	0

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020, 2021, and 2022. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Water Sales	\$417,325	\$2,827,096	\$2,808,316	\$2,789,536	\$5,156,043	\$5,133,507	\$5,263,289
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	334	17,650	17,532	17,415	32,188	32,048	32,859
5 Less: Per Books At 12/31/2019		334					
6 Less: Present Rates At 12/31/2019			17,650				
7 Less: Present Rates At 12/31/2020				17,532			
8 Less: Present Rates At 12/31/2021					17,415		
9 Less: Proposed Rates At 12/31/2021						32,188	
10 Less: Present Rates At 12/31/2022							32,048
11 Pro Forma Adjustments		\$17,316	(\$118)	(\$117)	\$14,773	(\$140)	\$811

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		DEPRECIATED ORIGINAL COST 12/31/19	DEPRECIATED ORIGINAL COST 12/31/20	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED PROPOSED 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED PROPOSED 12/31/22
1	Non-Depreciable Plant	\$26,992	\$26,992	\$26,992	\$26,992	\$26,992	\$26,992
2	Depreciable Plant	44,349,363	47,345,671	48,244,183	48,244,183	49,952,036	49,952,036
3	Total Utility Plant In Service	44,376,355	47,372,663	48,271,175	48,271,175	49,979,028	49,979,028
4	Deduct:						
5	Contributions In Aid Of Construction	0	0	0	0	0	0
6	Customer Advances For Construction	0	0	0	0	0	0
7	Excluded Property	0	0	0	0	0	0
8	Sub-Total	0	0	0	0	0	0
9	Net Utility Plant In Service	44,376,355	47,372,663	48,271,175	48,271,175	49,979,028	49,979,028
10	Accumulated Depreciation	23,871,161	24,305,761	24,628,795	24,628,795	25,744,204	25,744,204
11	Depreciated Utility Plant In Service	20,505,194	23,066,902	23,642,380	23,642,380	24,234,824	24,234,824
12	Add:						
13	Materials And Supplies	36,652	36,652	36,652	36,652	36,652	36,652
14	Cash Working Capital - Expenses	21,688	94,513	137,707	137,707	142,154	142,154
15	Accrued And Prepaid Taxes	24,647	23,323	19,292	52,983	51,929	53,776
16	Acquisition Adjustments	0	158,976	151,027	151,027	127,180	127,180
17	Other Additions	0	0	0	0	0	0
18	Deduct:						
19	Cash Working Capital - Int And Div	44,670	52,774	53,155	53,238	53,080	53,080
20	Unamortized Itc (3%)	0	0	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	0	0	0	0	0	0
23	Other Deductions	0	0	0	0	0	0
24	Deferred Taxes	134,201	166,806	207,721	207,721	275,238	275,238
25	Total Rate Base Elements	\$20,409,310	\$23,160,786	\$23,726,182	\$23,759,790	\$24,264,421	\$24,266,268
26	Utility Operating Income						
27	Per Books	\$305,540	1.50%	1.32%	1.29%	1.29%	1.26%
28	Present Rates At 12/31/2019	1,547,838	7.58%	-	-	-	-
29	Present Rates At 12/31/2020	537,510	-	2.32%	-	-	-
30	Present Rates At 12/31/2021	242,223	-	-	1.02%	-	-
31	Proposed Rates At 12/31/2021	1,905,535	-	-	8.02%	-	-
32	Present Rates At 12/31/2022	1,837,951	-	-	-	7.57%	-
33	Proposed Rates At 12/31/2022	1,929,168	-	-	-	-	7.95%

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	301.00	Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.00	Franchises & Consents	0	0	0	0	0	0	0	0	0	0	0
3	303.00	Miscellaneous Intangible Plant	3	0	0	3	0	0	3	3	0	0	3
4		Total Intangible Plant	<u>\$3</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3</u>	<u>\$3</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3</u>
5	303.00	Land & Land Rights	26,989	\$0	\$0	\$26,989	\$0	\$0	\$26,989	\$26,989	\$0	\$0	\$26,989
6		Total Land & Land Rights	<u>26,989</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,989</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,989</u>	<u>\$26,989</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,989</u>
7	303.14	Water Rights - Hibernia	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	303.35	Waste Handling and Treatment Land		0	0	0	0	0	0	0	0	0	0
9	303.99	Comprehensive Planning Studies		0	0	0	0	0	0	0	0	0	0
10	304.15	Other Water Source Structures	6,843	0	0	6,843	0	0	6,843	6,843	0	0	6,843
11	304.20	Power and Pumping Structures		0	0	0	0	0	0	0	0	0	0
12	304.30	Purification Buildings	13,449,043	10,000	821	13,458,222	10,000	824	13,467,398	13,462,810	10,000	843	13,476,555
13	304.36	Waste Handling Struct. & Improv.		0	0	0	0	0	0	0	0	0	0
14	304.61	Office Buildings		0	0	0	0	0	0	0	0	0	0
15	304.62	Stores, Shop and Garage Buildings		0	0	0	0	0	0	0	0	0	0
16	304.63	Miscellaneous Structures and Improvements		0	0	0	0	0	0	0	0	0	0
17	305.00	Collecting and Impounding Reservoirs		0	0	0	0	0	0	0	0	0	0
18	306.00	Lake, River and Other Intakes	112,013	0	0	112,013	0	0	112,013	112,013	0	0	112,013
19	307.00	Wells and Springs		0	0	0	0	0	0	0	0	0	0
20	310.00	Other Power Production Equipment	416,789	0	0	416,789	0	0	416,789	416,789	0	0	416,789
21	311.00	Electric Pumping Equipment	5,704,191	0	0	5,704,191	0	0	5,704,191	5,704,191	0	0	5,704,191
22	320.00	Purification System	932,518	825,000	67,722	1,689,796	525,000	43,264	2,171,532	1,930,664	50,000	4,217	2,217,316
23	320.30	Granular Activated Carbon		0	0	0	0	0	0	0	0	0	0
24	320.37	Waste Handling and Treatment Equipment		0	0	0	0	0	0	0	0	0	0
25	330.00	Distribution Reservoirs and Standpipes	2,560,030	0	0	2,560,030	0	0	2,560,030	2,560,030	0	0	2,560,030
26	331.00	Mains and Accessories	20,071,855	575,000	46,790	20,600,065	575,000	46,972	21,128,093	20,864,079	575,000	48,070	21,655,024
27	333.00	Services		170,000	0	170,000	170,000	0	340,000	255,000	170,000	0	510,000
28	334.00	Meters	33,126	600,000	49,252	583,874	600,000	49,444	1,134,429	859,152	0	0	1,134,429
29	335.00	Fire Hydrants	981,008	60,000	3,283	1,037,725	40,000	2,472	1,075,252	1,056,488	40,000	2,530	1,112,722
30	340.00	Office Furniture and Equipment		0	0	0	0	0	0	0	0	0	0
31	340.31	Computer Software		0	0	0	0	0	0	0	0	0	0
32	341.00	Transportation Equipment		300,000	0	300,000	0	0	300,000	300,000	0	0	300,000
33	342.00	Stores Equipment		0	0	0	0	0	0	0	0	0	0
34	343.00	Tools and Work Equipment	4,968	200,000	0	204,968	20,000	0	224,968	214,968	20,000	0	244,968
35	344.00	Laboratory Equipment	22,624	0	0	22,624	0	0	22,624	22,624	0	0	22,624
36	345.00	Power Operated Equipment		0	0	0	0	0	0	0	0	0	0
37	346.00	Communication Equipment		75,000	0	75,000	0	0	75,000	75,000	0	0	75,000
38	347.00	Miscellaneous Equipment	53,532	350,000	0	403,532	0	0	403,532	403,532	0	0	403,532
39	348.00	Other Tangible Equipment	823	0	823	(0)	0	0	(0)	(0)	0	0	(0)
40		Total Tangible Plant	<u>\$44,349,363</u>	<u>\$3,165,000</u>	<u>\$168,692</u>	<u>\$47,345,671</u>	<u>\$1,940,000</u>	<u>\$142,976</u>	<u>\$49,142,695</u>	<u>\$48,244,183</u>	<u>\$865,000</u>	<u>\$55,659</u>	<u>\$49,952,036</u>
41		Total Utility Plant In Service	<u>\$44,376,355</u>	<u>\$3,165,000</u>	<u>\$168,692</u>	<u>\$47,372,663</u>	<u>\$1,940,000</u>	<u>\$142,976</u>	<u>\$49,169,687</u>	<u>\$48,271,175</u>	<u>\$865,000</u>	<u>\$55,659</u>	<u>\$49,979,028</u>

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the material and supplies accounts for PAWC's other water districts for the period of December 2018 to December 2019. This balance was divided by the total number of customers in the other wastewater districts in order to calculate the amount of materials and supplies per customer. This per customer number was then multiplied by the total number of Steelton Water customers to calculate the Company's claim.

LINE NO.	DETAIL	12/31/2020 through 12/31/2022 AMOUNT
1	13-Month average of M&S for PAWC's 40 other Water districts	\$10,331,405
2	Number of customers in PAWC's 40 other Water districts	663,475
3	Amount of M&S per customer	\$15.57
4	Total number of Steelton Water customers	2,354
5	Allowance for Materials and Supplies At 12/31/2020 through 12/31/2022	<hr/> <hr/> <hr/> \$36,652

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for water service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2 Bi-Monthly Billings					
3 Lag Days					
4 Dollar Days					
5 Quarterly					
6 Lag Days					
7 Dollar Days					
8 Monthly Billings	\$419,279	\$2,846,366	\$2,827,468	\$2,808,571	\$5,167,175
9 Lag Days	50.7	50.7	50.7	50.7	50.7
10 Dollar Days	\$21,261,638	\$144,339,220	\$143,380,902	\$142,422,635	\$262,027,430
11 Total Billed Revenue	\$419,279	\$2,846,366	\$2,827,468	\$2,808,571	\$5,167,175
12 Total Dollar Days	\$21,261,638	\$144,339,220	\$143,380,902	\$142,422,635	\$262,027,430
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	50.7	50.7	50.7	50.7	50.7
14 Deduct: Average Lag In Payment Of					
15 Operating Expenses	16.4	16.0	26.1	21.5	21.6
16 Average Lag Between Payment Of Operating					
17 Expenses And Receipt Of Revenues	34.3	34.7	24.6	29.2	29.1
18 Working Capital Requirements					
19 Annual Operating Expenses (Including Payroll Expenses)		\$227,953	\$1,402,479	\$1,721,367	\$1,782,967
20 Operating Expenses Per Day (Line 20 / 365 Days)		625	3,842	4,716	4,885
21 Cash Working Capital Required					
22 (Line 17 * Line 20)		\$21,688	\$94,513	\$137,707	\$142,154

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	DOLLAR DAYS	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022	
		AMOUNT		AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.14	\$124,155	\$1,507,242	\$124,155	\$1,507,242	\$338,996	\$4,115,411	\$341,794	\$4,149,378	\$354,396	\$4,302,367
2 Group Insurance	10.92	23,420	255,746	23,420	255,746	60,446	660,070	64,179	700,835	68,142	744,111
3 OPEB's and VEBA	0.00	1,198	0	1,198	0	3,456	0	3,456	0	3,456	0
4 Pension	13.14	6,360	83,570	6,360	83,570	6,360	83,570	6,360	83,570	6,360	83,570
5 Purchased Power	24.97	25,734	642,578	25,734	642,578	108,755	2,715,612	107,438	2,682,727	106,121	2,649,841
6 Purchased Water	34.69	0	0	0	0	0	0	0	0	0	0
7 Chemicals	48.81	0	0	0	0	87,720	4,281,613	92,159	4,498,281	96,822	4,725,882
8 Miscellaneous	31.01	41,873	1,298,482	34,319	1,064,232	777,896	24,122,555	817,828	25,360,834	853,694	26,473,062
9 Transportation	39.23	6,240	244,795	6,240	244,795	15,827	620,893	16,149	633,525	16,465	645,922
10 Ins Other Than Group	(53.43)	3,504	(187,219)	3,504	(187,219)	0	0	67,894	(3,627,576)	69,246	(3,699,814)
11 Service Company	12.14	0	0	0	0	0	0	201,087	2,441,201	205,242	2,491,639
12 Waste Disposal	45.65	0	0	0	0	0	0	0	0	0	0
13 Telephone	8.71	3,023	26,330	3,023	26,330	3,023	26,330	3,023	26,330	3,023	26,330
14 Rents	8.05	0	0	0	0	0	0	0	0	0	0
15 Natural Gas	31.80	0	0	0	0	0	0	0	0	0	0
16 Totals		\$235,507	\$3,871,524	\$227,953	\$3,637,274	\$1,402,479	\$36,626,054	\$1,721,367	\$36,949,105	\$1,782,967	\$38,442,910
17 Average Lag			16.4		16.0		26.1		21.5		21.6
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$245,157		\$262,252		\$1,438,897		\$1,757,557		\$1,819,946	
19 Uncollectibles		9,650		34,299		34,071		33,843		34,631	
20 Amortizations		0		0		2,347		2,347		2,347	
21 Sum Of Other Expenses		193,634		193,634		624,583		903,539		929,273	
22 Miscellaneous		\$41,873		\$34,319		\$777,896		\$817,828		\$853,694	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		RATE YEAR 1 PROPOSED RATES 12/31/2021		RATE YEAR 2			
			ACCRUED		ACCRUED		ACCRUED		ACCRUED		PRESENT RATES 12/31/2022		PROPOSED RATES 12/31/2022	
			TAXES PAYABLE	TAXES ADJUSTMENT	TAXES PAYABLE	TAXES ADJUSTMENT	TAXES PAYABLE	TAXES ADJUSTMENT	TAXES PAYABLE	TAXES ADJUSTMENT	TAXES PAYABLE	TAXES ADJUSTMENT	TAXES PAYABLE	TAXES ADJUSTMENT
1	General Assessment	197.2	\$16,384	\$8,852	\$16,275	\$8,793	\$16,165	\$8,734	\$29,880	\$16,143	\$29,749	\$16,073	\$30,502	\$16,479
2	Public Utility Realty Tax	66.5	0	0	50,891	9,272	50,909	9,275	50,909	9,275	50,961	9,285	50,961	9,285
3	Local Property Tax	99.1	0	0	26,217	7,118	26,225	7,120	26,225	7,120	26,252	7,128	26,252	7,128
4	State Income Tax	14.2	150,860	5,869	(44,471)	(1,730)	(82,119)	(3,195)	151,469	5,893	137,204	5,338	150,014	5,836
5	Federal Income Tax	14.2	255,138	9,926	(3,336)	(130)	(67,920)	(2,642)	374,051	14,552	362,559	14,105	386,797	15,048
6	Totals			\$24,647		\$23,323		\$19,292		\$52,983		\$51,929		\$53,776

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE NO.	DESCRIPTION	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND					
1	Average Lag Calculation								
2	Future Revenue Lag Days	50.7	50.7	50.7					
3	Less: Interest Payments Lag Days	92.4	15.2	46.2					
4	Average Lag Between The Payment	(41.7)	35.5	4.5					
5	Of Interest And The Receipt								
6	Of Revenues								
		PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	RATE YEAR 1 PROPOSED AMOUNT 12/31/21	RATE YEAR 2			
7	Long Term Debt					PRESENT RATES 12/31/22	PROPOSED AMOUNT 12/31/22		
8	Working Capital Requirements								
9	Pro Forma Annual Interest Expense	\$401,093	\$462,134	\$465,374	\$466,033	\$464,632	\$464,667		
10	Interest Expense Per Day								
11	(Line 9 / 365 Days)	1,099	1,266	1,275	1,277	1,273	1,273		
12	Cash Working Capital Required								
13	(Line 4 Col.1 X Line 11)		(45,828)	(52,792)	(53,168)	(53,251)	(53,084)		(53,084)
14	Short Term Debt								
15	Working Capital Requirements								
16	Pro Forma Annual Interest Expense	11,512	0	0	0	0	0		
17	Interest Expense Per Day								
18	(Line 16 / 365 Days)	32	0	0	0	0	0		
19	Cash Working Capital Required								
20	(Line 4 Col.2 X Line 18)		1,136	0	0	0	0		0
21	Preferred Dividends								
22	Working Capital Requirements								
23	Pro Forma Annual Dividend Expense	1,951	1,415	1,253	1,255	235	235		
24	Dividend Expense Per Day								
25	(Line 23 / 365 Days)	5	4	3	3	1	1		
26	Cash Working Capital Required								
27	(Line 4 Col.3 X Line 25)		23	18	14	14	5		5
28	Total Cash Working Capital Required								
29	(Line 13 + Line 20 + Line 27)		<u>(\$44,670)</u>	<u>(\$52,774)</u>	<u>(\$53,155)</u>	<u>(\$53,238)</u>	<u>(\$53,080)</u>		<u>(\$53,080)</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the water assets of the Steelton Borough Authority (acquired at Docket No. A-2019-3006880).

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	Steelton Transaction Costs	Seeking Approval	\$158,976	\$7,949	\$151,027	\$7,949	\$15,898	\$127,180
2	Effect to Rate Base Element		<u>\$158,976</u>	<u>\$7,949</u>	<u>\$151,027</u>	<u>\$7,949</u>	<u>\$15,898</u>	<u>\$127,180</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax	(\$134,201)	(\$166,806)	(\$207,721)	(\$275,238)
2	Less: Prior Year		(134,201)	(166,806)	(207,721)
3	Effect to Rate Base Element	<u>(\$134,201)</u>	<u>(\$32,605)</u>	<u>(\$40,915)</u>	<u>(\$67,517)</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$351	\$351	\$954	\$962	\$998
4	601.2	Salary And Wages	0	0	0	0	0
5	610.1	Purchased Water	0	0	0	0	0
6	615.1	Purchased Power	0	0	16,954	16,805	16,656
7	616.1	Purchased Fuel	0	0	0	0	0
8	620.1	Materials And Supplies	3,838	3,838	3,838	3,838	3,838
9	631.1	Contract Services - Engineering	0	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	159	159	159	159	159
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0	0
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	0	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0	0
18	636.2	Contract Services	0	0	0	0	0
19	650.2	Transportation	125	125	125	125	125
19		-Miscellaneous-					
20	675.1	Miscellaneous Operating Expense	715	715	715	15,715	15,715
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0	0
22		Total Source Of Supply Expenses	\$5,188	\$5,188	\$22,745	\$37,604	\$37,491
23		Water Treatment					
24		-Operation-					
25	601.3	Salary And Wages	\$71,779	\$71,779	\$194,934	\$196,549	\$203,819
26	601.4	Salary And Wages	0	0	0	0	0
27	604.3	Employee Pension And Benefits	0	0	0	0	0
28	615.3	Purchased Power	25,734	25,734	88,711	88,159	87,607
29	618.3	Chemicals	0	0	87,136	90,991	95,070
30	620.3	Materials And Supplies	11,493	11,493	11,493	11,493	11,493
31	631.3	Contract Services - Engineering	0	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0	0
34	635.3	Contract Services - Test	656	656	9,000	9,000	9,000
35	636.3	Contract Services	7,130	7,130	7,130	7,130	7,130
36	641.3	Rental Of Building	0	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0	0
38	650.3	Transportation	0	0	0	0	0
39		-Maintenance-					
40	620.4	Materials And Supplies	0	0	18,000	18,000	18,000
41	631.4	Contract Services - Engineering	0	0	0	0	0
42	636.4	Contract Services	0	0	0	0	0
43	650.4	Transportation	0	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	0	0	0	0	0
45		-Miscellaneous-					
46	675.3	Miscellaneous Operating Expense	8,837	8,837	357,469	364,287	370,978
47		Total Water Treatment Expense	\$125,629	\$125,629	\$773,873	\$785,609	\$803,097
48		Transmission And Distribution					
49		-Operation-					
50	601.5	Salary And Wages	\$0	\$0	\$0	\$0	\$0
51	601.6	Salary And Wages	29,572	29,572	80,310	80,975	83,970
52	604.5	Employee Pension And Benefits	0	0	0	0	0
53	615.5	Purchased Power	0	0	3,674	3,642	3,610
54	620.5	Materials And Supplies	0	0	59,669	59,669	59,669
55	631.5	Contract Services - Engineering	0	0	0	0	0
56	636.5	Contract Services	0	0	0	0	0
57	641.5	Rental Of Building	0	0	0	0	0
58	642.5	Rental Of Equipment	0	0	0	0	0
59	650.5	Transportation	0	0	0	0	0

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$0	\$0	\$18,397	\$18,822	\$19,239
3	631.6	Contract Services - Engineering	0	0	0	0	0
4	636.6	Contract Services	0	0	0	0	0
5	650.6	Transportation	0	0	0	0	0
6	675.6	Miscellaneous Operating Expense	0	0	0	0	0
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	3,023	3,023	3,023	3,023	3,023
9		Total Transmission And Distribution	\$32,595	\$32,595	\$165,073	\$166,131	\$169,511
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0	0
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	0	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0	0
21	650.7	Transportation	0	0	0	0	0
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	9,650	34,299	34,071	33,843	62,264
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	0	0	5,566	10,180	10,180
26		Total Customer Accounting	\$9,650	\$34,299	\$39,637	\$44,023	\$72,444
27		Administrative And General					
28	601.8	Salary And Wages	\$13,874	\$13,874	\$37,677	\$37,989	\$39,394
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	38,016	30,462	81,060	84,906	89,623
31	615.8	Purchased Power	0	0	0	0	0
32	620.8	Materials And Supplies	0	0	0	0	0
33	631.8	Contract Services	0	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0	0
36	634.8	Contract Services - Management	0	0	0	201,087	205,242
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	919	919	99,212	99,212	99,212
39	641.8	Rental Of Building	0	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0	0
41	650.8	Transportation	6,115	6,115	15,702	16,024	16,340
42	656.8	Insurance - Vehicles	0	0	0	1,102	1,124
43	657.8	Insurance	0	0	0	46,901	47,833
44	658.8	Workers Compensation	3,504	3,504	(0)	7,504	7,655
45	659.8	Insurance	0	0	0	12,387	12,634
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	2,347	2,347	2,347
48	667.8	Regulatory Commission	0	0	0	0	0
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	1,088	1,088	176,450	189,413	189,784
51		Total Administrative And General	\$63,516	\$55,962	\$412,448	\$698,872	\$711,188
52		Total Operating Expenses	\$236,578	\$253,673	\$1,413,776	\$1,732,238	\$1,793,731

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	12/31/19 DETAIL	PRESENT RATES 12/31/19 AMOUNT	12/31/20 DETAIL	PRESENT RATES 12/31/20 AMOUNT	12/31/21 DETAIL	PRESENT RATES 12/31/21 AMOUNT	12/31/22 DETAIL	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$236,578						
2	Present Rates At 12/31/2019				\$253,673				
3	Present Rates At 12/31/2020						\$1,413,776		
4	Proposed Rates At 12/31/2021								\$1,760,933
5	Compensation	-		\$198,299		\$2,600		\$11,706	
6	Group Insurance	-		37,026		\$3,733		3,963	
7	Other Post Employment Benefits & VEBA	-		2,258		\$0		-	
8	Pension	-		-		\$0		-	
9	Purchased Power	-		84,338		\$0		-	
10	Purchased Water	-		-		\$0		-	
11	Chemicals	-		87,720		\$4,439		4,663	
12	Change In Consumption Expense	-		(1,317)		(\$1,317)		(1,317)	
13	Transportation Expense	-		9,587		\$322		316	
14	Insurance Other Than Group	-		(3,504)		\$67,894		1,352	
15	Regulatory Expense (Rate Case Expense)	-		2,347		\$0		-	
16	Service Company Expense	-		-		\$201,087		4,155	
17	Postage and Customer Accounting	-		-		\$0		-	
18	Inflation	-		750		\$803		788	
19	401K & Defined Contribution Plan	-		11,314		\$113		754	
20	Rent Expense	-		-		\$0		-	
21	Waste Disposal	-		327,770		\$6,818		6,692	
22	Miscellaneous Adjustments	(7,554)		403,743		\$32,198		0	
23	Uncollectibles	<u>24,649</u>		<u>(228)</u>		<u>(228)</u>		<u>(274)</u>	
24	Pro Forma Adjustments		<u>17,095</u>		<u>1,160,103</u>		<u>318,462</u>		<u>32,797</u>
25	Present Rates At 12/31/2019		<u><u>\$253,673</u></u>						
26	Present Rates At 12/31/2020				<u>\$1,413,776</u>				
27	Present Rates At 12/31/2021						<u>\$1,732,238</u>		
28	Present Rates At 12/31/2022								<u><u>\$1,793,731</u></u>

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2020, December 31, 2021, and December 31, 2022 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Salary and Wages	\$487,079	\$491,144	\$509,277
2	Annualized Performance Plan	12,566	12,640	13,142
3	Less: 37.18% Capitalized portion not charged to operating expense	<u>185,770</u>	<u>187,309</u>	<u>194,238</u>
4	Sub-Total	313,875	316,475	328,181
5	Less: Amount Charged To Operating Expense			
6	During The Twelve Months Ended 12/31/19	<u>115,576</u>		
7	Less: Amount Charged To Present Rates			
8	At 12/31/20 and 12/31/21		<u>313,875</u>	<u>316,475</u>
9	Pro Forma Adjustment	<u>\$198,299</u>	<u>\$2,600</u>	<u>\$11,706</u>
	601.1 Salary and Wages - Source of Supply	\$603	\$8	\$36
	601.2 Salary and Wages - Source of Supply	0	0	0
	601.3 Salary and Wages - Water Treatment	123,155	1,615	7,270
	601.4 Salary and Wages - Water Treatment	0	0	0
	601.5 Salary and Wages - Transmission & Distribution	0	0	0
	601.6 Salary and Wages - Transmission & Distribution	50,738	665	2,995
	601.7 Salary and Wages - Customer Accounting	0	0	0
	601.8 Salary and Wages - Administrative and General	23,803	312	1,405

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2020 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected test years were developed by adjusting the annualized 2020 amount by a 3 year average of 6.18%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Group Insurance Cost	\$96,222	\$102,164	\$108,473
2	Less: 37.18% Not Charged To Operating Expense	35,776	37,985	40,331
3	Sub-Total	<u>60,446</u>	<u>64,179</u>	<u>68,142</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	23,420		
6	Less: Amount Charged To Operating Expense			
7	During the Calendar Years Ended 2020 and 2021		60,446	64,179
8	Pro Forma Adjustment	<u>\$37,026</u>	<u>\$3,733</u>	<u>\$3,963</u>
	604.8 A&G Employees Pension And Benefits	\$37,026	\$3,733	\$3,963

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Other Post Employment Benefits (OPEB)

The following sets forth the Company's adjustment for post-retirement benefit costs under FAS 106 using the methodology approved by the Commission in the Company's base rate cases since 1992. In addition the Company has included the expense associated with the Company's contributions to the Voluntary Employee Beneficiary Association (VEBA).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Annualized OPEB Expense	\$0
2	Annualized Retiree VEBA Expense (\$600 x 6 employees)	3,600
3	Less: 37.18% Capitalized portion not charged to operating expense	1,338
4	Sub-Total	<u>2,262</u>
5	Less: Amount Charged To Operating Expenses	
6	For The Twelve Months Ended 12/31/19	<u>4</u>
7	Pro Forma Adjustment	<u><u>\$2,258</u></u>
	604.8 A&G Employees' Welfare Expenses	\$2,258

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized 401K - Company Match	\$13,753	\$13,835	\$14,377
2	Annualized DCP	15,459	15,557	16,215
3	Less: 37.18% Not Charged To Operating Expense	10,861	10,928	11,374
4	Sub-Total	<u>18,351</u>	<u>18,464</u>	<u>19,218</u>
5	Annualized ESPP	0	0	0
6	Less: Amount Charged To Operating Expense	7,037	18,351	18,464
7	Pro Forma Adjustment	<u>\$11,314</u>	<u>\$113</u>	<u>\$754</u>
	604.8 Employee Pension And Benefits AG	\$11,314	\$113	\$754

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2019 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Power Cost	\$110,072	\$110,072	\$110,072
2	Less: Amount Charged To Operating Expense	25,734	110,072	110,072
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$84,338</u>	<u>\$0</u>	<u>\$0</u>
	615.1 Purchased Power - Source Of Supply	\$17,103	\$0	\$0
	615.3 Purchased Power - Water Treatment	63,529	0	0
	615.5 Purchased Power - Transmission and Distribution	3,706	0	0

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Waste Disposal

The waste disposal adjustment is the result of annualized costs for the Steelton Water acquisition that occurred in 2019. The annualization of waste disposal costs was based on the application of contract prices to pro forma annualized system flows. The annualized costs were adjusted for inflation for 2021 and 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Waste Disposal Costs	\$327,770	\$334,588	\$341,279
2	Less: Present Rates at 12/31/20 and 12/31/21	0	327,770	334,588
3	Pro Forma Adjustment	<u>\$327,770</u>	<u>\$6,818</u>	<u>\$6,692</u>
	675.3 Waste Disposal	\$327,770	\$6,818	\$6,692

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of contract prices in effect at January 1, 2020 to anticipated 2020 usage. The present rates December 31, 2020 amount was increased by the 3 year weighted average (5.06%) cost increase to project 2021 through 2022 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Chemical Costs	\$87,720	\$92,159	\$96,822
2	Less: Amount Charged To Operating Expense	0	87,720	92,159
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$87,720</u>	<u>\$4,439</u>	<u>\$4,663</u>
	618.3 Chemicals - Water Treatment	<u>\$87,720</u>	<u>\$4,439</u>	<u>\$4,663</u>

Witness: Dominic DeGrazia
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future (2020) and fully projected test years (2021-2022), the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Consumption (00 Gallons)	3,417,959	3,395,223	3,372,487	3,349,751
2	Change In Consumption		(22,736)	(22,736)	(22,736)
3	Power Costs Annualized 2019	\$110,072			
4	Chemical Costs Per Book	87,720			
5	Total	<u>\$197,792</u>			
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.05787</u>	<u>\$0.05787</u>	<u>\$0.05787</u>
7	Pro Forma Adjustment		<u>(\$1,317)</u>	<u>(\$1,317)</u>	<u>(\$1,317)</u>
	615.1 Source of Supply - Purchased Power		(\$149)	(\$149)	(\$149)
	615.3 Water Treatment - Purchased Power		(552)	(552)	(552)
	615.5 Transmission & Distribution - Purchased Power		(32)	(32)	(32)
	618.3 Water Treatment - Chemicals		(584)	(584)	(584)

Witness: Dominic DeGrazia

Reference: FR II.09

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Leased Vehicles Expense	\$25,194	\$25,707	\$26,210
2	Less: 37.18% Not Charged To Operating Expense	9,367	9,558	9,745
3	Sub-Total	<u>15,827</u>	<u>16,149</u>	<u>16,465</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	6,240		
6	Less: Present Rates During the Preceding Calendar Year	<u></u>	<u>15,827</u>	<u>16,149</u>
7	Pro Forma Adjustment	<u>\$9,587</u>	<u>\$322</u>	<u>\$316</u>
	650.8 A & G - Miscellaneous General Expense	\$9,587	\$322	\$316

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2020, adjusted for the 5 year average of retroactive adjustments. The Present Rates 12/31/2021 and 12/31/2022 amounts were further adjusted by 2.08% and 2.0% (Blue Chip GDP Price Indexes for 2021 and 2022). Present Rates for Water at 2021 and 2022 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/19.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Workers Compensation Premium	\$0	\$11,946	\$12,185
2	Less: 37.18% Not Charged To Operating Expense	0	4,442	4,530
3	Sub-Total	0	7,504	7,655
4	Add: Annualized Vehicle, General Liability,			
5	Property And Other Insurance	0	60,390	61,591
6	Sub-Total	0	67,894	69,246
7	Less: Per Books and Present Rates	3,504	0	67,894
8	Pro Forma Adjustment	(\$3,504)	\$67,894	\$1,352
	656.8 Vehicle Insurance	55110000	\$1,102	\$22
	657.8 General Liability Insurance	55710000	46,901	932
	658.8 Workers Compensation	55720000	11,946	239
	658.8 Insurance Wc Capitalized Credits	55720100	(4,442)	(88)
	659.8 Other Insurance	55730000	12,387	247

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there are adjustments for 10 year amortizations of the Customer Class Demand Study, as well as Lead Service Line Program costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$6,537
2	Normalized Over 3 Years	2,179
3	Plus Allocation of Amortization of Demand Study	80
4	Plus Allocation of Amortization of Lead Service Line Costs	88
5	Less: Amount Charged To Operating Expense	
6	During The Twelve Months Ended 12/31/19	0
7	Pro Forma Adjustment	<u>\$2,347</u>
	666.8 Regulatory Commission Expense	\$2,347

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects an allocation of the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2021 and December 31, 2022. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Service Company Cost	\$201,087	\$205,242
2	Less: Present Rates 12/31/21		201,087
3	Pro Forma Adjustment	\$201,087	\$4,155
	634.8 AG - Contract Services - Management	\$201,087	\$4,155

Witness: Stacey D. Gress

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Total O & M Expenses Per Books	\$236,578	\$236,578	\$236,578
2	Less: Adjusted Expenses	<u>198,716</u>	<u>198,716</u>	<u>198,716</u>
3	2020 Expenses Subject To Inflation	37,862	37,862	37,862
4	2020 Inflation		<u>750</u>	<u>750</u>
5	2021 Expenses Subject To Inflation		38,612	38,612
6	2021 Inflation			<u>803</u>
7	2022 Expenses Subject To Inflation			39,415
8	Inflation Factor	<u>1.98%</u>	<u>2.08%</u>	<u>2.00%</u>
9	Pro Forma Adjustment	<u>\$750</u>	<u>\$803</u>	<u>\$788</u>
	620.6 Materials And Supplies	\$397	\$425	\$417
	675.7 Miscellaneous Expense	0	0	0
	675.8 Miscellaneous Expense	353	378	371

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment reflects miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES	PRESENT RATES
		12/31/2019 AMOUNT	12/31/2020 AMOUNT	12/31/2021 and 12/31/2022 AMOUNT
1	<u>Additions:</u>			
2	DEP Adjustment			\$15,000
3	PA HQ - Corporate Campus			12,585
4	Steelton Water O&M Adjustments		\$303,743	
5	Credit Card/E-check Transaction Fees			4,614
6	General Facility Maintenance		100,000	
7	<u>Deductions:</u>			
8	Pension	(\$6,360)		
9	OPEB	(1,194)		
10	Pro Forma Adjustment	<u>(\$7,554)</u>	<u>\$403,743</u>	<u>\$32,198</u>
	604.8 A&G Employee Pension And Benefits	(\$7,554)		
	620.4 M&S Maint WT		\$18,000	
	620.5 M&S Oper TD		59,669	
	620.6 M&S Maint TD		18,000	
	635.3 Cont Serv Testing Operating		8,344	
	636.8 Contract Service - Admin & General		98,293	
	675.1 Misc Operations SS			\$15,000
	675.3 Misc Exp Oper WT		20,862	
	675.6 Misc Expense Maintenance TD			
	675.7 Misc Exp Customer Accounting		5,566	4,614
	675.8 Misc Expense Admin & General		175,009	12,585

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs.
This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$419,279	\$2,846,366	\$2,827,468	\$2,808,571	\$5,189,852	\$5,167,175	\$5,297,767
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$34,299	\$34,071	\$33,843	\$62,538	\$62,264	\$63,838
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		9,650					
6	Less: Present Rates 12/31/2019			34,299				
7	Less: Present Rates 12/31/2020				34,071			
8	Less: Present Rates 12/31/2021					33,843		
9	Less: Proposed Rates 12/31/2021						62,538	
10	Less: Present Rates 12/31/2022							62,264
11	Pro Forma Adjustment		\$24,649	(\$228)	(\$228)	\$28,695	(\$274)	\$1,574
670.7	Customer Accounting And Collecting - Bad Debt		\$24,649	(\$228)	(\$228)	\$28,695	(\$274)	\$1,574

Witness: Ashley E. Everette

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$613,894	\$805,485	\$847,137	\$884,160
2	Book Depreciation	<u>118,954</u>	<u>613,894</u>	<u>805,485</u>	<u>847,137</u>
3	Pro Forma Adjustment	<u>\$494,940</u>	<u>\$191,591</u>	<u>\$41,652</u>	<u>\$37,023</u>
	503 Depreciation	\$494,940	\$191,591	\$41,652	\$37,023

Witness: Dr. Christina E. Chard, John Spanos
Reference: Exhibits No. 11

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Steelton Acquisition Costs	Seeking Approval	\$0	\$15,898	\$15,898
2	Post-in-service AFUDC	Seeking Approval	0	597	597
3	Deferred Depreciation	Seeking Approval	0	1,898	1,898
4	Proforma Expense		0	18,393	18,393
5	Less: Per Books		0	0	18,393
6	Pro Forma Adjustment		\$0	\$18,393	\$0

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense, local and PURTA, for the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Property Subject to Tax	\$13,482,875	\$13,492,054	\$13,496,642	\$13,510,387
2	PURTA Tax 2019	\$0			
3	Property Tax UPIS	\$0			
4	Total	\$0			
5	Rate (Line 5 from Water Excluding Steelton)	\$0.005715	\$0.005715	\$0.005715	\$0.005715
6	Projected property tax expense (Line 1 x Line 5)		\$77,108	\$77,134	\$77,213
7	Less: Amount Charged To Operating Expense			77,108	77,134
8	During The 12 Months Ended 12/31/19		0		
9	Pro Forma Adjustment		\$77,108	\$26	\$79
	408.11 Taxes, Other Than Income - PURTA		\$50,795	\$17	\$52
	408.2 Taxes, Other Than Income - Property		26,313	9	27
	Total PURTA		\$50,795	\$50,812	\$50,864
	Total Local Property Tax		26,313	26,322	26,349
	Total		\$77,108	\$77,134	\$77,213

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Taxes, Other than Income

Payroll Taxes

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Payroll Taxes	\$39,989	\$40,305	\$41,731
2	Less: 37.18% Not Charged To Operating Expense	14,868	14,986	15,516
3	Sub-Total	<u>25,121</u>	<u>25,319</u>	<u>26,215</u>
4	Less: Amount Charged To Operating Expense	8,579	25,121	25,319
5	Pro Forma Adjustment	<u>\$16,542</u>	<u>\$198</u>	<u>\$896</u>
	408.12 - Taxes - Payroll	\$16,542	\$198	\$896

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Water Sales	\$2,827,096	\$2,808,316	\$2,789,536	\$5,156,043	\$5,133,507	\$5,263,289
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	11,891	11,812	11,733	21,687	21,592	22,138
4	Consumer Advocate Fee At 0.001366996958	3,865	3,839	3,813	7,048	7,017	7,195
5	Small Business Advocate Fee At 0.000162780343	460	457	454	839	836	857
6	Damage Prevention Comittee Fee At 0.000059307687	168	167	165	306	304	312
7	Subtotal	16,384	16,275	16,165	29,880	29,749	30,502
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	0					
10	Less: Pro Forma Under Present Rates At 12/31/2019		16,384				
11	Less: Pro Forma Under Present Rates At 12/31/2020			16,275			
12	Less: Pro Forma Under Present Rates At 12/31/2021				16,165		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					29,880	
14	Less: Pro Forma Under Present Rates 12/31/2022						29,749
15	Pro Forma Adjustment	\$16,384	(\$109)	(\$110)	\$13,715	(\$131)	\$753
	507.1 Taxes Other Than Income				\$29,880		\$622
	Witness: Dr. Christina E. Chard						

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	\$150,860	(\$44,471)	(\$82,119)	\$151,469	\$137,204	\$150,014
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	(18,266)					
5 Less: Present Rates 12/31/2019		150,860				
6 Less: Present Rates 12/31/2020			(44,471)			
7 Less: Present Rates 12/31/2021				(82,119)		
8 Less: Proposed Rates 12/31/2021					151,469	
9 Less: Present Rates 12/31/2022						137,204
10 Pro Forma Adjustment	\$169,126	(\$195,331)	(\$37,648)	\$233,588	(\$14,265)	\$12,810
11 Federal Income Tax Per Computation						
12 Shown On Following Page	\$255,138	(\$3,336)	(\$67,920)	\$374,051	\$362,559	\$386,797
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	(32,957)					
15 Less: Present Rates 12/31/2019		255,138				
16 Less: Present Rates 12/31/2020			(3,336)			
17 Less: Present Rates 12/31/2021				(67,920)		
18 Less: Proposed Rates 12/31/2021					374,051	
19 Less: Present Rates 12/31/2022						362,559
20 Pro Forma Adjustment	\$288,095	(\$258,474)	(\$64,584)	\$441,971	(\$11,492)	\$24,238

Witness: John R. Wilde

Pennsylvania-American Water Company - Water Steelton Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	RATE YEAR 1				RATE YEAR 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Utility Operating Income Before Taxes	\$254,317	\$1,953,836	\$489,703	\$92,184	\$2,431,055	\$2,337,714	\$2,465,979
2	Less: Interest Expense	412,605	412,605	462,134	465,374	466,033	464,632	464,667
3	Taxable Operating Income	(158,288)	1,541,231	27,569	(373,190)	1,965,022	1,873,082	2,001,312
4	Add: Premature Property Losses / Amortizations	0	0	0	18,393	18,393	18,393	18,393
5	Depr - Straight Line-Remaining Life (Including COR)	118,954	613,894	805,485	847,137	847,137	884,160	884,160
6	Taxable Meals & Entertainment	87	87	87	87	87	87	87
7	Total	119,041	613,981	805,572	865,617	865,617	902,640	902,640
8	Deduct:							
9	Tax Depreciation:							
10	State Tax Depreciation Adjustments	143,594	645,102	1,278,296	1,314,436	1,314,436	1,402,305	1,402,305
11	Total	143,594	645,102	1,278,296	1,314,436	1,314,436	1,402,305	1,402,305
12	State Taxable Income	(182,842)	1,510,110	(445,155)	(822,009)	1,516,203	1,373,416	1,501,647
13	State Income Tax At:							
14	Historic, Future And Fully Projected At 9.99%	(18,266)	150,860	(44,471)	(82,119)	151,469	137,204	150,014
15	Taxable Income After State Income Tax	(164,576)	1,359,250	(400,684)	(739,890)	1,364,734	1,236,212	1,351,633
16	Add:							
17	Federal Tax Depreciation Adjustments	7,637	(144,306)	384,800	416,463	416,463	490,259	490,259
	Deduct: SLRL On Post 1980 Assets & Amortization							
18	Income Subject To Federal Income Tax	(156,939)	1,214,944	(15,884)	(323,427)	1,781,197	1,726,471	1,841,892
19	Federal Income Tax @ 21%	(32,957)	255,138	(3,336)	(67,920)	374,051	362,559	386,797
20	Excess ADIT	0	0	0	0	0	0	0
21	Federal Tax Liability	(\$32,957)	\$255,138	(\$3,336)	(\$67,920)	\$374,051	\$362,559	\$386,797
	Witness: John R. Wilde							

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$401,093	\$462,134	\$465,374	\$466,033	\$464,632	\$464,668
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	401,093					
5	Less: Present Rates At 12/31/2019		401,093				
6	Less: Present Rates At 12/31/2020			462,134			
7	Less: Present Rates At 12/31/2021				465,374		
8	Less: Proposed Rates 12/31/2021					466,033	
9	Less: Present Rates 12/31/2022						464,632
10	Pro Forma Adjustment	\$0	\$61,041	\$3,240	\$659	(\$1,401)	\$36
11	Interest On Short Term Debt Per Computation						
12	Shown On Following Page	\$11,512	\$0	\$0	\$0	\$0	\$0
13	Less: Interest On Short Term Debt As Per Book						
14	Computation On Following Page	11,512					
15	Less: Present Rates At 12/31/2019		11,512				
16	Less: Present Rates At 12/31/2020			0			
17	Less: Present Rates At 12/31/2021				0		
18	Less: Proposed Rates 12/31/2021					0	
19	Less: Present Rates 12/31/2022						0
20	Pro Forma Adjustment	\$0	(\$11,512)	\$0	\$0	\$0	\$0

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - Water Steelton Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2019					PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$1,601,450,952	42.63%	4.61%	\$1,717,501,018	43.95%	4.54%	\$1,747,908,457	43.88%	4.47%	\$1,889,585,925	44.02%	4.35%
3	Short Term Debt	114,723,817	3.05%	1.85%	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%
4	Total Debt	1,716,174,769	45.68%		1,717,501,018	43.95%		1,747,908,457	43.88%		1,889,585,925	44.02%	
5	Preferred Stock	4,051,500	0.11%	8.69%	2,851,500	0.07%	8.73%	2,251,500	0.06%	8.80%	451,500	0.01%	9.70%
6	Common Equity	2,036,296,182	54.21%		2,188,014,182	55.98%		2,232,531,683	56.06%		2,402,899,182	55.97%	
7	Totals	\$3,756,522,451	100.00%		\$3,908,366,700	100.00%		\$3,982,691,640	100.00%		\$4,292,936,607	100.00%	
					PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT			
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$20,409,311	\$23,160,786	\$23,726,183	\$23,759,791	\$24,264,422	\$24,266,269			
10	Debt Percentage (From Above)				42.63%	43.95%	43.88%	43.88%	44.02%	44.02%			
11	Debt Portion Of Rate Base				8,700,489	10,179,165	10,411,049	10,425,796	10,681,199	10,682,012			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$401,093	\$462,134	\$465,374	\$466,033	\$464,632	\$464,668			
14	Application Of Short Term Debt Interest:												
15	Original Cost Rate Base				\$20,409,311	\$23,160,786	\$23,726,183	\$23,759,791	\$24,264,422	\$24,266,269			
16	Debt Percentage (From Above)				3.05%	0.00%	0.00%	0.00%	0.00%	0.00%			
17	Debt Portion Of Rate Base				622,484	0	0	0	0	0			
18	Interest Cost (From Above)				1.85%	0.00%	0.00%	0.00%	0.00%	0.00%			
19	Pro Forma Short Term Interest Deduction				\$11,512	\$0	\$0	\$0	\$0	\$0			

Witness: Ann E. Bulkley

Wastewater SSS Excluding Sadsbury and Exeter Operations

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Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

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Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020 and December 31, 2021 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		PER BOOKS	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	
1	Operating Revenue	\$26,034,138	(\$101,502)	\$25,932,636	\$920,601	\$26,853,237	(\$258,935)	\$26,594,302	\$7,290,108	\$33,884,410	(\$88,109)	\$33,796,301	\$3,239,322	\$37,035,623				1
2	Operating Revenue Deductions:																	2
3	Operating Expenses	8,031,060	(261,336)	7,769,724	(284,534)	7,485,190	1,320,426	8,805,616	87,846	8,893,462	196,890	9,090,352	39,034	9,129,386				3
4	Depreciation	5,083,939	2,835,270	7,919,209	525,171	8,444,380	612,348	9,056,728	0	9,056,728	907,489	9,964,217	0	9,964,217				4
5	Amortizations	0	0	0	73,785	73,785	(402,297)	(328,512)	0	(328,512)	0	(328,512)	0	(328,512)				5
6	Taxes, Other Than Income:																	6
7	Local Property And Miscellaneous	227,077	0	227,077	8,947	236,024	11,604	247,628	0	247,628	15,777	263,405	0	263,405				7
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0				8
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0				9
10	Payroll Taxes	168,629	0	168,629	(10,281)	158,348	3,327	161,675	0	161,675	5,414	167,089	0	167,089				10
11	General Assessment	149,957	(4,436)	145,521	5,301	150,822	(1,489)	149,333	39,076	188,409	(507)	187,902	18,656	206,558				11
12	State Capital Stock Tax	0	0	0	0	0	0	0	0	0	0	0	0	0				12
13	Total Taxes Other Than Income	545,663	(4,436)	541,227	3,967	545,194	13,442	558,636	39,076	597,712	20,684	618,396	18,656	637,052				13
14	Utility Operating Income Before Income Taxes	12,373,476	(2,671,000)	9,702,476	602,212	10,304,688	(1,802,854)	8,501,834	7,163,186	15,665,020	(1,213,172)	14,451,848	3,181,632	17,633,480				14
15	Income Taxes:																	15
16	State Income Tax	827,582	(172,967)	654,615	(375,656)	278,959	(282,049)	(3,090)	715,369	712,279	(193,759)	518,520	317,742	836,262				16
17	Federal Income Tax	1,278,829	(754,468)	524,361	989,371	1,513,732	(1,646,744)	(133,012)	1,353,553	1,220,541	(138,703)	1,081,838	601,202	1,683,040				17
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0				18
19	Total Income Taxes	2,106,411	(927,435)	1,178,976	613,715	1,792,691	(1,928,793)	(136,102)	2,068,922	1,932,820	(332,462)	1,600,358	918,944	2,519,302				19
20	Total Operating Revenue Deductions	15,767,073	1,642,063	17,409,136	932,104	18,341,240	(384,874)	17,956,366	2,195,844	20,152,210	792,601	20,944,811	976,634	21,921,445				20
21	Utility Operating Income	10,267,065	(1,743,565)	8,523,500	(11,503)	8,511,997	125,939	8,637,936	5,094,264	13,732,200	(880,710)	12,851,490	2,262,688	15,114,178				21
22	Income Deductions:																	22
23	Interest On Long Term Debt	2,880,593	0	2,880,593	173,032	3,053,625	189,575	3,243,200	2,032	3,245,232	270,344	3,515,576	902	3,516,478				23
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0				24
25	Interest On Notes Payable To Others	478,445	0	478,445	(22,896)	455,549	20,421	475,672	298	475,970	16,958	492,928	126	493,054				25
26	Total Income Deductions	3,359,038	0	3,359,038	150,136	3,509,174	209,996	3,718,872	2,330	3,721,202	287,302	4,008,504	1,028	4,009,532				26
27	Net Income	\$6,908,027	(\$1,743,565)	\$5,164,462	(\$161,639)	\$5,002,823	(\$84,057)	\$4,919,064	\$5,091,934	\$10,010,998	(\$1,168,012)	\$8,842,986	\$2,261,660	\$11,104,646				27
28	Preferred Dividends	14,002		14,002		8,956		8,094		8,099		1,965		1,965				28
29	Net Income To Common	\$6,894,025		\$5,150,460		\$4,993,867		\$4,910,970		\$10,002,899		\$8,841,021		\$11,102,681				29

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXCL. SADSBURO AND EXETER OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	ANNUALIZATION OF ACQUIRED SYSTEMS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	ANNUALIZATION OF ACQUIRED SYSTEMS	DECLINING USAGE	DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$14,928,304	(\$131,689)	\$85,851	\$26,179	\$14,908,645	\$188,490	\$0	(\$315,039)	\$599,582	\$15,381,678
4	522.2	COMMERCIAL	3,547,136	(\$32,932)	25,688	0	3,539,892	0	0	(34,832)	143,931	3,648,991
5	522.3	INDUSTRIAL	832,531	(\$9,897)	0	0	822,634	0	0		34,863	857,497
6	522.4	MUNICIPAL	1,220,780	\$2,307	236	0	1,223,323	0	0		47,816	1,271,139
7	522.4	BULK	4,652,832	\$277,568	0	(314,562)	4,615,838	0	0		206,522	4,822,360
8		TOTAL METERED SALES	25,181,583	105,357	111,775	(288,383)	25,110,332	188,490	0	(349,871)	1,032,714	25,981,665
9		UNMETERED SALES										
10	522.1	RESIDENTIAL	0	0	0	0	0	0	43,557		0	43,557
11	522.2	COMMERCIAL	0	0	0	0	0	0	0		0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0		0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0		0	0
14	522.4	BULK	0	0	0	0	0	0	0		0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	43,557	0	0	43,557
16		TOTAL WASTEWATER SALES	25,181,583	105,357	111,775	(288,383)	25,110,332	188,490	43,557	(349,871)	1,032,714	26,025,222
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	0	0	0	0	0	0			0	0
19	532	LATE PAYMENT FEES	141,586	0	0	15,178	156,764	5,711			0	162,475
20	536	MISC SERVICE REVENUES	710,969	0	0	(45,429)	665,540	0			0	665,540
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0			0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0			0	0
23		TOTAL OTHER OPERATING REVENUES	852,555	0	0	(30,251)	822,304	5,711	0	0	0	828,015
24		TOTAL OPERATING REVENUES	\$26,034,138	\$105,357	\$111,775	(\$318,634)	\$25,932,636	\$194,201	\$43,557	(\$349,871)	\$1,032,714	\$26,853,237
25												

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXCL. SADBURY AND EXETER OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$15,381,678	\$94,245	\$0	(\$316,742)		\$15,159,181	29.99%	\$4,545,904	19,705,085
4	522.2	COMMERCIAL	3,648,991	0	0	(34,832)		3,614,159	28.15%	1,017,367	4,631,526
5	522.3	INDUSTRIAL	857,497	0	0	0		857,497	14.65%	125,639	983,136
6	522.4	MUNICIPAL	1,271,139	0	0	0		1,271,139	18.40%	233,844	1,504,983
7	522.4	BULK	4,822,360	0	0	0		4,822,360	17.23%	830,944	5,653,304
8		TOTAL METERED SALES	25,981,665	94,245	0	(351,574)	0	25,724,336	26.25%	6,753,698	32,478,034
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	43,557	0	0	0		43,557	-24.66%	(10,739)	32,818
11	522.2	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	BULK	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	43,557	0	0	0	0	43,557	-24.66%	(10,739)	32,818
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	26,025,222	94,245	0	(351,574)	0	25,767,893	26.17%	6,742,959	32,510,852
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	162,475	0	(1,606)	0	0	160,869	26.17%	42,096	202,965
20	536	MISC SERVICE REVENUES	665,540	0	0	0	0	665,540	75.89%	505,053	1,170,593
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
									0.00%		
23		TOTAL OTHER OPERATING REVENUES	828,015	0	(1,606)	0	0	826,409	66.21%	547,149	1,373,558
24											
25		TOTAL OPERATING REVENUES	\$26,853,237	\$94,245	(\$1,606)	(\$351,574)	\$0	\$26,594,302	27.41%	\$7,290,108	\$33,884,410
											PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXCL. SADSBUY AND EXETER OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$19,705,085	\$326,473	\$0	(\$375,003)	\$0	\$19,656,555	11.30%	\$2,221,757	\$21,878,312
4	522.2	COMMERCIAL	4,631,526	0	0	(39,033)	0	4,592,493	11.71%	537,642	5,130,135
5	522.3	INDUSTRIAL	983,136	0	0	0	0	983,136	11.33%	111,393	1,094,529
6	522.4	MUNICIPAL	1,504,983	0	0	0	0	1,504,983	8.71%	131,014	1,635,997
7	522.4	MISCELLANEOUS	5,653,304	0	0	0	0	5,653,304	3.81%	215,192	5,868,496
8		TOTAL METERED SALES	32,478,034	326,473	0	(414,036)	0	32,390,471	9.93%	3,216,998	35,607,469
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	32,818	0	0	0		32,818	6.78%	2,226	35,044
11	522.2	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	32,818	0	0	0	0	32,818	6.78%	2,226	35,044
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	32,510,852	326,473	0	(414,036)	0	32,423,289	9.93%	3,219,224	35,642,513
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	202,965	0	(546)	0	0	202,419	9.93%	20,098	222,517
20	536	MISC SERVICE REVENUES	1,170,593	0	0	0	0	1,170,593	0.00%	0	1,170,593
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
									0.00%		
23		TOTAL OTHER OPERATING REVENUES	1,373,558	0	(546)	0	0	1,373,012	1.46%	20,098	1,393,110
24											
25		TOTAL OPERATING REVENUES	\$33,884,410	\$326,473	(\$546)	(\$414,036)	\$0	\$33,796,301	9.58%	\$3,239,322	\$37,035,623
											PAGE 3 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXCL. SADBURY AND EXETER OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/19 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/20 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$26,034,138						
2	Present Rates At 12/31/19				\$25,932,636				
3	Present Rates At 12/31/20						\$26,853,237		
4	Proposed Rates At 12/31/21								\$33,884,410
5	Unbilled Adjustment	105,357							
6	Change In Customers Adjustment	26,179		188,490		94,245		326,473	
7	Annualization of Acquired Systems	111,775		43,557					
8	Declining Residential and Commercial Usage			(349,871)		(351,574)		(414,036)	
9	DSIC Annualization			1,032,714					
10	Specific Customers Adjustment	(314,562)							
11	Other Operating Revenues								
12	532 - Penalties	15,178		5,711		(1,606)		(546)	
13	536 - Misc Service Revenues	<u>(45,429)</u>							
14	Pro Forma Adjustment		<u>(101,502)</u>		<u>920,601</u>		<u>(258,935)</u>		<u>(88,109)</u>
15	Pro Forma Present Rates At December 31, 2019		<u>\$25,932,636</u>						
16	Pro Forma Present Rates At December 31, 2020				<u>\$26,853,237</u>				
17	Pro Forma Present Rates At December 31, 2021						<u>\$26,594,302</u>		
18	Pro Forma Present Rates At December 31, 2022								<u>\$33,796,301</u>

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	(\$131,689)
3	Commercial	(32,932)
4	Industrial	(9,897)
5	Municipal	2,307
6	Miscellaneous (Bulk Customers)	<u>277,568</u>
7	Total Metered Sales	\$105,357
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	<u>0</u>
14	Total Unmetered Sales	\$0
15	Total Unbilled Wastewater Sales	<u>\$105,357</u>
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	<u><u>\$105,357</u></u>

Witness: Ashley Everette

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

DSIC Annualization Adjustment

This revenue adjustment is being made to reflect the annualization of the Distribution System Improvement Charge revenues for 2020 based on the Company's pro forma level at December 31, 2020 and the 5.00% rate that is expected to become effective on October 1, 2020.

LINE NO.	DESCRIPTION	12/31/2019 PER BOOK DSIC REVENUE	12/31/2020 ANNUALIZED DSIC REVENUE	12/31/2020 PRO FORMA ADJUSTMENT
1	Metered Sales			
2	Residential	\$123,810	\$723,392	\$599,582
3	Commercial	27,251	171,182	143,931
4	Industrial	5,970	40,833	34,863
5	Municipal	12,694	60,510	47,816
6	Sales For Resale		0	0
7	Bulk	38,093	244,615	206,522
8	Total Metered Sales	\$207,818	\$1,240,532	\$1,032,714
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Billed Water Sales	\$207,818	\$1,240,532	\$1,032,714
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$207,818	\$1,240,532	\$1,032,714

Witness: Ashley Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Declining Residential and Commercial Usage Adjustment

This adjustment is being made to address the declining trend in residential and commercial usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Gregory Roach (PAWC Statement No. 9).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales			
2	Residential	(\$315,039)	(\$316,742)	(\$375,003)
3	Commercial	(34,832)	(34,832)	(39,033)
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$349,871)	(\$351,574)	(\$414,036)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$349,871)	(\$351,574)	(\$414,036)
19	Miscellaneous Service Fees	\$0	\$0	\$0
20	Rents From Properties	0	0	0
21	Other Water Revenues	0	0	0
22	Total Operating Revenues	(\$349,871)	(\$351,574)	(\$414,036)

Witness: Ashley E. Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Turbotville

On July 24, 2019, the Company closed on the acquisition of the water utility property of the Municipal Authority of the Borough of Turbotville and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition. The adjustment was based on a six month average of August 2019 through December of 2019 and January of 2020. An Adjustment was also made for Eden Mist Laundromat that was over billed in September, October and November 2019 and corrected in January of 2020.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AJUSTMENT
1	Metered Sales			
2	Residential	\$61,046	\$146,897	\$85,851
3	Commercial	28,476	54,164	25,688
4	Industrial	0	0	0
5	Municipal	192	428	236
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$89,714	\$201,489	\$111,775
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	\$89,714	\$201,489	\$111,775
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$89,714	\$201,489	\$111,775

Witness: Ashley Everette

Reference: FR II. 2

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Delaware Sewer Company SSS

During 2020, the Company will close on the acquisition of the wastewater utility property of the Delaware Sewer Company and begin providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Metered Sales	
2	Residential	\$0
3	Commercial	0
4	Industrial	0
5	Municipal	0
6	Sales For Resale	0
7	Miscellaneous	0
		<hr/>
8	Total Metered Sales	\$0
9	Unmetered Sales	
10	Residential	\$43,557
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
		<hr/>
15	Total Unmetered Sales	\$43,557
16	Total Wastewater Sales	<hr/> \$43,557
17	Miscellaneous Service Fees	\$0
18	Rents From Properties	0
19	Total Operating Revenues	<hr/> <hr/> \$43,557

Witness: Ashley Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Eliminate Sadsbury Bulk Customer Adjustment

On March 6, 2019, the Company closed on the acquisition of the wastewater utility property of the Township of Sadsbury and began providing service to that entity's customers. Prior to the acquisition, the Company billed Sadsbury Township as one of its bulk wastewater customers. The following adjustment eliminates the revenues associated with this bulk customer due to the acquisition.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AJUSTMENT
1	Metered Sales			
2	Residential	\$0	\$0	\$0
3	Commercial	0	0	0
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Bulk	228,521	0	(228,521)
8	Total Metered Sales	\$228,521	\$0	(\$228,521)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	\$228,521	\$0	(\$228,521)
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$228,521	\$0	(\$228,521)

Witness: Ashley Everette

Reference: FR II. 2

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Specific Customer Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Commercial				
2	Industrial				
3	Municipal				
4	Bulk				
5	Sadsbury Township				
6	Valley Township	(86,041)			
7	Total	(\$86,041)	\$0	\$0	\$0

Witness: Ashley E. Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Change in Revenues due to change in Number of Customers

The following historic revenue adjustment reflects the change in revenues due to the average change in number of customers during the twelve months ended December 31, 2019. The following future and fully forecasted revenue adjustment reflects the change in revenues due to the projected change in number of customers during the twelve months ending December 31, 2020 through December 31, 2022. Projections were based on a three year historical growth average exclusive of acquisitions.

LINE NO.	DESCRIPTION	CALCULATION REFERENCE	PRESENT RATES 12/31/2019 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2020 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2021 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2022 REVENUE ADJUSTMENT
1	Residential Metered Customers	FR II.2	\$26,179	\$188,490	\$94,245	\$326,473
2	Residential revenue was adjusted by applying					
3	the average annual consumption per residential					
4	customer to the projected increase in customers					
5	for the test year 2019, 2020, 2021 and 2022.					
6	Residential Unmetered Customers					
7	Commercial Metered Customers	FR II.2				
8	No change is being made to commercial customers					
9	for growth.					
10	Industrial, Municipal And Sale For Resale	FR II.2				
11	Metered Customers					
12	Those large enough to warrant an adjustment are					
13	shown as specific customer adjustments.					
14	Pro Forma Adjustment		<u>\$26,179</u>	<u>\$188,490</u>	<u>\$94,245</u>	<u>\$326,473</u>

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Sludge Hauling

The Company allows sludge haulers to bring tankers into its wastewater plants to dispose of their sludge. During 2019, the Company stopped accepting sludge from the Coatesville Rock Run Water Plant, at its Coatesville wastewater plant because it was causing issues at the wastewater plant. This adjustment eliminates the 2019 sludge hauling revenue that was billed to American Water for the Rock Run sludge.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Rock Run Sludge Hauling	(\$45,429)
2	Pro Forma Adjustment	(\$45,429)
	536 Other Water Revenues	(\$45,429)

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Sludge Hauling Fees - Proposed

The adjustment below annualizes the proposed increase in sludge hauling fees at the Coatesville wastewater treatment plant effective with new rates established in the case.

LINE NO.	DESCRIPTION	PROPOSED RATES 12/31/2021 AMOUNT
1	Coatesville Sludge Hauling (Excluding Rock Run Adjustment)	\$1,166,276
2	Per Books	661,223
3	Pro Forma Adjustment	<u>\$505,053</u>
	536 Other Water Revenues	\$505,053
	Witness: Ashley E. Everette	
	Reference: FRII.2	

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	22,693	23,062	23,314	23,566	23,818	23,818	0	0
3	601.2	Commercial	1,318	1,383	1,383	1,383	1,383	1,383	0	0
4	601.3	Industrial	4	4	4	4	4	4	0	0
5	606	Municipal	68	73	73	73	73	73	0	0
6	607	Resale	0	0	0	0	0	0	0	0
7	601.4	Bulk	4	3	3	3	3	3	0	0
8		Metered	24,087	24,525	24,777	25,029	25,281	25,281	0	0
9		Unmetered (Flat Rate)								
10	602.1	Residential	997	997	1,035	1,035	1,035	997	0	38
11	602.2	Commercial	23	23	23	23	23	23	0	0
12	602.3	Industrial	2	2	2	2	2	2	0	0
13	606	Municipal	4	4	4	4	4	4	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	1,026	1,026	1,064	1,064	1,064	1,026	0	38
16	604	Private Fire	0	0	0	0	0	0	0	0
17	605	Public Fire	0	0	0	0	0	0	0	0
18		Total Customers	25,113	25,551	25,841	26,093	26,345	26,307	0	38

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020 and 2021. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Wastewater Sales	\$25,286,940	\$25,110,332	\$26,025,222	\$25,767,893	\$32,510,852	\$32,423,289	\$35,642,513
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	141,586	156,764	162,475	160,869	202,965	202,419	222,516
5 Less: Per Books At 12/31/2019		141,586					
6 Less: Present Rates At 12/31/2019			156,764				
7 Less: Present Rates At 12/31/2020				162,475			
8 Less: Present Rates At 12/31/2021					160,869		
9 Less: Proposed Rates At 12/31/2021						202,965	
10 Less: Present Rates At 12/31/2022							202,419
11 Pro Forma Adjustments		\$15,178	\$5,711	(\$1,606)	\$42,096	(\$546)	\$20,097

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		DEPRECIATED ORIGINAL COST 12/31/19	DEPRECIATED ORIGINAL COST 12/31/20	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED PROPOSED 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED PROPOSED 12/31/22
1	Non-Depreciable Plant	\$3,117,203	\$3,117,203	\$3,117,203	\$3,117,203	\$3,117,203	\$3,117,203
2	Depreciable Plant	333,269,364	350,448,400	364,892,117	364,892,117	394,523,538	394,523,538
3	Total Utility Plant In Service	336,386,567	353,565,603	368,009,320	368,009,320	397,640,741	397,640,741
4	Deduct:						
5	Contributions In Aid Of Construction	38,806,464	39,169,464	39,350,964	39,350,964	39,895,464	39,895,464
6	Customer Advances For Construction	361,374	361,374	361,374	361,374	361,374	361,374
7	Excluded Property	0	0	0	0	0	0
8	Sub-Total	39,167,838	39,530,838	39,712,338	39,712,338	40,256,838	40,256,838
9	Net Utility Plant In Service	297,218,729	314,034,765	328,296,982	328,296,982	357,383,903	357,383,903
10	Accumulated Depreciation	53,309,515	59,629,245	62,790,476	62,790,476	74,312,248	74,312,248
11	Depreciated Utility Plant In Service	243,909,214	254,405,520	265,506,506	265,506,506	283,071,655	283,071,655
12	Add:						
13	Materials And Supplies	79,188	79,188	79,188	79,188	79,188	79,188
14	Cash Working Capital - Expenses	520,236	481,320	755,711	755,711	776,063	776,063
15	Accrued And Prepaid Taxes	214,752	235,785	160,235	275,796	263,918	316,005
16	Acquisition Adjustments	355,153	605,965	552,842	552,842	393,475	393,475
17	Other Additions	0	0	0	0	0	0
18	Deduct:						
19	Cash Working Capital - Int And Div	383,594	400,791	424,741	425,033	457,927	458,052
20	Unamortized Itc (3%)	0	0	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	1,018,105	1,059,468	882,890	882,890	353,156	353,156
23	Other Deductions	0	0	0	0	0	0
24	Deferred Taxes	82,548,033	83,375,323	81,784,375	81,784,375	81,222,258	81,222,258
25	Total Rate Base Elements	\$161,128,811	\$170,972,196	\$183,962,476	\$184,077,745	\$202,550,958	\$202,602,920
26	Utility Operating Income						
27	Per Books	\$10,267,065	6.37%	6.01%	5.58%	5.58%	5.07%
28	Present Rates At 12/31/2019	8,523,500	5.29%	-	-	-	-
29	Present Rates At 12/31/2020	8,511,997	-	4.98%	-	-	-
30	Present Rates At 12/31/2021	8,637,936	-	-	4.70%	-	-
31	Proposed Rates At 12/31/2021	13,732,200	-	-	-	7.46%	-
32	Present Rates At 12/31/2022	12,851,490	-	-	-	-	6.34%
33	Proposed Rates At 12/31/2022	15,114,178	-	-	-	-	-
	Witness: Dr. Christina E. Chard						7.46%

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	Acquisition	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	352.00	Franchises & Consents	\$221,140	\$0	\$0	\$0	\$221,140	\$0	\$0	\$221,140	\$221,140	\$0	\$0	\$221,140
2	353.00	Land & Land Rights	2,896,063	0	0	0	2,896,063	0	0	2,896,063	2,896,063	0	0	2,896,063
3		Total Intangible Plant	\$3,117,203	\$0	\$0	\$0	\$3,117,203	\$0	\$0	\$3,117,203	\$3,117,203	\$0	\$0	\$3,117,203
4	354.20	Structures And Improvements - Collection	\$1,176,150	\$51,542	\$0	\$3,008	\$1,224,685	\$131,988	\$6,517	\$1,350,156	\$1,287,420	\$23,956	\$1,401	\$1,372,711
5	354.30	Structures And Improvements - SPP	15,412,447	675,416	0	39,414	16,048,449	1,729,587	85,394	17,692,642	16,870,546	313,926	18,356	17,988,213
6	354.40	Structures And Improvements - TDP	47,160,950	2,066,723	0	120,604	49,107,069	5,292,408	261,299	54,138,178	51,622,623	960,591	56,167	55,042,602
7	354.70	Structures And Improvements - General	2,702,225	118,419	0	6,910	2,813,733	303,244	14,972	3,102,005	2,957,869	55,040	3,218	3,153,827
8	355.00	Power Generation Equipment	4,180,589	0	0	0	4,180,589	0	0	4,180,589	4,180,589	0	0	4,180,589
9	360.10	Collection Sewers - Force Mains	48,065,035	689,120	0	33,335	48,720,820	908,727	52,547	49,577,000	49,148,910	1,067,551	62,421	50,582,130
10	361.10	Collection Sewers - Gravity Mains	98,816,819	6,202,084	0	368,803	104,650,100	8,178,542	472,920	112,355,723	108,502,911	8,212,955	480,223	120,088,455
11	361.20	Manholes	16,275,767	487,360	0	22,021	16,741,106	480,788	22,579	17,199,314	16,970,210	480,788	22,832	17,657,270
12	363.00	Services	18,040,610	2,405,067	0	128,736	20,316,942	2,291,857	121,252	22,487,547	21,402,244	2,291,857	122,608	24,656,796
13	364.00	Flow Measuring Devices	371,152	0	0	0	371,152	0	0	371,152	371,152	0	0	371,152
14	365.00	Flow Measuring Installations	14,938	0	0	0	14,938	0	0	14,938	14,938	0	0	14,938
15	370.00	Receiving Wells	143,420	0	0	0	143,420	0	0	143,420	143,420	0	0	143,420
16	371.00	Pumping Equipment	10,892,030	2,473,831	0	144,361	13,221,500	0	0	13,221,500	13,221,500	162,000	9,472	13,374,027
17	380.00	Treatment Equipment	57,484,703	1,581,253	8,593	92,274	58,982,274	8,345,000	545,574	66,781,701	62,881,987	1,160,000	33,913	67,907,787
18	381.00	Plant Sewers	6,212,540	0	0	0	6,212,540	0	0	6,212,540	6,212,540	0	0	6,212,540
19	382.00	Outfall Sewer Lines	604,389	0	0	0	604,389	0	0	604,389	604,389	0	0	604,389
20	389.10	Other Plant And Miscellaneous Equipment - Intangibles	582,205	57,500	0	0	639,705	1,597,500	0	2,237,205	1,438,455	52,500	0	2,289,705
21	390.00	Office Furniture And Equipment	168,706	0	0	0	168,706	0	0	168,706	168,706	0	0	168,706
22	390.20	Computers & Peripheral	0	0	0	0	0	0	0	0	0	0	0	0
23	391.00	Transportation Equipment	1,573,742	536,928	0	31,333	2,079,337	504,616	29,179	2,554,774	2,317,056	509,880	29,813	3,034,841
24	392.00	Stores Equipment	107,351	0	0	0	107,351	0	0	107,351	107,351	0	0	107,351
25	393.00	Tools, Shop And Garage Equipment	540,738	353,392	0	0	894,131	305,484	0	1,199,614	1,046,873	305,484	0	1,505,098
26	394.00	Laboratory Equipment	418,834	117,797	0	10,123	526,509	101,828	0	628,337	577,423	101,828	859	729,305
27	395.00	Power Operated Equipment	552,371	134,232	0	7,833	678,770	126,154	7,295	797,629	738,199	127,470	7,453	917,646
28	396.00	Communication Equipment	1,490,959	339,244	0	234,211	1,595,992	76,964	3,256	1,669,700	1,632,846	76,964	2,450	1,744,214
29	397.00	Miscellaneous Equipment	266,462	123,500	0	0	389,962	135,531	0	525,493	457,727	136,101	0	661,594
30	398.00	Other Tangible Plant	14,232	0	0	0	14,232	0	0	14,232	14,232	0	0	14,232
31		Total Tangible Plant	\$333,269,364	\$18,413,409	\$8,593	\$1,242,966	\$350,448,400	\$30,510,217	\$1,622,783	\$379,335,834	\$364,892,117	\$16,038,891	\$851,187	\$394,523,538
32		Total Utility Plant In Service	\$336,386,567	\$18,413,409	\$8,593	\$1,242,966	\$353,565,603	\$30,510,217	\$1,622,783	\$382,453,037	\$368,009,320	\$16,038,891	\$851,187	\$397,640,741

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Contributions in Aid of Construction (CIAC)

The Company receives Contributions in Aid of Construction (CIAC) on an annual basis. The Commission's Order dated April 21, 1993, at Docket No. R-922428 approved the use of a three year average to calculate the future test year additions to CIAC. The projected CIAC to be received during the twelve months ended December 31, 2021 reflects a half-year convention. The projected CIAC to be received during the twelve months ended December 31, 2022 reflects the full three year average of 2022 CIAC and half of the three year average projected in 2021. The following adjustment reflects the projected CIAC balances during the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Contributions In Aid Of Construction		\$38,806,464	\$39,169,464	\$39,350,964
2	Plus: Three Year Average Of Contributions	363,000	<u>363,000</u>	<u>181,500</u>	<u>544,500</u>
3	Contributions In Aid Of Construction		<u><u>(\$39,169,464)</u></u>	<u><u>(\$39,350,964)</u></u>	<u><u>(\$39,895,464)</u></u>

Witness: Dr. Christina E. Chard
Reference: FR V.16

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Customer Advances For Construction (CAC)

The Company requires Customer Advances for Construction (CAC) for all main extensions requested by developers. New projects increase the CAC account and refunds to be made during the future test year to developers for prior year CAC decrease the CAC account. The following adjustment reflects the level of activity (advances and refunds) projected for the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Customer Advances For Construction	\$361,374	\$361,374	\$361,374
2	Plus: Customer Advances For Construction To Be Capitalized	<u>0</u>	<u>0</u>	<u>0</u>
3	Sub-Total	<u>361,374</u>	<u>361,374</u>	<u>361,374</u>
4	Less: Customer Advances For Construction To Be Refunded	<u>0</u>	<u>0</u>	<u>0</u>
5	Customer Advances For Construction	<u><u>(\$361,374)</u></u>	<u><u>(\$361,374)</u></u>	<u><u>(\$361,374)</u></u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the materials and supplies account during the period December 2018 to December 2019.

LINE NO.	MONTH	DETAIL	PRESENT RATES
			12/31/2020 through 12/31/2022 AMOUNT
1	December, 2018	\$70,475	
2	January, 2019	72,812	
3	February	76,262	
4	March	82,850	
5	April	79,877	
6	May	78,114	
7	June	70,820	
8	July	73,178	
9	August	71,022	
10	September	79,889	
11	October	101,888	
12	November	80,229	
13	December, 2019	92,032	
14	Total	<u>\$1,029,448</u>	
15	Average		\$79,188
16	Allowance For Materials And Supplies		
17	At 12/31/2020 through 12/31/2022		<u><u>\$79,188</u></u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO.	DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1	Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2	Bi-Monthly Billings					
3	Lag Days					
4	Dollar Days					
5	Quarterly					
6	Lag Days					
7	Dollar Days					
8	Monthly Billings	\$26,139,495	\$25,932,636	\$26,853,237	\$26,594,302	\$33,796,301
9	Lag Days	50.7	50.7	50.7	50.7	50.7
10	Dollar Days	\$1,325,533,791	\$1,315,043,972	\$1,361,727,648	\$1,348,597,054	\$1,713,810,406
11	Total Billed Revenue	\$26,139,495	\$25,932,636	\$26,853,237	\$26,594,302	\$33,796,301
12	Total Dollar Days	\$1,325,533,791	\$1,315,043,972	\$1,361,727,648	\$1,348,597,054	\$1,713,810,406
13	Average Lag In Receipt Of Revenue (Line 12 / Line11)	50.7	50.7	50.7	50.7	50.7
14	Deduct: Average Lag In Payment Of					
15	Operating Expenses	25.9	25.8	26.7	18.8	18.8
16	Average Lag Between Payment Of Operating					
17	Expenses And Receipt Of Revenues	24.8	24.9	24.0	31.9	31.9
18	Working Capital Requirements					
19	Annual Operating Expenses (Including Payroll Expenses)		\$7,625,865	\$7,319,956	\$8,646,830	\$8,879,834
20	Operating Expenses Per Day (Line 20 / 365 Days)		20,893	20,055	23,690	24,328
21	Cash Working Capital Required					
22	(Line 17 * Line 20)		\$520,236	\$481,320	\$755,711	\$776,063

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO.	DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		
			DOLLAR AMOUNT	DOLLAR DAYS	DOLLAR AMOUNT	DOLLAR DAYS	DOLLAR AMOUNT	DOLLAR DAYS	DOLLAR AMOUNT	DOLLAR DAYS		
1	Labor and Payroll Taxes	12.14	\$2,322,599	\$28,196,352	\$2,322,599	\$28,196,352	\$2,150,126	\$26,102,530	\$2,196,944	\$26,670,900	\$2,273,136	\$27,595,871
2	Group Insurance	10.92	413,097	4,511,019	413,097	4,511,019	423,923	4,629,239	450,101	4,915,103	477,896	5,218,624
3	OPEB's and VEBA	0.00	24,290	0	24,290	0	24,290	0	24,290	0	24,290	0
4	Pension	13.14	119,003	1,563,699	119,003	1,563,699	119,003	1,563,699	119,003	1,563,699	119,003	1,563,699
5	Purchased Power	24.97	1,199,715	29,956,884	1,176,600	29,379,702	1,087,338	27,150,830	1,097,164	27,396,185	1,078,672	26,934,440
6	Purchased Water	34.69	0	0	0	0	0	0	0	0	0	0
7	Chemicals	48.81	640,469	31,261,292	640,469	31,261,292	666,634	32,538,420	676,129	33,001,871	710,342	34,671,807
8	Miscellaneous	31.01	1,423,532	44,143,727	1,279,058	39,663,589	1,381,728	42,847,378	1,583,304	49,098,252	1,674,320	51,920,658
9	Transportation	39.23	202,341	7,937,837	202,341	7,937,837	73,575	2,886,347	74,819	2,935,149	76,277	2,992,347
10	Ins Other Than Group	(53.43)	60,530	(3,234,118)	60,530	(3,234,118)	0	0	805,473	(43,036,422)	821,511	(43,893,333)
11	Service Company	12.14	0	0	0	0	0	0	226,150	2,745,466	230,823	2,802,191
12	Waste Disposal	45.65	1,183,872	54,043,757	1,183,872	54,043,757	1,189,333	54,293,051	1,189,447	54,298,237	1,189,558	54,303,326
13	Telephone	8.71	142,321	1,239,616	142,321	1,239,616	142,321	1,239,616	142,321	1,239,616	142,321	1,239,616
14	Rents	8.05	4,544	36,579	4,544	36,579	4,544	36,579	4,544	36,579	4,544	36,579
15	Natural Gas	31.80	57,141	1,817,084	57,141	1,817,084	57,141	1,817,084	57,141	1,817,084	57,141	1,817,084
16	Totals		\$7,793,454	\$201,473,728	\$7,625,865	\$196,416,408	\$7,319,956	\$195,104,773	\$8,646,830	\$162,681,719	\$8,879,834	\$167,202,909
17	Average Lag			25.9		25.8		26.7		18.8		18.8
18	Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$8,199,689		\$7,938,353		\$7,643,538		\$8,967,291		\$9,257,441	
19	Uncollectibles		406,235		312,488		323,582		320,461		377,607	
20	Amortizations		0		0		0		0		0	
21	Sum Of Other Expenses		6,369,922		6,346,807		5,938,228		7,063,526		7,205,514	
22	Miscellaneous		\$1,423,532		\$1,279,058		\$1,381,728		\$1,583,304		\$1,674,320	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PROPOSED RATES 12/31/2021		RATE YEAR 2			
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PRESENT RATES 12/31/2022	ACCRUED TAXES ADJUSTMENT	PROPOSED RATES 12/31/2022	ACCRUED TAXES ADJUSTMENT
1	General Assessment	213.1	\$145,521	\$84,960	\$150,822	\$88,055	\$149,333	\$87,186	\$188,409	\$110,000	\$187,902	\$109,704	\$206,558	\$120,596
2	Public Utility Realty Tax	61.0	0	0	0	0	0	0	0	0	0	0	0	0
3	Local Property Tax	115.3	227,077	71,731	236,024	74,558	247,628	78,223	247,628	78,223	263,405	83,207	263,405	83,207
4	State Income Tax	21.4	654,615	38,380	278,959	16,355	(3,090)	(181)	712,279	41,761	518,520	30,401	836,262	49,030
5	Federal Income Tax	13.7	524,361	<u>19,681</u>	1,513,732	<u>56,817</u>	(133,012)	<u>(4,993)</u>	1,220,541	<u>45,812</u>	1,081,838	<u>40,606</u>	1,683,040	<u>63,172</u>
6	Totals			<u>\$214,752</u>		<u>\$235,785</u>		<u>\$160,235</u>		<u>\$275,796</u>		<u>\$263,918</u>		<u>\$316,005</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE NO.	DESCRIPTION	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND						
1	Average Lag Calculation									
2	Future Revenue Lag Days	50.7	50.7	50.7						
3	Less: Interest Payments Lag Days	92.4	15.2	46.2						
4	Average Lag Between The Payment	(41.7)	35.5	4.5						
5	Of Interest And The Receipt									
6	Of Revenues									
					RATE YEAR 1		RATE YEAR 2			
		PRESENT RATES		PRESENT RATES	PRESENT RATES	PROPOSED AMOUNT	PRESENT RATES	PROPOSED AMOUNT		
7	Long Term Debt	12/31/19		12/31/20	12/31/21	12/31/21	12/31/22	12/31/22		
8	Working Capital Requirements									
9	Pro Forma Annual Interest Expense	\$2,880,593		\$3,053,625	\$3,243,200	\$3,245,232	\$3,515,576	\$3,516,478		
10	Interest Expense Per Day									
11	(Line 9 / 365 Days)	7,892		8,366	8,885	8,891	9,632	9,634		
12	Cash Working Capital Required									
13	(Line 4 Col.1 X Line 11)		(329,096)		(348,862)	(370,505)	(370,755)	(401,654)	(401,738)	
14	Long Term Debt - Wastewater Specific									
15	Working Capital Requirements									
16	Pro Forma Annual Interest Expense	478,445		455,549	475,672	475,970	492,928	493,054		
17	Interest Expense Per Day									
18	(Line 16 / 365 Days)	1,311		1,248	1,303	1,304	1,350	1,351		
19	Cash Working Capital Required									
20	(Line 4 Col.1 X Line 18)		(54,669)		(52,042)	(54,335)	(54,377)	(56,295)	(56,337)	
21	Preferred Dividends									
22	Working Capital Requirements									
23	Pro Forma Annual Dividend Expense	14,002		8,956	8,094	8,099	1,965	1,965		
24	Dividend Expense Per Day									
25	(Line 23 / 365 Days)	38		25	22	22	5	5		
26	Cash Working Capital Required									
27	(Line 4 Col.3 X Line 25)		171		113	99	99	23	23	
28	Total Cash Working Capital Required									
29	(Line 13 + Line 20 + Line 27)		<u>(\$383,594)</u>		<u>(\$400,791)</u>	<u>(\$424,741)</u>	<u>(\$425,033)</u>	<u>(\$457,927)</u>	<u>(\$458,052)</u>	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Acquisition Adjustments

The following adjustment reflects the Company's request for recognition of the positive UPAA associated with its acquisition of the wastewater assets of Clean Treatment Sewage Company and the transaction costs associated with its acquisition of the wastewater assets of New Cumberland Borough, which were approved by the Commission at Docket Nos. R-2013-2355276 and R-2017-2595853, respectively. The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of the Borough of Turbotville at Docket No. A-2018-3004189 as well as approval of the positive Utility Plant Acquisition Adjustment and acquisition costs associated with its acquisition of Delaware Sewer Company (Docket No. I-2016-2526085).

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2019 AMOUNT	2020 Amortizations	PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	Clean Treatment Sewage Company	Approved Docket No. R-2013-2355276	\$235,129	\$58,782	\$176,347	\$29,391	\$146,956	\$29,391	\$58,782	\$58,783
2	New Cumberland Borough Acquisition Costs	Approved Docket No. R-2017-2595853	120,024	15,003	105,021	7,502	97,519	7,501	15,003	75,015
3	Turbotville WW Acquisition Costs	Seeking Approval	-	-	6,597	330	6,267	330	660	5,277
4	Delaware Sewer Utility Plant Acquisition Adjustment	Seeking Approval	-	-	68,000	3,400	64,600	3,400	6,800	54,400
5	Delaware Sewer Acquisition Costs	Seeking Approval	-	-	250,000	12,500	237,500	12,500	25,000	200,000
6	Effect to Rate Base Element		<u>\$355,153</u>	<u>\$73,785</u>	<u>\$605,965</u>	<u>\$53,123</u>	<u>\$552,842</u>	<u>\$53,122</u>	<u>\$106,245</u>	<u>\$393,475</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Tax Cuts and Jobs Act Stub Period

The following adjustment reflects the federal income tax savings associated with the 2017 Tax Cuts and Jobs Act ("TCJA") for January 1, 2018 through June 30, 2018 (the "Stub Period"). The adjustment reflects the accrual of interest at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et seq.). The 2020 interest accrual is projected based on the 4.5% interest rate in effect at December 2019. The reconciliation amounts shown in the Company's 2019 and 2020 TCJA Reconciliation filings are included as part of this adjustment.

LINE NO.	DESCRIPTION	12/31/2018 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Tax Cuts and Jobs Act Stub Period	\$919,184	\$960,321	\$1,018,105	\$1,059,468	\$882,890
2	Interest Accrual	37,767	46,150	41,363	0	0
3	TCJA Surcharge Reconciliation	2,938	11,587	0	0	0
4	Interest on TCJA Surcharge Reconciliation	432	47	0	0	0
5	Less: One-Half Year 2021 Amortization				176,578	176,578
6	Less: One Year 2022 Amortization					353,156
7	Effect to Rate Base Element	<u>\$960,321</u>	<u>\$1,018,105</u>	<u>\$1,059,468</u>	<u>\$882,890</u>	<u>\$353,156</u>

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax	(\$82,548,033)	(\$83,375,323)	(\$81,784,375)	(\$81,222,258)
2	Less: Prior Year		(82,548,033)	(83,375,323)	(81,784,375)
3	Effect to Rate Base Element	<u>(\$82,548,033)</u>	<u>(\$827,290)</u>	<u>\$1,590,948</u>	<u>\$562,117</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0	0
5	610.1	Purchased Water	0	0	0	0	0
6	615.1	Purchased Power	0	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	0	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0	0
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	0	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0	0
18	636.2	Contract Services	0	0	0	0	0
19		-Miscellaneous-					
20	675.1	Miscellaneous Operating Expense	0	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0	\$0
23		Water Treatment					
24		-Operation-					
25	601.3	Salary And Wages	\$1,259,161	\$1,259,161	\$1,164,350	\$1,189,773	\$1,231,147
26	601.4	Salary And Wages	138,215	138,215	127,804	130,596	135,139
27	604.3	Employee Pension And Benefits	0	0	0	0	0
28	615.3	Purchased Power	1,067,379	1,053,415	972,290	986,814	971,190
29	618.3	Chemicals	640,469	632,090	654,600	658,594	690,803
30	620.3	Materials And Supplies	177,290	177,290	177,290	177,290	177,290
31	631.3	Contract Services - Engineering	3,250	3,250	3,250	3,250	3,250
32	633.3	Contract Services - Legal	0	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0	0
34	635.3	Contract Services - Test	156,382	155,320	158,132	158,132	158,132
35	636.3	Contract Services	300,210	300,210	300,210	300,210	300,210
36	641.3	Rental Of Building	0	0	0	0	0
37	642.3	Rental Of Equipment	4,403	4,403	4,403	4,403	4,403
38	650.3	Transportation	2,835	2,835	2,835	2,835	2,835
39		-Maintenance-					
40	620.4	Materials And Supplies	16,135	16,135	16,135	16,135	16,135
41	631.4	Contract Services - Engineering	0	0	0	0	0
42	636.4	Contract Services	40,997	40,997	40,791	40,791	40,791
43	650.4	Transportation	0	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	4,753	4,753	4,753	4,753	4,753
45		-Miscellaneous-					
46	675.3	Miscellaneous Operating Expense	1,592,433	1,592,433	1,599,631	1,599,745	1,599,856
47		Total Water Treatment Expense	\$5,403,912	\$5,380,507	\$5,226,474	\$5,273,321	\$5,335,934
48		Transmission And Distribution					
49		-Operation-					
50	601.5	Salary And Wages	\$141,256	\$141,256	\$130,620	\$133,472	\$138,114
51	601.6	Salary And Wages	207,509	207,509	191,884	196,074	202,893
52	604.5	Employee Pension And Benefits	0	0	0	0	0
53	615.5	Purchased Power	58,963	58,192	53,711	54,514	53,650
54	620.5	Materials And Supplies	5,570	5,570	8,494	8,494	8,494
55	631.5	Contract Services - Engineering	0	0	0	0	0
56	636.5	Contract Services	59,391	59,391	59,391	59,391	59,391
57	641.5	Rental Of Building	141	141	141	141	141
58	642.5	Rental Of Equipment	0	0	0	0	0
59	650.5	Transportation	149	0	0	0	0

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$26,467	\$26,467	\$50,195	\$75,615	\$100,566
3	631.6	Contract Services - Engineering	0	0	0	0	0
4	636.6	Contract Services	66,428	66,428	66,428	66,428	66,428
5	650.6	Transportation	0	0	0	0	0
6	675.6	Miscellaneous Operating Expense	12,735	12,735	11,206	11,206	11,206
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	62,581	62,581	62,581	62,581	62,581
9		Total Transmission And Distribution	\$641,041	\$640,270	\$634,651	\$667,916	\$703,464
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0	0
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	0	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0	0
21	650.7	Transportation	0	0	0	0	0
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	406,235	312,488	323,582	320,461	407,245
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	3,748	3,748	4,408	9,597	9,597
26		Total Customer Accounting	\$409,983	\$316,236	\$327,990	\$330,058	\$416,842
27		Administrative And General					
28	601.8	Salary And Wages	\$407,829	\$407,829	\$377,120	\$385,354	\$398,754
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	696,733	554,571	548,093	576,758	608,785
31	615.8	Purchased Power	73,373	73,373	73,373	73,373	73,373
32	620.8	Materials And Supplies	2,865	2,865	2,865	2,865	2,865
33	631.8	Contract Services	0	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0	0
36	634.8	Contract Services - Management	0	0	0	226,150	230,823
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	3,793	3,793	12,844	12,844	12,844
39	641.8	Rental Of Building	0	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0	0
41	650.8	Transportation	199,505	199,505	70,739	71,983	73,441
42	656.8	Insurance - Vehicles	0	0	0	13,073	13,335
43	657.8	Insurance	0	0	0	556,421	567,478
44	658.8	Workers Compensation	60,530	60,530	(0)	89,032	90,812
45	659.8	Insurance	0	0	0	146,947	149,886
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	25,502	25,502	25,502
48	667.8	Regulatory Commission	0	0	0	0	0
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	131,496	130,245	185,539	354,019	386,214
51		Total Administrative And General	\$1,576,124	\$1,432,711	\$1,296,075	\$2,534,322	\$2,634,112
52		Total Operating Expenses	\$8,031,060	\$7,769,724	\$7,485,190	\$8,805,616	\$9,090,352

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/19 DETAIL	12/31/19 AMOUNT	12/31/20 DETAIL	12/31/20 AMOUNT	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT
1	Per Books		\$8,031,060						
2	Present Rates At 12/31/2019				\$7,769,724				
3	Present Rates At 12/31/2020						\$7,485,190		
4	Proposed Rates At 12/31/2021								\$8,893,462
5	Compensation	-		(\$162,192)		\$43,491		\$70,778	
6	Group Insurance	-		10,826		26,178		27,795	
7	Other Post Employment Benefits & VEBA	-		-		-		-	
8	Pension	-		-		-		-	
9	Purchased Power	-		(79,179)		25,000		(12,963)	
10	Waste Disposal	-		5,461		114		111	
11	Chemicals	-		26,165		9,495		34,213	
12	Change In Consumption Expense	(23,115)		(10,083)		(15,174)		(5,529)	
13	Transportation Expense	-		(128,766)		1,244		1,458	
14	Insurance Other Than Group	-		(60,530)		805,473		16,038	
15	Regulatory Expense (Rate Case Expense)	-		25,502		-		-	
16	Service Company Expense	-		-		226,150		4,673	
17	Postage and Customer Accounting	-		-		-		-	
18	Inflation	-		54,345		58,221		57,146	
19	401K & Defined Contribution Plan	-		(17,304)		2,487		4,232	
20	Rent Expense	-		-		-		-	
21	Miscellaneous Adjustments	(144,474)		40,127		140,868		0	
22	Uncollectibles	(93,747)		11,094		(3,121)		(1,062)	
23	Pro Forma Adjustments		(261,336)		(284,534)		1,320,426		196,890
24	Present Rates At 12/31/2019		<u>\$7,769,724</u>						
25	Present Rates At 12/31/2020				<u>\$7,485,190</u>				
26	Present Rates At 12/31/2021						<u>\$8,805,616</u>		
27	Present Rates At 12/31/2022								<u>\$9,090,352</u>

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2020, December 31, 2021, and December 31, 2022 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Salary and Wages	\$2,248,845	\$2,298,035	\$2,377,852
2	Annualized Performance Plan	152,949	156,202	161,733
3	Less: 17.07% Capitalized portion not charged to operating expense	<u>410,016</u>	<u>418,968</u>	<u>433,538</u>
4	Sub-Total	1,991,778	2,035,269	2,106,047
5	Less: Amount Charged To Operating Expense			
6	During the Twelve Months Ended 12/31/19	<u>2,153,970</u>		
7	Less: Amount Charged To Present Rates			
8	At 12/31/20 and 12/31/21		<u>1,991,778</u>	<u>2,035,269</u>
9	Pro Forma Adjustment	<u>(\$162,192)</u>	<u>\$43,491</u>	<u>\$70,778</u>
	601.3 Salary and Wages - Water Treatment	(\$94,811)	\$25,423	\$41,374
	601.4 Salary and Wages - Water Treatment	(10,411)	2,792	4,543
	601.5 Salary and Wages - Transmission & Distribution	(10,636)	2,852	4,642
	601.6 Salary and Wages - Transmission & Distribution	(15,625)	4,190	6,819
	601.7 Salary and Wages - Customer Accounting	0	0	0
	601.8 Salary and Wages - Administrative and General	(30,709)	8,234	13,400

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2020 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected test years were developed by adjusting the annualized 2020 amount by a 3 year average of 6.18%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Group Insurance Cost	\$511,189	\$542,756	\$576,273
2	Less: 17.07% Not Charged To Operating Expense	87,266	92,655	98,377
3	Sub-Total	<u>423,923</u>	<u>450,101</u>	<u>477,896</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	413,097		
6	Less: Amount Charged To Operating Expense			
7	During the Calendar Years Ended 2020 and 2021		<u>423,923</u>	<u>450,101</u>
8	Pro Forma Adjustment	<u>\$10,826</u>	<u>\$26,178</u>	<u>\$27,795</u>
	604.8 A&G Employees Pension And Benefits	\$10,826	\$26,178	\$27,795

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized 401K - Company Match	\$57,813	\$59,042	\$61,133
2	Annualized DCP	78,696	80,367	83,213
3	Less: 17.07% Not Charged To Operating Expense	23,304	23,799	24,642
4	Sub-Total	<u>113,205</u>	<u>115,610</u>	<u>119,704</u>
5	Annualized ESPP	3,830	3,912	4,050
6	Less: Amount Charged To Operating Expense	134,339	117,035	119,522
7	Pro Forma Adjustment	<u>(\$17,304)</u>	<u>\$2,487</u>	<u>\$4,232</u>
	604.8 Employee Pension And Benefits AG	(\$17,304)	\$2,487	\$4,232

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2019 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Power Cost	\$1,047,163	\$1,072,163	\$1,059,199
2	Less: Amount Charged To Operating Expense	1,126,342	1,047,163	1,072,163
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>(\$79,179)</u>	<u>\$25,000</u>	<u>(\$12,963)</u>
	615.3 Purchased Power - Water Treatment	(\$75,034)	\$23,691	(\$12,284)
	615.5 Purchased Power - Transmission and Distribution	(4,145)	1,309	(679)

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Waste Disposal

The waste disposal adjustment is the result of annualized costs for the Turbotville Wastewater acquisition that occurred in 2019. The annualization of waste disposal costs was based on annualization of actual costs incurred for service during the last six months of 2019. The annualized costs were adjusted for inflation for 2021 and 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Waste Disposal Costs	\$5,461	\$5,575	\$5,686
2	Less: Present Rates at 12/31/20 and 12/31/21	0	5,461	5,575
3	Pro Forma Adjustment	<u>\$5,461</u>	<u>\$114</u>	<u>\$111</u>
	675.3 Waste Disposal	\$5,461	\$114	\$111

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of contract prices in effect at January 1, 2020 to anticipated 2020 usage. The present rates December 31, 2020 amount was increased by the 3 year weighted average (5.06%) cost increase to project 2021 through 2022 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Chemical Costs	\$666,634	\$676,129	\$710,342
2	Less: Amount Charged To Operating Expense	640,469	666,634	676,129
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$26,165</u>	<u>\$9,495</u>	<u>\$34,213</u>
	618.3 Chemicals - Water Treatment	<u>\$26,165</u>	<u>\$9,495</u>	<u>\$34,213</u>

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future (2020) and fully projected test years (2021-2022), the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Consumption (00 Gallons)	18,536,786	18,294,277	18,188,492	18,029,292	17,971,296
2	Change In Consumption		(242,509)	(105,785)	(159,200)	(57,996)
3	Power Costs Per Book	\$1,126,342				
4	Chemical Costs Per Book	640,469				
5	Total	<u>\$1,766,811</u>				
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.09531</u>	<u>\$0.09531</u>	<u>\$0.09531</u>	<u>\$0.09531</u>
7	Pro Forma Adjustment		<u>(\$23,115)</u>	<u>(\$10,083)</u>	<u>(\$15,174)</u>	<u>(\$5,529)</u>
615.1	Source of Supply - Purchased Power		\$0	\$0	\$0	\$0
615.3	Water Treatment - Purchased Power		(13,964)	(6,091)	(9,167)	(3,340)
615.5	Transmission & Distribution - Purchased Power		(771)	(336)	(506)	(185)
618.3	Water Treatment - Chemicals		(8,379)	(3,655)	(5,501)	(2,004)

Witness: Dominic DeGrazia

Reference: FR II.09

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Leased Vehicles Expense	\$88,719	\$90,220	\$91,977
2	Less: 17.07% Not Charged To Operating Expense	15,144	15,401	15,700
3	Sub-Total	<u>73,575</u>	<u>74,819</u>	<u>76,277</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	202,341		
6	Less: Present Rates During the Preceding Calendar Year	<u></u>	<u>73,575</u>	<u>74,819</u>
7	Pro Forma Adjustment	<u>(\$128,766)</u>	<u>\$1,244</u>	<u>\$1,458</u>
	650.8 A & G - Miscellaneous General Expense	(\$128,766)	\$1,244	\$1,458

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2020, adjusted for the 5 year average of retroactive adjustments. The Present Rates 12/31/2021 and 12/31/2022 amounts were further adjusted by 2.08% and 2.0% (Blue Chip GDP Price Indexes for 2021 and 2022). Present Rates for Water at 2021 and 2022 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/19.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Workers Compensation Premium	\$0	\$141,726	\$144,560
2	Less: 37.18% Not Charged To Operating Expense	0	52,694	53,748
3	Sub-Total	0	89,032	90,812
4	Add: Annualized Vehicle, General Liability,			
5	Property And Other Insurance	0	716,441	730,699
6	Sub-Total	0	805,473	821,511
7	Less: Per Books and Present Rates	60,530	0	805,473
8	Pro Forma Adjustment	(\$60,530)	\$805,473	\$16,038
	656.8 Vehicle Insurance	55110000	\$13,073	\$262
	657.8 General Liability Insurance	55710000	556,421	11,057
	658.8 Workers Compensation	55720000	141,726	2,834
	658.8 Insurance Wc Capitalized Credits	55720100	(52,694)	(1,054)
	659.8 Other Insurance	55730000	146,947	2,939

Witness: Dominic DeGrazia
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$73,781
2	Normalized Over 3 Years	24,594
3	Plus Allocation of Amortization of Demand Study	908
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/19	<u>0</u>
6	Pro Forma Adjustment	<u><u>\$25,502</u></u>
	666.8 Regulatory Commission Expense	\$25,502

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects an allocation of the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2021 and December 31, 2022. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Service Company Cost	\$226,150	\$230,823
2	Less: Present Rates 12/31/21	<u> </u>	<u>226,150</u>
3	Pro Forma Adjustment	<u><u>\$226,150</u></u>	<u><u>\$4,673</u></u>
	634.8 AG - Contract Services - Management	\$226,150	\$4,673

Witness: Stacey D. Gress

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Total O & M Expenses Per Books	\$8,031,060	\$8,031,060	\$8,031,060
2	Less: Adjusted Expenses	<u>5,286,342</u>	<u>5,286,342</u>	<u>5,286,342</u>
3	2020 Expenses Subject To Inflation	2,744,718	2,744,718	2,744,718
4	2020 Inflation		<u>54,345</u>	<u>54,345</u>
5	2021 Expenses Subject To Inflation		2,799,064	2,799,064
6	2021 Inflation			<u>58,221</u>
7	2022 Expenses Subject To Inflation			2,857,284
8	Inflation Factor	<u>1.98%</u>	<u>2.08%</u>	<u>2.00%</u>
9	Pro Forma Adjustment	<u>\$54,345</u>	<u>\$58,221</u>	<u>\$57,146</u>
	620.6 Materials And Supplies	\$23,728	\$25,420	\$24,951
	675.7 Miscellaneous Expense	0	0	0
	675.8 Miscellaneous Expense	30,618	32,801	32,195

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment reflects miscellaneous additions or deductions from pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 and 12/31/2022 AMOUNT
1	<u>Additions:</u>			
2	PA HQ - Corporate Campus			135,679
3	Turbotville WW Annualized O&M		\$28,195	
4	Delaware Sewer Annualized O&M		\$11,932	
5	Credit Card/E-check Transaction Fees			5,189
6	<u>Deductions:</u>			
7	Pension	(\$119,003)		
8	OPEB	(23,159)		
9	Donations	(1,250)		
10	Temporary Employee Costs	(1,062)		
11	Pro Forma Adjustment	<u>(\$144,474)</u>	<u>\$40,127</u>	<u>\$140,868</u>
	604.8 A&G Employee Pension And Benefits	(\$142,162)		
	620.4 M&S Maint WT			
	620.5 M&S Oper TD		\$2,924	
	620.6 M&S Maint TD			
	635.3 Cont Serv Testing Operating	(1,062)	2,812	
	636.4 Cont Serv Other Main		(206)	
	636.8 Contract Service - Admin & General		9,051	
	675.3 Misc Exp Oper WT		1,737	
	675.6 Misc Expense Maintenance TD		(1,529)	
	675.7 Misc Exp Customer Accounting		660	\$5,189
	675.8 Misc Expense Admin & General	(1,250)	24,678	135,679

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$26,139,495	\$25,932,636	\$26,853,237	\$26,594,302	\$33,884,410	\$33,796,301	\$37,035,623
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$312,488	\$323,582	\$320,461	\$408,307	\$407,245	\$446,279
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		406,235					
6	Less: Present Rates 12/31/2019			312,488				
7	Less: Present Rates 12/31/2020				323,582			
8	Less: Present Rates 12/31/2021					320,461		
9	Less: Proposed Rates 12/31/2021						408,307	
10	Less: Present Rates 12/31/2022							407,245
11	Pro Forma Adjustment		(\$93,747)	\$11,094	(\$3,121)	\$87,846	(\$1,062)	\$39,034
670.7	Customer Accounting And Collecting - Bad Debt		(\$93,747)	\$11,094	(\$3,121)	\$87,846	(\$1,062)	\$39,034

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$7,919,209	\$8,444,380	\$9,056,728	\$9,964,217
2	Book Depreciation	<u>5,083,939</u>	<u>7,919,209</u>	<u>8,444,380</u>	<u>9,056,728</u>
3	Pro Forma Adjustment	<u>\$2,835,270</u>	<u>\$525,171</u>	<u>\$612,348</u>	<u>\$907,489</u>
	503 Depreciation	\$2,835,270	\$525,171	\$612,348	\$907,489

Witness: Dr. Christina E. Chard, John Spanos
Reference: Exhibits No. 11

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Clean Treatment Sewage Company	Approved Docket No. R-2013-2355276	\$58,782	\$58,782	\$58,782
2	New Cumberland Borough Acquisition Costs	Approved Docket No. R-2017-2595853	15,003	15,003	15,003
3	Delaware Sewer Positive UPAA	Seeking Approval	0	6,800	6,800
4	Delaware Sewer Acquisition Costs	Seeking Approval	0	25,000	25,000
5	Turbotville Wastewater Positive UPAA	Seeking Approval	0	(81,601)	(81,601)
6	Turbotville Wastewater Acquisition Costs	Seeking Approval	0	660	660
7	Tax Cuts and Jobs Act Stub Period and Reconciliation		0	(353,156)	(353,156)
8	Proforma Expense		73,785	(328,512)	(328,512)
9	Less: Per Books		0	73,785	(328,512)
10	Pro Forma Adjustment		\$73,785	(\$402,297)	\$0

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense for the twelve months ended
December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Property Subject to Tax	\$69,347,835	\$72,089,999	\$75,634,522	\$80,453,417
2	Property Tax UPIS	<u>227,077</u>			
3	Total	\$227,077			
4	Rate (Line 4 / Line 1)	\$0.003274	\$0.003274	\$0.003274	\$0.003274
5	Projected property tax expense (Line 1 x Line 5)		<u>\$236,024</u>	<u>\$247,628</u>	<u>\$263,405</u>
6	Less: Amount Charged To Operating Expense			236,024	247,628
7	During The 12 Months Ended 12/31/19		<u>227,077</u>		
8	Pro Forma Adjustment		<u><u>\$8,947</u></u>	<u><u>\$11,604</u></u>	<u><u>\$15,777</u></u>
	408.2 Taxes, Other Than Income - Property		\$8,947	\$11,604	\$15,777

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Taxes, Other than Income

Payroll Taxes

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Payroll Taxes	\$190,944	\$194,956	\$201,485
2	Less: 17.07% Not Charged To Operating Expense	32,596	33,281	34,396
3	Sub-Total	<u>158,348</u>	<u>161,675</u>	<u>167,089</u>
4	Less: Amount Charged To Operating Expense	168,629	158,348	161,675
5	Pro Forma Adjustment	<u><u>(\$10,281)</u></u>	<u><u>\$3,327</u></u>	<u><u>\$5,414</u></u>
	408.12 - Taxes - Payroll	(\$10,281)	\$3,327	\$5,414

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Total Wastewater Sales	\$25,110,332	\$26,025,222	\$25,767,893	\$32,510,852	\$32,423,289	\$35,642,513
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	105,619	109,467	108,385	136,747	136,378	149,919
4	Consumer Advocate Fee At 0.001366996958	34,326	35,576	35,225	44,442	44,323	48,723
5	Small Business Advocate Fee At 0.000162780343	4,087	4,236	4,195	5,292	5,278	5,802
6	Damage Prevention Comittee Fee At 0.000059307687	1,489	1,543	1,528	1,928	1,923	2,114
7	Subtotal	145,521	150,822	149,333	188,409	187,902	206,558
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	149,957					
10	Less: Pro Forma Under Present Rates At 12/31/2019		145,521				
11	Less: Pro Forma Under Present Rates At 12/31/2020			150,822			
12	Less: Pro Forma Under Present Rates At 12/31/2021				149,333		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					188,409	
14	Less: Pro Forma Under Present Rates 12/31/2022						187,902
15	Pro Forma Adjustment	(\$4,436)	\$5,301	(\$1,489)	\$39,076	(\$507)	\$18,656
	507.1 Taxes Other Than Income				\$38,452		\$18,149

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	\$654,615	\$278,959	(\$3,090)	\$712,279	\$518,520	\$836,262
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	827,582					
5 Less: Present Rates 12/31/2019		654,615				
6 Less: Present Rates 12/31/2020			278,959			
7 Less: Present Rates 12/31/2021				(3,090)		
8 Less: Proposed Rates 12/31/2021					712,279	
9 Less: Present Rates 12/31/2022						518,520
10 Pro Forma Adjustment	(\$172,967)	(\$375,656)	(\$282,049)	\$715,369	(\$193,759)	\$317,742
11 Federal Income Tax Per Computation						
12 Shown On Following Page	\$524,361	\$1,513,732	(\$133,012)	\$1,220,541	\$1,081,838	\$1,683,040
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	1,278,829					
15 Less: Present Rates 12/31/2019		524,361				
16 Less: Present Rates 12/31/2020			1,513,732			
17 Less: Present Rates 12/31/2021				(133,012)		
18 Less: Proposed Rates 12/31/2021					1,220,541	
19 Less: Present Rates 12/31/2022						1,081,838
20 Pro Forma Adjustment	(\$754,468)	\$989,371	(\$1,646,744)	\$1,353,553	(\$138,703)	\$601,202

Witness: John R. Wilde

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
			12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Utility Operating Income Before Taxes	\$12,373,476	\$9,702,476	\$10,304,688	\$8,501,834	\$15,665,020	\$14,451,848	\$17,633,480
2	Less: Interest Expense	3,359,038	3,359,038	3,509,174	3,718,872	3,721,202	4,008,504	4,009,532
3	Taxable Operating Income	9,014,438	6,343,438	6,795,514	4,782,962	11,943,818	10,443,344	13,623,948
4	Add: Premature Property Losses / Amortizations	0	0	73,785	(328,512)	(328,512)	(328,512)	(328,512)
5	Depr - Straight Line-Remaining Life (Including COR)	5,083,939	7,919,209	8,444,380	9,056,728	9,056,728	9,964,217	9,964,217
6	Taxable Meals & Entertainment	1,273	1,273	1,273	1,273	1,273	1,273	1,273
7	Total	5,085,212	7,920,482	8,519,438	8,729,489	8,729,489	9,636,978	9,636,978
8	Deduct:							
9	Tax Depreciation:							
10	State Tax Depreciation Adjustments	5,815,547	7,711,221	12,522,568	13,543,386	13,543,386	14,889,934	14,889,934
11	Total	5,815,547	7,711,221	12,522,568	13,543,386	13,543,386	14,889,934	14,889,934
12	State Taxable Income	8,284,103	6,552,699	2,792,384	(30,935)	7,129,921	5,190,388	8,370,992
13	State Income Tax At:							
14	Historic, Future And Fully Projected At 9.99%	827,582	654,615	278,959	(3,090)	712,279	518,520	836,262
15	Taxable Income After State Income Tax	7,456,521	5,898,084	2,513,425	(27,845)	6,417,642	4,671,868	7,534,730
16	Add:							
17	Federal Tax Depreciation Adjustments	309,306	(1,724,958)	3,769,618	4,291,056	4,291,056	5,205,663	5,205,663
18	Income Subject To Federal Income Tax	7,765,827	4,173,126	6,283,043	4,263,211	10,708,698	9,877,531	12,740,393
19	Federal Income Tax @ 21%	1,630,824	876,356	1,319,439	895,274	2,248,827	2,074,281	2,675,483
20	Excess ADIT	351,995	351,995	(194,293)	1,028,286	1,028,286	992,443	992,443
21	Federal Tax Liability	\$1,278,829	\$524,361	\$1,513,732	(\$133,012)	\$1,220,541	\$1,081,838	\$1,683,040
	Witness: John R. Wilde							

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED	PRESENT RATES	PROPOSED
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$2,880,593	\$3,053,625	\$3,243,200	\$3,245,232	\$3,515,576	\$3,516,478
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	2,880,593					
5	Less: Present Rates At 12/31/2019		2,880,593				
6	Less: Present Rates At 12/31/2020			3,053,625			
7	Less: Present Rates At 12/31/2021				3,243,200		
8	Less: Proposed Rates 12/31/2021					3,245,232	
9	Less: Present Rates 12/31/2022						3,515,576
14	Pro Forma Adjustment	\$0	\$173,032	\$189,575	\$2,032	\$270,344	\$902
15	Interest On Wastewater Specific Long Term Debt Per Computation						
16	Shown On Following Page	\$478,445	\$455,549	\$475,672	\$475,970	\$492,928	\$493,054
17	Less: Interest On Wastewater Specific Long Term Debt As Per Book						
18	Computation On Following Page	478,445					
19	Less: Present Rates At 12/31/2019		478,445				
20	Less: Present Rates At 12/31/2020			455,549			
21	Less: Present Rates At 12/31/2021				475,672		
22	Less: Proposed Rates 12/31/2021					475,970	
23	Less: Present Rates 12/31/2022						492,928
28	Pro Forma Adjustment	\$0	(\$22,896)	\$20,123	\$298	\$16,958	\$126

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - WW SSS Excl. Sadsbury and Exeter Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2019					PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$220,761,520	38.78%	4.61%	\$248,256,380	39.34%	4.54%	\$255,170,585	39.44%	4.47%	\$272,178,861	39.90%	4.35%
3	Long Term Debt - WW Specific	67,377,275	11.83%	2.51%	66,183,901	10.49%	2.54%	65,599,037	10.14%	2.55%	63,832,693	9.36%	2.60%
4	Total Debt	288,138,795	50.61%		314,440,281	49.83%		320,769,622	49.58%		336,011,554	49.26%	
5	Preferred Stock	552,155	0.10%	8.69%	395,403	0.06%	8.73%	317,293	0.05%	8.80%	61,831	0.01%	9.70%
6	Common Equity	280,645,216	49.29%		316,209,150	50.11%		325,921,359	50.37%		346,066,580	50.73%	
7	Totals	\$569,336,166	100.00%		\$631,044,834	100.00%		\$647,008,274	100.00%		\$682,139,965	100.00%	
					PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT			
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$161,128,811	\$170,972,196	\$183,962,476	\$184,077,745	\$202,550,958	\$202,602,919			
10	Debt Percentage (From Above)				38.78%	39.34%	39.44%	39.44%	39.90%	39.90%			
11	Debt Portion Of Rate Base				62,485,753	67,260,462	72,554,801	72,600,263	80,817,832	80,838,565			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$2,880,593	\$3,053,625	\$3,243,200	\$3,245,232	\$3,515,576	\$3,516,478			
14	Application Of Wastewater Specific Long Term Debt Interest:												
15	Original Cost Rate Base				\$161,128,811	\$170,972,196	\$183,962,476	\$184,077,745	\$202,550,958	\$202,602,919			
16	Debt Percentage (From Above)				11.83%	10.49%	10.14%	10.14%	9.36%	9.36%			
17	Debt Portion Of Rate Base				19,061,538	17,934,983	18,653,795	18,665,483	18,958,770	18,963,633			
18	Interest Cost (From Above)				2.51%	2.54%	2.55%	2.55%	2.60%	2.60%			
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$478,445	\$455,549	\$475,672	\$475,970	\$492,928	\$493,054			

Witness: Ann E. Bulkley

Wastewater SSS Sadsbury Operations

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

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Pennsylvania-American Water Company - WW SSS Sadsbury Operations

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Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020 and December 31, 2021 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		PER BOOKS	ADJUSTMENT	12/31/19		12/31/20		12/31/21		PROPOSED RATES		12/31/22		PROPOSED RATES				
				AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT			
1	Operating Revenue	\$795,470	\$254,028	\$1,049,498	(\$15,068)	\$1,034,430	(\$15,069)	\$1,019,361	\$147,751	\$1,167,112	(\$18,322)	\$1,148,790	(\$14,806)	\$1,133,984	1			
2	Operating Revenue Deductions:														2			
3	Operating Expenses	12,412	234	12,646	55,648	68,294	63,797	132,092	1,781	133,873	1,715	135,588	(178)	135,410	3			
4	Depreciation	148,337	52,608	200,945	242	201,187	(703)	200,484	0	200,484	(2,937)	197,547	0	197,547	4			
5	Amortizations	0	0	0	0	0	27,024	27,024	0	27,024	0	27,024	0	27,024	5			
6	Taxes, Other Than Income:														6			
7	Local Property And Miscellaneous	0	0	0	1,088	1,088	31	1,119	0	1,119	71	1,190	0	1,190	7			
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	9			
10	Payroll Taxes	0	0	0	1,492	1,492	31	1,523	0	1,523	50	1,573	0	1,573	10			
11	General Assessment	0	6,045	6,045	(88)	5,957	(86)	5,871	852	6,723	(106)	6,617	(86)	6,531	11			
12	State Capital Stock Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	12			
13	Total Taxes Other Than Income	0	6,045	6,045	2,491	8,537	(24)	8,513	852	9,365	15	9,380	(86)	9,294	13			
14	Utility Operating Income Before Income Taxes	634,721	195,141	829,861	(73,449)	756,412	(105,163)	651,249	145,118	796,367	(17,115)	779,252	(14,542)	764,710	14			
15	Income Taxes:														15			
16	State Income Tax	43,985	20,981	64,966	(19,567)	45,399	(4,784)	40,615	14,492	55,107	(3,733)	51,374	(1,452)	49,922	16			
17	Federal Income Tax	85,148	27,909	113,057	(6,207)	106,850	(9,700)	97,150	27,421	124,571	(3,031)	121,540	(2,748)	118,792	17			
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	18			
19	Total Income Taxes	129,133	48,890	178,023	(25,774)	152,249	(14,484)	137,765	41,913	179,678	(6,764)	172,914	(4,200)	168,714	19			
20	Total Operating Revenue Deductions	289,882	107,777	397,659	32,607	430,267	75,610	505,877	44,546	550,423	(7,971)	542,452	(4,464)	537,988	20			
21	Utility Operating Income	505,588	146,251	651,838	(47,675)	604,163	(90,679)	513,484	103,205	616,689	(10,351)	606,338	(10,342)	595,996	21			
22	Income Deductions:														22			
23	Interest On Long Term Debt	146,179	0	146,179	3,271	149,450	(3,754)	145,696	42	145,738	(7,069)	138,669	(4)	138,665	23			
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	24			
25	Interest On Notes Payable To Others	24,279	0	24,279	(1,984)	22,295	(920)	21,369	6	21,375	(1,932)	19,443	0	19,443	25			
26	Total Income Deductions	170,458	0	170,458	1,287	171,745	(4,674)	167,065	48	167,113	(9,001)	158,112	(4)	158,108	26			
27	Net Income	\$335,130	\$146,251	\$481,380	(\$48,962)	\$432,418	(\$86,005)	\$346,419	\$103,157	\$449,576	(\$1,350)	\$448,226	(\$10,338)	\$437,888	27			
28	Preferred Dividends	711		711		438		364		364		77		77	28			
29	Net Income To Common	\$334,419		\$480,669		\$431,980		\$346,055		\$449,212		\$448,149		\$437,811	29			

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS SADBURY OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	ANNUALIZATION OF ACQUIRED SYSTEMS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE		DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$679,554	\$0	\$228,011	\$0	\$907,565	\$0	(\$13,713)	\$0	\$0	\$893,852
4	522.2	COMMERCIAL	109,614	0	23,989	0	133,603	0	(1,262)	0	0	132,341
5	522.3	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
6	522.4	MUNICIPAL	1,366	0	453	0	1,819	0	0	0	0	1,819
7	522.4	MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0
8		TOTAL METERED SALES	790,534	0	252,453	0	1,042,987	0	(14,975)	0	0	1,028,012
9		UNMETERED SALES										
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0	0	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0	0	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
14	522.4	MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0	0	0	0
16		TOTAL WASTEWATER SALES	790,534	0	252,453	0	1,042,987	0	(14,975)	0	0	1,028,012
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0	0	0	0
19	532	LATE PAYMENT FEES	4,936	0	0	1,575	6,511	(93)	0	0	0	6,418
20	536	MISC SERVICE REVENUES	0	0	0	0	0	0	0	0	0	0
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0	0	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0	0	0	0
23		TOTAL OTHER OPERATING REVENUES	4,936	0	0	1,575	6,511	(93)	0	0	0	6,418
24		TOTAL OPERATING REVENUES	\$795,470	\$0	\$252,453	\$1,575	\$1,049,498	(\$93)	(\$14,975)	\$0	\$0	\$1,034,430
25												

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS SADBURY OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$893,852	\$0	\$0	(\$13,713)		\$880,139	14.88%	\$130,976	1,011,115
4	522.2	COMMERCIAL	132,341	0	0	(1,262)		131,079	11.86%	15,550	146,629
5	522.3	INDUSTRIAL	0	0	0	0		0	0.00%	0	-
6	522.4	MUNICIPAL	1,819	0	0	0		1,819	16.93%	308	2,127
7	522.4	MISCELLANEOUS	0	0	0	0		0	0.00%	0	-
8		TOTAL METERED SALES	1,028,012	0	0	(14,975)	0	1,013,037	14.49%	146,834	1,159,871
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	1,028,012	0	0	(14,975)	0	1,013,037	14.49%	146,834	1,159,871
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	6,418	0	(94)	0	0	6,324	14.50%	917	7,241
20	536	MISC SERVICE REVENUES	0	0	0	0	0	0	0.00%	0	0
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
									0.00%		
23		TOTAL OTHER OPERATING									
24		REVENUES	6,418	0	(94)	0	0	6,324	14.50%	917	7,241
25		TOTAL OPERATING REVENUES	\$1,034,430	\$0	(\$94)	(\$14,975)	\$0	\$1,019,361	14.49%	\$147,751	\$1,167,112
											PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS SADSBUURY OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$1,011,115	\$0	\$0	(\$17,051)	\$0	\$994,064	-1.43%	(\$14,182)	\$979,882
4	522.2	COMMERCIAL	146,629	0	0	(1,157)	0	145,472	-0.38%	(547)	144,925
5	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
6	522.4	MUNICIPAL	2,127	0	0	0	0	2,127	0.71%	15	2,142
7	522.4	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
8		TOTAL METERED SALES	1,159,871	0	0	(18,208)	0	1,141,663	-1.29%	(14,714)	1,126,949
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	1,159,871	0	0	(18,208)	0	1,141,663	-1.29%	(14,714)	1,126,949
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	7,241	0	(114)	0	0	7,127	-1.29%	(92)	7,035
20	536	MISC SERVICE REVENUES	0	0	0	0	0	0	0.00%	0	0
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
			0	0	0	0	0	0	0.00%	0	0
23		TOTAL OTHER OPERATING REVENUES	7,241	0	(114)	0	0	7,127	-1.29%	(92)	7,035
24											
25		TOTAL OPERATING REVENUES	\$1,167,112	\$0	(\$114)	(\$18,208)	\$0	\$1,148,790	-1.29%	(\$14,806)	\$1,133,984

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PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS SADSBUY OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/19 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/20 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$795,470						
2	Present Rates At 12/31/19				\$1,049,498				
3	Present Rates At 12/31/20						\$1,034,430		
4	Proposed Rates At 12/31/21								\$1,167,112
5	Unbilled Adjustment	0							
6	Annualization of Acquired Systems	252,453							
7	Declining Residential and Commercial Usage			(14,975)		(14,975)		(18,208)	
8	Other Operating Revenues								
9	530 - Guaranteed Revenues								
10	532 - Penalties	<u>1,575</u>		<u>(93)</u>		<u>(94)</u>		<u>(114)</u>	
11	Pro Forma Adjustment		<u>254,028</u>		<u>(15,068)</u>		<u>(15,069)</u>		<u>(18,322)</u>
12	Pro Forma Present Rates At December 31, 2019		<u><u>\$1,049,498</u></u>						
13	Pro Forma Present Rates At December 31, 2020				<u><u>\$1,034,430</u></u>				
14	Pro Forma Present Rates At December 31, 2021						<u><u>\$1,019,361</u></u>		
15	Pro Forma Present Rates At December 31, 2022								<u><u>\$1,148,790</u></u>

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	\$0
3	Commercial	0
4	Industrial	0
5	Municipal	0
6	Miscellaneous (Bulk Customers)	0
7	Total Metered Sales	\$0
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	0
14	Total Unmetered Sales	\$0
15	Total Unbilled Wastewater Sales	\$0
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	\$0

Witness: Ashley Everette

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Revenues

Declining Residential and Commercial Usage Adjustment

This adjustment is being made to address the declining trend in residential and commercial usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Gregory Roach (PAWC Statement No. 9).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales			
2	Residential	(\$13,713)	(\$13,713)	(\$17,051)
3	Commercial	(1,262)	(1,262)	(1,157)
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$14,975)	(\$14,975)	(\$18,208)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$14,975)	(\$14,975)	(\$18,208)
19	Miscellaneous Service Fees	\$0	\$0	\$0
20	Rents From Properties	0	0	0
21	Other Water Revenues	0	0	0
22	Total Operating Revenues	(\$14,975)	(\$14,975)	(\$18,208)

Witness: Ashley E. Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Sadsbury

On March 6, 2019, the Company closed on the acquisition of the wastewater utility property of the Township of Sadsbury and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition. The adjustment was based on a ten month average of April 2019 through December of 2019 and January of 2020. An Adjustment was also made for the commercial customer Westwood Fire Company. This premise was killed because the customer is not connected to Sadsbury's sewer system. All the usage and revenue was credited off the account.

LINE NO.	DESCRIPTION	PER BOOKS 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2019 AJUSTMENT
1	Metered Sales			
2	Residential	\$679,554	\$907,565	\$228,011
3	Commercial	109,614	133,603	23,989
4	Industrial	0	0	0
5	Municipal	1,366	1,819	453
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	\$790,534	\$1,042,987	\$252,453
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Total Wastewater Sales	\$790,534	\$1,042,987	\$252,453
17	Miscellaneous Service Fees	\$0	\$0	\$0
18	Rents From Properties	0	0	0
19	Total Operating Revenues	\$790,534	\$1,042,987	\$252,453

Witness: Ashley Everette

Reference: FR II. 2

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	0	1,083	1,083	1,083	1,083	1,083	0	0
3	601.2	Commercial	0	41	41	41	41	41	0	0
4	601.3	Industrial	0	0	0	0	0	0	0	0
5	606	Municipal	0	3	3	3	3	3	0	0
6	607	Resale	0	0	0	0	0	0	0	0
7	601.4	Bulk	0	0	0	0	0	0	0	0
8		Metered	0	1,127	1,127	1,127	1,127	1,127	0	0
9		Unmetered (Flat Rate)								
10	602.1	Residential	0	0	0	0	0	0	0	0
11	602.2	Commercial	0	0	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	0	0	0	0	0	0	0	0
16	604	Private Fire	0	0	0	0	0	0	0	0
17	605	Public Fire	0	0	0	0	0	0	0	0
18		Total Customers	0	1,127	1,127	1,127	1,127	1,127	0	0

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020 and 2021. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Wastewater Sales	\$790,534	\$1,042,987	\$1,028,012	\$1,013,037	\$1,159,870	\$1,141,663	\$1,126,950
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	4,936	6,511	6,418	6,324	7,241	7,127	7,036
5 Less: Per Books At 12/31/2019		4,936					
6 Less: Present Rates At 12/31/2019			6,511				
7 Less: Present Rates At 12/31/2020				6,418			
8 Less: Present Rates At 12/31/2021					6,324		
9 Less: Proposed Rates At 12/31/2021						7,241	
10 Less: Present Rates At 12/31/2022							7,127
11 Pro Forma Adjustments		\$1,575	(\$93)	(\$94)	\$917	(\$114)	(\$91)

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		DEPRECIATED ORIGINAL COST 12/31/19	DEPRECIATED ORIGINAL COST 12/31/20	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED PROPOSED 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED PROPOSED 12/31/22
1	Non-Depreciable Plant	\$18,345	\$18,345	\$18,345	\$18,345	\$18,345	\$18,345
2	Depreciable Plant	11,236,469	11,398,255	11,441,812	11,441,812	11,547,595	11,547,595
3	Total Utility Plant In Service	11,254,814	11,416,600	11,460,157	11,460,157	11,565,940	11,565,940
4	Deduct:						
5	Contributions In Aid Of Construction	0	0	0	0	0	0
6	Customer Advances For Construction	0	0	0	0	0	0
7	Excluded Property	0	0	0	0	0	0
8	Sub-Total	0	0	0	0	0	0
9	Net Utility Plant In Service	11,254,814	11,416,600	11,460,157	11,460,157	11,565,940	11,565,940
10	Accumulated Depreciation	3,068,004	3,257,770	3,355,210	3,355,210	3,648,553	3,648,553
11	Depreciated Utility Plant In Service	8,186,810	8,158,830	8,104,947	8,104,947	7,917,387	7,917,387
12	Add:						
13	Materials And Supplies	3,494	3,494	3,494	3,494	3,494	3,494
14	Cash Working Capital - Expenses	0	4,284	15,678	15,678	16,089	16,089
15	Accrued And Prepaid Taxes	11,582	10,495	9,808	12,185	11,813	11,575
16	Acquisition Adjustments	0	261,101	248,046	248,046	208,881	208,881
17	Other Additions	0	0	0	0	0	0
18	Deduct:						
19	Cash Working Capital - Int And Div	19,465	19,594	19,094	19,094	18,056	18,056
20	Unamortized Itc (3%)	0	0	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	0	0	0	0	0	0
23	Other Deductions	0	0	0	0	0	0
24	Deferred Taxes	5,781	50,908	98,643	98,643	150,153	150,153
25	Total Rate Base Elements	\$8,176,640	\$8,367,702	\$8,264,236	\$8,266,613	\$7,989,455	\$7,989,217
26	Utility Operating Income						
27	Per Books	\$505,588	6.18%	6.04%	6.12%	6.12%	6.33%
28	Present Rates At 12/31/2019	651,838	7.97%	-	-	-	-
29	Present Rates At 12/31/2020	604,163	-	7.22%	-	-	-
30	Present Rates At 12/31/2021	513,484	-	-	6.21%	-	-
31	Proposed Rates At 12/31/2021	616,689	-	-	-	7.46%	-
32	Present Rates At 12/31/2022	606,338	-	-	-	-	7.59%
33	Proposed Rates At 12/31/2022	595,996	-	-	-	-	-
	Witness: Dr. Christina E. Chard						7.46%

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	352.00	Franchises & Consents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.00	Land & Land Rights	18,345	0	0	18,345	0	0	18,345	18,345	0	0	18,345
3		Total Intangible Plant	\$18,345	\$0	\$0	\$18,345	\$0	\$0	\$18,345	\$18,345	\$0	\$0	\$18,345
4	354.20	Structures And Improvements - Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	354.30	Structures And Improvements - SPP	293,908	21,000	1,201	313,707	20,300	1,161	332,846	323,277	12,600	721	344,725
6	354.40	Structures And Improvements - TDP		0	0	0	0	0	0	0	0	0	0
7	354.70	Structures And Improvements - General		0	0	0	0	0	0	0	0	0	0
8	355.00	Power Generation Equipment	54,144	9,000	515	62,630	8,700	498	70,832	66,731	5,400	309	75,923
9	360.10	Collection Sewers - Force Mains	192,230	12,500	715	204,015	4,000	229	207,786	205,900	3,650	209	211,227
10	361.10	Collection Sewers - Gravity Mains	7,923,190	112,500	6,434	8,029,256	36,000	2,059	8,063,197	8,046,226	32,850	1,879	8,094,168
11	361.20	Manholes	1,319,671	0	0	1,319,671	0	0	1,319,671	1,319,671	0	0	1,319,671
12	363.00	Services	809,743	16,600	949	825,394	23,400	1,338	847,455	836,424	11,500	658	858,298
13	364.00	Flow Measuring Devices	126,118	0	0	126,118	0	0	126,118	126,118	0	0	126,118
14	365.00	Flow Measuring Installations		0	0	0	0	0	0	0	0	0	0
15	370.00	Receiving Wells		0	0	0	0	0	0	0	0	0	0
16	371.00	Pumping Equipment	517,465	0	0	517,465	0	0	517,465	517,465	0	0	517,465
17	380.00	Treatment Equipment		0	0	0	0	0	0	0	0	0	0
18	381.00	Plant Sewers		0	0	0	0	0	0	0	0	0	0
19	382.00	Outfall Sewer Lines		0	0	0	0	0	0	0	0	0	0
20	389.10	Other Plant And Miscellaneous Equipment - Intangibles		0	0	0	0	0	0	0	0	0	0
21	390.00	Office Furniture And Equipment		0	0	0	0	0	0	0	0	0	0
22	390.20	Computers & Peripheral		0	0	0	0	0	0	0	0	0	0
23	391.00	Transportation Equipment		0	0	0	0	0	0	0	0	0	0
24	392.00	Stores Equipment		0	0	0	0	0	0	0	0	0	0
25	393.00	Tools, Shop And Garage Equipment		0	0	0	0	0	0	0	0	0	0
26	394.00	Laboratory Equipment		0	0	0	0	0	0	0	0	0	0
27	395.00	Power Operated Equipment		0	0	0	0	0	0	0	0	0	0
28	396.00	Communication Equipment		0	0	0	0	0	0	0	0	0	0
29	397.00	Miscellaneous Equipment		0	0	0	0	0	0	0	0	0	0
30		Total Tangible Plant	\$11,236,469	\$171,600	\$9,814	\$11,398,255	\$92,400	\$5,285	\$11,485,370	\$11,441,812	\$66,000	\$3,775	\$11,547,595
31		Total Utility Plant In Service	\$11,254,814	\$171,600	\$9,814	\$11,416,600	\$92,400	\$5,285	\$11,503,715	\$11,460,157	\$66,000	\$3,775	\$11,565,940

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the material and supplies accounts for PAWC's other wastewater districts for the period of December 2018 to December 2019. This balance was divided by the total number of customers in the other wastewater districts in order to calculate the amount of materials and supplies per customer. This per customer number was then multiplied by the total number of Sadsbury Wastewater customers to calculate the Company's claim.

LINE NO.	DETAIL	12/31/2020 through 12/31/2022 AMOUNT
1	13-Month average of M&S for PAWC's 16 other WW districts	\$79,188
2	Number of customers in PAWC's 16 other WW districts	25,551
3	Amount of M&S per customer	\$3.10
4	Total number of Sadsbury WW customers	1,127
5	Allowance for Materials and Supplies At 12/31/2020 through 12/31/2022	<hr/> <hr/> <hr/> \$3,494

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2 Bi-Monthly Billings					
3 Lag Days					
4 Dollar Days					
5 Quarterly					
6 Lag Days					
7 Dollar Days					
8 Monthly Billings	\$795,470	\$1,049,498	\$1,034,430	\$1,019,361	\$1,148,790
9 Lag Days	50.7	50.7	50.7	50.7	50.7
10 Dollar Days	\$40,338,284	\$53,220,028	\$52,455,930	\$51,691,781	\$58,255,145
11 Total Billed Revenue	\$795,470	\$1,049,498	\$1,034,430	\$1,019,361	\$1,148,790
12 Total Dollar Days	\$40,338,284	\$53,220,028	\$52,455,930	\$51,691,781	\$58,255,145
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	50.7	50.7	50.7	50.7	50.7
14 Deduct: Average Lag In Payment Of					
15 Operating Expenses	30.6	30.6	22.7	2.9	3.1
16 Average Lag Between Payment Of Operating					
17 Expenses And Receipt Of Revenues	20.1	20.1	28.0	47.8	47.6
18 Working Capital Requirements					
19 Annual Operating Expenses (Including Payroll Expenses)		\$0	\$55,849	\$119,859	\$123,405
20 Operating Expenses Per Day (Line 20 / 365 Days)		0	153	328	338
21 Cash Working Capital Required					
22 (Line 17 * Line 20)		\$0	\$4,284	\$15,678	\$16,089

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS		PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022	
		AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.14	\$0	\$0	\$0	\$0	\$20,158	\$244,712	\$20,593	\$249,993	\$21,304	\$258,625
2 Group Insurance	10.92	0	0	0	0	3,082	33,655	3,272	35,730	3,474	37,936
3 OPEB's and VEBA	0.00	0	0	0	0	0	0	0	0	0	0
4 Pension	13.14	0	0	0	0	0	0	0	0	0	0
5 Purchased Power	24.97	0	0	0	0	9,227	230,398	9,017	225,154	8,807	219,911
6 Purchased Water	34.69	0	0	0	0	0	0	0	0	0	0
7 Chemicals	48.81	0	0	0	0	0	0	0	0	0	0
8 Miscellaneous	31.01	0	15	0	15	19,213	595,810	25,805	800,220	27,409	849,960
9 Transportation	39.23	0	0	0	0	4,169	163,536	4,254	166,884	4,338	170,180
10 Ins Other Than Group	(53.43)	0	0	0	0	0	0	27,775	(1,484,018)	28,328	(1,513,565)
11 Service Company	12.14	0	0	0	0	0	0	29,143	353,797	29,745	361,107
12 Waste Disposal	45.65	0	0	0	0	0	0	0	0	0	0
13 Telephone	8.71	0	0	0	0	0	0	0	0	0	0
14 Rents	8.05	0	0	0	0	0	0	0	0	0	0
15 Natural Gas	31.80	0	0	0	0	0	0	0	0	0	0
16 Totals		\$0	\$15	\$0	\$15	\$55,849	\$1,268,111	\$119,859	\$347,760	\$123,405	\$384,154
17 Average Lag			<u>30.6</u>		<u>30.6</u>		<u>22.7</u>		<u>2.9</u>		<u>3.1</u>
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$12,412		\$12,646		\$69,786		\$133,615		\$137,161	
19 Uncollectibles		12,412		12,646		12,465		12,283		12,283	
20 Amortizations		0		0		1,473		1,473		1,473	
21 Sum Of Other Expenses		<u>0</u>		<u>0</u>		<u>36,635</u>		<u>94,054</u>		<u>95,996</u>	
22 Miscellaneous		<u>\$0</u>		<u>\$0</u>		<u>\$19,213</u>		<u>\$25,805</u>		<u>\$27,409</u>	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		RATE YEAR 1 PROPOSED RATES 12/31/2021		RATE YEAR 2			
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PRESENT RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PROPOSED RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	213.1	\$6,045	\$3,529	\$5,957	\$3,478	\$5,871	\$3,428	\$6,723	\$3,925	\$6,617	\$3,863	\$6,531	\$3,813
2	Public Utility Realty Tax	61.0	0	0	0	0	0	0	0	0	0	0	0	0
3	Local Property Tax	115.3	0	0	1,088	344	1,119	353	1,119	353	1,190	376	1,190	376
4	State Income Tax	21.4	64,966	3,809	45,399	2,662	40,615	2,381	55,107	3,231	51,374	3,012	49,922	2,927
5	Federal Income Tax	13.7	113,057	4,244	106,850	4,011	97,150	3,646	124,571	4,676	121,540	4,562	118,792	4,459
6	Totals			<u>\$11,582</u>		<u>\$10,495</u>		<u>\$9,808</u>		<u>\$12,185</u>		<u>\$11,813</u>		<u>\$11,575</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE

NO.	DESCRIPTION	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND			
1	Average Lag Calculation						
2	Future Revenue Lag Days	50.7	50.7	50.7			
3	Less: Interest Payments Lag Days	92.4	15.2	46.2			
4	Average Lag Between The Payment	(41.7)	35.5	4.5			
5	Of Interest And The Receipt						
6	Of Revenues						
				RATE YEAR 1		RATE YEAR 2	
		PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED AMOUNT	PRESENT RATES	PROPOSED AMOUNT
		12/31/19	12/31/20	12/31/21	12/31/21	12/31/22	12/31/22
7	Long Term Debt						
8	Working Capital Requirements						
9	Pro Forma Annual Interest Expense	\$146,179	\$149,450	\$145,696	\$145,738	\$138,669	\$138,665
10	Interest Expense Per Day						
11	(Line 9 / 365 Days)	400	409	399	399	380	380
12	Cash Working Capital Required						
13	(Line 4 Col.1 X Line 11)		(16,680)	(17,055)	(16,638)	(16,638)	(15,846)
							(15,846)
14	Long Term Debt - Wastewater Specific						
15	Working Capital Requirements						
16	Pro Forma Annual Interest Expense	24,279	22,295	21,369	21,375	19,443	19,443
17	Interest Expense Per Day						
18	(Line 16 / 365 Days)	67	61	59	59	53	53
19	Cash Working Capital Required						
20	(Line 4 Col.1 X Line 18)		(2,794)	(2,544)	(2,460)	(2,460)	(2,210)
							(2,210)
21	Preferred Dividends						
22	Working Capital Requirements						
23	Pro Forma Annual Dividend Expense	711	438	364	364	77	77
24	Dividend Expense Per Day						
25	(Line 23 / 365 Days)	2	1	1	1	0	0
26	Cash Working Capital Required						
27	(Line 4 Col.3 X Line 25)		9	5	5	5	0
							0
28	Total Cash Working Capital Required						
29	(Line 13 + Line 20 + Line 27)		(\$19,465)	(\$19,594)	(\$19,094)	(\$19,094)	(\$18,056)
							(\$18,056)

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of Sadsbury Township (acquired at Docket No. A-2018-3002437).

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	Sadsbury Transaction Costs	Seeking Approval	\$261,101	\$13,055	\$248,046	\$13,055	\$26,110	\$208,881
2	Effect to Rate Base Element		<u>\$261,101</u>	<u>\$13,055</u>	<u>\$248,046</u>	<u>\$13,055</u>	<u>\$26,110</u>	<u>\$208,881</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax	(\$5,781)	(\$50,908)	(\$98,643)	(\$150,153)
2	Less: Prior Year		(5,781)	(50,908)	(98,643)
3	Effect to Rate Base Element	<u>(\$5,781)</u>	<u>(\$45,127)</u>	<u>(\$47,735)</u>	<u>(\$51,510)</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$0	\$0	\$0	\$0	\$0
3	631.6	Contract Services - Engineering	0	0	0	0	0
4	636.6	Contract Services	0	0	0	0	0
5	650.6	Transportation	0	0	0	0	0
6	675.6	Miscellaneous Operating Expense	0	0	0	0	0
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	0	0	0	0	0
9		Total Transmission And Distribution	\$0	\$0	\$5,905	\$5,959	\$6,055
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0	0
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	0	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0	0
21	650.7	Transportation	0	0	0	0	0
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	12,412	12,646	12,465	12,283	13,843
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	0	0	0	669	669
26		Total Customer Accounting	\$12,412	\$12,646	\$12,465	\$12,952	\$14,512
27		Administrative And General					
28	601.8	Salary And Wages	\$0	\$0	\$3,534	\$3,611	\$3,737
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	0	0	4,275	4,489	4,735
31	615.8	Purchased Power	0	0	0	0	0
32	620.8	Materials And Supplies	0	0	0	0	0
33	631.8	Contract Services	0	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0	0
36	634.8	Contract Services - Management	0	0	0	29,143	29,745
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	0	0	7,020	7,020	7,020
39	641.8	Rental Of Building	0	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0	0
41	650.8	Transportation	0	0	4,169	4,254	4,338
42	656.8	Insurance - Vehicles	0	0	0	451	460
43	657.8	Insurance	0	0	0	19,187	19,568
44	658.8	Workers Compensation	0	0	0	3,070	3,132
45	659.8	Insurance	0	0	0	5,067	5,168
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	1,473	1,473	1,473
48	667.8	Regulatory Commission	0	0	0	0	0
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	0	0	8,600	14,499	14,499
51		Total Administrative And General	\$0	\$0	\$29,070	\$92,264	\$93,875
52		Total Operating Expenses	\$12,412	\$12,646	\$68,294	\$132,092	\$135,588

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0	0
5	610.1	Purchased Water	0	0	0	0	0
6	615.1	Purchased Power	0	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	0	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0	0
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	0	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0	0
18	636.2	Contract Services	0	0	0	0	0
19		-Miscellaneous-					
20	675.1	Miscellaneous Operating Expense	0	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0	\$0
23		Water Treatment					
24		-Operation-					
25	601.3	Salary And Wages	\$35,245	\$35,245	\$261,367	\$267,024	\$276,384
26	601.4	Salary And Wages	619	619	4,589	4,688	4,852
27	604.3	Employee Pension And Benefits	0	0	0	0	0
28	615.3	Purchased Power	52,698	52,698	266,394	263,046	259,698
29	618.3	Chemicals	0	0	156,966	162,363	168,133
30	620.3	Materials And Supplies	1,544	1,544	17,999	17,999	17,999
31	631.3	Contract Services - Engineering	0	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0	0
34	635.3	Contract Services - Test	0	0	37,200	37,200	37,200
35	636.3	Contract Services	0	0	17,025	17,025	17,025
36	641.3	Rental Of Building	0	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0	0
38	650.3	Transportation	0	0	0	0	0
39		-Maintenance-					
40	620.4	Materials And Supplies	0	0	0	0	0
41	631.4	Contract Services - Engineering	975	975	975	975	975
42	636.4	Contract Services	0	0	0	0	0
43	650.4	Transportation	0	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	0	0	0	0	0
45		-Miscellaneous-					
46	675.3	Miscellaneous Operating Expense	35,158	35,158	221,107	225,510	229,832
47		Total Water Treatment Expense	\$126,239	\$126,239	\$983,622	\$995,830	\$1,012,098
48		Transmission And Distribution					
49		-Operation-					
50	601.5	Salary And Wages	\$23,817	\$23,817	\$176,620	\$180,442	\$186,767
51	601.6	Salary And Wages	5,362	5,362	39,763	40,624	42,048
52	604.5	Employee Pension And Benefits	0	0	0	0	0
53	615.5	Purchased Power	0	0	11,805	11,620	11,435
54	620.5	Materials And Supplies	774	774	0	0	0
55	631.5	Contract Services - Engineering	0	0	0	0	0
56	636.5	Contract Services	0	0	0	0	0
57	641.5	Rental Of Building	0	0	0	0	0
58	642.5	Rental Of Equipment	123	123	123	123	123
59	650.5	Transportation	196	0	0	0	0

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/19 DETAIL	12/31/19 AMOUNT	12/31/20 DETAIL	12/31/20 AMOUNT	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT
1	Per Books		\$12,412						
2	Present Rates At 12/31/2019				\$12,646				
3	Present Rates At 12/31/2020						\$68,294		
4	Proposed Rates At 12/31/2021								\$133,873
5	Compensation	-		\$18,666		\$404		\$661	
6	Group Insurance	-		3,082		190		202	
7	Other Post Employment Benefits & VEBA	-		-		-		-	
8	Pension	-		-		-		-	
9	Purchased Power	-		9,437		-		-	
10	Waste Disposal	-		-		-		-	
11	Chemicals	-		-		-		-	
12	Change In Consumption Expense	-		(210)		(210)		(210)	
13	Transportation Expense	-		4,169		85		84	
14	Insurance Other Than Group	-		-		27,775		553	
15	Regulatory Expense (Rate Case Expense)	-		1,473		-		-	
16	Service Company Expense	-		-		29,143		602	
17	Postage and Customer Accounting	-		-		-		-	
18	Inflation	-		-		-		-	
19	401K & Defined Contribution Plan	-		1,193		24		44	
20	Rent Expense	-		-		-		-	
21	Miscellaneous Adjustments	0		18,020		6,568		0	
22	Uncollectibles	234		(181)		(182)		(221)	
23	Pro Forma Adjustments		234		55,648		63,797		1,715
24	Present Rates At 12/31/2019		\$12,646						
25	Present Rates At 12/31/2020				\$68,294				
26	Present Rates At 12/31/2021						\$132,092		
27	Present Rates At 12/31/2022								\$135,588

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2020, December 31, 2021, and December 31, 2022 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Salary and Wages	\$21,158	\$21,617	\$22,365
2	Annualized Performance Plan	1,351	1,379	1,428
3	Less: 17.07% Capitalized portion not charged to operating expense	<u>3,843</u>	<u>3,926</u>	<u>4,062</u>
4	Sub-Total	18,666	19,070	19,731
5	Less: Amount Charged To Operating Expense			
6	During the Twelve Months Ended 12/31/19	<u>0</u>		
7	Less: Amount Charged To Present Rates			
8	At 12/31/20 and 12/31/21		<u>18,666</u>	<u>19,070</u>
9	Pro Forma Adjustment	<u>\$18,666</u>	<u>\$404</u>	<u>\$661</u>
	601.3 Salary and Wages - Water Treatment	\$10,912	\$236	\$386
	601.4 Salary and Wages - Water Treatment	1,198	26	42
	601.5 Salary and Wages - Transmission & Distribution	1,224	26	43
	601.6 Salary and Wages - Transmission & Distribution	1,798	39	64
	601.7 Salary and Wages - Customer Accounting	0	0	0
	601.8 Salary and Wages - Administrative and General	3,534	77	126

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2020 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected test years were developed by adjusting the annualized 2020 amount by a 3 year average of 6.18%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Group Insurance Cost	\$3,716	\$3,945	\$4,189
2	Less: 17.07% Not Charged To Operating Expense	634	673	715
3	Sub-Total	<u>3,082</u>	<u>3,272</u>	<u>3,474</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	0		
6	Less: Amount Charged To Operating Expense			
7	During the Calendar Years Ended 2020 and 2021	<u></u>	<u>3,082</u>	<u>3,272</u>
8	Pro Forma Adjustment	<u>\$3,082</u>	<u>\$190</u>	<u>\$202</u>
	604.8 A&G Employees Pension And Benefits	\$3,082	\$190	\$202

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized 401K - Company Match	\$425	\$434	\$449
2	Annualized DCP	1,013	1,034	1,071
3	Less: 17.07% Not Charged To Operating Expense	245	251	259
4	Sub-Total	<u>1,193</u>	<u>1,217</u>	<u>1,261</u>
5	Annualized ESPP	0	0	0
6	Less: Amount Charged To Operating Expense	0	1,193	1,217
7	Pro Forma Adjustment	<u>\$1,193</u>	<u>\$24</u>	<u>\$44</u>
	604.8 Employee Pension And Benefits AG	\$1,193	\$24	\$44

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2019 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Power Cost	\$9,437	\$9,437	\$9,437
2	Less: Amount Charged To Operating Expense	-	9,437	9,437
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$9,437</u>	<u>\$0</u>	<u>\$0</u>
	615.3 Purchased Power - Water Treatment	\$8,943	\$0	\$0
	615.5 Purchased Power - Transmission and Distribution	494	0	0

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future (2020) and fully projected test years (2021-2022), the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Consumption (00 Gallons)	477,208	466,647	456,086	445,525
2	Change In Consumption		(10,561)	(10,561)	(10,561)
3	Power Costs Per Book	\$9,437			
4	Chemical Costs Per Book	0			
5	Total	<u>\$9,437</u>			
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.01977</u>	<u>\$0.01977</u>	<u>\$0.01977</u>
7	Pro Forma Adjustment		<u>(\$210)</u>	<u>(\$210)</u>	<u>(\$210)</u>
	615.1 Source of Supply - Purchased Power		\$0	\$0	\$0
	615.3 Water Treatment - Purchased Power		(199)	(199)	(199)
	615.5 Transmission & Distribution - Purchased Power		(11)	(11)	(11)
	618.3 Water Treatment - Chemicals		0	0	0

Witness: Dominic DeGrazia

Reference: FR II.09

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Leased Vehicles Expense	\$5,027	\$5,130	\$5,231
2	Less: 17.07% Not Charged To Operating Expense	858	876	893
3	Sub-Total	<u>4,169</u>	<u>4,254</u>	<u>4,338</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	0		
6	Less: Present Rates During the Preceding Calendar Year	<u></u>	<u>4,169</u>	<u>4,254</u>
7	Pro Forma Adjustment	<u>\$4,169</u>	<u>\$85</u>	<u>\$84</u>
	650.8 A & G - Miscellaneous General Expense	\$4,169	\$85	\$84

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2020, adjusted for the 5 year average of retroactive adjustments. The Present Rates 12/31/2021 and 12/31/2022 amounts were further adjusted by 2.08% and 2.0% (Blue Chip GDP Price Indexes for 2021 and 2022). Present Rates for Water at 2021 and 2022 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/19.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Workers Compensation Premium	\$0	\$4,887	\$4,985
2	Less: 37.18% Not Charged To Operating Expense	0	1,817	1,853
3	Sub-Total	0	3,070	3,132
4	Add: Annualized Vehicle, General Liability,			
5	Property And Other Insurance	0	24,705	25,196
6	Sub-Total	0	27,775	28,328
7	Less: Per Books and Present Rates	0	0	27,775
8	Pro Forma Adjustment	\$0	\$27,775	\$553
	656.8 Vehicle Insurance	55110000	\$451	\$9
	657.8 General Liability Insurance	55710000	19,187	381
	658.8 Workers Compensation	55720000	4,887	98
	658.8 Insurance Wc Capitalized Credits	55720100	(1,817)	(36)
	659.8 Other Insurance	55730000	5,067	101

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$4,258
2	Normalized Over 3 Years	1,419
3	Plus Allocation of Amortization of Demand Study	53
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/19	0
6	Pro Forma Adjustment	\$1,473
	666.8 Regulatory Commission Expense	\$1,473

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects an allocation of the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2021 and December 31, 2022. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Service Company Cost	\$29,143	\$29,745
2	Less: Present Rates 12/31/21	<u> </u>	<u>29,143</u>
3	Pro Forma Adjustment	<u><u>\$29,143</u></u>	<u><u>\$602</u></u>
	634.8 AG - Contract Services - Management	\$29,143	\$602

Witness: Stacey D. Gress

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to add Sadsbury WW expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES
		12/31/2020 AMOUNT	12/31/2021 and 12/31/2022 AMOUNTS
1	Sadsbury WW O&M Expenses	\$18,020	
2	PA HQ - Corporate Campus		\$5,899
3	Credit Card/E-check Transaction Fees		669
4	Pro Forma Adjustment	<u>\$18,020</u>	<u>\$6,568</u>
	620.5 M&S Oper TD	\$2,400	
	636.8 Contract Service - Admin & General	7,020	
	675.7 Misc Exp Customer Accounting		\$669
	675.8 Misc Expense Admin & General	8,600	5,899

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$795,470	\$1,049,498	\$1,034,430	\$1,019,361	\$1,167,112	\$1,148,790	\$1,133,984
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$12,646	\$12,465	\$12,283	\$14,064	\$13,843	\$13,665
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		12,412					
6	Less: Present Rates 12/31/2019			12,646				
7	Less: Present Rates 12/31/2020				12,465			
8	Less: Present Rates 12/31/2021					12,283		
9	Less: Proposed Rates 12/31/2021						14,064	
10	Less: Present Rates 12/31/2022							13,843
11	Pro Forma Adjustment		\$234	(\$181)	(\$182)	\$1,781	(\$221)	(\$178)
670.7	Customer Accounting And Collecting - Bad Debt		\$234	(\$181)	(\$182)	\$1,781	(\$221)	(\$178)

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$200,945	\$201,187	\$200,484	\$197,547
2	Book Depreciation	<u>148,337</u>	<u>200,945</u>	<u>201,187</u>	<u>200,484</u>
3	Pro Forma Adjustment	<u>\$52,608</u>	<u>\$242</u>	<u>(\$703)</u>	<u>(\$2,937)</u>
	503 Depreciation	\$52,608	\$242	(\$703)	(\$2,937)

Witness: Dr. Christina E. Chard, John Spanos
Reference: Exhibits No. 11

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Sadsbury Acquisition Costs	Seeking Approval	\$0	\$26,110	\$26,110
2	Post-in-service AFUDC	Seeking Approval	0	358	358
3	Deferred Depreciation	Seeking Approval	0	556	556
4	Proforma Expense		0	27,024	27,024
5	Less: Per Books		0	0	27,024
6	Pro Forma Adjustment		\$0	\$27,024	\$0

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense for the twelve months ended
December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Property Subject to Tax	\$312,253	\$332,052	\$341,622	\$363,070
2	Property Tax UPIS	0			
3	Total	<u>\$0</u>			
4	Rate (Line 5 from Wastewater Excluding Sadsbury and Exeter)	\$0.003274	\$0.003274	\$0.003274	\$0.003274
5	Projected property tax expense (Line 1 x Line 5)		<u>\$1,088</u>	<u>\$1,119</u>	<u>\$1,190</u>
6	Less: Amount Charged To Operating Expense			1,088	1,119
7	During The 12 Months Ended 12/31/19		<u>0</u>		
8	Pro Forma Adjustment		<u><u>\$1,088</u></u>	<u><u>\$31</u></u>	<u><u>\$71</u></u>
	408.2 Taxes, Other Than Income - Property		\$1,088	\$31	\$71

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Taxes, Other than Income

Payroll Taxes

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Payroll Taxes	\$1,799	\$1,836	\$1,897
2	Less: 17.07% Not Charged To Operating Expense	307	313	324
3	Sub-Total	<u>1,492</u>	<u>1,523</u>	<u>1,573</u>
4	Less: Amount Charged To Operating Expense	0	1,492	1,523
5	Pro Forma Adjustment	<u>\$1,492</u>	<u>\$31</u>	<u>\$50</u>
	408.12 - Taxes - Payroll	\$1,492	\$31	\$50

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Total Wastewater Sales	\$1,042,987	\$1,028,012	\$1,013,037	\$1,159,870	\$1,141,663	\$1,126,950
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	4,387	4,324	4,261	4,879	4,802	4,740
4	Consumer Advocate Fee At 0.001366996958	1,426	1,405	1,385	1,586	1,561	1,541
5	Small Business Advocate Fee At 0.000162780343	170	167	165	189	186	183
6	Damage Prevention Comittee Fee At 0.000059307687	62	61	60	69	68	67
7	Subtotal	6,045	5,957	5,871	6,723	6,617	6,531
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	0					
10	Less: Pro Forma Under Present Rates At 12/31/2019		6,045				
11	Less: Pro Forma Under Present Rates At 12/31/2020			5,957			
12	Less: Pro Forma Under Present Rates At 12/31/2021				5,871		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					6,723	
14	Less: Pro Forma Under Present Rates 12/31/2022						6,617
15	Pro Forma Adjustment	\$6,045	(\$88)	(\$86)	\$852	(\$106)	(\$86)

507.1 Taxes Other Than Income

\$6,723

(\$192)

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	\$64,966	\$45,399	\$40,615	\$55,107	\$51,374	\$49,922
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	43,985					
5 Less: Present Rates 12/31/2019		64,966				
6 Less: Present Rates 12/31/2020			45,399			
7 Less: Present Rates 12/31/2021				40,615		
8 Less: Proposed Rates 12/31/2021					55,107	
9 Less: Present Rates 12/31/2022						51,374
10 Pro Forma Adjustment	\$20,981	(\$19,567)	(\$4,784)	\$14,492	(\$3,733)	(\$1,452)
11 Federal Income Tax Per Computation						
12 Shown On Following Page	\$113,057	\$106,850	\$97,150	\$124,571	\$121,540	\$118,792
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	85,148					
15 Less: Present Rates 12/31/2019		113,057				
16 Less: Present Rates 12/31/2020			106,850			
17 Less: Present Rates 12/31/2021				97,150		
18 Less: Proposed Rates 12/31/2021					124,571	
19 Less: Present Rates 12/31/2022						121,540
20 Pro Forma Adjustment	\$27,909	(\$6,207)	(\$9,700)	\$27,421	(\$3,031)	(\$2,748)

Witness: John R. Wilde

Pennsylvania-American Water Company - WW SSS Sadsbury Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES		PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
			12/31/19	12/31/20	12/31/21	12/31/21	12/31/21	12/31/21	12/31/22	12/31/22
			AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
1	Utility Operating Income Before Taxes	\$634,721	\$829,861	\$756,412	\$651,249	\$796,367	\$779,252	\$764,710		
2	Less: Interest Expense	170,458	170,458	171,745	167,065	167,113	158,112	158,108		
3	Taxable Operating Income	464,263	659,403	584,667	484,184	629,254	621,140	606,602		
4	Add: Premature Property Losses / Amortizations	0	0	0	27,024	27,024	27,024	27,024		
5	Depr - Straight Line-Remaining Life (Including COR)	148,337	200,945	201,187	200,484	200,484	197,547	197,547		
6	Taxable Meals & Entertainment	0	0	0	0	0	0	0		
7	Total	148,337	200,945	201,187	227,508	227,508	224,571	224,571		
8	Deduct:									
9	Tax Depreciation:									
10	State Tax Depreciation Adjustments	172,312	210,033	331,410	305,137	305,137	331,454	331,454		
11	Total	172,312	210,033	331,410	305,137	305,137	331,454	331,454		
12	State Taxable Income	440,288	650,315	454,444	406,555	551,625	514,257	499,719		
13	State Income Tax At:									
14	Historic, Future And Fully Projected At 9.99%	43,985	64,966	45,399	40,615	55,107	51,374	49,922		
15	Taxable Income After State Income Tax	396,303	585,349	409,045	365,940	496,518	462,883	449,797		
16	Add:									
17	Federal Tax Depreciation Adjustments	9,165	(46,983)	99,763	96,679	96,679	115,879	115,879		
18	Income Subject To Federal Income Tax	405,468	538,366	508,808	462,619	593,197	578,762	565,676		
19	Federal Income Tax @ 21%	85,148	113,057	106,850	97,150	124,571	121,540	118,792		
20	Excess ADIT	0	0	0	0	0	0	0		
21	Federal Tax Liability	\$85,148	\$113,057	\$106,850	\$97,150	\$124,571	\$121,540	\$118,792		
	Witness: John R. Wilde									

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$146,179	\$149,450	\$145,696	\$145,738	\$138,669	\$138,665
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	146,179					
5	Less: Present Rates At 12/31/2019		146,179				
6	Less: Present Rates At 12/31/2020			149,450			
7	Less: Present Rates At 12/31/2021				145,696		
8	Less: Proposed Rates 12/31/2021					145,738	
9	Less: Present Rates 12/31/2022						138,669
14	Pro Forma Adjustment	\$0	\$3,271	(\$3,754)	\$42	(\$7,069)	(\$4)
15	Interest On Wastewater Specific Long Term Debt Per Computation						
16	Shown On Following Page	\$24,279	\$22,295	\$21,369	\$21,375	\$19,443	\$19,443
17	Less: Interest On Wastewater Specific Long Term Debt As Per Book						
18	Computation On Following Page	24,279					
19	Less: Present Rates At 12/31/2019		24,279				
20	Less: Present Rates At 12/31/2020			22,295			
21	Less: Present Rates At 12/31/2021				21,369		
22	Less: Proposed Rates 12/31/2021					21,375	
23	Less: Present Rates 12/31/2022						19,443
28	Pro Forma Adjustment	\$0	(\$1,984)	(\$926)	\$6	(\$1,932)	\$0

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - WW SSS Sadsbury Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2019					PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$220,761,520	38.78%	4.61%	\$248,256,380	39.34%	4.54%	\$255,170,585	39.44%	4.47%	\$272,178,861	39.90%	4.35%
3	Long Term Debt - WW Specific	67,377,275	11.83%	2.51%	66,183,901	10.49%	2.54%	65,599,037	10.14%	2.55%	63,832,693	9.36%	2.60%
4	Total Debt	288,138,795	50.61%		314,440,281	49.83%		320,769,622	49.58%		336,011,554	49.26%	
5	Preferred Stock	552,155	0.10%	8.69%	395,403	0.06%	8.73%	317,293	0.05%	8.80%	61,831	0.01%	9.70%
6	Common Equity	280,645,216	49.29%		316,209,150	50.11%		325,921,359	50.37%		346,066,580	50.73%	
7	Totals	\$569,336,166	100.00%		\$631,044,834	100.00%		\$647,008,274	100.00%		\$682,139,965	100.00%	
					PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT			
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$8,176,640	\$8,367,702	\$8,264,236	\$8,266,613	\$7,989,455	\$7,989,217			
10	Debt Percentage (From Above)				38.78%	39.34%	39.44%	39.44%	39.90%	39.90%			
11	Debt Portion Of Rate Base				3,170,901	3,291,854	3,259,415	3,260,352	3,187,793	3,187,698			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$146,179	\$149,450	\$145,696	\$145,738	\$138,669	\$138,665			
14	Application Of Wastewater Specific Long Term Debt Interest:												
15	Original Cost Rate Base				\$8,176,640	\$8,367,702	\$8,264,236	\$8,266,613	\$7,989,455	\$7,989,217			
16	Debt Percentage (From Above)				11.83%	10.49%	10.14%	10.14%	9.36%	9.36%			
17	Debt Portion Of Rate Base				967,297	877,772	837,994	838,235	747,813	747,791			
18	Interest Cost (From Above)				2.51%	2.54%	2.55%	2.55%	2.60%	2.60%			
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$24,279	\$22,295	\$21,369	\$21,375	\$19,443	\$19,443			

Witness: Ann E. Bulkley

Wastewater SSS Exeter Operations

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Pennsylvania-American Water Company - WW SSS Exeter Operations

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Pennsylvania-American Water Company - WW SSS Exeter Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020 and December 31, 2021 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		12/31/19		12/31/20		12/31/21		PROPOSED RATES		12/31/22		PROPOSED RATES						
		PER BOOKS	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT				
1	Operating Revenue	\$1,200,614	\$5,434,641	\$6,635,255	\$1,618,370	\$8,253,625	(\$67,235)	\$8,186,390	\$6,944,114	\$15,130,504	(\$122,083)	\$15,008,421	\$318,862	\$15,327,283	1			
2	Operating Revenue Deductions:														2			
3	Operating Expenses	215,591	56,336	271,927	1,564,331	1,836,258	537,676	2,373,934	83,677	2,457,611	44,600	2,502,211	3,843	2,506,054	3			
4	Depreciation	537,349	3,132,564	3,669,913	(69,783)	3,600,130	21,475	3,621,605	0	3,621,605	216,566	3,838,171	0	3,838,171	4			
5	Amortizations	0	0	0	0	0	30,983	30,983	0	30,983	0	30,983	0	30,983	5			
6	Taxes, Other Than Income:														6			
7	Local Property And Miscellaneous	0	0	0	354,350	354,350	2,185	356,535	0	356,535	3,400	359,935	0	359,935	7			
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	9			
10	Payroll Taxes	4,881	0	4,881	39,753	44,634	926	45,560	0	45,560	1,533	47,093	0	47,093	10			
11	General Assessment	0	38,210	38,210	3,816	42,026	(386)	41,640	39,993	81,633	(703)	80,930	1,837	82,767	11			
12	State Capital Stock Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	12			
13	Total Taxes Other Than Income	4,881	38,210	43,091	397,919	441,010	2,725	443,735	39,993	483,728	4,230	487,958	1,837	489,795	13			
14	Utility Operating Income Before Income Taxes	442,793	2,207,532	2,650,325	(274,097)	2,376,228	(660,094)	1,716,134	6,820,444	8,536,578	(387,479)	8,149,099	313,182	8,462,281	14			
15	Income Taxes:														15			
16	State Income Tax	(154,966)	214,415	59,449	(222,631)	(163,182)	(39,573)	(202,755)	681,138	478,383	(83,711)	394,672	31,277	425,949	16			
17	Federal Income Tax	(286,155)	218,928	(67,227)	122,106	54,879	(68,380)	(13,501)	1,288,781	1,275,280	(68,032)	1,207,248	59,178	1,266,426	17			
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	18			
19	Total Income Taxes	(441,121)	433,343	(7,778)	(100,525)	(108,303)	(107,953)	(216,256)	1,969,919	1,753,663	(151,743)	1,601,920	90,455	1,692,375	19			
20	Total Operating Revenue Deductions	316,700	3,660,453	3,977,153	1,791,942	5,769,094	484,906	6,254,000	2,093,589	8,347,589	113,653	8,461,242	96,135	8,557,377	20			
21	Utility Operating Income	883,914	1,774,189	2,658,103	(173,572)	2,484,531	(552,141)	1,932,390	4,850,525	6,782,915	(235,736)	6,547,179	222,727	6,769,906	21			
22	Income Deductions:														22			
23	Interest On Long Term Debt	1,629,316	0	1,629,316	(12,628)	1,616,688	(15,694)	1,600,994	1,963	1,602,957	(27,954)	1,575,003	89	1,575,092	23			
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	24			
25	Interest On Notes Payable To Others	270,617	0	270,617	(29,435)	241,182	(6,080)	234,814	288	235,102	(14,267)	220,835	13	220,848	25			
26	Total Income Deductions	1,899,933	0	1,899,933	(42,063)	1,857,870	(21,774)	1,835,808	2,251	1,838,059	(42,221)	1,795,838	102	1,795,940	26			
27	Net Income	(\$1,016,019)	\$1,774,189	\$758,170	(\$131,509)	\$626,661	(\$530,367)	\$96,582	\$4,848,274	\$4,944,856	(\$193,515)	\$4,751,341	\$222,625	\$4,973,966	27			
28	Preferred Dividends	7,920		7,920		4,741		3,996		4,001		880		880	28			
29	Net Income To Common	(\$1,023,939)		\$750,250		\$621,920		\$92,586		\$4,940,855		\$4,750,461		\$4,973,086	29			

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXETER OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	ANNUALIZATION OF ACQUIRED SYSTEMS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	SEPTAGE HAULING	IPP CHARGES	DECLINING USAGE	PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$744,568	(\$248,061)	\$3,766,181	\$0	\$4,262,688	\$0	\$0	\$0	(\$60,704)	\$4,201,984
4	522.2	COMMERCIAL	425,278	(302,302)	1,320,359	0	1,443,335	0	0	264,875	(6,114)	1,702,096
5	522.3	INDUSTRIAL	29,705	(8,228)	747,411	0	768,888	0	0	352,374	0	1,121,262
6	522.4	MUNICIPAL	267	(77)	118,212	0	118,402	0	0	0	0	118,402
7	522.4	BULK	0	0	0	0	0	108,243	0	0	0	108,243
8		TOTAL METERED SALES	1,199,818	(558,668)	5,952,163	0	6,593,313	108,243	0	617,249	(66,818)	7,251,987
9		UNMETERED SALES										
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0	0	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0	0	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
14	522.4	BULK	0	0	0	0	0	0	0	0	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0	0	0	0
16		TOTAL WASTEWATER SALES	1,199,818	(558,668)	5,952,163	0	6,593,313	108,243	0	617,249	(66,818)	7,251,987
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0	0	0	0
19	532	LATE PAYMENT FEES	16	0	0	41,146	41,162	4,112	0	0	0	45,274
20	536	MISC SERVICE REVENUES	780	0	0	0	780	0	955,584	0	0	956,364
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0	0	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0	0	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0	0	0	0
24		TOTAL OTHER OPERATING REVENUES	796	0	0	41,146	41,942	4,112	955,584	0	0	1,001,638
26		TOTAL OPERATING REVENUES	\$1,200,614	(\$558,668)	\$5,952,163	\$41,146	\$6,635,255	\$112,355	\$955,584	\$617,249	(\$66,818)	\$8,253,625
PAGE 1 OF 3												

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXETER OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$4,201,984	\$0	\$0	(\$60,704)		\$4,141,280	132.97%	\$5,506,471	9,647,751
4	522.2	COMMERCIAL	1,702,096	0	0	(6,114)		1,695,982	47.97%	813,492	2,509,474
5	522.3	INDUSTRIAL	1,121,262	0	0	0		1,121,262	43.21%	484,470	1,605,732
6	522.4	MUNICIPAL	118,402	0	0	0		118,402	45.02%	53,302	171,704
7	522.4	BULK	108,243	0	0	0		108,243	40.00%	43,296	151,539
8		TOTAL METERED SALES	7,251,987	0	0	(66,818)	0	7,185,169	96.05%	6,901,031	14,086,200
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0		0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	BULK	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	7,251,987	0	0	(66,818)	0	7,185,169	96.05%	6,901,031	14,086,200
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	45,274	0	(417)	0	0	44,857	96.05%	43,083	87,940
20	536	MISC SERVICE REVENUES	956,364	0	0	0	0	956,364	0.00%	0	956,364
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES									
25			1,001,638	0	(417)	0	0	1,001,221	4.30%	43,083	1,044,304
26		TOTAL OPERATING REVENUES	\$8,253,625	\$0	(\$417)	(\$66,818)	\$0	\$8,186,390	84.83%	\$6,944,114	\$15,130,504
											PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXETER OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$9,647,751	\$0	\$0	(\$114,101)	\$0	\$9,533,650	1.74%	\$165,945	\$9,699,595
4	522.2	COMMERCIAL	2,509,474	0	0	(7,225)	0	2,502,249	3.65%	91,431	2,593,680
5	522.3	INDUSTRIAL	1,605,732	0	0	0	0	1,605,732	2.61%	41,912	1,647,644
6	522.4	MUNICIPAL	171,704	0	0	0	0	171,704	4.76%	8,181	179,885
7	522.4	BULK	151,539	0	0	0	0	151,539	6.21%	9,415	160,954
8		TOTAL METERED SALES	14,086,200	0	0	(121,326)	0	13,964,874	2.27%	316,884	14,281,758
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	BULK	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	14,086,200	0	0	(121,326)	0	13,964,874	2.27%	316,884	14,281,758
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	87,940	0	(757)	0	0	87,183	2.27%	1,978	89,161
20	536	MISC SERVICE REVENUES	956,364	0	0	0	0	956,364	0.00%	0	956,364
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	1,044,304	0	(757)	0	0	1,043,547	0.19%	1,978	1,045,525
25											
26		TOTAL OPERATING REVENUES	\$15,130,504	\$0	(\$757)	(\$121,326)	\$0	\$15,008,421	2.12%	\$318,862	\$15,327,283

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS EXETER OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/19 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/20 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$1,200,614						
2	Present Rates At 12/31/19				\$6,635,255				
3	Present Rates At 12/31/20						\$8,253,625		
4	Proposed Rates At 12/31/21								\$15,130,504
5	Unbilled Adjustment	(558,668)							
6	Annualization of Acquired Systems	5,952,163							
7	IPP Charges			617,249					
8	Declining Residential and Commercial Usage			(66,818)		(66,818)		(121,326)	
9	St Lawrence Bulk Customer			108,243					
10	Other Operating Revenues								
11	532 - Penalties	41,146		4,112		(417)		(757)	
12	536 - Misc Service Revenues (Septage Hauling Fees)			955,584					
13	Pro Forma Adjustment		5,434,641		1,618,370		(67,235)		(122,083)
14	Pro Forma Present Rates At December 31, 2019		\$6,635,255						
15	Pro Forma Present Rates At December 31, 2020				\$8,253,625				
16	Pro Forma Present Rates At December 31, 2021						\$8,186,390		
17	Pro Forma Present Rates At December 31, 2022								\$15,008,421

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	(\$248,061)
3	Commercial	(302,302)
4	Industrial	(8,228)
5	Municipal	(77)
6	Miscellaneous (Bulk Customers)	0
7	Total Metered Sales	(\$558,668)
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	0
14	Total Unmetered Sales	\$0
15	Total Unbilled Wastewater Sales	(\$558,668)
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	(\$558,668)

Witness: Ashley Everette

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Revenues

Declining Residential and Commercial Usage Adjustment

This adjustment is being made to address the declining trend in residential and commercial usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Gregory Roach (PAWC Statement No. 9).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales			
2	Residential	(\$60,704)	(\$60,704)	(\$114,101)
3	Commercial	(6,114)	(6,114)	(7,225)
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$66,818)	(\$66,818)	(\$121,326)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$66,818)	(\$66,818)	(\$121,326)
19	Miscellaneous Service Fees	\$0	\$0	\$0
20	Rents From Properties	0	0	0
21	Other Water Revenues	0	0	0
22	Total Operating Revenues	(\$66,818)	(\$66,818)	(\$121,326)

Witness: Ashley E. Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Exeter SSS

On October 24, 2019, the Company closed on the acquisition of the wastewater utility property of the Township of Exeter and began providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition. Present rates 2019 includes the metered wastewater flows, present rates 2020 includes IPP charges and septage hauling revenues. An adjustment was also made to present rates 2020 for the bulk customer St. Lawrence Borough which was not billed in 2019 by PAWC.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 ADJUSTMENT	PRESENT RATES 12/31/2020 ADJUSTMENT
1	Metered Sales		
2	Residential	\$3,766,181	\$0
3	Commercial	1,320,359	264,875
4	Industrial	747,411	352,374
5	Municipal	118,212	0
6	Bulk		108,243
		<hr/>	<hr/>
7	Total Metered Sales	\$5,952,163	\$725,492
8	Unmetered Sales		
9	Residential	\$0	\$0
10	Commercial	0	0
11	Industrial	0	0
12	Municipal	0	0
13	Bulk	0	0
		<hr/>	<hr/>
14	Total Unmetered Sales	\$0	\$0
		<hr/>	<hr/>
15	Total Wastewater Sales	\$5,952,163	\$725,492
16	Miscellaneous Service Fees	\$0	\$955,584
17	Rents From Properties	0	0
		<hr/>	<hr/>
19	Total Operating Revenues	<u>\$5,952,163</u>	<u>\$1,681,076</u>

Witness: Ashley Everette

Reference: Gannett Fleming Bill Analysis and FR II.02

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	0	7,247	7,247	7,247	7,247	7,247	0	0
3	601.2	Commercial	0	256	256	256	256	256	0	0
4	601.3	Industrial	0	10	10	10	10	10	0	0
5	606	Municipal	0	2	2	2	2	2	0	0
6	607	Resale	0	0	0	0	0	0	0	0
7	601.4	Bulk	0	0	0	0	0	0	0	0
8		Metered	0	7,515	7,515	7,515	7,515	7,515	0	0
9		Unmetered (Flat Rate)								
10	602.1	Residential	0	345	345	345	345	345	0	0
11	602.2	Commercial	0	6	6	6	6	6	6	6
12	602.3	Industrial	0	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	0	351	351	351	351	351	6	6
16	604	Private Fire	0	0	0	0	0	0	0	0
17	605	Public Fire	0	0	0	0	0	0	0	0
18		Total Customers	0	7,866	7,866	7,866	7,866	7,866	6	6

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020 and 2021. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Wastewater Sales	\$641,150	\$6,593,313	\$7,251,987	\$7,185,169	\$14,086,200	\$13,964,874	\$14,281,758
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	16	41,162	45,274	44,857	87,940	87,183	89,161
5 Less: Per Books At 12/31/2019		16					
6 Less: Present Rates At 12/31/2019			41,162				
7 Less: Present Rates At 12/31/2020				45,274			
8 Less: Present Rates At 12/31/2021					44,857		
9 Less: Proposed Rates At 12/31/2021						87,940	
10 Less: Present Rates At 12/31/2022							87,183
11 Pro Forma Adjustments		\$41,146	\$4,112	(\$417)	\$43,083	(\$757)	\$1,978

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	DEPRECIATED ORIGINAL COST		RATE YEAR 1		RATE YEAR 2	
		12/31/19	12/31/20	12/31/21	DEPRECIATED PROPOSED 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED PROPOSED 12/31/22
1	Non-Depreciable Plant	\$3,111,032	\$3,111,032	\$3,111,032	\$3,111,032	\$3,111,032	\$3,111,032
2	Depreciable Plant	190,585,478	192,355,612	194,300,896	194,300,896	199,334,793	199,334,793
3	Total Utility Plant In Service	193,696,510	195,466,644	197,411,928	197,411,928	202,445,825	202,445,825
4	Deduct:						
5	Contributions In Aid Of Construction	0	0	0	0	0	0
6	Customer Advances For Construction	0	0	0	0	0	0
7	Excluded Property	0	0	0	0	0	0
8	Sub-Total	0	0	0	0	0	0
9	Net Utility Plant In Service	193,696,510	195,466,644	197,411,928	197,411,928	202,445,825	202,445,825
10	Accumulated Depreciation	101,979,427	105,590,343	107,264,285	107,264,285	112,383,058	112,383,058
11	Depreciated Utility Plant In Service	91,717,083	89,876,301	90,147,643	90,147,643	90,062,767	90,062,767
12	Add:						
13	Materials And Supplies	24,385	24,385	24,385	24,385	24,385	24,385
14	Cash Working Capital - Expenses	15,901	122,422	229,997	229,997	239,538	239,538
15	Accrued And Prepaid Taxes	23,271	128,965	124,542	236,201	229,403	234,529
16	Acquisition Adjustments	0	1,052,872	1,039,711	1,039,711	1,000,228	1,000,228
17	Other Additions	0	0	0	0	0	0
18	Deduct:						
19	Cash Working Capital - Int And Div	216,950	212,194	209,660	209,951	205,156	205,156
20	Unamortized Itc (3%)	0	0	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	0	0	0	0	0	0
23	Other Deductions	0	0	0	0	0	0
24	Deferred Taxes	426,278	474,511	544,186	544,186	606,878	606,878
25	Total Rate Base Elements	\$91,137,412	\$90,518,240	\$90,812,432	\$90,923,800	\$90,744,287	\$90,749,413
26	Utility Operating Income						
27	Per Books	\$883,914	0.97%	0.98%	0.97%	0.97%	0.97%
28	Present Rates At 12/31/2019	2,658,103	2.92%	-	-	-	-
29	Present Rates At 12/31/2020	2,484,531	-	2.74%	-	-	-
30	Present Rates At 12/31/2021	1,932,390	-	-	2.13%	-	-
31	Proposed Rates At 12/31/2021	6,782,915	-	-	-	7.46%	-
32	Present Rates At 12/31/2022	6,547,179	-	-	-	-	7.21%
33	Proposed Rates At 12/31/2022	6,769,906	-	-	-	-	-
	Witness: Dr. Christina E. Chard						7.46%

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	352.00	Franchises & Consents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.00	Land & Land Rights	3,111,032	0	0	3,111,032	0	0	3,111,032	3,111,032	0	0	3,111,032
3		Total Intangible Plant	\$3,111,032	\$0	\$0	\$3,111,032	\$0	\$0	\$3,111,032	\$3,111,032	\$0	\$0	\$3,111,032
4	354.20	Structures And Improvements - Collection	\$70,289	\$256	\$15	\$70,529	\$954	\$58	\$71,425	\$70,977	\$275	\$26	\$71,674
5	354.30	Structures And Improvements - SPP	2,009,433	36,540	431	2,045,542	136,310	1,666	2,180,185	2,112,863	39,321	742	2,218,764
6	354.40	Structures And Improvements - TDP	102,681,939	344,205	22,009	103,004,134	1,284,035	85,144	104,203,025	103,603,580	370,404	37,907	104,535,522
7	354.70	Structures And Improvements - General		0	0	0	0	0	0	0	0	0	0
8	355.00	Power Generation Equipment	65,932	0	0	65,932	0	0	65,932	65,932	0	0	65,932
9	360.10	Collection Sewers - Force Mains	1,327,403	0	0	1,327,403	0	0	1,327,403	1,327,403	0	0	1,327,403
10	361.10	Collection Sewers - Gravity Mains	46,426,647	510,000	29,468	46,907,179	1,220,000	73,343	48,053,836	47,480,507	1,470,000	136,775	49,387,060
11	361.20	Manholes	11,261,173	100,000	4,715	11,356,458	100,000	4,890	11,451,568	11,404,013	40,000	2,830	11,488,738
12	363.00	Services	25,216,116	75,000	2,947	25,288,169	75,000	3,056	25,360,113	25,324,141	75,000	4,716	25,430,397
13	364.00	Flow Measuring Devices	36,936	0	0	36,936	0	0	36,936	36,936	0	0	36,936
14	365.00	Flow Measuring Installations	227,265	0	0	227,265	0	0	227,265	227,265	0	0	227,265
15	370.00	Receiving Wells		0	0	0	0	0	0	0	0	0	0
16	371.00	Pumping Equipment	481,953	0	0	481,953	381,532	23,319	840,166	661,060	0	0	840,166
17	380.00	Treatment Equipment	530,489	0	0	530,489	528,000	32,271	1,026,218	778,353	0	0	1,026,218
18	381.00	Plant Sewers		0	0	0	0	0	0	0	0	0	0
19	382.00	Outfall Sewer Lines		0	0	0	0	0	0	0	0	0	0
20	389.60	Other Plant And Miscellaneous Equipment - Intangibles		0	0	0	200,000	0	200,000	100,000	1,237,040	0	1,437,040
21	390.00	Office Furniture And Equipment	84,102	0	0	84,102	0	0	84,102	84,102	10,000	0	94,102
22	390.20	Computers & Peripheral		0	0	0	0	0	0	0	0	0	0
23	391.00	Transportation Equipment	25,437	0	0	25,437	0	0	25,437	25,437	0	0	25,437
24	392.00	Stores Equipment		0	0	0	0	0	0	0	0	0	0
25	393.00	Tools, Shop And Garage Equipment	43,942	200,000	5,004	238,938	200,000	0	438,938	338,938	20,000	0	458,938
26	394.00	Laboratory Equipment	88,577	0	24,276	64,300	0	11,516	52,784	58,542	0	10,431	42,354
27	395.00	Power Operated Equipment		0	0	0	0	0	0	0	0	0	0
28	396.00	Communication Equipment	3,604	264,000	0	267,604	0	0	267,604	267,604	10,000	0	277,604
29	397.00	Miscellaneous Equipment	4,240	330,000	1,000	333,240	0	0	333,240	333,240	10,000	0	343,240
30		Total Tangible Plant	\$190,585,478	\$1,860,000	\$89,865	\$192,355,612	\$4,125,831	\$235,264	\$196,246,179	\$194,300,896	\$3,282,040	\$193,427	\$199,334,793
31		Total Utility Plant In Service	\$193,696,510	\$1,860,000	\$89,865	\$195,466,644	\$4,125,831	\$235,264	\$199,357,211	\$197,411,928	\$3,282,040	\$193,427	\$202,445,825

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the material and supplies accounts for PAWC's other wastewater districts for the period of December 2018 to December 2019. This balance was divided by the total number of customers in the other wastewater districts in order to calculate the amount of materials and supplies per customer. This per customer number was then multiplied by the total number of Exeter Wastewater customers to calculate the Company's claim.

LINE NO.	DETAIL	12/31/2020 through 12/31/2022 AMOUNT
1	13-Month average of M&S for PAWC's 16 other WW districts	\$79,188
2	Number of customers in PAWC's 16 other WW districts	25,551
3	Amount of M&S per customer	\$3.10
4	Total number of Exeter WW customers	7,866
5	Allowance for Materials and Supplies At 12/31/2020 through 12/31/2022	<hr/> <hr/> <hr/> \$24,385

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2 Bi-Monthly Billings					
3 Lag Days					
4 Dollar Days					
5 Quarterly					
6 Lag Days					
7 Dollar Days					
8 Monthly Billings	\$641,946	\$6,635,255	\$8,253,625	\$8,186,390	\$15,008,421
9 Lag Days	50.7	50.7	50.7	50.7	50.7
10 Dollar Days	\$32,553,082	\$336,473,781	\$418,541,324	\$415,131,837	\$761,077,035
11 Total Billed Revenue	\$641,946	\$6,635,255	\$8,253,625	\$8,186,390	\$15,008,421
12 Total Dollar Days	\$32,553,082	\$336,473,781	\$418,541,324	\$415,131,837	\$761,077,035
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	50.7	50.7	50.7	50.7	50.7
14 Deduct: Average Lag In Payment Of					
15 Operating Expenses	21.4	21.2	25.5	14.4	14.9
16 Average Lag Between Payment Of Operating					
17 Expenses And Receipt Of Revenues	29.3	29.5	25.2	36.3	35.8
18 Working Capital Requirements					
19 Annual Operating Expenses (Including Payroll Expenses)		\$196,853	\$1,773,215	\$2,312,627	\$2,442,123
20 Operating Expenses Per Day (Line 20 / 365 Days)		539	4,858	6,336	6,691
21 Cash Working Capital Required					
22 (Line 17 * Line 20)		\$15,901	\$122,422	\$229,997	\$239,538

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	DOLLAR DAYS	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022	
		AMOUNT		AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.14	\$80,331	\$975,218	\$80,331	\$975,218	\$604,152	\$7,334,405	\$617,187	\$7,492,650	\$638,756	\$7,754,498
2 Group Insurance	10.92	9,964	108,807	9,964	108,807	117,570	1,283,864	124,830	1,363,144	132,539	1,447,326
3 OPEB's and VEBA	0.00	779	0	779	0	779	0	779	0	779	0
4 Pension	13.14	4,114	54,058	4,114	54,058	4,114	54,058	4,114	54,058	4,114	54,058
5 Purchased Power	24.97	52,698	1,315,869	52,698	1,315,869	289,104	7,218,927	283,577	7,080,918	278,050	6,942,909
6 Purchased Water	34.69	0	0	0	0	0	0	0	0	0	0
7 Chemicals	48.81	0	0	0	0	146,060	7,129,189	153,451	7,489,943	161,215	7,868,904
8 Miscellaneous	31.01	16,300	505,463	11,415	353,964	367,584	11,398,764	414,198	12,844,276	497,878	15,439,193
9 Transportation	39.23	4,008	157,234	4,008	157,234	29,290	1,149,047	29,885	1,172,389	30,470	1,195,338
10 Ins Other Than Group	(53.43)	2,268	(121,179)	2,268	(121,179)	0	0	302,439	(16,159,316)	308,460	(16,481,018)
11 Service Company	12.14	0	0	0	0	0	0	163,201	1,981,264	166,573	2,022,200
12 Waste Disposal	45.65	28,413	1,297,053	28,413	1,297,053	211,700	9,664,101	216,103	9,865,115	220,425	10,062,417
13 Telephone	8.71	2,740	23,865	2,740	23,865	2,740	23,865	2,740	23,865	2,740	23,865
14 Rents	8.05	123	990	123	990	123	990	123	990	123	990
15 Natural Gas	31.80	0	0	0	0	0	0	0	0	0	0
16 Totals		\$201,738	\$4,317,378	\$196,853	\$4,165,879	\$1,773,215	\$45,257,210	\$2,312,627	\$33,209,296	\$2,442,123	\$36,330,680
17 Average Lag			<u>21.4</u>		<u>21.2</u>		<u>25.5</u>		<u>14.4</u>		<u>14.9</u>
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$220,472		\$276,808		\$1,880,892		\$2,419,494		\$2,549,304	
19 Uncollectibles		18,734		79,955		99,456		98,646		98,961	
20 Amortizations		0		0		8,220		8,220		8,220	
21 Sum Of Other Expenses		<u>185,438</u>		<u>185,438</u>		<u>1,405,632</u>		<u>1,898,430</u>		<u>1,944,245</u>	
22 Miscellaneous		<u>\$16,300</u>		<u>\$11,415</u>		<u>\$367,584</u>		<u>\$414,198</u>		<u>\$497,878</u>	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		RATE YEAR 1 PROPOSED RATES 12/31/2021		RATE YEAR 2			
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PRESENT RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PROPOSED RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	213.1	\$38,210	\$22,308	\$42,026	\$24,536	\$41,640	\$24,311	\$81,633	\$47,660	\$80,930	\$47,250	\$82,767	\$48,322
2	Public Utility Realty Tax	61.0	0	0	0	0	0	0	0	0	0	0	0	0
3	Local Property Tax	115.3	0	0	354,350	111,936	356,535	112,626	356,535	112,626	359,935	113,700	359,935	113,700
4	State Income Tax	21.4	59,449	3,486	(163,182)	(9,567)	(202,755)	(11,888)	478,383	28,048	394,672	23,140	425,949	24,973
5	Federal Income Tax	13.7	(67,227)	(2,523)	54,879	2,060	(13,501)	(507)	1,275,280	47,867	1,207,248	45,313	1,266,426	47,534
6	Totals			\$23,271		\$128,965		\$124,542		\$236,201		\$229,403		\$234,529

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE NO.	DESCRIPTION	LONG TERM	SHORT TERM	PREFERRED			
		INTEREST	INTEREST	DIVIDEND			
1	Average Lag Calculation						
2	Future Revenue Lag Days	50.7	50.7	50.7			
3	Less: Interest Payments Lag Days	92.4	15.2	46.2			
4	Average Lag Between The Payment	(41.7)	35.5	4.5			
5	Of Interest And The Receipt						
6	Of Revenues						
						RATE YEAR 2	
		PRESENT	PRESENT	PRESENT	PROPOSED	PRESENT	PROPOSED
		RATES	RATES	RATES	AMOUNT	RATES	AMOUNT
		12/31/19	12/31/20	12/31/21	12/31/21	12/31/22	12/31/22
7	Long Term Debt						
8	Working Capital Requirements						
9	Pro Forma Annual Interest Expense	\$1,629,316	\$1,616,688	\$1,600,994	\$1,602,957	\$1,575,003	\$1,575,092
10	Interest Expense Per Day						
11	(Line 9 / 365 Days)	4,464	4,429	4,386	4,392	4,315	4,315
12	Cash Working Capital Required						
13	(Line 4 Col.1 X Line 11)		(186,149)	(184,689)	(182,896)	(183,146)	(179,936)
14	Long Term Debt - Wastewater Specific						
15	Working Capital Requirements						
16	Pro Forma Annual Interest Expense	270,617	241,182	234,814	235,102	220,835	220,848
17	Interest Expense Per Day						
18	(Line 16 / 365 Days)	741	661	643	644	605	605
19	Cash Working Capital Required						
20	(Line 4 Col.1 X Line 18)		(30,900)	(27,564)	(26,813)	(26,855)	(25,229)
21	Preferred Dividends						
22	Working Capital Requirements						
23	Pro Forma Annual Dividend Expense	7,920	4,741	3,996	4,001	880	880
24	Dividend Expense Per Day						
25	(Line 23 / 365 Days)	22	13	11	11	2	2
26	Cash Working Capital Required						
27	(Line 4 Col.3 X Line 25)		99	59	50	9	9
28	Total Cash Working Capital Required						
29	(Line 13 + Line 20 + Line 27)		<u>(\$216,950)</u>	<u>(\$212,194)</u>	<u>(\$209,660)</u>	<u>(\$209,951)</u>	<u>(\$205,156)</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of Exeter Township (acquired at Docket No. A-2018-3004933).

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	Exeter Transaction Costs	Seeking Approval	\$1,052,872	\$13,161	\$1,039,711	\$13,161	\$26,322	\$1,000,228
2	Effect to Rate Base Element		<u>\$1,052,872</u>	<u>\$13,161</u>	<u>\$1,039,711</u>	<u>\$13,161</u>	<u>\$26,322</u>	<u>\$1,000,228</u>
	Witness: Dr. Christina E. Chard Reference: Exhibit No. 3-C							

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax	(\$426,278)	(\$474,511)	(\$544,186)	(\$606,878)
2	Less: Prior Year		(426,278)	(474,511)	(544,186)
3	Effect to Rate Base Element	<u>(\$426,278)</u>	<u>(\$48,233)</u>	<u>(\$69,675)</u>	<u>(\$62,692)</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$98	\$98	\$12,299	\$12,620	\$12,935
3	631.6	Contract Services - Engineering	0	0	0	0	0
4	636.6	Contract Services	0	0	18,000	18,000	18,000
5	650.6	Transportation	0	0	0	0	0
6	675.6	Miscellaneous Operating Expense	1,977	1,977	15,000	15,000	15,000
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	128	128	0	0	0
9		Total Transmission And Distribution	\$32,279	\$32,279	\$273,610	\$278,429	\$286,308
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0	0
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	0	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0	0
21	650.7	Transportation	0	0	0	0	0
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	18,734	79,955	99,456	98,646	180,851
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	0	0	6,000	9,744	9,744
26		Total Customer Accounting	\$18,734	\$79,955	\$105,456	\$108,390	\$190,595
27		Administrative And General					
28	601.8	Salary And Wages	\$10,408	\$10,408	\$77,180	\$78,850	\$81,613
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	18,780	13,895	158,267	166,389	175,573
31	615.8	Purchased Power	0	0	0	0	0
32	620.8	Materials And Supplies	0	0	0	0	0
33	631.8	Contract Services	0	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0	0
36	634.8	Contract Services - Management	0	0	0	163,201	166,573
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	0	0	35,000	35,000	35,000
39	641.8	Rental Of Building	0	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0	0
41	650.8	Transportation	4,008	4,008	29,290	29,885	30,470
42	656.8	Insurance - Vehicles	0	0	0	4,909	5,007
43	657.8	Insurance	0	0	0	208,924	213,076
44	658.8	Workers Compensation	2,268	2,268	0	33,430	34,098
45	659.8	Insurance	0	0	0	55,176	56,279
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	8,220	8,220	8,220
48	667.8	Regulatory Commission	0	0	0	0	0
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	2,875	2,875	165,613	207,300	207,300
51		Total Administrative And General	\$38,339	\$33,454	\$473,570	\$991,285	\$1,013,210
52		Total Operating Expenses	\$215,591	\$271,927	\$1,836,258	\$2,373,934	\$2,502,211

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0	0
5	610.1	Purchased Water	0	0	0	0	0
6	615.1	Purchased Power	0	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	0	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0	0
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	0	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0	0
18	636.2	Contract Services	0	0	0	0	0
19		-Miscellaneous-					
20	675.1	Miscellaneous Operating Expense	0	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0	\$0
23		Water Treatment					
24		-Operation-					
25	601.3	Salary And Wages	\$1,051,844	\$1,051,844	\$1,336,753	\$1,360,149	\$1,393,518
26	601.4	Salary And Wages	478,534	478,534	608,153	618,797	633,978
27	604.3	Employee Pension And Benefits	0	0	0	0	0
28	615.3	Purchased Power	489,655	491,607	432,232	426,253	420,637
29	618.3	Chemicals	1,352,772	1,358,166	1,370,061	1,420,177	1,470,014
30	620.3	Materials And Supplies	13,099	13,099	13,099	13,099	13,099
31	631.3	Contract Services - Engineering	0	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0	0
34	635.3	Contract Services - Test	66,034	66,034	66,034	66,034	66,034
35	636.3	Contract Services	75,788	74,811	74,811	74,811	74,811
36	641.3	Rental Of Building	0	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0	0
38	650.3	Transportation	0	0	0	0	0
39		-Maintenance-					
40	620.4	Materials And Supplies	31,786	31,786	31,786	31,786	31,786
41	631.4	Contract Services - Engineering	0	0	0	0	0
42	636.4	Contract Services	8,463	8,463	8,463	8,463	8,463
43	650.4	Transportation	34,014	34,014	34,014	34,014	34,014
44	675.4	Miscellaneous Maintenance Expense	26,349	26,349	26,349	26,349	26,349
45		-Miscellaneous-					
46	675.3	Miscellaneous Operating Expense	1,141,620	1,141,620	1,141,620	1,141,620	1,141,620
47							
48		Total Water Treatment Expense	\$4,769,958	\$4,776,327	\$5,143,375	\$5,221,552	\$5,314,323
49		Transmission And Distribution					
50		-Operation-					
51	601.5	Salary And Wages	(\$164)	(\$164)	(\$209)	(\$213)	(\$218)
52	601.6	Salary And Wages	1,208,572	1,208,572	1,535,934	1,562,817	1,601,158
53	604.5	Employee Pension And Benefits	157	157	157	157	157
54	615.5	Purchased Power	0	0	(2,953)	(2,888)	(2,727)
55	620.5	Materials And Supplies	0	0	0	0	0
56	631.5	Contract Services - Engineering	0	0	0	0	0
57	636.5	Contract Services	627	627	627	627	627
58	641.5	Rental Of Building	0	0	0	0	0
59	642.5	Rental Of Equipment	0	0	0	0	0
60	650.5	Transportation	239	0	0	0	0

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/19 DETAIL	12/31/19 AMOUNT	12/31/20 DETAIL	12/31/20 AMOUNT	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT
1	Per Books		\$215,591						
2	Present Rates At 12/31/2019				\$271,927				
3	Present Rates At 12/31/2020						\$1,836,258		
4	Proposed Rates At 12/31/2021								\$2,457,611
5	Compensation	-		\$484,068		\$12,109		\$20,036	
6	Group Insurance	-		107,606		7,260		7,709	
7	Other Post Employment Benefits & VEBA	-		-		-		-	
8	Pension	-		-		-		-	
9	Purchased Power	-		206,172		-		-	
10	Waste Disposal	-		183,287		4,403		4,322	
11	Chemicals	-		146,060		7,391		7,764	
12	Change In Consumption Expense	-		30,234		(5,527)		(5,527)	
13	Transportation Expense	-		25,282		595		585	
14	Insurance Other Than Group	-		(2,268)		302,439		6,021	
15	Regulatory Expense (Rate Case Expense)	-		8,220		-		-	
16	Service Company Expense	-		-		163,201		3,372	
17	Postage and Customer Accounting	-		-		-		-	
18	Inflation	-		299		321		315	
19	401K & Defined Contribution Plan	-		36,766		862		1,475	
20	Rent Expense	-		-		-		-	
21	Miscellaneous Adjustments	(4,886)		319,104		45,431		0	
22	Uncollectibles	<u>61,221</u>		<u>19,501</u>		<u>(810)</u>		<u>(1,472)</u>	
23	Pro Forma Adjustments		<u>56,336</u>		<u>1,564,331</u>		<u>537,676</u>		<u>44,600</u>
24	Present Rates At 12/31/2019		<u>\$271,927</u>						
25	Present Rates At 12/31/2020				<u>\$1,836,258</u>				
26	Present Rates At 12/31/2021						<u>\$2,373,934</u>		
27	Present Rates At 12/31/2022								<u>\$2,502,211</u>

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2020, December 31, 2021, and December 31, 2022 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Salary and Wages	\$628,704	\$642,328	\$664,824
2	Annualized Performance Plan	45,994	46,972	48,636
3	Less: 17.07% Capitalized portion not charged to operating expense	<u>115,179</u>	<u>117,672</u>	<u>121,796</u>
4	Sub-Total	559,519	571,628	591,664
5	Less: Amount Charged To Operating Expense			
6	During the Twelve Months Ended 12/31/19	<u>75,451</u>		
7	Less: Amount Charged To Present Rates			
8	At 12/31/20 and 12/31/21		<u>559,519</u>	<u>571,628</u>
9	Pro Forma Adjustment	<u>\$484,068</u>	<u>\$12,109</u>	<u>\$20,036</u>
	601.3 Salary and Wages - Water Treatment	\$226,122	\$5,657	\$9,360
	601.4 Salary and Wages - Water Treatment	3,970	99	164
	601.5 Salary and Wages - Transmission & Distribution	152,803	3,822	6,325
	601.6 Salary and Wages - Transmission & Distribution	34,401	861	1,424
	601.7 Salary and Wages - Customer Accounting	0	0	0
	601.8 Salary and Wages - Administrative and General	66,772	1,670	2,763

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2020 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected test years were developed by adjusting the annualized 2020 amount by a 3 year average of 6.18%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Group Insurance Cost	\$141,772	\$150,527	\$159,823
2	Less: 17.07% Not Charged To Operating Expense	24,202	25,697	27,284
3	Sub-Total	<u>117,570</u>	<u>124,830</u>	<u>132,539</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	9,964		
6	Less: Amount Charged To Operating Expense			
7	During the Calendar Years Ended 2020 and 2021		<u>117,570</u>	<u>124,830</u>
8	Pro Forma Adjustment	<u>\$107,606</u>	<u>\$7,260</u>	<u>\$7,709</u>
	604.8 A&G Employees Pension And Benefits	\$107,606	\$7,260	\$7,709

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized 401K - Company Match	\$20,864	\$21,306	\$22,063
2	Annualized DCP	28,202	28,800	29,821
3	Less: 17.07% Not Charged To Operating Expense	8,376	8,554	8,857
4	Sub-Total	<u>40,690</u>	<u>41,552</u>	<u>43,027</u>
5	Annualized ESPP	0	0	0
6	Less: Amount Charged To Operating Expense	3,924	40,690	41,552
7	Pro Forma Adjustment	<u>\$36,766</u>	<u>\$862</u>	<u>\$1,475</u>
	604.8 Employee Pension And Benefits AG	\$36,766	\$862	\$1,475

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2019 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Power Cost	\$258,870	\$258,870	\$258,870
2	Less: Amount Charged To Operating Expense	52,698	258,870	258,870
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$206,172</u>	<u>\$0</u>	<u>\$0</u>
	615.3 Purchased Power - Water Treatment	\$195,379	\$0	\$0
	615.5 Purchased Power - Transmission and Distribution	10,793	0	0

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Waste Disposal

The waste disposal adjustment is the result of annualized costs for the Exeter Wastewater acquisition that occurred in 2019. The annualization of waste disposal costs was based on annualization of actual costs incurred for service during the last two months of 2019. The annualized costs were adjusted for inflation for 2021 and 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Waste Disposal Costs	\$211,700	\$216,103	\$220,425
2	Less: Per books at 12/31/2019; Present Rates at 12/31/20 and 12/31/21	28,413	211,700	216,103
3	Pro Forma Adjustment	<u>\$183,287</u>	<u>\$4,403</u>	<u>\$4,322</u>
	675.3 Waste Disposal	\$183,287	\$4,403	\$4,322

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of contract prices in effect at January 1, 2020 to anticipated 2020 usage. The present rates December 31, 2020 amount was increased by the 3 year weighted average (5.06%) cost increase to project 2021 through 2022 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Chemical Costs	\$146,060	\$153,451	\$161,215
2	Less: Amount Charged To Operating Expense	0	146,060	153,451
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$146,060</u>	<u>\$7,391</u>	<u>\$7,764</u>
	618.3 Chemicals - Water Treatment	<u>\$146,060</u>	<u>\$7,391</u>	<u>\$7,764</u>

Witness: Dominic DeGrazia
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future (2020) and fully projected test years (2021-2022), the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Consumption (00 Gallons)	5,149,780	5,534,306	5,464,032	5,393,758
2	Change In Consumption		384,526	(70,274)	(70,274)
3	Power Costs Per Book	\$258,870			
4	Chemical Costs Per Book	146,060			
5	Total	<u>\$404,930</u>			
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.07863</u>	<u>\$0.07863</u>	<u>\$0.07863</u>
7	Pro Forma Adjustment		<u>\$30,234</u>	<u>(\$5,527)</u>	<u>(\$5,527)</u>
	615.1 Source of Supply - Purchased Power		\$0	\$0	\$0
	615.3 Water Treatment - Purchased Power		18,317	(3,348)	(3,348)
	615.5 Transmission & Distribution - Purchased Power		1,012	(185)	(185)
	618.3 Water Treatment - Chemicals		10,906	(1,994)	(1,994)

Witness: Dominic DeGrazia

Reference: FR II.09

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Leased Vehicles Expense	\$35,319	\$36,037	\$36,742
2	Less: 17.07% Not Charged To Operating Expense	6,029	6,152	6,272
3	Sub-Total	<u>29,290</u>	<u>29,885</u>	<u>30,470</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	4,008		
6	Less: Present Rates During the Preceding Calendar Year	<u></u>	<u>29,290</u>	<u>29,885</u>
7	Pro Forma Adjustment	<u>\$25,282</u>	<u>\$595</u>	<u>\$585</u>
	650.8 A & G - Miscellaneous General Expense	\$25,282	\$595	\$585

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2020, adjusted for the 5 year average of retroactive adjustments. The Present Rates 12/31/2021 and 12/31/2022 amounts were further adjusted by 2.08% and 2.0% (Blue Chip GDP Price Indexes for 2021 and 2022). Present Rates for Water at 2021 and 2022 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/19.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Workers Compensation Premium	\$0	\$53,215	\$54,279
2	Less: 37.18% Not Charged To Operating Expense	0	19,785	20,181
3	Sub-Total	0	33,430	34,098
4	Add: Annualized Vehicle, General Liability,			
5	Property And Other Insurance	0	269,009	274,362
6	Sub-Total	0	302,439	308,460
7	Less: Per Books and Present Rates	2,268	0	302,439
8	Pro Forma Adjustment	(\$2,268)	\$302,439	\$6,021
	656.8 Vehicle Insurance	55110000	\$4,909	\$98
	657.8 General Liability Insurance	55710000	208,924	4,152
	658.8 Workers Compensation	55720000	53,215	1,064
	658.8 Insurance Wc Capitalized Credits	55720100	(19,785)	(396)
	659.8 Other Insurance	55730000	55,176	1,103

Witness: Dominic DeGrazia
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$23,779
2	Normalized Over 3 Years	7,926
3	Plus Allocation of Amortization of Demand Study	294
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/19	<u>0</u>
6	Pro Forma Adjustment	<u><u>\$8,220</u></u>
	666.8 Regulatory Commission Expense	\$8,220

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects an allocation of the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2021 and December 31, 2022. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Service Company Cost	\$163,201	\$166,573
2	Less: Present Rates 12/31/21	<u> </u>	<u>163,201</u>
3	Pro Forma Adjustment	<u><u>\$163,201</u></u>	<u><u>\$3,372</u></u>
	634.8 AG - Contract Services - Management	\$163,201	\$3,372

Witness: Stacey D. Gress

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Total O & M Expenses Per Books	\$215,590	\$215,590	\$215,590
2	Less: Adjusted Expenses	<u>200,468</u>	<u>200,468</u>	<u>200,468</u>
3	2020 Expenses Subject To Inflation	15,122	15,122	15,122
4	2020 Inflation		<u>299</u>	<u>299</u>
5	2021 Expenses Subject To Inflation		15,422	15,422
6	2021 Inflation			<u>321</u>
7	2022 Expenses Subject To Inflation			15,742
8	Inflation Factor	<u>1.98%</u>	<u>2.08%</u>	<u>2.00%</u>
9	Pro Forma Adjustment	<u>\$299</u>	<u>\$321</u>	<u>\$315</u>
	620.6 Materials And Supplies	\$299	\$321	\$315
	675.7 Miscellaneous Expense	0	0	0
	675.8 Miscellaneous Expense	0	0	0

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to add Exeter WW expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 and 12/31/2022 AMOUNT
1	<u>Additions:</u>			
2	Exeter WW Annualized O&M		\$219,104	
3	PA HQ - Corporate Campus			\$41,687
4	Credit Card/E-check Transaction Fees			3,744
5	General Facility Maintenance		100,000	
6	<u>Deductions:</u>			
7	Pension	(\$4,114)		
8	OPEB	(771)		
9	Pro Forma Adjustment	<u>(\$4,886)</u>	<u>\$319,104</u>	<u>\$45,431</u>
	604.8 A&G Employee Pension And Benefits	(\$4,886)		
	620.3 M&S Oper WT		\$16,455	
	620.5 M&S Oper TD		(774)	
	620.6 M&S Maint TD		11,902	
	635.3 Cont Serv Testing Operating		37,200	
	636.3 Cont Serv Other Operating		17,025	
	636.6 Contract Services - Water Treatment		18,000	
	636.8 Contract Service - Admin & General		35,000	
	675.3 Misc Exp Oper WT		2,663	
	675.5 Misc Exp Oper TD		(128)	
	675.6 Misc Expense Maintenance TD		13,023	
	675.7 Misc Exp Customer Accounting		6,000	\$3,744
	675.8 Misc Expense Admin & General		162,738	41,687

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$641,946	\$6,635,255	\$8,253,625	\$8,186,390	\$15,130,504	\$15,008,421	\$15,327,283
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$79,955	\$99,456	\$98,646	\$182,323	\$180,851	\$184,694
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		18,734					
6	Less: Present Rates 12/31/2019			79,955				
7	Less: Present Rates 12/31/2020				99,456			
8	Less: Present Rates 12/31/2021					98,646		
9	Less: Proposed Rates 12/31/2021						182,323	
10	Less: Present Rates 12/31/2022							180,851
11	Pro Forma Adjustment		\$61,221	\$19,501	(\$810)	\$83,677	(\$1,472)	\$3,843
670.7	Customer Accounting And Collecting - Bad Debt		\$61,221	\$19,501	(\$810)	\$83,677	(\$1,472)	\$3,843

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$3,669,913	\$3,600,130	\$3,621,605	\$3,838,171
2	Book Depreciation	<u>537,349</u>	<u>3,669,913</u>	<u>3,600,130</u>	<u>3,621,605</u>
3	Pro Forma Adjustment	<u>\$3,132,564</u>	<u>(\$69,783)</u>	<u>\$21,475</u>	<u>\$216,566</u>
	503 Depreciation	\$3,132,564	(\$69,783)	\$21,475	\$216,566

Witness: Dr. Christina E. Chard, John Spanos
Reference: Exhibits No. 11

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Exeter Acquisition Costs	Seeking Approval	\$0	\$26,322	\$26,322
2	Post-in-service AFUDC	Seeking Approval	0	2,597	2,597
3	Deferred Depreciation	Seeking Approval	0	2,064	2,064
4	Proforma Expense		0	30,983	30,983
5	Less: Per Books		0	0	30,983
6	Pro Forma Adjustment		\$0	\$30,983	\$0

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense for the twelve months ended
December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Property Subject to Tax	\$107,872,692	\$108,231,237	\$108,898,452	\$109,936,993
2	Property Tax UPIS	0			
3	Total	<u>\$0</u>			
4	Rate (Line 5 from Wastewater Excluding Sadsbury and Exeter)	\$0.003274	\$0.003274	\$0.003274	\$0.003274
5	Projected property tax expense (Line 1 x Line 5)		<u>\$354,350</u>	<u>\$356,535</u>	<u>\$359,935</u>
6	Less: Amount Charged To Operating Expense			354,350	356,535
7	During The 12 Months Ended 12/31/19		0		
8	Pro Forma Adjustment		<u><u>\$354,350</u></u>	<u><u>\$2,185</u></u>	<u><u>\$3,400</u></u>
	408.2 Taxes, Other Than Income - Property		\$354,350	\$2,185	\$3,400

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Taxes, Other than Income

Payroll Taxes

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Payroll Taxes	\$53,822	\$54,939	\$56,787
2	Less: 17.07% Not Charged To Operating Expense	9,188	9,379	9,694
3	Sub-Total	<u>44,634</u>	<u>45,560</u>	<u>47,093</u>
4	Less: Amount Charged To Operating Expense	4,881	44,634	45,560
5	Pro Forma Adjustment	<u>\$39,753</u>	<u>\$926</u>	<u>\$1,533</u>
	408.12 - Taxes - Payroll	\$39,753	\$926	\$1,533

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Total Wastewater Sales	\$6,593,313	\$7,251,987	\$7,185,169	\$14,086,200	\$13,964,874	\$14,281,758
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	27,733	30,503	30,222	59,249	58,739	60,072
4	Consumer Advocate Fee At 0.001366996958	9,013	9,913	9,822	19,256	19,090	19,523
5	Small Business Advocate Fee At 0.000162780343	1,073	1,180	1,170	2,293	2,273	2,325
6	Damage Prevention Comittee Fee At 0.000059307687	391	430	426	835	828	847
7	Subtotal	38,210	42,026	41,640	81,633	80,930	82,767
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	0					
10	Less: Pro Forma Under Present Rates At 12/31/2019		38,210				
11	Less: Pro Forma Under Present Rates At 12/31/2020			42,026			
12	Less: Pro Forma Under Present Rates At 12/31/2021				41,640		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					81,633	
14	Less: Pro Forma Under Present Rates 12/31/2022						80,930
15	Pro Forma Adjustment	\$38,210	\$3,816	(\$386)	\$39,993	(\$703)	\$1,837
	507.1 Taxes Other Than Income				\$81,633		\$1,134

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	\$59,449	(\$163,182)	(\$202,755)	\$478,383	\$394,672	\$425,949
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	(154,966)					
5 Less: Present Rates 12/31/2019		59,449				
6 Less: Present Rates 12/31/2020			(163,182)			
7 Less: Present Rates 12/31/2021				(202,755)		
8 Less: Proposed Rates 12/31/2021					478,383	
9 Less: Present Rates 12/31/2022						394,672
10 Pro Forma Adjustment	\$214,415	(\$222,631)	(\$39,573)	\$681,138	(\$83,711)	\$31,277
11 Federal Income Tax Per Computation						
12 Shown On Following Page	(\$67,227)	\$54,879	(\$13,501)	\$1,275,280	\$1,207,248	\$1,266,426
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	(286,155)					
15 Less: Present Rates 12/31/2019		(67,227)				
16 Less: Present Rates 12/31/2020			54,879			
17 Less: Present Rates 12/31/2021				(13,501)		
18 Less: Proposed Rates 12/31/2021					1,275,280	
19 Less: Present Rates 12/31/2022						1,207,248
20 Pro Forma Adjustment	\$218,928	\$122,106	(\$68,380)	\$1,288,781	(\$68,032)	\$59,178

Witness: John R. Wilde

Pennsylvania-American Water Company - WW SSS Exeter Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	RATE YEAR 1				RATE YEAR 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Utility Operating Income Before Taxes	\$442,793	\$2,650,325	\$2,376,228	\$1,716,134	\$8,536,578	\$8,149,099	\$8,462,281
2	Less: Interest Expense	1,899,933	1,899,933	1,857,870	1,835,808	1,838,059	1,795,838	1,795,940
3	Taxable Operating Income	(1,457,140)	750,392	518,358	(119,674)	6,698,519	6,353,261	6,666,341
4	Add: Premature Property Losses / Amortizations	0	0	0	30,983	30,983	30,983	30,983
5	Depr - Straight Line-Remaining Life (Including COR)	537,349	3,669,913	3,600,130	3,621,605	3,621,605	3,838,171	3,838,171
6	Taxable Meals & Entertainment	389	389	389	389	389	389	389
7	Total	537,738	3,670,302	3,600,519	3,652,977	3,652,977	3,869,543	3,869,543
8	Deduct:							
9	Tax Depreciation:							
10	State Tax Depreciation Adjustments	631,812	3,825,606	5,752,333	5,562,881	5,562,881	6,272,130	6,272,130
11	Total	631,812	3,825,606	5,752,333	5,562,881	5,562,881	6,272,130	6,272,130
12	State Taxable Income	(1,551,214)	595,088	(1,633,456)	(2,029,578)	4,788,615	3,950,674	4,263,754
13	State Income Tax At:							
14	Historic, Future And Fully Projected At 9.99%	(154,966)	59,449	(163,182)	(202,755)	478,383	394,672	425,949
15	Taxable Income After State Income Tax	(1,396,248)	535,639	(1,470,274)	(1,826,823)	4,310,232	3,556,002	3,837,805
16	Add:							
17	Federal Tax Depreciation Adjustments	33,604	(855,767)	1,731,602	1,762,531	1,762,531	2,192,796	2,192,796
18	Income Subject To Federal Income Tax	(1,362,644)	(320,129)	261,328	(64,292)	6,072,763	5,748,798	6,030,601
19	Federal Income Tax @ 21%	(286,155)	(67,227)	54,879	(13,501)	1,275,280	1,207,248	1,266,426
20	Excess ADIT	0	0	0	0	0	0	0
21	Federal Tax Liability	(\$286,155)	(\$67,227)	\$54,879	(\$13,501)	\$1,275,280	\$1,207,248	\$1,266,426
	Witness: John R. Wilde							

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$1,629,316	\$1,616,688	\$1,600,994	\$1,602,957	\$1,575,003	\$1,575,092
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	1,629,316					
5	Less: Present Rates At 12/31/2019		1,629,316				
6	Less: Present Rates At 12/31/2020			1,616,688			
7	Less: Present Rates At 12/31/2021				1,600,994		
8	Less: Proposed Rates 12/31/2021					1,602,957	
9	Less: Present Rates 12/31/2022						1,575,003
14	Pro Forma Adjustment	\$0	(\$12,628)	(\$15,694)	\$1,963	(\$27,954)	\$89
15	Interest On Wastewater Specific Long Term Debt Per Computation						
16	Shown On Following Page	\$270,617	\$241,182	\$234,814	\$235,102	\$220,835	\$220,848
17	Less: Interest On Wastewater Specific Long Term Debt As Per Book						
18	Computation On Following Page	270,617					
19	Less: Present Rates At 12/31/2019		270,617				
20	Less: Present Rates At 12/31/2020			241,182			
21	Less: Present Rates At 12/31/2021				234,814		
22	Less: Proposed Rates 12/31/2021					235,102	
23	Less: Present Rates 12/31/2022						220,835
28	Pro Forma Adjustment	\$0	(\$29,435)	(\$6,368)	\$288	(\$14,267)	\$13

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - WW SSS Exeter Operations

Notes to Statement Of Income

Application of Income Deductions

LINE NO.	DESCRIPTION	PRESENT RATES AT DECEMBER 31, 2019			PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
		AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$220,761,520	38.78%	4.61%	\$248,256,380	39.34%	4.54%	\$255,170,585	39.44%	4.47%	\$272,178,861	39.90%	4.35%
3	Long Term Debt - WW Specific	67,377,275	11.83%	2.51%	66,183,901	10.49%	2.54%	65,599,037	10.14%	2.55%	63,832,693	9.36%	2.60%
4	Total Debt	288,138,795	50.61%		314,440,281	49.83%		320,769,622	49.58%		336,011,554	49.26%	
5	Preferred Stock	552,155	0.10%	8.69%	395,403	0.06%	8.73%	317,293	0.05%	8.80%	61,831	0.01%	9.70%
6	Common Equity	280,645,216	49.29%		316,209,150	50.11%		325,921,359	50.37%		346,066,580	50.73%	
7	Totals	\$569,336,166	100.00%		\$631,044,834	100.00%		\$647,008,274	100.00%		\$682,139,965	100.00%	
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$91,137,412	\$90,518,240	\$90,812,432	\$90,923,800	\$90,744,288	\$90,749,414			
10	Debt Percentage (From Above)				38.78%	39.34%	39.44%	39.44%	39.90%	39.90%			
11	Debt Portion Of Rate Base				35,343,088	35,609,876	35,816,423	35,860,347	36,206,971	36,209,016			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$1,629,316	\$1,616,688	\$1,600,994	\$1,602,957	\$1,575,003	\$1,575,092			
14	Application Of Wastewater Specific Long Term Debt Interest:												
15	Original Cost Rate Base				\$91,137,412	\$90,518,240	\$90,812,432	\$90,923,800	\$90,744,288	\$90,749,414			
16	Debt Percentage (From Above)				11.83%	10.49%	10.14%	10.14%	9.36%	9.36%			
17	Debt Portion Of Rate Base				10,781,556	9,495,363	9,208,381	9,219,673	8,493,665	8,494,145			
18	Interest Cost (From Above)				2.51%	2.54%	2.55%	2.55%	2.60%	2.60%			
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$270,617	\$241,182	\$234,814	\$235,102	\$220,835	\$220,848			

Witness: Ann E. Bulkley

Wastewater CSS Scranton Operations

Pennsylvania-American Water Company - WW CSS Scranton Operations

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Pennsylvania-American Water Company - WW CSS Scranton Operations

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Pennsylvania-American Water Company - WW CSS Scranton Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020 and December 31, 2021 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		PER BOOKS	ADJUSTMENT	12/31/19		12/31/20		ADJUSTMENT	12/31/21		PROPOSED RATES		ADJUSTMENT	12/31/22		PROPOSED RATES		
				AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT		PRESENT RATES	RATE INCREASE	AMOUNT	PRESENT RATES		RATE INCREASE	AMOUNT			
1	Operating Revenue	\$23,070,375	(\$344,969)	\$22,725,406	\$951,779	\$23,677,185	(\$220,000)	\$23,457,185	\$11,297,127	\$34,754,312	(\$336,134)	\$34,418,178	\$2,707,920	\$37,126,098	1			
2	Operating Revenue Deductions:														2			
3	Operating Expenses	9,334,051	(312,568)	9,021,483	846,573	9,868,056	1,011,121	10,879,177	136,130	11,015,307	268,753	11,284,060	32,630	11,316,690	3			
4	Depreciation	3,337,102	2,159,217	5,496,319	696,726	6,193,045	119,584	6,312,629	0	6,312,629	529,881	6,842,510	0	6,842,510	4			
5	Amortizations	0	0	0	74,436	74,436	(231,100)	(156,664)	0	(156,664)	0	(156,664)	0	(156,664)	5			
6	Taxes, Other Than Income:														6			
7	Local Property And Miscellaneous	432,402	0	432,402	26,669	459,071	15,624	474,695	0	474,695	54,963	529,658	0	529,658	7			
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	9			
10	Payroll Taxes	272,547	0	272,547	79,652	352,199	5,968	358,167	0	358,167	8,377	366,544	0	366,544	10			
11	General Assessment	130,767	78	130,845	5,482	136,327	(1,267)	135,060	65,063	200,123	(1,935)	198,188	15,596	213,784	11			
12	State Capital Stock Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	12			
13	Total Taxes Other Than Income	835,716	78	835,794	111,803	947,597	20,325	967,922	65,063	1,032,985	61,405	1,094,390	15,596	1,109,986	13			
14	Utility Operating Income Before Income Taxes	9,563,506	(2,191,696)	7,371,810	(777,759)	6,594,051	(1,139,930)	5,454,121	11,095,934	16,550,055	(1,196,173)	15,353,882	2,659,694	18,013,576	14			
15	Income Taxes:														15			
16	State Income Tax	587,882	(162,840)	425,042	(439,065)	(14,023)	(115,003)	(129,026)	1,108,118	979,092	(224,408)	754,684	265,617	1,020,301	16			
17	Federal Income Tax	1,119,387	(606,915)	512,472	80,622	593,094	(365,111)	227,983	2,096,672	2,324,655	(276,351)	2,048,304	502,576	2,550,880	17			
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	18			
19	Total Income Taxes	1,707,269	(769,755)	937,514	(358,443)	579,071	(480,114)	98,957	3,204,790	3,303,747	(500,759)	2,802,988	768,193	3,571,181	19			
20	Total Operating Revenue Deductions	15,214,138	1,076,972	16,291,110	1,371,095	17,662,205	439,816	18,102,021	3,405,983	21,508,004	359,280	21,867,284	816,419	22,683,703	20			
21	Utility Operating Income	7,856,237	(1,421,941)	6,434,296	(419,316)	6,014,980	(659,816)	5,355,164	7,891,144	13,246,308	(695,414)	12,550,894	1,891,501	14,442,395	21			
22	Income Deductions:														22			
23	Interest On Long Term Debt	2,718,686	0	2,718,686	399,212	3,117,898	9,311	3,127,209	3,195	3,130,404	229,022	3,359,426	754	3,360,180	23			
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	24			
25	Interest On Notes Payable To Others	451,553	0	451,553	13,584	465,137	(6,009)	458,660	468	459,128	11,906	471,034	106	471,140	25			
26	Total Income Deductions	3,170,239	0	3,170,239	412,796	3,583,035	3,302	3,585,869	3,663	3,589,532	240,928	3,830,460	860	3,831,320	26			
27	Net Income	\$4,685,998	(\$1,421,941)	\$3,264,057	(\$832,112)	\$2,431,945	(\$663,118)	\$1,769,295	\$7,887,481	\$9,656,776	(\$936,342)	\$8,720,434	\$1,890,641	\$10,611,075	27			
28	Preferred Dividends	13,215		13,215		9,144		7,805		7,813		1,877		1,878	28			
29	Net Income To Common	\$4,672,783		\$3,250,842		\$2,422,801		\$1,761,490		\$9,648,963		\$8,718,557		\$10,609,197	29			

PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS SCRANTON OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO
AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	CHANGE IN CUSTOMERS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE		DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$13,243,957	(\$21,747)	\$0	(\$42,646)	\$13,179,564	(\$76,468)	(\$145,089)		\$647,900	\$13,605,907
4	522.2	COMMERCIAL	7,547,126	(\$14,410)	0	0	7,532,716	83,031	(35,742)		379,000	7,959,005
5	522.3	INDUSTRIAL	1,286,413	(\$17,716)	(259,090)	0	1,009,607	0	0		50,440	1,060,047
6	522.4	MUNICIPAL	831,435	(\$7,097)	31,711	0	856,049	0	0		42,802	898,851
7	522.4	BULK	0	0	0	0	0	0	0		0	0
8		TOTAL METERED SALES	22,908,931	(60,970)	(227,379)	(42,646)	22,577,936	6,563	(180,831)	0	1,120,142	23,523,810
9		UNMETERED SALES										
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0	0	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0	0	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
14	522.4	BULK	0	0	0	0	0	0	0	0	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0	0	0	0
16		TOTAL WASTEWATER SALES	22,908,931	(60,970)	(227,379)	(42,646)	22,577,936	6,563	(180,831)	0	1,120,142	23,523,810
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0	0	0	0
19	532	LATE PAYMENT FEES	154,928	0	0	(13,974)	140,954	5,905	0	0	0	146,859
20	536	MISC SERVICE REVENUES	6,516	0	0	0	6,516	0	0	0	0	6,516
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0	0	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0	0	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0	0	0	0
24		TOTAL OTHER OPERATING REVENUES	161,444	0	0	(13,974)	147,470	5,905	0	0	0	153,375
25		TOTAL OPERATING REVENUES	\$23,070,375	(\$60,970)	(\$227,379)	(\$56,620)	\$22,725,406	\$12,468	(\$180,831)	\$0	\$1,120,142	\$23,677,185
26												

PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS SCRANTON OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$13,605,907	(\$38,234)	\$0	(\$144,659)		\$13,423,014	46.47%	\$6,237,415	19,660,429
4	522.2	COMMERCIAL	7,959,005	0	0	(35,742)		7,923,263	50.67%	4,015,072	11,938,335
5	522.3	INDUSTRIAL	1,060,047	0	0	0		1,060,047	44.67%	473,476	1,533,523
6	522.4	MUNICIPAL	898,851	0	0	0		898,851	55.75%	501,074	1,399,925
7	522.4	BULK	0	0	0	0		0	0.00%	0	
8		TOTAL METERED SALES	23,523,810	(38,234)	0	(180,401)	0	23,305,175	48.17%	11,227,037	34,532,212
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0		0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	BULK	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	23,523,810	(38,234)	0	(180,401)	0	23,305,175	48.17%	11,227,037	34,532,212
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	146,859	0	(1,365)	0	0	145,494	48.17%	70,090	215,584
20	536	MISC SERVICE REVENUES	6,516	0	0	0	0	6,516	0.00%	0	6,516
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING									
25		REVENUES	153,375	0	(1,365)	0	0	152,010	46.11%	70,090	222,100
26		TOTAL OPERATING REVENUES	\$23,677,185	(\$38,234)	(\$1,365)	(\$180,401)	\$0	\$23,457,185	48.16%	\$11,297,127	\$34,754,312
											PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS SCRANTON OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$19,660,429	(\$124,792)	\$0	(\$167,499)		\$19,368,138	7.81%	\$1,511,987	\$20,880,125
4	522.2	COMMERCIAL	11,938,335	0	0	(41,758)		11,896,577	8.06%	958,323	12,854,900
5	522.3	INDUSTRIAL	1,533,523	0	0	0		1,533,523	6.91%	105,952	1,639,475
6	522.4	MUNICIPAL	1,399,925	0	0	0		1,399,925	8.20%	114,857	1,514,782
7	522.4	BULK	0	0	0	0		0	0.00%	0	0
8		TOTAL METERED SALES	34,532,212	(124,792)	0	(209,257)	0	34,198,163	7.87%	2,691,119	36,889,282
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0		0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	BULK	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	34,532,212	(124,792)	0	(209,257)	0	34,198,163	7.87%	2,691,119	36,889,282
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	215,584	0	(2,085)	0	0	213,499	7.87%	16,801	230,300
20	536	MISC SERVICE REVENUES	6,516	0	0	0	0	6,516	0.00%	0	6,516
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	222,100	0	(2,085)	0	0	220,015	7.64%	16,801	236,816
25		TOTAL OPERATING REVENUES	\$34,754,312	(\$124,792)	(\$2,085)	(\$209,257)	\$0	\$34,418,178	7.87%	\$2,707,920	\$37,126,098
26											

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PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS SCRANTON OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/19 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/20 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$23,070,375						
2	Present Rates At 12/31/19				\$22,725,406				
3	Present Rates At 12/31/20						\$23,677,185		
4	Proposed Rates At 12/31/21								\$34,754,312
5	Unbilled Adjustment	(60,970)							
6	Change In Customers Adjustment	(42,646)		(76,468)		(38,234)		(124,792)	
7	DSIC Annualization			1,120,142					
8	Declining Residential and Commercial Usage			(180,831)		(180,401)		(209,257)	
9	Specific Customers Adjustment	(227,379)		83,031					
10	Other Operating Revenues								
11	532 - Penalties	<u>(13,974)</u>		<u>5,905</u>		<u>(1,365)</u>		<u>(2,085)</u>	
12	Pro Forma Adjustment		<u>(344,969)</u>		<u>951,779</u>		<u>(220,000)</u>		<u>(336,134)</u>
13	Pro Forma Present Rates At December 31, 2019		<u>\$22,725,406</u>						
14	Pro Forma Present Rates At December 31, 2020				<u>\$23,677,185</u>				
15	Pro Forma Present Rates At December 31, 2021						<u>\$23,457,185</u>		
16	Pro Forma Present Rates At December 31, 2022								<u>\$34,418,178</u>

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	(\$21,747)
3	Commercial	(14,410)
4	Industrial	(17,716)
5	Municipal	(7,097)
6	Miscellaneous (Bulk Customers)	0
7	Total Metered Sales	(\$60,970)
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	0
14	Total Unmetered Sales	\$0
15	Total Unbilled Wastewater Sales	(\$60,970)
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	(\$60,970)

Witness: Ashley Everette

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Revenues

DSIC Annualization Adjustment

This revenue adjustment is being made to reflect the annualization of the Distribution System Improvement Charge revenues for 2020 based on the Company's pro forma level at December 31, 2020 and the 5.00% rate that is expected to become effective on October 1, 2020.

LINE NO.	DESCRIPTION	12/31/2019 PER BOOK DSIC REVENUE	12/31/2020 ANNUALIZED DSIC REVENUE	12/31/2020 PRO FORMA ADJUSTMENT
1	Metered Sales			
2	Residential	\$0	\$647,900	\$647,900
3	Commercial	0	379,000	379,000
4	Industrial	0	50,440	50,440
5	Municipal	0	42,802	42,802
6	Sales For Resale	0	0	0
7	Bulk	0	0	0
8	Total Metered Sales	\$0	\$1,120,142	\$1,120,142
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Billed Water Sales	\$0	\$1,120,142	\$1,120,142
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$0	\$1,120,142	\$1,120,142

Witness: Ashley Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Revenues

Declining Residential and Commercial Usage Adjustment

This adjustment is being made to address the declining trend in residential and commercial usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Gregory Roach (PAWC Statement No. 9).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales			
2	Residential	(\$145,089)	(\$144,659)	(\$167,499)
3	Commercial	(35,742)	(35,742)	(41,758)
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$180,831)	(\$180,401)	(\$209,257)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$180,831)	(\$180,401)	(\$209,257)
19	Miscellaneous Service Fees	\$0	\$0	\$0
20	Rents From Properties	0	0	0
21	Other Water Revenues	0	0	0
22	Total Operating Revenues	(\$180,831)	(\$180,401)	(\$209,257)

Witness: Ashley E. Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Revenues

Specific Customer Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Commercial				
2	Vycom 210034742418		(\$9,684)		
3	Vycom 220022741075		\$92,715		
4	Industrial				
5	Vycom 210034388807	(\$259,090)			
6	Municipal				
7	Taylor	9,072			
8	Montage	22,639			
9	Bulk				
10	Total	(\$227,379)	\$83,031	\$0	\$0

Witness: Ashley E. Everette

Reference: FR II.2

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Revenues

Change in Revenues due to change in Number of Customers

The following historic revenue adjustment reflects the change in revenues due to the average change in number of customers during the twelve months ended December 31, 2019. The following future and fully forecasted revenue adjustment reflects the change in revenues due to the projected change in number of customers during the twelve months ending December 31, 2020 through December 31, 2022. Projections were based on a three year historical growth average exclusive of acquisitions.

LINE NO.	DESCRIPTION	CALCULATION REFERENCE	PRESENT RATES 12/31/2019 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2020 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2021 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2022 REVENUE ADJUSTMENT
1	Residential Metered Customers	FR II.2	(\$42,646)	(\$76,468)	(\$38,234)	(\$124,792)
2	Residential revenue was adjusted by applying					
3	the average annual consumption per residential					
4	customer to the projected increase in customers					
5	for the test year 2019, 2020, 2021 and 2022.					
6	Residential Unmetered Customers					
7	Commercial Metered Customers	FR II.2				
8	No change is being made to commercial customers					
9	for growth.					
10	Industrial, Municipal And Sale For Resale	FR II.2				
11	Metered Customers					
12	Those large enough to warrant an adjustment are					
13	shown as specific customer adjustments.					
14	Pro Forma Adjustment		<u>(\$42,646)</u>	<u>(\$76,468)</u>	<u>(\$38,234)</u>	<u>(\$124,792)</u>

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	26,653	26,476	26,320	26,164	26,008	26,008	0	0
3	601.2	Commercial	2,693	2,667	2,667	2,667	2,667	2,667	0	0
4	601.3	Industrial	27	28	28	28	28	28	0	0
5	606	Municipal	61	60	60	60	60	60	0	0
6	607	Resale	0	0	0	0	0	0	0	0
7	601.4	Bulk	0	0	0	0	0	0	0	0
8		Metered	29,434	29,231	29,075	28,919	28,763	28,763	0	0
9		Unmetered (Flat Rate)								
10	602.1	Residential	11	11	11	11	11	11	0	0
11	602.2	Commercial	0	0	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	11	11	11	11	11	11	0	0
16	604	Private Fire	0	0	0	0	0	0	0	0
17	605	Public Fire	0	0	0	0	0	0	0	0
18		Total Customers	29,445	29,242	29,086	28,930	28,774	28,774	0	0

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020 and 2021. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Wastewater Sales	\$22,847,961	\$22,577,936	\$23,523,810	\$23,305,175	\$34,532,213	\$34,198,163	\$36,889,282
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	154,928	140,954	146,859	145,494	215,585	213,499	230,300
5 Less: Per Books At 12/31/2019		154,928					
6 Less: Present Rates At 12/31/2019			140,954				
7 Less: Present Rates At 12/31/2020				146,859			
8 Less: Present Rates At 12/31/2021					145,494		
9 Less: Proposed Rates At 12/31/2021						215,585	
10 Less: Present Rates At 12/31/2022							213,499
11 Pro Forma Adjustments		(\$13,974)	\$5,905	(\$1,365)	\$70,091	(\$2,086)	\$16,801

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	RATE YEAR 1		RATE YEAR 2	
		DEPRECIATED ORIGINAL COST 12/31/19	DEPRECIATED ORIGINAL COST 12/31/20	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22
1	Non-Depreciable Plant	\$752,812	\$752,812	\$752,812	\$752,812
2	Depreciable Plant	227,052,179	256,157,480	262,767,107	287,840,904
3	Total Utility Plant In Service	227,804,991	256,910,292	263,519,919	288,593,716
4	Deduct:				
5	Contributions In Aid Of Construction	11,454,549	11,483,899	11,498,574	11,542,599
6	Customer Advances For Construction	0	0	0	0
7	Excluded Property	0	0	0	0
8	Sub-Total	11,454,549	11,483,899	11,498,574	11,542,599
9	Net Utility Plant In Service	216,350,442	245,426,393	252,021,345	277,051,117
10	Accumulated Depreciation	58,549,686	63,197,920	65,833,065	73,663,720
11	Depreciated Utility Plant In Service	157,800,756	182,228,473	186,188,280	203,387,397
12	Add:				
13	Materials And Supplies	91,445	91,445	91,445	91,445
14	Cash Working Capital - Expenses	647,481	739,475	923,323	952,274
15	Accrued And Prepaid Taxes	257,139	246,048	229,797	404,152
16	Acquisition Adjustments	2,828,573	2,754,137	2,716,919	2,605,264
17	Other Additions	0	0	0	0
18	Deduct:				
19	Cash Working Capital - Int And Div	362,003	409,214	409,608	437,619
20	Unamortized Itc (3%)	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	666,067	693,301	577,751	231,101
23	Other Deductions	0	0	0	0
24	Deferred Taxes	8,524,972	10,386,215	11,779,232	13,217,477
25	Total Rate Base Elements	\$152,072,352	\$174,570,848	\$177,383,173	\$193,554,336
26	Utility Operating Income				
27	Per Books	\$7,856,237	5.17%	4.50%	4.43%
28	Present Rates At 12/31/2019	6,434,296	4.23%	-	-
29	Present Rates At 12/31/2020	6,014,980	-	3.45%	-
30	Present Rates At 12/31/2021	5,355,164	-	-	3.02%
31	Proposed Rates At 12/31/2021	13,246,308	-	-	7.46%
32	Present Rates At 12/31/2022	12,550,894	-	-	6.48%
33	Proposed Rates At 12/31/2022	14,442,395	-	-	-
	Witness: Dr. Christina E. Chard				

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	352.00	Franchises & Consents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.00	Land & Land Rights	752,812	0	0	752,812	0	0	752,812	752,812	0	0	752,812
3		Total Intangible Plant	<u>\$752,812</u>	<u>\$0</u>	<u>\$0</u>	<u>\$752,812</u>	<u>\$0</u>	<u>\$0</u>	<u>\$752,812</u>	<u>\$752,812</u>	<u>\$0</u>	<u>\$0</u>	<u>\$752,812</u>
4	354.20	Structures And Improvements - Collection	\$3,756,607	\$248,677	\$14,318	\$3,990,966	\$291,631	\$16,921	\$4,265,676	\$4,128,321	\$369,345	\$23,529	\$4,611,493
5	354.30	Structures And Improvements - SPP	6,348,453	420,250	24,197	6,744,507	492,839	28,596	7,208,750	6,976,628	624,173	39,762	7,793,161
6	354.40	Structures And Improvements - TDP	53,222,041	3,523,155	202,851	56,542,345	4,131,703	239,729	60,434,318	58,488,332	5,232,732	333,346	65,333,703
7	354.70	Structures And Improvements - General		0	0	0	0	0	0	0	0	0	0
8	355.00	Power Generation Equipment		0	0	0	0	0	0	0	0	0	0
9	360.10	Collection Sewers - Force Mains	355,955	0	0	355,955	0	0	355,955	355,955	0	0	355,955
10	361.10	Collection Sewers - Gravity Mains	100,877,366	6,262,305	360,562	106,779,109	5,633,550	326,870	112,085,790	109,432,450	4,232,700	269,640	116,048,849
11	361.20	Manholes	16,922,779	190,000	5,182	17,107,598	190,000	5,222	17,292,376	17,199,987	190,000	5,733	17,476,642
12	362.00	SPEC Collection Structures		12,631,539	0	12,631,539	0	0	12,631,539	12,631,539	1,500,000	38,222	14,093,316
13	363.00	Services	10,633,172	370,000	15,546	10,987,627	370,000	15,666	11,341,961	11,164,794	370,000	17,200	11,694,761
14	364.00	Flow Measuring Devices	1,168,414	0	0	1,168,414	0	0	1,168,414	1,168,414	0	0	1,168,414
15	365.00	Flow Measuring Installations		0	0	0	0	0	0	0	0	0	0
16	370.00	Receiving Wells		0	0	0	0	0	0	0	0	0	0
17	371.00	Pumping Equipment	4,212,927	1,218,972	70,184	5,361,715	535,490	31,070	5,866,135	5,613,925	1,065,250	67,861	6,863,524
18	380.00	Treatment Equipment	15,005,511	4,875,888	280,737	19,600,662	2,141,959	124,281	21,618,340	20,609,501	4,261,000	271,443	25,607,897
19	381.00	Plant Sewers		0	0	0	0	0	0	0	0	0	0
20	382.00	Outfall Sewer Lines	1,554,032	0	0	1,554,032	0	0	1,554,032	1,554,032	1,500,000	38,222	3,015,810
21	389.10	Other Plant And Miscellaneous Equipment - Intangibles	4,286,815	120,000	6,909	4,399,906	0	0	4,399,906	4,399,906	0	0	4,399,906
22	390.00	Office Furniture And Equipment	1,007,994	0	0	1,007,994	0	0	1,007,994	1,007,994	0	0	1,007,994
23	390.20	Computers & Peripheral		0	0	0	0	0	0	0	0	0	0
24	391.00	Transportation Equipment	5,033,208	22,500	0	5,055,708	22,500	0	5,078,208	5,066,958	22,500	0	5,100,708
25	392.00	Stores Equipment		0	0	0	0	0	0	0	0	0	0
26	393.00	Tools, Shop And Garage Equipment	1,024,131	202,500	0	1,226,631	202,500	0	1,429,131	1,327,881	202,500	0	1,631,631
27	394.00	Laboratory Equipment	150,892	0	0	150,892	0	4,564	146,329	148,610	0	1,069	145,260
28	395.00	Power Operated Equipment	718,832	0	0	718,832	0	0	718,832	718,832	0	0	718,832
29	396.00	Communication Equipment	442,161	0	0	442,161	0	0	442,161	442,161	0	0	442,161
30	397.00	Miscellaneous Equipment	330,887	0	0	330,887	0	0	330,887	330,887	0	0	330,887
31		Total Tangible Plant	<u>\$227,052,179</u>	<u>\$30,085,787</u>	<u>\$980,485</u>	<u>\$256,157,480</u>	<u>\$14,012,171</u>	<u>\$792,918</u>	<u>\$269,376,734</u>	<u>\$262,767,107</u>	<u>\$19,570,200</u>	<u>\$1,106,029</u>	<u>\$287,840,904</u>
32		Total Utility Plant In Service	<u>\$227,804,991</u>	<u>\$30,085,787</u>	<u>\$980,485</u>	<u>\$256,910,292</u>	<u>\$14,012,171</u>	<u>\$792,918</u>	<u>\$270,129,546</u>	<u>\$263,519,919</u>	<u>\$19,570,200</u>	<u>\$1,106,029</u>	<u>\$288,593,716</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Contributions in Aid of Construction (CIAC)

The Company receives Contributions in Aid of Construction (CIAC) on an annual basis. The Commission's Order dated April 21, 1993, at Docket No. R-922428 approved the use of a three year average to calculate the future test year additions to CIAC. The projected CIAC to be received during the twelve months ended December 31, 2021 reflects a half-year convention. The projected CIAC to be received during the twelve months ended December 31, 2022 reflects the full three year average of 2022 CIAC and half of the three year average projected in 2021. The following adjustment reflects the projected CIAC balances during the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Contributions In Aid Of Construction		\$11,454,549	\$11,483,899	\$11,498,574
2	Plus: Three Year Average Of Contributions	29,350	<u>29,350</u>	<u>14,675</u>	<u>44,025</u>
3	Contributions In Aid Of Construction		<u>(\$11,483,899)</u>	<u>(\$11,498,574)</u>	<u>(\$11,542,599)</u>

Witness: Dr. Christina E. Chard

Reference: FR V.16

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the materials and supplies account during the period December 2018 to December 2019.

LINE NO.	MONTH	DETAIL	PRESENT RATES
			12/31/2020 through 12/31/2022 AMOUNT
1	December, 2018	\$70,497	
2	January, 2019	70,608	
3	February	81,350	
4	March	94,110	
5	April	79,872	
6	May	81,753	
7	June	95,901	
8	July	94,400	
9	August	106,315	
10	September	96,596	
11	October	93,618	
12	November	118,988	
13	December, 2019	104,780	
14	Total	<u>\$1,188,786</u>	
15	Average		\$91,445
16	Allowance For Materials And Supplies		
17	At 12/31/2020 through 12/31/2022		<u><u>\$91,445</u></u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2 Bi-Monthly Billings					
3 Lag Days					
4 Dollar Days					
5 Quarterly					
6 Lag Days					
7 Dollar Days					
8 Monthly Billings	\$23,009,405	\$22,725,406	\$23,677,185	\$23,457,185	\$34,418,178
9 Lag Days	50.7	50.7	50.7	50.7	50.7
10 Dollar Days	\$1,166,806,928	\$1,152,405,338	\$1,200,670,051	\$1,189,513,851	\$1,745,345,806
11 Total Billed Revenue	\$23,009,405	\$22,725,406	\$23,677,185	\$23,457,185	\$34,418,178
12 Total Dollar Days	\$1,166,806,928	\$1,152,405,338	\$1,200,670,051	\$1,189,513,851	\$1,745,345,806
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	50.7	50.7	50.7	50.7	50.7
14 Deduct: Average Lag In Payment Of					
15 Operating Expenses	24.6	24.5	23.4	19.8	19.9
16 Average Lag Between Payment Of Operating					
17 Expenses And Receipt Of Revenues	26.1	26.2	27.3	30.9	30.8
18 Working Capital Requirements					
19 Annual Operating Expenses (Including Payroll Expenses)		\$9,020,189	\$9,886,814	\$10,906,553	\$11,285,031
20 Operating Expenses Per Day (Line 20 / 365 Days)		24,713	27,087	29,881	30,918
21 Cash Working Capital Required					
22 (Line 17 * Line 20)		\$647,481	\$739,475	\$923,323	\$952,274

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO.	DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		
			DOLLAR AMOUNT	DOLLAR DAYS	DOLLAR AMOUNT	DOLLAR DAYS	DOLLAR AMOUNT	DOLLAR DAYS	DOLLAR AMOUNT	DOLLAR DAYS		
1	Labor and Payroll Taxes	12.14	\$3,789,113	\$45,999,832	\$3,789,113	\$45,999,832	\$4,821,285	\$58,530,400	\$4,905,473	\$59,552,442	\$5,025,410	\$61,008,477
2	Group Insurance	10.92	599,689	6,548,604	599,689	6,548,604	799,768	8,733,467	849,157	9,272,794	901,594	9,845,406
3	OPEB's and VEBA	0.00	57,341	0	57,341	0	57,341	0	57,341	0	57,341	0
4	Pension	13.14	194,373	2,554,061	194,373	2,554,061	194,373	2,554,061	194,373	2,554,061	194,373	2,554,061
5	Purchased Power	24.97	489,655	12,226,685	497,001	12,410,115	418,322	10,445,500	392,644	9,804,321	363,611	9,079,367
6	Purchased Water	34.69	0	0	0	0	0	0	0	0	0	0
7	Chemicals	48.81	1,352,772	66,028,801	1,352,772	66,028,801	1,381,018	67,407,470	1,450,898	70,818,313	1,524,313	74,401,699
8	Miscellaneous	31.01	946,173	29,340,825	712,407	22,091,745	813,006	25,211,320	1,001,510	31,056,838	1,143,787	35,468,848
9	Transportation	39.23	624,544	24,500,861	624,544	24,500,861	322,344	12,645,555	328,934	12,904,081	335,404	13,157,899
10	Ins Other Than Group	(53.43)	98,217	(5,247,734)	98,217	(5,247,734)	0	0	521,551	(27,866,470)	531,936	(28,421,340)
11	Service Company	12.14	0	0	0	0	0	0	125,315	1,521,328	127,904	1,552,761
12	Waste Disposal	45.65	953,470	43,525,906	953,470	43,525,906	953,470	43,525,906	953,470	43,525,906	953,470	43,525,906
13	Telephone	8.71	55,286	481,541	55,286	481,541	55,286	481,541	55,286	481,541	55,286	481,541
14	Rents	8.05	32,581	262,277	32,581	262,277	17,206	138,508	17,206	138,508	17,206	138,508
15	Natural Gas	31.80	53,395	1,697,961	53,395	1,697,961	53,395	1,697,961	53,395	1,697,961	53,395	1,697,961
16	Totals		\$9,246,609	\$227,919,620	\$9,020,189	\$220,853,970	\$9,886,814	\$231,371,689	\$10,906,553	\$215,461,624	\$11,285,031	\$224,491,094
17	Average Lag			24.6		24.5		23.4		19.8		19.9
18	Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$9,606,598		\$9,294,030		\$10,220,255		\$11,237,344		\$11,650,604	
19	Uncollectibles		359,989		273,841		285,310		282,659		317,442	
20	Amortizations		0		0		48,132		48,132		48,132	
21	Sum Of Other Expenses		8,300,436		8,307,782		9,073,808		9,905,043		10,141,243	
22	Miscellaneous		\$946,173		\$712,407		\$813,006		\$1,001,510		\$1,143,787	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		RATE YEAR 1				RATE YEAR 2			
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PRESENT RATES 12/31/2021		PROPOSED RATES 12/31/2021		PRESENT RATES 12/31/2022		PROPOSED RATES 12/31/2022	
							TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	213.1	\$130,845	\$76,392	\$136,327	\$79,593	\$135,060	\$78,853	\$200,123	\$116,839	\$198,188	\$115,709	\$213,784	\$124,815
2	Public Utility Realty Tax	61.0	0	0	0	0	0	0	0	0	0	0	0	0
3	Local Property Tax	115.3	432,402	136,592	459,071	145,016	474,695	149,952	474,695	149,952	529,658	167,314	529,658	167,314
4	State Income Tax	21.4	425,042	24,920	(14,023)	(822)	(129,026)	(7,565)	979,092	57,404	754,684	44,247	1,020,301	59,820
5	Federal Income Tax	13.7	512,472	<u>19,235</u>	593,094	<u>22,261</u>	227,983	<u>8,557</u>	2,324,655	<u>87,254</u>	2,048,304	<u>76,882</u>	2,550,880	<u>95,745</u>
6	Totals			<u>\$257,139</u>		<u>\$246,048</u>		<u>\$229,797</u>		<u>\$411,449</u>		<u>\$404,152</u>		<u>\$447,694</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE NO.	DESCRIPTION	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND						
1	Average Lag Calculation									
2	Future Revenue Lag Days	50.7	50.7	50.7						
3	Less: Interest Payments Lag Days	92.4	15.2	46.2						
4	Average Lag Between The Payment	(41.7)	35.5	4.5						
5	Of Interest And The Receipt									
6	Of Revenues									
					RATE YEAR 1		RATE YEAR 2			
		PRESENT RATES		PRESENT RATES	PRESENT RATES	PROPOSED AMOUNT	PRESENT RATES	PROPOSED AMOUNT		
7	Long Term Debt	12/31/19		12/31/20	12/31/21	12/31/21	12/31/22	12/31/22		
8	Working Capital Requirements									
9	Pro Forma Annual Interest Expense	\$2,718,686		\$3,117,898	\$3,127,209	\$3,130,404	\$3,359,426	\$3,360,180		
10	Interest Expense Per Day									
11	(Line 9 / 365 Days)	7,448		8,542	8,568	8,576	9,204	9,206		
12	Cash Working Capital Required									
13	(Line 4 Col.1 X Line 11)		(310,582)		(356,201)	(357,286)	(357,619)	(383,807)	(383,890)	
14	Long Term Debt - Wastewater Specific									
15	Working Capital Requirements									
16	Pro Forma Annual Interest Expense	451,553		465,137	458,660	459,128	471,034	471,140		
17	Interest Expense Per Day									
18	(Line 16 / 365 Days)	1,237		1,274	1,257	1,258	1,291	1,291		
19	Cash Working Capital Required									
20	(Line 4 Col.1 X Line 18)		(51,583)		(53,126)	(52,417)	(52,459)	(53,835)	(53,835)	
21	Preferred Dividends									
22	Working Capital Requirements									
23	Pro Forma Annual Dividend Expense	13,215		9,144	7,805	7,813	1,877	1,878		
24	Dividend Expense Per Day									
25	(Line 23 / 365 Days)	36		25	21	21	5	5		
26	Cash Working Capital Required									
27	(Line 4 Col.3 X Line 25)		162		113	95	95	23	23	
28	Total Cash Working Capital Required									
29	(Line 13 + Line 20 + Line 27)		<u>(\$362,003)</u>		<u>(\$409,214)</u>	<u>(\$409,608)</u>	<u>(\$409,983)</u>	<u>(\$437,619)</u>	<u>(\$437,702)</u>	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Acquisition Adjustments

The following adjustment reflects the Company's request for recognition of the transaction costs associated with its acquisition of the wastewater assets of the Sewer Authority of the City of Scranton, which was approved by the Commission at Docket No. R-2017-2595853.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2019 AMOUNT	2020 Amortizations	PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	Scranton Wastewater Transaction Costs	Approved Docket No. R-2017-2595853	\$2,828,573	\$74,436	\$2,754,137	\$37,218	\$2,716,919	\$37,218	\$74,436	\$2,605,264
2	Effect to Rate Base Element		<u>\$2,828,573</u>	<u>\$74,436</u>	<u>\$2,754,137</u>	<u>\$37,218</u>	<u>\$2,716,919</u>	<u>\$37,218</u>	<u>\$74,436</u>	<u>\$2,605,264</u>
	Witness: Dr. Christina E. Chard Reference: Exhibit No. 3-C									

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Tax Cuts and Jobs Act Stub Period

The following adjustment reflects the federal income tax savings associated with the 2017 Tax Cuts and Jobs Act ("TCJA") for January 1, 2018 through June 30, 2018 (the "Stub Period"). The adjustment reflects the accrual of interest at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et seq.). The 2020 interest accrual is projected based on the 4.5% interest rate in effect at December 2019. The reconciliation amounts shown in the Company's 2019 and 2020 TCJA Reconciliation filings are included as part of this adjustment.

LINE NO.	DESCRIPTION	12/31/2018 AMOUNT	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Tax Cuts and Jobs Act Stub Period	\$605,205	\$630,971	\$666,067	\$693,301	\$577,751
2	Interest Accrual	25,495	30,386	27,234	0	0
3	TCJA Surcharge Reconciliation	231	4,147	0	0	0
4	Interest on TCJA Surcharge Reconciliation	40	563	0	0	0
5	Less: One-Half Year 2021 Amortization				115,550	115,550
6	Less: One Year 2022 Amortization					231,100
7	Effect to Rate Base Element	<u>\$630,971</u>	<u>\$666,067</u>	<u>\$693,301</u>	<u>\$577,751</u>	<u>\$231,101</u>

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax	(\$8,524,972)	(\$10,386,215)	(\$11,779,232)	(\$13,217,477)
2	Less: Prior Year		(8,524,972)	(10,386,215)	(11,779,232)
3	Effect to Rate Base Element	<u>(\$8,524,972)</u>	<u>(\$1,861,243)</u>	<u>(\$1,393,017)</u>	<u>(\$1,438,245)</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0	0
5	610.1	Purchased Water	0	0	0	0	0
6	615.1	Purchased Power	0	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	0	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0	0
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	0	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0	0
18	636.2	Contract Services	0	0	0	0	0
19		-Miscellaneous-					
20	675.1	Miscellaneous Operating Expense	0	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0	\$0
23		Water Treatment					
24		-Operation-					
25	601.3	Salary And Wages	\$1,051,844	\$1,051,844	\$1,336,753	\$1,360,149	\$1,393,518
26	601.4	Salary And Wages	478,534	478,534	608,153	618,797	633,978
27	604.3	Employee Pension And Benefits	0	0	0	0	0
28	615.3	Purchased Power	489,655	491,607	432,232	426,253	420,637
29	618.3	Chemicals	1,352,772	1,358,166	1,370,061	1,420,177	1,470,014
30	620.3	Materials And Supplies	13,099	13,099	13,099	13,099	13,099
31	631.3	Contract Services - Engineering	0	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0	0
34	635.3	Contract Services - Test	66,034	66,034	66,034	66,034	66,034
35	636.3	Contract Services	75,788	74,811	74,811	74,811	74,811
36	641.3	Rental Of Building	0	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0	0
38	650.3	Transportation	0	0	0	0	0
39		-Maintenance-					
40	620.4	Materials And Supplies	31,786	31,786	31,786	31,786	31,786
41	631.4	Contract Services - Engineering	0	0	0	0	0
42	636.4	Contract Services	8,463	8,463	8,463	8,463	8,463
43	650.4	Transportation	34,014	34,014	34,014	34,014	34,014
44	675.4	Miscellaneous Maintenance Expense	26,349	26,349	26,349	26,349	26,349
45		-Miscellaneous-					
46	675.3	Miscellaneous Operating Expense	1,141,620	1,141,620	1,141,620	1,141,620	1,141,620
47							
48		Total Water Treatment Expense	\$4,769,958	\$4,776,327	\$5,143,375	\$5,221,552	\$5,314,323
49		Transmission And Distribution					
50		-Operation-					
51	601.5	Salary And Wages	(\$164)	(\$164)	(\$209)	(\$213)	(\$218)
52	601.6	Salary And Wages	1,208,572	1,208,572	1,535,934	1,562,817	1,601,158
53	604.5	Employee Pension And Benefits	157	157	157	157	157
54	615.5	Purchased Power	0	0	(2,953)	(2,888)	(2,727)
55	620.5	Materials And Supplies	0	0	0	0	0
56	631.5	Contract Services - Engineering	0	0	0	0	0
57	636.5	Contract Services	627	627	627	627	627
58	641.5	Rental Of Building	0	0	0	0	0
59	642.5	Rental Of Equipment	0	0	0	0	0
60	650.5	Transportation	288	0	0	0	0

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$8,140	\$8,140	\$20,557	\$33,859	\$46,915
3	631.6	Contract Services - Engineering	0	0	0	0	0
4	636.6	Contract Services	40,468	40,468	40,468	40,468	40,468
5	650.6	Transportation	0	0	0	0	0
6	675.6	Miscellaneous Operating Expense	41,923	41,923	41,923	41,923	41,923
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	52,078	52,078	52,078	52,078	52,078
9		Total Transmission And Distribution	\$1,351,801	\$1,351,801	\$1,688,582	\$1,728,828	\$1,780,381
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0	0
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	0	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0	0
21	650.7	Transportation	0	0	0	0	0
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	359,989	273,841	285,310	282,659	414,739
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	4,896	4,896	4,896	7,771	7,771
26		Total Customer Accounting	\$364,885	\$278,737	\$290,206	\$290,430	\$422,510
27		Administrative And General					
28	601.8	Salary And Wages	\$777,780	\$777,780	\$988,455	\$1,005,756	\$1,030,430
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	1,220,577	988,458	1,256,057	1,300,294	1,362,928
31	615.8	Purchased Power	0	0	0	0	0
32	620.8	Materials And Supplies	1,252	1,252	1,252	1,252	1,252
33	631.8	Contract Services	0	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0	0
36	634.8	Contract Services - Management	0	0	0	125,315	127,904
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	69,572	69,572	69,572	69,572	69,572
39	641.8	Rental Of Building	16,595	16,595	1,220	1,220	1,220
40	642.8	Rental Of Equipment	15,986	15,986	15,986	15,986	15,986
41	650.8	Transportation	590,530	590,530	288,330	294,920	301,390
42	656.8	Insurance - Vehicles	0	0	0	8,465	8,635
43	657.8	Insurance	0	0	0	360,288	367,447
44	658.8	Workers Compensation	98,217	98,217	0	57,649	58,802
45	659.8	Insurance	0	0	0	95,149	97,052
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	48,132	48,132	48,132
48	667.8	Regulatory Commission	0	0	0	0	0
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	56,898	56,228	76,890	254,369	276,096
51		Total Administrative And General	\$2,847,407	\$2,614,618	\$2,745,894	\$3,638,367	\$3,766,846
52		Total Operating Expenses	\$9,334,051	\$9,021,483	\$9,868,056	\$10,879,177	\$11,284,060

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/19 DETAIL	12/31/19 AMOUNT	12/31/20 DETAIL	12/31/20 AMOUNT	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT
1	Per Books		\$9,334,051						
2	Present Rates At 12/31/2019				\$9,021,483				
3	Present Rates At 12/31/2020						\$9,868,056		
4	Proposed Rates At 12/31/2021								\$11,015,307
5	Compensation	-		\$952,520		\$78,220		\$111,560	
6	Group Insurance	-		200,079		49,389		52,437	
7	Other Post Employment Benefits & VEBA	-		-		-		-	
8	Pension	-		-		-		-	
9	Purchased Power	-		(56,410)		1,240		3,080	
10	Waste Disposal	-		-		-		-	
11	Chemicals	-		28,246		69,880		73,415	
12	Change In Consumption Expense	7,346		(22,269)		(26,918)		(32,113)	
13	Transportation Expense	-		(302,200)		6,590		6,470	
14	Insurance Other Than Group	-		(98,217)		521,551		10,385	
15	Regulatory Expense (Rate Case Expense)	-		48,132		-		-	
16	Service Company Expense	-		-		125,315		2,589	
17	Postage and Customer Accounting	-		-		-		-	
18	Inflation	-		33,079		35,438		34,783	
19	401K & Defined Contribution Plan	-		67,520		(5,152)		10,197	
20	Rent Expense	-		(15,375)		-		-	
21	Miscellaneous Adjustments	(233,766)		0		158,218		0	
22	Uncollectibles	(86,148)		11,469		(2,651)		(4,050)	
23	Pro Forma Adjustments		(312,568)		846,573		1,011,121		268,753
24	Present Rates At 12/31/2019		\$9,021,483						
25	Present Rates At 12/31/2020				\$9,868,056				
26	Present Rates At 12/31/2021						\$10,879,177		
27	Present Rates At 12/31/2022								\$11,284,060

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2020, December 31, 2021, and December 31, 2022 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Salary and Wages	\$5,161,703	\$5,251,771	\$5,379,440
2	Annualized Performance Plan	227,363	231,616	238,472
3	Less: 17.07% Capitalized portion not charged to operating expense	<u>919,980</u>	<u>936,081</u>	<u>959,046</u>
4	Sub-Total	4,469,086	4,547,306	4,658,866
5	Less: Amount Charged To Operating Expense			
6	During the Twelve Months Ended 12/31/19	<u>3,516,566</u>		
7	Less: Amount Charged To Present Rates			
8	At 12/31/20 and 12/31/21		<u>4,469,086</u>	<u>4,547,306</u>
9	Pro Forma Adjustment	<u>\$952,520</u>	<u>\$78,220</u>	<u>\$111,560</u>
	601.3 Salary and Wages - Water Treatment	\$284,909	\$23,396	\$33,369
	601.4 Salary and Wages - Water Treatment	129,619	10,644	15,181
	601.5 Salary and Wages - Transmission & Distribution	(45)	(4)	(5)
	601.6 Salary and Wages - Transmission & Distribution	327,362	26,883	38,341
	601.7 Salary and Wages - Customer Accounting	0	0	0
	601.8 Salary and Wages - Administrative and General	210,675	17,301	24,674

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2020 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected test years were developed by adjusting the annualized 2020 amount by a 3 year average of 6.18%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Group Insurance Cost	\$964,404	\$1,023,959	\$1,087,191
2	Less: 17.07% Not Charged To Operating Expense	164,636	174,802	185,597
3	Sub-Total	799,768	849,157	901,594
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	599,689		
6	Less: Amount Charged To Operating Expense			
7	During the Calendar Years Ended 2020 and 2021		799,768	849,157
8	Pro Forma Adjustment	\$200,079	\$49,389	\$52,437
	604.8 A&G Employees Pension And Benefits	\$200,079	\$49,389	\$52,437

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized 401K - Company Match	\$41,788	\$42,614	\$43,984
2	Contribution adjustment	\$243,759	\$232,943	\$238,186
3	Annualized DCP	218,344	222,009	227,511
4	Less: 17.07% Not Charged To Operating Expense	86,020	84,941	87,009
5	Sub-Total	<u>417,871</u>	<u>412,625</u>	<u>422,672</u>
6	Annualized ESPP	5,268	5,362	5,512
7	Less: Amount Charged To Operating Expense	355,619	423,139	417,987
8	Pro Forma Adjustment	<u>\$67,520</u>	<u>(\$5,152)</u>	<u>\$10,197</u>
	604.8 Employee Pension And Benefits AG	\$67,520	(\$5,152)	\$10,197

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2019 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Power Cost	\$433,245	\$434,485	\$437,565
2	Less: Amount Charged To Operating Expense	489,655	433,245	434,485
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>(\$56,410)</u>	<u>\$1,240</u>	<u>\$3,080</u>
	615.3 Purchased Power - Water Treatment	(\$53,457)	\$1,175	\$2,919
	615.5 Purchased Power - Transmission and Distribution	(2,953)	65	161

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of contract prices in effect at January 1, 2020 to anticipated 2020 usage. The present rates December 31, 2020 amount was increased by the 3 year weighted average (5.06%) cost increase to project 2021 through 2022 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Chemical Costs	\$1,381,018	\$1,450,898	\$1,524,313
2	Less: Amount Charged To Operating Expense	1,352,772	1,381,018	1,450,898
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$28,246</u>	<u>\$69,880</u>	<u>\$73,415</u>
	618.3 Chemicals - Water Treatment	<u>\$28,246</u>	<u>\$69,880</u>	<u>\$73,415</u>

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future (2020) and fully projected test years (2021-2022), the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Consumption (00 Gallons)	22,220,578	22,309,182	22,040,628	21,716,016	21,328,754
2	Change In Consumption		88,604	(268,554)	(324,612)	(387,262)
3	Power Costs Per Book	\$489,655				
4	Chemical Costs Per Book	1,352,772				
5	Total	<u>\$1,842,428</u>				
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.08292</u>	<u>\$0.08292</u>	<u>\$0.08292</u>	<u>\$0.08292</u>
7	Pro Forma Adjustment		<u>\$7,346</u>	<u>(\$22,269)</u>	<u>(\$26,918)</u>	<u>(\$32,113)</u>
	615.1 Source of Supply - Purchased Power		\$0	\$0	\$0	\$0
	615.3 Water Treatment - Purchased Power		1,952	(5,918)	(7,154)	(8,535)
	615.5 Transmission & Distribution - Purchased Power		0	0	0	0
	618.3 Water Treatment - Chemicals		5,394	(16,351)	(19,764)	(23,578)

Witness: Dominic DeGrazia

Reference: FR II.09

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Leased Vehicles Expense	\$388,694	\$396,641	\$404,442
2	Less: 17.07% Not Charged To Operating Expense	66,350	67,707	69,038
3	Sub-Total	<u>322,344</u>	<u>328,934</u>	<u>335,404</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	624,544		
6	Less: Present Rates During the Preceding Calendar Year	<u></u>	<u>322,344</u>	<u>328,934</u>
7	Pro Forma Adjustment	<u>(\$302,200)</u>	<u>\$6,590</u>	<u>\$6,470</u>
	650.8 A & G - Miscellaneous General Expense	(\$302,200)	\$6,590	\$6,470

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2020, adjusted for the 5 year average of retroactive adjustments. The Present Rates 12/31/2021 and 12/31/2022 amounts were further adjusted by 2.08% and 2.0% (Blue Chip GDP Price Indexes for 2021 and 2022). Present Rates for Water at 2021 and 2022 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/19.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Workers Compensation Premium	\$0	\$91,769	\$93,604
2	Less: 37.18% Not Charged To Operating Expense	0	34,120	34,802
3	Sub-Total	0	57,649	58,802
4	Add: Annualized Vehicle, General Liability,			
5	Property And Other Insurance	0	463,902	473,134
6	Sub-Total	0	521,551	531,936
7	Less: Per Books and Present Rates	98,217	0	521,551
8	Pro Forma Adjustment	(\$98,217)	\$521,551	\$10,385
	656.8 Vehicle Insurance	55110000	\$8,465	\$170
	657.8 General Liability Insurance	55710000	360,288	7,159
	658.8 Workers Compensation	55720000	(\$144,272)	91,769
	658.8 Insurance Wc Capitalized Credits	55720100	46,055	(34,120)
	659.8 Other Insurance	55730000	95,149	(682)
				1,903

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$141,270
2	Normalized Over 3 Years	47,090
3	Plus Allocation of Amortization of Demand Study	1,042
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/19	<u>0</u>
6	Pro Forma Adjustment	<u><u>\$48,132</u></u>
	666.8 Regulatory Commission Expense	\$48,132

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects an allocation of the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2021 and December 31, 2022. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Service Company Cost	\$125,315	\$127,904
2	Less: Present Rates 12/31/21	<u> </u>	<u>125,315</u>
3	Pro Forma Adjustment	<u> \$125,315 </u>	<u> \$2,589 </u>
	634.8 AG - Contract Services - Management	\$125,315	\$2,589

Witness: Stacey D. Gress

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Total O & M Expenses Per Books	\$9,334,051	\$9,334,051	\$9,334,051
2	Less: Adjusted Expenses	<u>7,663,398</u>	<u>7,663,398</u>	<u>7,663,398</u>
3	2020 Expenses Subject To Inflation	1,670,653	1,670,653	1,670,653
4	2020 Inflation		<u>33,079</u>	<u>33,079</u>
5	2021 Expenses Subject To Inflation		1,703,732	1,703,732
6	2021 Inflation			<u>35,438</u>
7	2022 Expenses Subject To Inflation			1,739,169
8	Inflation Factor	<u>1.98%</u>	<u>2.08%</u>	<u>2.00%</u>
9	Pro Forma Adjustment	<u>\$33,079</u>	<u>\$35,438</u>	<u>\$34,783</u>
	620.6 Materials And Supplies	\$12,417	\$13,302	\$13,056
	675.7 Miscellaneous Expense	0	0	0
	675.8 Miscellaneous Expense	20,662	22,136	21,727

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Rent Expense

This adjustment is being made to reflect the Company's claim for the property lease agreements.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1	Annualized Rent Expense	\$0	\$0	\$0
2	Less: Per Books Amount and Present Rates	15,375	0	0
3	Pro Forma Adjustment	<u>(\$15,375)</u>	<u>\$0</u>	<u>\$0</u>
	641.8 Rents - Real Property - Admin & General	(\$15,375)	\$0	\$0

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to add Scranton WW expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES	PRESENT RATES
		12/31/2019 AMOUNT	12/31/2021 and 12/31/2022 AMOUNTS
1	<u>Additions:</u>		
2	PA HQ - Corporate Campus		\$155,343
3	Credit Card/E-check Transaction Fees		2,875
4	<u>Deductions:</u>		
5	Scranton WW Donations removal	(\$670)	
6	Temporary Employee Costs	(977)	
7	Pension	(194,373)	
8	OPEB	(37,746)	
9	Pro Forma Adjustment	<u>(\$233,766)</u>	<u>\$158,218</u>
	604.8 A&G Employee Pension And Benefits	(\$232,119)	
	636.3 Cont Serv Other Operating	(977)	
	675.7 Misc Exp Customer Accounting		\$2,875
	675.8 Misc Expense Admin & General	(670)	155,343

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$23,009,405	\$22,725,406	\$23,677,185	\$23,457,185	\$34,754,312	\$34,418,178	\$37,126,098
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$273,841	\$285,310	\$282,659	\$418,789	\$414,739	\$447,369
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		359,989					
6	Less: Present Rates 12/31/2019			273,841				
7	Less: Present Rates 12/31/2020				285,310			
8	Less: Present Rates 12/31/2021					282,659		
9	Less: Proposed Rates 12/31/2021						418,789	
10	Less: Present Rates 12/31/2022							414,739
11	Pro Forma Adjustment		(\$86,148)	\$11,469	(\$2,651)	\$136,130	(\$4,050)	\$32,630
670.7	Customer Accounting And Collecting - Bad Debt		(\$86,148)	\$11,469	(\$2,651)	\$136,130	(\$4,050)	\$32,630

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$5,496,319	\$6,193,045	\$6,312,629	\$6,842,510
2	Book Depreciation	<u>3,337,102</u>	<u>5,496,319</u>	<u>6,193,045</u>	<u>6,312,629</u>
3	Pro Forma Adjustment	<u>\$2,159,217</u>	<u>\$696,726</u>	<u>\$119,584</u>	<u>\$529,881</u>
	503 Depreciation	\$2,159,217	\$696,726	\$119,584	\$529,881

Witness: Dr. Christina E. Chard, John Spanos
Reference: Exhibits No. 11

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Scranton Sewer Auth - Acquisition Costs	Approved Docket No. R-2017-2595853	\$74,436	\$74,436	\$74,436
2	Tax Cuts and Jobs Act Stub Period and Reconciliation		0	(231,100)	(231,100)
3	Proforma Expense		74,436	(156,664)	(156,664)
4	Less: Per Books		0	74,436	(156,664)
5	Pro Forma Adjustment		\$74,436	(\$231,100)	\$0

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense for the twelve months ended
December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Property Subject to Tax	\$64,079,913	\$68,030,630	\$70,346,094	\$78,491,169
2	Property Tax UPIS	\$432,402			
3	Total	<u>\$432,402</u>			
4	Rate (Line 3 / Line 1)	\$0.006748	\$0.006748	\$0.006748	\$0.006748
5	Projected property tax expense (Line 1 x Line 4)		<u>\$459,071</u>	<u>\$474,695</u>	<u>\$529,658</u>
6	Less: Amount Charged To Operating Expense			459,071	474,695
7	During The 12 Months Ended 12/31/19		<u>432,402</u>		
8	Pro Forma Adjustment		<u><u>\$26,669</u></u>	<u><u>\$15,624</u></u>	<u><u>\$54,963</u></u>
	408.2 Taxes, Other Than Income - Property		\$26,669	\$15,624	\$54,963

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Taxes, Other than Income

Payroll Taxes

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Payroll Taxes	\$424,701	\$431,897	\$441,998
2	Less: 17.07% Not Charged To Operating Expense	72,502	73,730	75,454
3	Sub-Total	<u>352,199</u>	<u>358,167</u>	<u>366,544</u>
4	Less: Amount Charged To Operating Expense	272,547	352,199	358,167
5	Pro Forma Adjustment	<u>\$79,652</u>	<u>\$5,968</u>	<u>\$8,377</u>
	408.12 - Taxes - Payroll	\$79,652	\$5,968	\$8,377

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Total Wastewater Sales	\$22,577,936	\$23,523,810	\$23,305,175	\$34,532,213	\$34,198,163	\$36,889,282
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	94,967	98,946	98,026	145,249	143,844	155,163
4	Consumer Advocate Fee At 0.001366996958	30,864	32,157	31,858	47,205	46,749	50,428
5	Small Business Advocate Fee At 0.000162780343	3,675	3,829	3,794	5,621	5,567	6,005
6	Damage Prevention Comittee Fee At 0.000059307687	1,339	1,395	1,382	2,048	2,028	2,188
7	Subtotal	130,845	136,327	135,060	200,123	198,188	213,784
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	130,767					
10	Less: Pro Forma Under Present Rates At 12/31/2019		130,845				
11	Less: Pro Forma Under Present Rates At 12/31/2020			136,327			
12	Less: Pro Forma Under Present Rates At 12/31/2021				135,060		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					200,123	
14	Less: Pro Forma Under Present Rates 12/31/2022						198,188
15	Pro Forma Adjustment	\$78	\$5,482	(\$1,267)	\$65,063	(\$1,935)	\$15,596
	507.1 Taxes Other Than Income				\$69,356		\$13,661

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	\$425,042	(\$14,023)	(\$129,026)	\$979,092	\$754,684	\$1,020,301
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	587,882					
5 Less: Present Rates 12/31/2019		425,042				
6 Less: Present Rates 12/31/2020			(14,023)			
7 Less: Present Rates 12/31/2021				(129,026)		
8 Less: Proposed Rates 12/31/2021					979,092	
9 Less: Present Rates 12/31/2022						754,684
10 Pro Forma Adjustment	(\$162,840)	(\$439,065)	(\$115,003)	\$1,108,118	(\$224,408)	\$265,617
11 Federal Income Tax Per Computation						
12 Shown On Following Page	\$512,472	\$593,094	\$227,983	\$2,324,655	\$2,048,304	\$2,550,880
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	1,119,387					
15 Less: Present Rates 12/31/2019		512,472				
16 Less: Present Rates 12/31/2020			593,094			
17 Less: Present Rates 12/31/2021				227,983		
18 Less: Proposed Rates 12/31/2021					2,324,655	
19 Less: Present Rates 12/31/2022						2,048,304
20 Pro Forma Adjustment	(\$606,915)	\$80,622	(\$365,111)	\$2,096,672	(\$276,351)	\$502,576

Witness: John R. Wilde

Pennsylvania-American Water Company - WW CSS Scranton Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	RATE YEAR 1				RATE YEAR 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Utility Operating Income Before Taxes	\$9,563,506	\$7,371,810	\$6,594,051	\$5,454,121	\$16,550,055	\$15,353,882	\$18,013,576
2	Less: Interest Expense	3,170,239	3,170,239	3,583,035	3,585,869	3,589,532	3,830,460	3,831,320
3	Taxable Operating Income	6,393,267	4,201,571	3,011,016	1,868,252	12,960,523	11,523,422	14,182,256
4	Add: Premature Property Losses / Amortizations	0	0	74,436	(156,664)	(156,664)	(156,664)	(156,664)
5	Depr - Straight Line-Remaining Life (Including COR)	3,337,102	5,496,319	6,193,045	6,312,629	6,312,629	6,842,510	6,842,510
6	Taxable Meals & Entertainment	2,645	2,645	2,645	2,645	2,645	2,645	2,645
7	Total	3,339,747	5,498,964	6,270,126	6,158,610	6,158,610	6,688,491	6,688,491
8	Deduct:							
9	Tax Depreciation:							
10	State Tax Depreciation Adjustments	3,848,312	5,445,862	9,421,516	9,318,413	9,318,413	10,657,522	10,657,522
11	Total	3,848,312	5,445,862	9,421,516	9,318,413	9,318,413	10,657,522	10,657,522
12	State Taxable Income	5,884,702	4,254,673	(140,374)	(1,291,551)	9,800,720	7,554,391	10,213,225
13	State Income Tax At:							
14	Historic, Future And Fully Projected At 9.99%	587,882	425,042	(14,023)	(129,026)	979,092	754,684	1,020,301
15	Taxable Income After State Income Tax	5,296,820	3,829,631	(126,351)	(1,162,525)	8,821,628	6,799,707	9,192,924
16	Add:							
17	Federal Tax Depreciation Adjustments	204,676	(1,218,209)	2,836,121	2,952,425	2,952,425	3,725,971	3,725,971
18	Income Subject To Federal Income Tax	5,501,496	2,611,422	2,709,770	1,789,900	11,774,053	10,525,678	12,918,895
19	Federal Income Tax @ 21%	1,155,314	548,399	569,052	375,879	2,472,551	2,210,392	2,712,968
20	Excess ADIT	35,927	35,927	(24,042)	147,896	147,896	162,088	162,088
21	Federal Tax Liability	\$1,119,387	\$512,472	\$593,094	\$227,983	\$2,324,655	\$2,048,304	\$2,550,880
	Witness: John R. Wilde							

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$2,718,686	\$3,117,898	\$3,127,209	\$3,130,404	\$3,359,426	\$3,360,180
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	2,718,686					
5	Less: Present Rates At 12/31/2019		2,718,686				
6	Less: Present Rates At 12/31/2020			3,117,898			
7	Less: Present Rates At 12/31/2021				3,127,209		
8	Less: Proposed Rates 12/31/2021					3,130,404	
9	Less: Present Rates 12/31/2022						3,359,426
14	Pro Forma Adjustment	\$0	\$399,212	\$9,311	\$3,195	\$229,022	\$754
15	Interest On Wastewater Specific Long Term Debt Per Computation						
16	Shown On Following Page	\$451,553	\$465,137	\$458,660	\$459,128	\$471,034	\$471,140
17	Less: Interest On Wastewater Specific Long Term Debt As Per Book						
18	Computation On Following Page	451,553					
19	Less: Present Rates At 12/31/2019		451,553				
20	Less: Present Rates At 12/31/2020			465,137			
21	Less: Present Rates At 12/31/2021				458,660		
22	Less: Proposed Rates 12/31/2021					459,128	
23	Less: Present Rates 12/31/2022						471,034
28	Pro Forma Adjustment	\$0	\$13,584	(\$6,477)	\$468	\$11,906	\$106

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - WW CSS Scranton Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2019					PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$220,761,520	38.78%	4.61%	\$248,256,380	39.34%	4.54%	\$255,170,585	39.44%	4.47%	\$272,178,861	39.90%	4.35%
3	Long Term Debt - WW Specific	67,377,275	11.83%	2.51%	66,183,901	10.49%	2.54%	65,599,037	10.14%	2.55%	63,832,693	9.36%	2.60%
4	Total Debt	288,138,795	50.61%		314,440,281	49.83%		320,769,622	49.58%		336,011,554	49.26%	
5	Preferred Stock	552,155	0.10%	8.69%	395,403	0.06%	8.73%	317,293	0.05%	8.80%	61,831	0.01%	9.70%
6	Common Equity	280,645,216	49.29%		316,209,150	50.11%		325,921,359	50.37%		346,066,580	50.73%	
7	Totals	\$569,336,166	100.00%		\$631,044,834	100.00%		\$647,008,274	100.00%		\$682,139,965	100.00%	
					PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT			
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$152,072,352	\$174,570,848	\$177,383,172	\$177,564,450	\$193,554,335	\$193,597,794			
10	Debt Percentage (From Above)				38.78%	39.34%	39.44%	39.44%	39.90%	39.90%			
11	Debt Portion Of Rate Base				58,973,658	68,676,172	69,959,923	70,031,419	77,228,180	77,245,520			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$2,718,686	\$3,117,898	\$3,127,209	\$3,130,404	\$3,359,426	\$3,360,180			
14	Application Of Wastewater Specific Long Term Debt Interest:												
15	Original Cost Rate Base				\$152,072,352	\$174,570,848	\$177,383,172	\$177,564,450	\$193,554,335	\$193,597,794			
16	Debt Percentage (From Above)				11.83%	10.49%	10.14%	10.14%	9.36%	9.36%			
17	Debt Portion Of Rate Base				17,990,159	18,312,482	17,986,654	18,005,035	18,116,686	18,120,754			
18	Interest Cost (From Above)				2.51%	2.54%	2.55%	2.55%	2.60%	2.60%			
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$451,553	\$465,137	\$458,660	\$459,128	\$471,034	\$471,140			

Witness: Ann E. Bulkley

Wastewater CSS McKeesport Operations

Pennsylvania-American Water Company - WW CSS McKeesport Operations

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Pennsylvania-American Water Company - WW CSS McKeesport Operations

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Pennsylvania-American Water Company - WW CSS McKeesport Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020 and December 31, 2021 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		12/31/19		12/31/20		12/31/21		PROPOSED RATES		12/31/22		PROPOSED RATES						
		PER BOOKS	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT	ADJUSTMENT	PRESENT RATES	RATE INCREASE	AMOUNT				
1	Operating Revenue	\$11,884,533	\$134,140	\$12,018,673	\$477,490	\$12,496,163	(\$127,106)	\$12,369,057	\$17,678,525	\$30,047,582	(\$144,538)	\$29,903,044	\$78,557	\$29,981,600	1			
2	Operating Revenue Deductions:														2			
3	Operating Expenses	5,616,575	(202,316)	5,414,259	(30,457)	5,383,802	1,561,357	6,945,160	213,026	7,158,186	162,218	7,320,403	946	7,321,349	3			
4	Depreciation	5,594,240	142,682	5,736,922	237,425	5,974,347	(27,550)	5,946,797	0	5,946,797	(39,540)	5,907,257	0	5,907,257	4			
5	Amortizations	0	0	0	0	0	301,857	301,857	0	301,857	0	301,857	0	301,857	5			
6	Taxes, Other Than Income:														6			
7	Local Property And Miscellaneous	309,524	0	309,524	11,145	320,669	4,908	325,577	0	325,577	14,729	340,306	0	340,306	7			
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	9			
10	Payroll Taxes	181,926	0	181,926	(7,562)	174,364	2,511	176,875	0	176,875	6,013	182,888	0	182,888	10			
11	General Assessment	68,138	977	69,115	2,751	71,866	(732)	71,134	101,817	172,951	(833)	172,118	452	172,570	11			
12	State Capital Stock Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	12			
13	Total Taxes Other Than Income	559,588	977	560,565	6,334	566,899	6,687	573,586	101,817	675,403	19,909	695,312	452	695,764	13			
14	Utility Operating Income Before Income Taxes	114,130	192,797	306,927	264,188	571,115	(1,969,457)	(1,398,343)	17,363,682	15,965,339	(287,125)	15,678,214	77,159	15,755,373	14			
15	Income Taxes:														15			
16	State Income Tax	(413,123)	115,001	(298,122)	(311,719)	(609,841)	(112,045)	(721,886)	1,734,059	1,012,173	(85,421)	926,752	7,706	934,458	16			
17	Federal Income Tax	(708,216)	(126,484)	(834,700)	262,936	(571,764)	(214,714)	(786,478)	3,281,017	2,494,539	(55,914)	2,438,625	14,580	2,453,205	17			
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	18			
19	Total Income Taxes	(1,121,339)	(11,483)	(1,132,822)	(48,783)	(1,181,605)	(326,759)	(1,508,364)	5,015,076	3,506,712	(141,335)	3,365,377	22,286	3,387,663	19			
20	Total Operating Revenue Deductions	10,649,064	(70,140)	10,578,924	164,519	10,743,443	1,515,592	12,259,036	5,329,919	17,588,955	1,252	17,590,206	23,684	17,613,890	20			
21	Utility Operating Income	1,235,469	204,280	1,439,749	312,971	1,752,720	(1,642,698)	110,021	12,348,606	12,458,627	(145,790)	12,312,837	54,873	12,367,710	21			
22	Income Deductions:														22			
23	Interest On Long Term Debt	2,803,579	0	2,803,579	192,986	2,996,565	(57,308)	2,939,257	5,001	2,944,258	(66,797)	2,877,461	21	2,877,482	23			
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	24			
25	Interest On Notes Payable To Others	465,653	0	465,653	(18,617)	447,036	(15,209)	431,093	734	431,827	(28,371)	403,456	3	403,459	25			
26	Total Income Deductions	3,269,232	0	3,269,232	174,369	3,443,601	(72,517)	3,370,350	5,735	3,376,085	(95,168)	3,280,917	24	3,280,941	26			
27	Net Income	(\$2,033,763)	\$204,280	(\$1,829,483)	\$138,602	(\$1,690,881)	(\$1,570,181)	(\$3,260,329)	\$12,342,871	\$9,082,542	(\$50,622)	\$9,031,920	\$54,849	\$9,086,769	27			
28	Preferred Dividends	13,628		13,628		8,788		7,336		7,348		1,608		1,608	28			
29	Net Income To Common	(\$2,047,391)		(\$1,843,111)		(\$1,699,669)		(\$3,267,665)		\$9,075,194		\$9,030,312		\$9,085,161	29			

PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS MCKEESPORT

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	ANNUALIZATION OF ACQUIRED SYSTEMS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING USAGE		DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$5,604,601	\$17,444	\$0	\$34,308	\$5,656,353	\$15,379	(\$110,192)	\$0	\$278,077	\$5,839,617
4	522.2	COMMERCIAL	2,482,199	(62,231)	0	0	2,419,968	0	(23,667)	0	119,815	2,516,116
5	522.3	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
6	522.4	MUNICIPAL	284,902	9,407	0	0	294,309	0	0	0	14,715	309,024
7	522.4	BULK	3,412,887	195,115	0	(52,310)	3,555,692	0	0	0	180,400	3,736,092
8		TOTAL METERED SALES	11,784,589	159,735	0	(18,002)	11,926,322	15,379	(133,859)	0	593,007	12,400,849
9		UNMETERED SALES										
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0	0	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0	0	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
14	522.4	BULK	0	0	0	0	0	0	0	0	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0	0	0	0
16		TOTAL WASTEWATER SALES	11,784,589	159,735	0	(18,002)	11,926,322	15,379	(133,859)	0	593,007	12,400,849
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0	0	0	0
19	532	LATE PAYMENT FEES	82,049	0	0	(7,593)	74,456	2,963	0	0	0	77,419
20	536	MISC SERVICE REVENUES	17,895	0	0	0	17,895	0	0	0	0	17,895
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0	0	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0	0	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0	0	0	0
24		TOTAL OTHER OPERATING REVENUES	99,944	0	0	(7,593)	92,351	2,963	0	0	0	95,314
25												
26		TOTAL OPERATING REVENUES	\$11,884,533	\$159,735	\$0	(\$25,595)	\$12,018,673	\$18,342	(\$133,859)	\$0	\$593,007	\$12,496,163
												PAGE 1 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS MCKEESPORT

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$5,839,617	\$7,690	\$0	(\$110,340)	\$0	\$5,736,967	197.29%	\$11,318,621	\$17,055,588
4	522.2	COMMERCIAL	2,516,116	0	0	(23,667)	0	2,492,449	102.02%	2,542,718	5,035,167
5	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	-
6	522.4	MUNICIPAL	309,024	0	0	0	0	309,024	90.92%	280,952	589,976
7	522.4	BULK	3,736,092	0	0	0	0	3,736,092	91.71%	3,426,552	7,162,644
8		TOTAL METERED SALES	12,400,849	7,690	0	(134,007)	0	12,274,532	143.13%	17,568,843	29,843,375
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	BULK	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	12,400,849	7,690	0	(134,007)	0	12,274,532	143.13%	17,568,843	29,843,375
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	77,419	0	(789)	0	0	76,630	143.13%	109,682	186,312
20	536	MISC SERVICE REVENUES	17,895	0	0	0	0	17,895	0.00%	0	17,895
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES									
25			95,314	0	(789)	0	0	94,525	116.03%	109,682	204,207
26		TOTAL OPERATING REVENUES	\$12,496,163	\$7,690	(\$789)	(\$134,007)	\$0	\$12,369,057	142.93%	\$17,678,525	\$30,047,582
											PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS MCKEESPORT

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING USAGE	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$17,055,588	\$33,684	\$0	(\$153,194)		\$16,936,078	-0.48%	(\$80,922)	\$16,855,156
4	522.2	COMMERCIAL	5,035,167	0	0	(24,131)		5,011,036	0.43%	21,349	5,032,385
5	522.3	INDUSTRIAL	0	0	0	0		0	0.00%	0	0
6	522.4	MUNICIPAL	589,976	0	0	0		589,976	0.88%	5,213	595,189
7	522.4	BULK	7,162,644	0	0	0		7,162,644	1.85%	132,430	7,295,074
8		TOTAL METERED SALES	29,843,375	33,684	0	(177,325)	0	29,699,734	0.26%	78,070	29,777,804
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0		0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	BULK	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
16		TOTAL WASTEWATER SALES	29,843,375	33,684	0	(177,325)	0	29,699,734	0.26%	78,070	29,777,804
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	186,312	0	(897)	0	0	185,415	0.26%	487	185,902
20	536	MISC SERVICE REVENUES	17,895	0	0	0	0	17,895	0.00%	0	17,895
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	204,207	0	(897)	0	0	203,310	0.24%	487	203,797
26		TOTAL OPERATING REVENUES	\$30,047,582	\$33,684	(\$897)	(\$177,325)	\$0	\$29,903,044	0.26%	\$78,557	\$29,981,601
											PAGE 3 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW CSS MCKEESPORT

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	ADJUSTMENT	PRESENT RATES 12/31/19 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/20 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/21 AMOUNT	ADJUSTMENT	PRESENT RATES 12/31/22 AMOUNT
1	Per Books		\$11,884,533						
2	Present Rates At 12/31/19				\$12,018,673				
3	Present Rates At 12/31/20						\$12,496,163		
4	Proposed Rates At 12/31/21								\$30,047,582
5	Unbilled Adjustment	159,735							
6	Change In Customers Adjustment	34,308		\$15,379		\$7,690		\$33,684	
7	Declining Residential and Commercial Usage			(133,859)		(134,007)		(177,325)	
8	DSIC Annualization			593,007					
9	Specific Customers Adjustment	(52,310)							
10	Other Operating Revenues								
11	532 - Penalties	(7,593)		2,963		(789)		(897)	
12	Pro Forma Adjustment		134,140		477,490		(127,106)		(144,538)
13	Pro Forma Present Rates At December 31, 2019		<u>\$12,018,673</u>						
14	Pro Forma Present Rates At December 31, 2020				<u>\$12,496,163</u>				
15	Pro Forma Present Rates At December 31, 2021						<u>\$12,369,057</u>		
16	Pro Forma Present Rates At December 31, 2022								<u>\$29,903,044</u>

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	\$17,444
3	Commercial	(62,231)
4	Industrial	0
5	Municipal	9,407
6	Miscellaneous (Bulk Customers)	<u>195,115</u>
7	Total Metered Sales	\$159,735
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	<u>0</u>
14	Total Unmetered Sales	\$0
15	Total Unbilled Wastewater Sales	<u>\$159,735</u>
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	<u><u>\$159,735</u></u>

Witness: Ashley Everette

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Revenues

DSIC Annualization Adjustment

This revenue adjustment is being made to reflect the annualization of the Distribution System Improvement Charge revenues for 2020 based on the Company's pro forma level at December 31, 2020 and the 5.00% rate that is expected to become effective on October 1, 2020.

LINE NO.	DESCRIPTION	12/31/2019 PER BOOK DSIC REVENUE	12/31/2020 ANNUALIZED DSIC REVENUE	12/31/2020 PRO FORMA ADJUSTMENT
1	Metered Sales			
2	Residential	\$0	\$278,077	\$278,077
3	Commercial	0	119,815	119,815
4	Industrial	0	0	0
5	Municipal	0	14,715	14,715
6	Sales For Resale	0	0	0
7	Bulk	0	180,400	180,400
8	Total Metered Sales	\$0	\$593,007	\$593,007
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Billed Water Sales	\$0	\$593,007	\$593,007
19	Other Operating Revenues	\$0	\$0	\$0
20	Pro Forma Adjustment	\$0	\$593,007	\$593,007

Witness: Ashley Everette
Reference: FR II.2

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Revenues

Declining Residential and Commercial Usage Adjustment

This adjustment is being made to address the declining trend in residential and commercial usage that has been experienced for many years and is expected to continue to occur. Please refer to the testimony of Gregory Roach (PAWC Statement No. 9).

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Metered Sales			
2	Residential	(\$110,192)	(\$110,340)	(\$153,194)
3	Commercial	(23,667)	(23,667)	(24,131)
4	Industrial	0	0	0
5	Municipal	0	0	0
6	Sales For Resale	0	0	0
7	Miscellaneous	0	0	0
8	Total Metered Sales	(\$133,859)	(\$134,007)	(\$177,325)
9	Unmetered Sales			
10	Residential	\$0	\$0	\$0
11	Commercial	0	0	0
12	Industrial	0	0	0
13	Municipal	0	0	0
14	Sales For Resale	0	0	0
15	Total Unmetered Sales	\$0	\$0	\$0
16	Private Fire Protection	\$0	\$0	\$0
17	Public Fire Protection	0	0	0
18	Total Water Sales	(\$133,859)	(\$134,007)	(\$177,325)
19	Miscellaneous Service Fees	\$0	\$0	\$0
20	Rents From Properties	0	0	0
21	Other Water Revenues	0	0	0
22	Total Operating Revenues	(\$133,859)	(\$134,007)	(\$177,325)

Witness: Ashley Everette

Reference: FR II.2

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Revenues

Specific Customer Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Commercial				
2	Industrial				
3	Municipal				
4	Bulk				
5	Elizabeth Township Sanitation	35,923			
6	Liberty, Glassport, Lincoln	(88,233)			
7	Total	<u>(\$52,310)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Witness: Ashley E. Everette

Reference: FR II.2

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Revenues

Change in Revenues due to change in Number of Customers

The following historic revenue adjustment reflects the change in revenues due to the average change in number of customers during the twelve months ended December 31, 2019. The following future and fully forecasted revenue adjustment reflects the change in revenues due to the projected change in number of customers during the twelve months ending December 31, 2020 through December 31, 2022. Projections were based on a three year historical growth average exclusive of acquisitions.

LINE NO.	DESCRIPTION	CALCULATION REFERENCE	PRESENT RATES 12/31/2019 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2020 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2021 REVENUE ADJUSTMENT	PRESENT RATES 12/31/2022 REVENUE ADJUSTMENT
1	Residential Metered Customers	FR II.2	\$34,308	\$15,379	\$7,690	\$33,684
2	Residential revenue was adjusted by applying					
3	the average annual consumption per residential					
4	customer to the projected increase in customers					
5	for the test year 2019, 2020, 2021 and 2022.					
6	Residential Unmetered Customers					
7	Commercial Metered Customers	FR II.2				
8	No change is being made to commercial customers					
9	for growth.					
10	Industrial, Municipal And Sale For Resale	FR II.2				
11	Metered Customers					
12	Those large enough to warrant an adjustment are					
13	shown as specific customer adjustments.					
14	Pro Forma Adjustment		<u>\$34,308</u>	<u>\$15,379</u>	<u>\$7,690</u>	<u>\$33,684</u>

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	9,571	9,652	9,678	9,704	9,730	9,730	0	0
3	601.2	Commercial	848	855	855	855	855	855	0	0
4	601.3	Industrial	0	0	0	0	0	0	0	0
5	606	Municipal	53	54	54	54	54	54	0	0
6	607	Resale	0	0	0	0	0	0	0	0
7	601.4	Bulk	7	7	7	7	7	7	0	0
8		Metered	10,479	10,568	10,594	10,620	10,646	10,646	0	0
9		Unmetered (Flat Rate)								
10	602.1	Residential	0	0	0	0	0	0	0	0
11	602.2	Commercial	0	0	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	0	0	0	0	0	0	0	0
16	604	Private Fire	0	0	0	0	0	0	0	0
17	605	Public Fire	0	0	0	0	0	0	0	0
18	Total Customers		10,479	10,568	10,594	10,620	10,646	10,646	0	0

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020 and 2021. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Wastewater Sales	\$11,944,324	\$11,926,322	\$12,400,849	\$12,274,532	\$29,843,374	\$29,699,734	\$29,777,804
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties	82,049	74,456	77,419	76,630	186,312	185,415	185,903
5 Less: Per Books At 12/31/2019		82,049					
6 Less: Present Rates At 12/31/2019			74,456				
7 Less: Present Rates At 12/31/2020				77,419			
8 Less: Present Rates At 12/31/2021					76,630		
9 Less: Proposed Rates At 12/31/2021						186,312	
10 Less: Present Rates At 12/31/2022							185,415
11 Pro Forma Adjustments		(\$7,593)	\$2,963	(\$789)	\$109,682	(\$897)	\$488

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION			RATE YEAR 1		RATE YEAR 2	
		DEPRECIATED ORIGINAL COST 12/31/19	DEPRECIATED ORIGINAL COST 12/31/20	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED PROPOSED 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED PROPOSED 12/31/22
1	Non-Depreciable Plant	\$1,110,000	\$1,110,000	\$1,110,000	\$1,110,000	\$1,110,000	\$1,110,000
2	Depreciable Plant	348,980,890	365,377,812	368,228,465	368,228,465	376,959,839	376,959,839
3	Total Utility Plant In Service	350,090,890	366,487,812	369,338,465	369,338,465	378,069,839	378,069,839
4	Deduct:						
5	Contributions In Aid Of Construction	0	0	0	0	0	0
6	Customer Advances For Construction	0	0	0	0	0	0
7	Excluded Property	0	0	0	0	0	0
8	Sub-Total	0	0	0	0	0	0
9	Net Utility Plant In Service	350,090,890	366,487,812	369,338,465	369,338,465	378,069,839	378,069,839
10	Accumulated Depreciation	186,805,632	191,518,060	194,342,498	194,342,498	202,746,531	202,746,531
11	Depreciated Utility Plant In Service	163,285,258	174,969,752	174,995,967	174,995,967	175,323,308	175,323,308
12	Add:						
13	Materials And Supplies	2,159	2,159	2,159	2,159	2,159	2,159
14	Cash Working Capital - Expenses	474,933	456,331	712,732	712,732	740,407	740,407
15	Accrued And Prepaid Taxes	89,319	86,038	72,534	356,797	353,856	355,118
16	Acquisition Adjustments	0	1,063,548	1,050,254	1,050,254	1,010,370	1,010,370
17	Other Additions	0	0	0	0	0	0
18	Deduct:						
19	Cash Working Capital - Int And Div	373,341	393,332	384,968	385,593	374,782	374,824
20	Unamortized Itc (3%)	0	0	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	0	0	0	0	0	0
23	Other Deductions	0	0	0	0	0	0
24	Deferred Taxes	6,657,377	8,407,063	9,726,587	9,726,587	11,269,538	11,269,538
25	Total Rate Base Elements	\$156,820,951	\$167,777,433	\$166,722,091	\$167,005,729	\$165,785,780	\$165,787,000
26	Utility Operating Income						
27	Per Books	\$1,235,469	0.79%	0.74%	0.74%	0.75%	0.75%
28	Present Rates At 12/31/2019	1,439,749	0.92%	-	-	-	-
29	Present Rates At 12/31/2020	1,752,720	-	1.04%	-	-	-
30	Present Rates At 12/31/2021	110,021	-	-	0.07%	-	-
31	Proposed Rates At 12/31/2021	12,458,627	-	-	7.46%	-	-
32	Present Rates At 12/31/2022	12,312,837	-	-	-	7.43%	-
33	Proposed Rates At 12/31/2022	12,367,710	-	-	-	-	7.46%

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	352.00	Franchises & Consents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.00	Land & Land Rights	1,110,000	0	0	1,110,000	0	0	1,110,000	1,110,000	0	0	1,110,000
3		Total Intangible Plant	<u>\$1,110,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,110,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,110,000</u>	<u>\$1,110,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,110,000</u>
4	354.20	Structures And Improvements - Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	354.30	Structures And Improvements - SPP	14,409,709	586,857	59,606	14,936,961	493,158	28,432	15,401,686	15,169,324	493,158	28,296	15,866,547
6	354.40	Structures And Improvements - TDP	51,333,675	2,090,643	212,342	53,211,976	1,756,842	101,286	54,867,532	54,039,754	1,756,842	100,804	56,523,570
7	354.70	Structures And Improvements - General		0	0	0	0	0	0	0	0	0	0
8	355.00	Power Generation Equipment	908,631	112,498	11,426	1,009,702	0	0	1,009,702	1,009,702	0	0	1,009,702
9	360.10	Collection Sewers - Force Mains	1,512,126	335,220	34,047	1,813,298	340,990	19,659	2,134,629	1,973,964	367,327	21,077	2,480,880
10	361.10	Collection Sewers - Gravity Mains	222,703,344	12,527,281	503,937	234,726,687	3,068,911	176,930	237,618,667	236,172,677	3,305,944	189,689	240,734,922
11	361.20	Manholes	15,237,345	138,000	9,141	15,366,204	138,000	5,189	15,499,015	15,432,609	65,000	2,582	15,561,433
12	363.00	Services		0	0	0	0	0	0	0	0	0	0
13	364.00	Flow Measuring Devices	558,990	0	0	558,990	0	0	558,990	558,990	0	0	558,990
14	365.00	Flow Measuring Installations		0	0	0	0	0	0	0	0	0	0
15	370.00	Receiving Wells		0	0	0	0	0	0	0	0	0	0
16	371.00	Pumping Equipment	7,444,617	949,643	96,453	8,297,806	0	0	8,297,806	8,297,806	0	0	8,297,806
17	380.00	Treatment Equipment	31,086,631	406,990	45,908	31,447,713	0	0	31,447,713	31,447,713	0	0	31,447,713
18	381.00	Plant Sewers		0	0	0	0	0	0	0	0	0	0
19	382.00	Outfall Sewer Lines		45,000	0	45,000	0	0	45,000	45,000	0	0	45,000
20	389.10	Other Plant And Miscellaneous Equipment - Intangibles		0	0	0	0	0	0	0	0	0	0
21	390.00	Office Furniture And Equipment	440,996	46,980	16,461	471,515	46,980	0	518,495	495,005	46,980	0	565,475
22	390.20	Computers & Peripheral		0	0	0	0	0	0	0	0	0	0
23	391.00	Transportation Equipment	1,211,655	0	0	1,211,655	0	0	1,211,655	1,211,655	0	0	1,211,655
24	392.00	Stores Equipment		0	0	0	0	0	0	0	0	0	0
25	393.00	Tools, Shop And Garage Equipment	211,449	164,430	22,694	353,185	164,430	0	517,615	435,400	164,430	0	682,045
26	394.00	Laboratory Equipment	119,685	0	12,015	107,670	0	0	107,670	107,670	0	0	107,670
27	395.00	Power Operated Equipment	714,356	0	0	714,356	0	0	714,356	714,356	0	0	714,356
28	396.00	Communication Equipment	1,087,684	23,490	6,079	1,105,095	23,490	0	1,128,585	1,116,840	23,490	0	1,152,075
29	397.00	Miscellaneous Equipment		0	0	0		0	0	0	0	0	0
30		Total Tangible Plant	<u>\$348,980,890</u>	<u>\$17,427,031</u>	<u>\$1,030,109</u>	<u>\$365,377,812</u>	<u>\$6,032,801</u>	<u>\$331,496</u>	<u>\$371,079,117</u>	<u>\$368,228,465</u>	<u>\$6,223,171</u>	<u>\$342,449</u>	<u>\$376,959,839</u>
31		Total Utility Plant In Service	<u>\$350,090,890</u>	<u>\$17,427,031</u>	<u>\$1,030,109</u>	<u>\$366,487,812</u>	<u>\$6,032,801</u>	<u>\$331,496</u>	<u>\$372,189,117</u>	<u>\$369,338,465</u>	<u>\$6,223,171</u>	<u>\$342,449</u>	<u>\$378,069,839</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the materials and supplies account during the period December 2018 to December 2019.

LINE NO.	MONTH	DETAIL	PRESENT RATES
			12/31/2020 through 12/31/2022 AMOUNT
1	December, 2018	\$1,308	
2	January, 2019	2,893	
3	February	1,666	
4	March	2,548	
5	April	2,570	
6	May	1,012	
7	June	1,207	
8	July	2,852	
9	August	2,830	
10	September	2,823	
11	October	2,792	
12	November	2,718	
13	December, 2019	852	
14	Total	<hr/> \$28,072	
15	Average		\$2,159
16	Allowance For Materials And Supplies		<hr/>
17	At 12/31/2020 through 12/31/2022		<hr/> <hr/> \$2,159

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the twelve months ended December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital requirements.

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2 Bi-Monthly Billings					
3 Lag Days					
4 Dollar Days					
5 Quarterly					
6 Lag Days					
7 Dollar Days					
8 Monthly Billings	\$12,044,268	\$12,018,673	\$12,496,163	\$12,369,057	\$29,903,044
9 Lag Days	50.7	50.7	50.7	50.7	50.7
10 Dollar Days	\$610,764,830	\$609,466,908	\$633,680,426	\$627,234,880	\$1,516,383,351
11 Total Billed Revenue	\$12,044,268	\$12,018,673	\$12,496,163	\$12,369,057	\$29,903,044
12 Total Dollar Days	\$610,764,830	\$609,466,908	\$633,680,426	\$627,234,880	\$1,516,383,351
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)	50.7	50.7	50.7	50.7	50.7
14 Deduct: Average Lag In Payment Of					
15 Operating Expenses	19.2	18.9	19.8	13.3	13.7
16 Average Lag Between Payment Of Operating					
17 Expenses And Receipt Of Revenues	31.5	31.8	30.9	37.4	37.0
18 Working Capital Requirements					
19 Annual Operating Expenses (Including Payroll Expenses)		\$5,451,360	\$5,390,260	\$6,955,661	\$7,304,176
20 Operating Expenses Per Day (Line 20 / 365 Days)		14,935	14,768	19,057	20,011
21 Cash Working Capital Required					
22 (Line 17 * Line 20)		\$474,933	\$456,331	\$712,732	\$740,407

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO.	DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022		
			DOLLAR	DOLLAR	DOLLAR	DOLLAR	DOLLAR	DOLLAR				
			AMOUNT	DAYS	AMOUNT	DAYS	AMOUNT	DAYS	AMOUNT	DAYS		
1	Labor and Payroll Taxes	12.14	\$2,500,195	\$30,352,367	\$2,500,195	\$30,352,367	\$2,367,498	\$28,741,426	\$2,402,835	\$29,170,417	\$2,487,455	\$30,197,704
2	Group Insurance	10.92	452,783	4,944,390	452,783	4,944,390	437,315	4,775,480	464,322	5,070,396	492,994	5,383,494
3	OPEB's and VEBA	0.00	40,192	0	40,192	0	40,192	0	40,192	0	40,192	0
4	Pension	13.14	128,152	1,683,917	128,152	1,683,917	128,152	1,683,917	128,152	1,683,917	128,152	1,683,917
5	Purchased Power	24.97	764,893	19,099,378	762,992	19,051,910	1,005,217	25,100,268	1,000,836	24,990,875	987,719	24,663,343
6	Purchased Water	34.69	0	0	0	0	0	0	0	0	0	0
7	Chemicals	48.81	14,992	731,760	14,992	731,760	14,277	696,870	14,999	732,111	15,758	769,158
8	Miscellaneous	31.01	1,029,557	31,926,563	869,763	26,971,351	902,945	28,000,324	1,014,556	31,461,379	1,232,254	38,212,194
9	Transportation	39.23	197,903	7,763,735	197,903	7,763,735	75,251	2,952,097	76,772	3,011,766	78,266	3,070,375
10	Ins Other Than Group	(53.43)	64,975	(3,471,614)	64,975	(3,471,614)	0	0	538,525	(28,773,391)	549,248	(29,346,321)
11	Service Company	12.14	0	0	0	0	0	855,058	10,380,409	872,725	10,594,883	
12	Waste Disposal	45.65	284,760	12,999,294	284,760	12,999,294	284,760	12,999,294	284,760	12,999,294	284,760	12,999,294
13	Telephone	8.71	88,795	773,404	88,795	773,404	88,795	773,404	88,795	773,404	88,795	773,404
14	Rents	8.05	11,471	92,342	11,471	92,342	11,471	92,342	11,471	92,342	11,471	92,342
15	Natural Gas	31.80	34,387	1,093,507	34,387	1,093,507	34,387	1,093,507	34,387	1,093,507	34,387	1,093,507
16	Totals		\$5,613,055	\$107,989,043	\$5,451,360	\$102,986,363	\$5,390,260	\$106,908,929	\$6,955,661	\$92,686,426	\$7,304,176	\$100,187,294
17	Average Lag			19.2		18.9		19.8		13.3		13.7
18	Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$5,798,501		\$5,596,185		\$5,558,166		\$7,122,035		\$7,503,291	
19	Uncollectibles		185,446		144,825		150,579		149,047		181,788	
20	Amortizations		0		0		17,327		17,327		17,327	
21	Sum Of Other Expenses		4,583,498		4,581,597		4,487,315		5,941,105		6,071,922	
22	Miscellaneous		\$1,029,557		\$869,763		\$902,945		\$1,014,556		\$1,232,254	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		RATE YEAR 1 PROPOSED RATES 12/31/2021		RATE YEAR 2			
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PRESENT RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PROPOSED RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	213.1	\$69,115	\$40,352	\$71,866	\$41,958	\$71,134	\$41,531	\$172,951	\$100,975	\$172,118	\$100,489	\$172,570	\$100,753
2	Public Utility Realty Tax	61.0	0	0	0	0	0	0	0	0	0	0	0	0
3	Local Property Tax	115.3	309,524	97,776	320,669	101,296	325,577	102,847	325,577	102,847	340,306	107,499	340,306	107,499
4	State Income Tax	21.4	(298,122)	(17,479)	(609,841)	(35,755)	(721,886)	(42,324)	1,012,173	59,344	926,752	54,336	934,458	54,787
5	Federal Income Tax	13.7	(834,700)	(31,330)	(571,764)	(21,461)	(786,478)	(29,520)	2,494,539	93,631	2,438,625	91,532	2,453,205	92,079
6	Totals			<u>\$89,319</u>		<u>\$86,038</u>		<u>\$72,534</u>		<u>\$356,797</u>		<u>\$353,856</u>		<u>\$355,118</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

NO.	DESCRIPTION	LONG TERM INTEREST	SHORT TERM INTEREST	PREFERRED DIVIDEND				
1	Average Lag Calculation							
2	Future Revenue Lag Days	50.7	50.7	50.7				
3	Less: Interest Payments Lag Days	92.4	15.2	46.2				
4	Average Lag Between The Payment	(41.7)	35.5	4.5				
5	Of Interest And The Receipt							
6	Of Revenues							
					RATE YEAR 1		RATE YEAR 2	
					PRESENT RATES	PRESENT RATES	PRESENT RATES	PROPOSED AMOUNT
					12/31/19	12/31/20	12/31/21	12/31/21
7	Long Term Debt							
8	Working Capital Requirements							
9	Pro Forma Annual Interest Expense	\$2,803,579		\$2,996,565	\$2,939,257	\$2,944,258	\$2,877,461	\$2,877,482
10	Interest Expense Per Day							
11	(Line 9 / 365 Days)	7,681		8,210	8,053	8,066	7,883	7,884
12	Cash Working Capital Required							
13	(Line 4 Col.1 X Line 11)		(320,298)		(342,357)	(335,810)	(336,352)	(328,721)
								(328,763)
14	Long Term Debt - Wastewater Specific							
15	Working Capital Requirements							
16	Pro Forma Annual Interest Expense	465,653		447,036	431,093	431,827	403,456	403,459
17	Interest Expense Per Day							
18	(Line 16 / 365 Days)	1,276		1,225	1,181	1,183	1,105	1,105
19	Cash Working Capital Required							
20	(Line 4 Col.1 X Line 18)		(53,209)		(51,083)	(49,248)	(49,331)	(46,079)
								(46,079)
21	Preferred Dividends							
22	Working Capital Requirements							
23	Pro Forma Annual Dividend Expense	13,628		8,788	7,336	7,348	1,608	1,608
24	Dividend Expense Per Day							
25	(Line 23 / 365 Days)	37		24	20	20	4	4
26	Cash Working Capital Required							
27	(Line 4 Col.3 X Line 25)		167		108	90	90	18
								18
28	Total Cash Working Capital Required							
29	(Line 13 + Line 20 + Line 27)		(\$373,341)		(\$393,332)	(\$384,968)	(\$385,593)	(\$374,782)
								(\$374,824)

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of the Municipal Authority of the City of McKeesport (acquired at Docket No. A-2017-2606103).

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	2021 Amortizations (Half-Year)	PRESENT RATES 12/31/2021 AMOUNT	2021 Amortizations (Half-Year)	2022 Amortizations	PRESENT RATES 12/31/2022 AMOUNT
1	McKeesport Transaction Costs	Seeking Approval	\$1,063,548	\$13,294	\$1,050,254	\$13,295	\$26,589	\$1,010,370
2	Effect to Rate Base Element		<u>\$1,063,548</u>	<u>\$13,294</u>	<u>\$1,050,254</u>	<u>\$13,295</u>	<u>\$26,589</u>	<u>\$1,010,370</u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax	(\$6,657,377)	(\$8,407,063)	(\$9,726,587)	(\$11,269,538)
2	Less: Prior Year		(6,657,377)	(8,407,063)	(9,726,587)
3	Effect to Rate Base Element	<u>(\$6,657,377)</u>	<u>(\$1,749,686)</u>	<u>(\$1,319,524)</u>	<u>(\$1,542,951)</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0	0
5	610.1	Purchased Water	0	0	0	0	0
6	615.1	Purchased Power	0	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	0	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0	0
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	0	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0	0
18	636.2	Contract Services	0	0	0	0	0
19		-Miscellaneous-					
20	675.1	Miscellaneous Operating Expense	0	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0	\$0
23		Water Treatment					
24		-Operation-					
25	601.3	Salary And Wages	\$749,785	\$749,785	\$709,619	\$720,156	\$745,388
26	601.4	Salary And Wages	76,454	76,454	72,358	73,432	76,005
27	604.3	Employee Pension And Benefits	0	0	0	0	0
28	615.3	Purchased Power	467,017	465,175	694,621	690,366	677,843
29	618.3	Chemicals	14,992	14,933	14,074	14,643	15,265
30	620.3	Materials And Supplies	43,858	43,858	43,858	43,858	43,858
31	631.3	Contract Services - Engineering	0	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0	0
34	635.3	Contract Services - Test	(5,185)	(5,185)	(5,185)	(5,185)	(5,185)
35	636.3	Contract Services	271,031	271,031	271,031	271,031	271,031
36	641.3	Rental Of Building	0	0	0	0	0
37	642.3	Rental Of Equipment	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)
38	650.3	Transportation	0	0	0	0	0
39		-Maintenance-					
40	620.4	Materials And Supplies	76	76	76	76	76
41	631.4	Contract Services - Engineering	0	0	0	0	0
42	636.4	Contract Services	33,915	33,915	33,915	33,915	33,915
43	650.4	Transportation	0	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	321	321	321	321	321
45		-Miscellaneous-					
46	675.3	Miscellaneous Operating Expense	358,521	358,521	358,521	358,521	358,521
47							
48		Total Water Treatment Expense	\$1,997,146	\$1,995,245	\$2,179,570	\$2,187,495	\$2,203,399
49		Transmission And Distribution					
50		-Operation-					
51	601.5	Salary And Wages	\$435,525	\$435,525	\$412,194	\$418,314	\$432,970
52	601.6	Salary And Wages	1,139	1,139	1,078	1,094	1,132
53	604.5	Employee Pension And Benefits	0	0	0	0	0
54	615.5	Purchased Power	0	0	12,923	12,950	12,493
55	620.5	Materials And Supplies	9,422	9,422	9,422	9,422	9,422
56	631.5	Contract Services - Engineering	0	0	0	0	0
57	636.5	Contract Services	16,149	16,149	16,149	16,149	16,149
58	641.5	Rental Of Building	0	0	0	0	0
59	642.5	Rental Of Equipment	25,110	25,110	25,110	25,110	25,110
60	650.5	Transportation	396	210	210	210	210

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$13,211	\$13,211	\$20,849	\$29,032	\$37,064
3	631.6	Contract Services - Engineering	0	0	0	0	0
4	636.6	Contract Services	0	0	0	0	0
5	650.6	Transportation	0	0	0	0	0
6	675.6	Miscellaneous Operating Expense	72,924	72,924	72,924	72,924	72,924
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	124,613	124,613	124,613	124,613	124,613
9		Total Transmission And Distribution	\$698,303	\$698,303	\$695,472	\$709,818	\$732,087
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0	0
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	2,499	2,499	2,499	2,499	2,499
20	642.7	Rental Of Equipment	0	0	0	0	0
21	650.7	Transportation	0	0	0	0	0
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	185,446	144,825	150,579	149,047	360,332
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	34,459	34,459	34,459	54,077	54,077
26		Total Customer Accounting	\$222,404	\$181,783	\$187,537	\$205,623	\$416,908
27		Administrative And General					
28	601.8	Salary And Wages	\$1,072,993	\$1,061,241	\$1,003,760	\$1,018,839	\$1,054,947
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	805,125	652,035	638,612	668,017	703,102
31	615.8	Purchased Power	297,876	297,876	297,876	297,876	297,876
32	620.8	Materials And Supplies	21,520	21,520	21,520	21,520	21,520
33	631.8	Contract Services	0	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0	0
36	634.8	Contract Services - Management	0	0	0	855,058	872,725
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	59,103	64,151	64,151	64,151	64,151
39	641.8	Rental Of Building	0	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0	0
41	650.8	Transportation	197,692	197,692	75,040	76,561	78,055
42	656.8	Insurance - Vehicles	0	0	0	8,741	8,916
43	657.8	Insurance	0	0	0	372,013	379,406
44	658.8	Workers Compensation	64,975	64,975	(0)	59,525	60,715
45	659.8	Insurance	0	0	0	98,246	100,211
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	17,327	17,327	17,327
48	667.8	Regulatory Commission	0	0	0	0	0
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	179,438	179,438	202,937	284,349	309,058
51		Total Administrative And General	\$2,698,722	\$2,538,928	\$2,321,223	\$3,842,224	\$3,968,009
52		Total Operating Expenses	\$5,616,575	\$5,414,259	\$5,383,802	\$6,945,160	\$7,320,403

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/19 DETAIL	12/31/19 AMOUNT	12/31/20 DETAIL	12/31/20 AMOUNT	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT
1	Per Books		\$5,616,575						
2	Present Rates At 12/31/2019				\$5,414,259				
3	Present Rates At 12/31/2020						\$5,383,802		
4	Proposed Rates At 12/31/2021								\$7,158,186
5	Compensation	-		(\$125,135)		\$32,826		\$78,607	
6	Group Insurance	-		(15,468)		27,007		28,672	
7	Other Post Employment Benefits & VEBA	-		-		-		-	
8	Pension	-		-		-		-	
9	Purchased Power	-		246,860		525		(8,725)	
10	Waste Disposal	-		-		-		-	
11	Chemicals	-		(715)		722		759	
12	Change In Consumption Expense	(1,901)		(4,635)		(4,906)		(4,392)	
13	Transportation Expense	-		(122,652)		1,521		1,494	
14	Insurance Other Than Group	-		(64,975)		538,525		10,723	
15	Regulatory Expense (Rate Case Expense)	-		17,327		-		-	
16	Service Company Expense	-		-		855,058		17,667	
17	Postage and Customer Accounting	-		-		-		-	
18	Inflation	-		31,137		33,357		32,741	
19	401K & Defined Contribution Plan	-		2,045		2,398		6,413	
20	Rent Expense	-		-		-		-	
21	Miscellaneous Adjustments	(159,794)		0		75,856		0	
22	Uncollectibles	(40,621)		5,754		(1,532)		(1,741)	
23	Pro Forma Adjustments		(202,316)		(30,457)		1,561,357		162,218
24	Present Rates At 12/31/2019		\$5,414,259						
25	Present Rates At 12/31/2020				\$5,383,802				
26	Present Rates At 12/31/2021						\$6,945,160		
27	Present Rates At 12/31/2022								\$7,320,403

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Compensation

The following adjustment sets forth a summary of the Company's annualization of labor expense. The pro forma payroll for the future test years were developed by applying pay rates and associated performance pay that will become effective by December 31, 2020, December 31, 2021, and December 31, 2022 to the Company's full complement of employees.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Salary and Wages	\$2,546,970	\$2,584,980	\$2,676,191
2	Annualized Performance Plan	97,630	99,203	102,781
3	Less: 17.07% Capitalized portion not charged to operating expense	<u>451,466</u>	<u>458,223</u>	<u>474,405</u>
4	Sub-Total	2,193,134	2,225,960	2,304,567
5	Less: Amount Charged To Operating Expense			
6	During the Twelve Months Ended 12/31/19	<u>2,318,269</u>		
7	Less: Amount Charged To Present Rates			
8	At 12/31/20 and 12/31/21		<u>2,193,134</u>	<u>2,225,960</u>
9	Pro Forma Adjustment	<u>(\$125,135)</u>	<u>\$32,826</u>	<u>\$78,607</u>
	601.3 Salary and Wages - Water Treatment	(\$40,166)	\$10,537	\$25,232
	601.4 Salary and Wages - Water Treatment	(4,096)	1,074	2,573
	601.5 Salary and Wages - Transmission & Distribution	(23,331)	6,120	14,656
	601.6 Salary and Wages - Transmission & Distribution	(61)	16	38
	601.7 Salary and Wages - Customer Accounting	0	0	0
	601.8 Salary and Wages - Administrative and General	(57,481)	15,079	36,108

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Group Insurance

The adjustment of the group insurance cost is based on the January 2020 premiums annualized for the future test year number of employees, less the annualized employee contribution, and adjusted for the portion not charged to operations. The fully projected test years were developed by adjusting the annualized 2020 amount by a 3 year average of 6.18%.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Group Insurance Cost	\$527,338	\$559,904	\$594,479
2	Less: 17.07% Not Charged To Operating Expense	90,023	95,582	101,485
3	Sub-Total	<u>437,315</u>	<u>464,322</u>	<u>492,994</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	452,783		
6	Less: Amount Charged To Operating Expense			
7	During the Calendar Years Ended 2020 and 2021	<u></u>	<u>437,315</u>	<u>464,322</u>
8	Pro Forma Adjustment	<u>(\$15,468)</u>	<u>\$27,007</u>	<u>\$28,672</u>
	604.8 A&G Employees Pension And Benefits	(\$15,468)	\$27,007	\$28,672

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

401K, Defined Contribution Plan (DCP) and Employee Stock Purchase Plan (ESPP) Expense

The following adjustment is being made to annualize 401K, DCP contributions and ESPP contributions based on the annualized compensation claim at December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized 401K - Company Match	\$82,456	\$83,586	\$86,637
2	Annualized DCP	121,137	122,831	127,308
3	Less: 17.07% Not Charged To Operating Expense	34,756	35,238	36,523
4	Sub-Total	<u>168,837</u>	<u>171,179</u>	<u>177,422</u>
5	Annualized ESPP	4,578	4,634	4,804
6	Less: Amount Charged To Operating Expense	171,370	173,415	175,813
7	Pro Forma Adjustment	<u>\$2,045</u>	<u>\$2,398</u>	<u>\$6,413</u>
	604.8 Employee Pension And Benefits AG	\$2,045	\$2,398	\$6,413

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Purchased Power

This adjustment reflects the application of rates for purchased power to be in effect as of December 2019 to anticipated billing units for the future and fully projected rate years. Accounts were adjusted for any known rate changes in either the future or fully projected rate years and were also adjusted to reflect 12 monthly bills.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Power Cost	\$713,877	\$714,402	\$705,677
2	Less: Amount Charged To Operating Expense	467,017	713,877	714,402
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>\$246,860</u>	<u>\$525</u>	<u>(\$8,725)</u>
	615.3 Purchased Power - Water Treatment	\$233,937	\$498	(\$8,268)
	615.5 Purchased Power - Transmission and Distribution	12,923	27	(457)

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Chemicals

The annualization of chemical costs was based on the application of contract prices in effect at January 1, 2020 to anticipated 2020 usage. The present rates December 31, 2020 amount was increased by the 3 year weighted average (5.06%) cost increase to project 2021 through 2022 cost levels.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Chemical Costs	\$14,277	\$14,999	\$15,758
2	Less: Amount Charged To Operating Expense	14,992	14,277	14,999
3	During the Preceding Calendar Year			
4	Pro Forma Adjustment	<u>(\$715)</u>	<u>\$722</u>	<u>\$759</u>
	618.3 Chemicals - Water Treatment	<u>(\$715)</u>	<u>\$722</u>	<u>\$759</u>

Witness: Dominic DeGrazia
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Change in Consumption

During the future (2020) and fully projected test years (2021-2022), the Company will experience changes in consumption due to net addition or loss of customers and other factors affecting the usage of specific customers. The calculations shown below reflect estimates of the change in operating expenses that will be realized by these changes in consumption.

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Consumption (00 Gallons)	9,798,827	9,760,203	9,666,006	9,566,298	9,477,032
2	Change In Consumption		(38,624)	(94,197)	(99,708)	(89,266)
3	Power Costs Per Book	\$467,017				
4	Chemical Costs Per Book	14,992				
5	Total	<u>\$482,009</u>				
6	Rate Of Production Costs (00 Gallons) (Line 5/Line 1)		<u>\$0.04919</u>	<u>\$0.04919</u>	<u>\$0.04919</u>	<u>\$0.04919</u>
7	Pro Forma Adjustment		<u>(\$1,901)</u>	<u>(\$4,635)</u>	<u>(\$4,906)</u>	<u>(\$4,392)</u>
	615.1 Source of Supply - Purchased Power		\$0	\$0	\$0	\$0
	615.3 Water Treatment - Purchased Power		(1,842)	(4,491)	(4,753)	(4,255)
	615.5 Transmission & Distribution - Purchased Power		0	0	0	0
	618.3 Water Treatment - Chemicals		(59)	(144)	(153)	(137)

Witness: Dominic DeGrazia

Reference: FR II.09

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Transportation Expense

The following adjustment reflects the annualization of transportation expense for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Leased Vehicles Expense	\$90,740	\$92,574	\$94,376
2	Less: 17.07% Not Charged To Operating Expense	15,489	15,802	16,110
3	Sub-Total	<u>75,251</u>	<u>76,772</u>	<u>78,266</u>
4	Less: Amount Charged To Operating Expense			
5	During the Twelve Months Ended 12/31/19	197,903		
6	Less: Present Rates During the Preceding Calendar Year	<u></u>	<u>75,251</u>	<u>76,772</u>
7	Pro Forma Adjustment	<u>(\$122,652)</u>	<u>\$1,521</u>	<u>\$1,494</u>
	650.8 A & G - Miscellaneous General Expense	(\$122,652)	\$1,521	\$1,494

Witness: Dominic DeGrazia

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Insurance Other Than Group

The annualizations of Insurance Other Than Group (IOTG) costs were based on the actual and projected IOTG premiums for the twelve months ending December 31, 2020, adjusted for the 5 year average of retroactive adjustments. The Present Rates 12/31/2021 and 12/31/2022 amounts were further adjusted by 2.08% and 2.0% (Blue Chip GDP Price Indexes for 2021 and 2022). Present Rates for Water at 2021 and 2022 have been allocated to other cost of service areas based on depreciated utility plant in service as of 12/31/19.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Workers Compensation Premium	\$0	\$94,755	\$96,650
2	Less: 37.18% Not Charged To Operating Expense	0	35,230	35,935
3	Sub-Total	0	59,525	60,715
4	Add: Annualized Vehicle, General Liability,			
5	Property And Other Insurance	0	479,000	488,533
6	Sub-Total	0	538,525	549,248
7	Less: Per Books and Present Rates	64,975	0	538,525
8	Pro Forma Adjustment	(\$64,975)	\$538,525	\$10,723
	656.8 Vehicle Insurance	55110000	\$8,741	\$175
	657.8 General Liability Insurance	55710000	372,013	7,393
	658.8 Workers Compensation	55720000	94,755	1,895
	658.8 Insurance Wc Capitalized Credits	55720100	(35,230)	(705)
	659.8 Other Insurance	55730000	98,246	1,965

Witness: Dominic DeGrazia
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$50,860
2	Normalized Over 3 Years	16,953
3	Plus Allocation of Amortization of Demand Study	374
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/19	<u>0</u>
6	Pro Forma Adjustment	<u><u>\$17,327</u></u>
	666.8 Regulatory Commission Expense	\$17,327

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Service Company

This adjustment reflects an allocation of the cost of services provided by American Water Works Service Company (AWWSC), for the twelve months ended December 31, 2021 and December 31, 2022. An allocation factor based on customer counts was applied to each cost of service area to allocate a portion of the total projected Service Company costs.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Service Company Cost	\$855,058	\$872,725
2	Less: Present Rates 12/31/21		855,058
3	Pro Forma Adjustment	\$855,058	\$17,667
	634.8 AG - Contract Services - Management	\$855,058	\$17,667

Witness: Stacey D. Gress

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Inflation

The Company has proposed various pro forma adjustments for specific expense items. The remaining expense items are anticipated to continue to rise due to inflationary increases. The following adjustment captures the estimated increases due to inflation.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Total O & M Expenses Per Books	\$5,616,575	\$5,616,575	\$5,616,575
2	Less: Adjusted Expenses	<u>4,044,020</u>	<u>4,044,020</u>	<u>4,044,020</u>
3	2020 Expenses Subject To Inflation	1,572,555	1,572,555	1,572,555
4	2020 Inflation		<u>31,137</u>	<u>31,137</u>
5	2021 Expenses Subject To Inflation		1,603,692	1,603,692
6	2021 Inflation			<u>33,357</u>
7	2022 Expenses Subject To Inflation			1,637,048
8	Inflation Factor	<u>1.98%</u>	<u>2.08%</u>	<u>2.00%</u>
9	Pro Forma Adjustment	<u>\$31,137</u>	<u>\$33,357</u>	<u>\$32,741</u>
	620.6 Materials And Supplies	\$7,638	\$8,183	\$8,032
	675.7 Miscellaneous Expense	0	0	0
	675.8 Miscellaneous Expense	23,499	25,174	24,709

Witness: Stacey D. Gress
Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to add McKeesport WW expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2021 and 12/31/2022 AMOUNTS
1	<u>Additions:</u>		
2	PA HQ - Corporate Campus		\$56,238
3	Eliminate Temporary Employee Costs	\$5,048	
4	Credit Card/E-check Transaction Fees		19,618
4	<u>Deductions:</u>		
5	McKeesport WW Severance adjustment to three-year average	(11,752)	
6	Pension	(128,152)	
7	OPEB	(24,938)	
8	Pro Forma Adjustment	<u>(\$159,794)</u>	<u>\$75,856</u>
	601.8 Salary & Wages - Admin & General	(\$11,752)	
	604.8 A&G Employee Pension And Benefits	(153,090)	
	636.8 Contract Service - Admin & General	5,048	
	675.7 Misc Exp Customer Accounting		\$19,618
	675.8 Misc Expense Admin & General		56,238

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$12,044,268	\$12,018,673	\$12,496,163	\$12,369,057	\$30,047,582	\$29,903,044	\$29,981,600
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$144,825	\$150,579	\$149,047	\$362,073	\$360,332	\$361,278
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		185,446					
6	Less: Present Rates 12/31/2019			144,825				
7	Less: Present Rates 12/31/2020				150,579			
8	Less: Present Rates 12/31/2021					149,047		
9	Less: Proposed Rates 12/31/2021						362,073	
10	Less: Present Rates 12/31/2022							360,332
11	Pro Forma Adjustment		(\$40,621)	\$5,754	(\$1,532)	\$213,026	(\$1,741)	\$946
670.7	Customer Accounting And Collecting - Bad Debt		(\$40,621)	\$5,754	(\$1,532)	\$213,026	(\$1,741)	\$946

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$5,736,922	\$5,974,347	\$5,946,797	\$5,907,257
2	Book Depreciation	<u>5,594,241</u>	<u>5,736,922</u>	<u>5,974,347</u>	<u>5,946,797</u>
3	Pro Forma Adjustment	<u>\$142,681</u>	<u>\$237,425</u>	<u>(\$27,550)</u>	<u>(\$39,540)</u>
	503 Depreciation	\$142,681	\$237,425	(\$27,550)	(\$39,540)

Witness: Dr. Christina E. Chard, John Spanos
Reference: Exhibits No. 11

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	McKeesport Acquisition Costs	Seeking Approval	\$0	\$26,589	\$26,589
2	Post-in-service AFUDC	Seeking Approval	0	144,719	144,719
3	Deferred Depreciation	Seeking Approval	0	130,549	130,549
4	Proforma Expense		0	301,857	301,857
5	Less: Per Books		0	0	301,857
6	Pro Forma Adjustment		\$0	\$301,857	\$0

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Taxes, Other than Income

Pennsylvania Property Tax

The following adjustment reflects the projected property tax expense for the twelve months ended December 31, 2020, December 31, 2021, and December 31, 2022.

LINE NO.	DESCRIPTION	12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Property Subject to Tax	\$66,853,383	\$69,258,936	\$70,319,077	\$73,500,117
2	Property Tax UPIS	\$309,524			
3	Total	<u>\$309,524</u>			
4	Rate (Line 3 / Line 1)	\$0.004630	\$0.004630	\$0.004630	\$0.004630
5	Projected property tax expense (Line 1 x Line 4)		<u>\$320,669</u>	<u>\$325,577</u>	<u>\$340,306</u>
6	Less: Amount Charged To Operating Expense			320,669	325,577
7	During The 12 Months Ended 12/31/19		<u>309,524</u>		
8	Pro Forma Adjustment		<u><u>\$11,145</u></u>	<u><u>\$4,908</u></u>	<u><u>\$14,729</u></u>
	408.2 Taxes, Other Than Income - Property		\$11,145	\$4,908	\$14,729

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Taxes, Other than Income

Payroll Taxes

The following adjustment is being made to annualize payroll tax expense based on the annualized compensation claim at December 31, 2020 through December 31, 2022.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Payroll Taxes	\$210,258	\$213,286	\$220,536
2	Less: 17.07% Not Charged To Operating Expense	35,894	36,411	37,648
3	Sub-Total	<u>174,364</u>	<u>176,875</u>	<u>182,888</u>
4	Less: Amount Charged To Operating Expense	181,926	174,364	176,875
5	Pro Forma Adjustment	<u><u>(\$7,562)</u></u>	<u><u>\$2,511</u></u>	<u><u>\$6,013</u></u>
	408.12 - Taxes - Payroll	(\$7,562)	\$2,511	\$6,013

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Total Wastewater Sales	\$11,926,322	\$12,400,849	\$12,274,532	\$29,843,374	\$29,699,734	\$29,777,804
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	50,164	52,160	51,629	125,527	124,923	125,251
4	Consumer Advocate Fee At 0.001366996958	16,303	16,952	16,779	40,796	40,599	40,706
5	Small Business Advocate Fee At 0.000162780343	1,941	2,019	1,998	4,858	4,835	4,847
6	Damage Prevention Comittee Fee At 0.000059307687	707	735	728	1,770	1,761	1,766
7	Subtotal	69,115	71,866	71,134	172,951	172,118	172,570
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	68,138					
10	Less: Pro Forma Under Present Rates At 12/31/2019		69,115				
11	Less: Pro Forma Under Present Rates At 12/31/2020			71,866			
12	Less: Pro Forma Under Present Rates At 12/31/2021				71,134		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					172,951	
14	Less: Pro Forma Under Present Rates 12/31/2022						172,118
15	Pro Forma Adjustment	\$977	\$2,751	(\$732)	\$101,817	(\$833)	\$452
	507.1 Taxes Other Than Income				\$104,813		(\$381)

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	(\$298,122)	(\$609,841)	(\$721,886)	\$1,012,173	\$926,752	\$934,458
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	(413,123)					
5 Less: Present Rates 12/31/2019		(298,122)				
6 Less: Present Rates 12/31/2020			(609,841)			
7 Less: Present Rates 12/31/2021				(721,886)		
8 Less: Proposed Rates 12/31/2021					1,012,173	
9 Less: Present Rates 12/31/2022						926,752
10 Pro Forma Adjustment	\$115,001	(\$311,719)	(\$112,045)	\$1,734,059	(\$85,421)	\$7,706
11 Federal Income Tax Per Computation						
12 Shown On Following Page	(\$834,700)	(\$571,764)	(\$786,478)	\$2,494,539	\$2,438,625	\$2,453,205
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	(708,216)					
15 Less: Present Rates 12/31/2019		(834,700)				
16 Less: Present Rates 12/31/2020			(571,764)			
17 Less: Present Rates 12/31/2021				(786,478)		
18 Less: Proposed Rates 12/31/2021					2,494,539	
19 Less: Present Rates 12/31/2022						2,438,625
20 Pro Forma Adjustment	(\$126,484)	\$262,936	(\$214,714)	\$3,281,017	(\$55,914)	\$14,580

Witness: John R. Wilde

Pennsylvania-American Water Company - WW CSS McKeesport Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
			12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Utility Operating Income Before Taxes	\$114,130	\$306,927	\$571,115	(\$1,398,343)	\$15,965,339	\$15,678,214	\$15,755,373
2	Less: Interest Expense	3,269,232	3,269,232	3,443,601	3,370,350	3,376,085	3,280,917	3,280,941
3	Taxable Operating Income	(3,155,102)	(2,962,305)	(2,872,486)	(4,768,693)	12,589,254	12,397,297	12,474,432
4	Add: Premature Property Losses / Amortizations	0	0	0	301,857	301,857	301,857	301,857
5	Depr - Straight Line-Remaining Life (Including COR)	5,594,240	5,736,922	5,974,347	5,946,797	5,946,797	5,907,257	5,907,257
6	Taxable Meals & Entertainment	2,094	2,094	2,094	2,094	2,094	2,094	2,094
7	Total	5,596,334	5,739,016	5,976,441	6,250,748	6,250,748	6,211,208	6,211,208
8	Deduct:							
9	Tax Depreciation:							
10	State Tax Depreciation Adjustments	6,576,593	5,760,912	9,208,467	8,708,139	8,708,139	9,331,705	9,331,705
11	Total	6,576,593	5,760,912	9,208,467	8,708,139	8,708,139	9,331,705	9,331,705
12	State Taxable Income	(4,135,362)	(2,984,202)	(6,104,513)	(7,226,084)	10,131,863	9,276,800	9,353,935
13	State Income Tax At:							
14	Historic, Future And Fully Projected At 9.99%	(413,123)	(298,122)	(609,841)	(721,886)	1,012,173	926,752	934,458
15	Taxable Income After State Income Tax	(3,722,239)	(2,686,080)	(5,494,672)	(6,504,198)	9,119,690	8,350,048	8,419,477
16	Add:							
17	Federal Tax Depreciation Adjustments	349,783	(1,288,684)	2,771,988	2,759,067	2,759,067	3,262,453	3,262,453
18	Income Subject To Federal Income Tax	(3,372,456)	(3,974,764)	(2,722,684)	(3,745,131)	11,878,757	11,612,501	11,681,930
19	Federal Income Tax @ 21%	(708,216)	(834,700)	(571,764)	(786,478)	2,494,539	2,438,625	2,453,205
20	Excess ADIT	0	0	0	0	0	0	0
21	Federal Tax Liability	(\$708,216)	(\$834,700)	(\$571,764)	(\$786,478)	\$2,494,539	\$2,438,625	\$2,453,205
	Witness: John R. Wilde							

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$2,803,579	\$2,996,565	\$2,939,257	\$2,944,258	\$2,877,461	\$2,877,482
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	2,803,579					
5	Less: Present Rates At 12/31/2019		2,803,579				
6	Less: Present Rates At 12/31/2020			2,996,565			
7	Less: Present Rates At 12/31/2021				2,939,257		
8	Less: Proposed Rates 12/31/2021					2,944,258	
9	Less: Present Rates 12/31/2022						2,877,461
14	Pro Forma Adjustment	\$0	\$192,986	(\$57,308)	\$5,001	(\$66,797)	\$21
15	Interest On Wastewater Specific Long Term Debt Per Computation						
16	Shown On Following Page	\$465,653	\$447,036	\$431,093	\$431,827	\$403,456	\$403,459
17	Less: Interest On Wastewater Specific Long Term Debt As Per Book						
18	Computation On Following Page	465,653					
19	Less: Present Rates At 12/31/2019		465,653				
20	Less: Present Rates At 12/31/2020			447,036			
21	Less: Present Rates At 12/31/2021				431,093		
22	Less: Proposed Rates 12/31/2021					431,827	
23	Less: Present Rates 12/31/2022						403,456
28	Pro Forma Adjustment	\$0	(\$18,617)	(\$15,943)	\$734	(\$28,371)	\$3

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - WW CSS McKeesport Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2019					PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$220,761,520	38.78%	4.61%	\$248,256,380	39.34%	4.54%	\$255,170,585	39.44%	4.47%	\$272,178,861	39.90%	4.35%
3	Long Term Debt - WW Specific	67,377,275	11.83%	2.51%	66,183,901	10.49%	2.54%	65,599,037	10.14%	2.55%	63,832,693	9.36%	2.60%
4	Total Debt	288,138,795	50.61%		314,440,281	49.83%		320,769,622	49.58%		336,011,554	49.26%	
5	Preferred Stock	552,155	0.10%	8.69%	395,403	0.06%	8.73%	317,293	0.05%	8.80%	61,831	0.01%	9.70%
6	Common Equity	280,645,216	49.29%		316,209,150	50.11%		325,921,359	50.37%		346,066,580	50.73%	
7	Totals	\$569,336,166	100.00%		\$631,044,834	100.00%		\$647,008,274	100.00%		\$682,139,965	100.00%	
					PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT			
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$156,820,952	\$167,777,434	\$166,722,091	\$167,005,729	\$165,785,781	\$165,787,001			
10	Debt Percentage (From Above)				38.78%	39.34%	39.44%	39.44%	39.90%	39.90%			
11	Debt Portion Of Rate Base				60,815,165	66,003,643	65,755,193	65,867,060	66,148,527	66,149,013			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$2,803,579	\$2,996,565	\$2,939,257	\$2,944,258	\$2,877,461	\$2,877,482			
14	Application Of Wastewater Specific Long Term Debt Interest:												
15	Original Cost Rate Base				\$156,820,952	\$167,777,434	\$166,722,091	\$167,005,729	\$165,785,781	\$165,787,001			
16	Debt Percentage (From Above)				11.83%	10.49%	10.14%	10.14%	9.36%	9.36%			
17	Debt Portion Of Rate Base				18,551,919	17,599,853	16,905,620	16,934,381	15,517,549	15,517,663			
18	Interest Cost (From Above)				2.51%	2.54%	2.55%	2.55%	2.60%	2.60%			
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$465,653	\$447,036	\$431,093	\$431,827	\$403,456	\$403,459			

Witness: Ann E. Bulkley

WW CSS Kane Operations

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Pennsylvania-American Water Company - WW CSS Kane Operations

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Pennsylvania-American Water Company - WW CSS Kane Operations

Pro Forma Statement of Income for the Twelve Months Ending December 31, 2019

December 31, 2020 and December 31, 2021 Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES				PRESENT RATES				Rate Year 1				Rate Year 2				LINE NO.
		PER BOOKS	ADJUSTMENT	12/31/19 AMOUNT	ADJUSTMENT	12/31/20 AMOUNT	ADJUSTMENT	12/31/21 PRESENT RATES	RATE INCREASE	PROPOSED RATES AMOUNT	ADJUSTMENT	12/31/22 PRESENT RATES	RATE INCREASE	PROPOSED RATES AMOUNT				
1	Operating Revenue	\$0	\$0	\$0	\$1,474,187	\$1,474,187	\$0	\$1,474,187	\$1,813,279	\$3,287,466	\$0	\$3,287,466	\$525,363	\$3,812,829	1			
2	Operating Revenue Deductions:														2			
3	Operating Expenses	0	0	0	563,407	563,407	1,860	565,267	21,850	587,117	1,917	589,034	6,331	595,365	3			
4	Depreciation	0	0	0	794,563	794,563	11,224	805,787	0	805,787	333,120	1,138,907	0	1,138,907	4			
5	Amortizations	0	0	0	0	0	19,675	19,675	0	19,675	0	19,675	0	19,675	5			
6	Taxes, Other Than Income:														6			
7	Local Property And Miscellaneous	0	0	0	0	0	43,880	43,880	0	43,880	0	43,880	0	43,880	7			
8	Federal Environmental Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
9	Public Utility Realty Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	9			
10	Payroll Taxes	0	0	0	12,057	12,057	0	12,057	0	12,057	0	12,057	0	12,057	10			
11	General Assessment	0	0	0	8,490	8,490	0	8,490	10,444	18,934	0	18,934	3,026	21,960	11			
12	State Capital Stock Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	12			
13	Total Taxes Other Than Income	0	0	0	20,547	20,547	43,880	64,427	10,444	74,871	0	74,871	3,026	77,897	13			
14	Utility Operating Income Before Income Taxes	0	0	0	95,670	95,670	(76,639)	19,031	1,780,985	1,800,016	(335,037)	1,464,979	516,006	1,980,985	14			
15	Income Taxes:														15			
16	State Income Tax	0	0	0	(77,394)	(77,394)	(1,174)	(78,568)	177,862	99,294	(65,457)	33,837	51,533	85,370	16			
17	Federal Income Tax	0	0	0	(65,630)	(65,630)	(257)	(65,887)	336,532	270,645	(69,972)	200,673	97,504	298,177	17			
18	Amortization Of ITC & Excess Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	18			
19	Total Income Taxes	0	0	0	(143,024)	(143,024)	(1,431)	(144,455)	514,394	369,939	(135,429)	234,510	149,037	383,547	19			
20	Total Operating Revenue Deductions	0	0	0	1,235,493	1,235,493	75,208	1,310,701	546,688	1,857,389	199,608	2,056,997	158,394	2,215,391	20			
21	Utility Operating Income	0	0	0	238,694	238,694	(75,208)	163,486	1,266,591	1,430,077	(199,608)	1,230,469	366,969	1,597,438	21			
22	Income Deductions:														22			
23	Interest On Long Term Debt	0	0	0	336,461	336,461	986	337,447	513	337,960	33,555	371,515	146	371,661	23			
24	Amortization Of Debt Discount Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	24			
25	Interest On Notes Payable To Others	0	0	0	50,194	50,194	(626)	49,492	76	49,568	2,523	52,091	21	52,112	25			
26	Total Income Deductions	0	0	0	386,655	386,655	360	386,939	589	387,528	36,078	423,606	167	423,773	26			
27	Net Income	\$0	\$0	\$0	(\$147,961)	(\$147,961)	(\$75,568)	(\$223,453)	\$1,266,002	\$1,042,549	(\$235,686)	\$806,863	\$366,802	\$1,173,665	27			
28	Preferred Dividends	0		0		987		842		843		208		208	28			
29	Net Income To Common	\$0		\$0		(\$148,948)		(\$224,295)		\$1,041,706		\$806,655		\$1,173,457	29			

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS KANE OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2020

LINE NO.	ACCT. NO.	CUSTOMER CLASS	PER BOOKS 12/31/2019	UNBILLED	ANNUALIZATION OF ACQUIRED SYSTEMS	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	PRO FORMA PRESENT RATES 12/31/2019	OTHER REVENUE AND CUSTOMER ADJUSTMENTS	DECLINING CONSUMPTION	ANNUALIZATION OF ACQUIRED SYSTEMS	DSIC ANNUALIZATION	PRO FORMA PRESENT RATES 12/31/2020
1		OPERATING REVENUES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2		METERED SALES										
3	522.1	RESIDENTIAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	1,177,940	\$0	\$1,177,940
4	522.2	COMMERCIAL	0	0	0	0	0	0	0	231,319	0	231,319
5	522.3	INDUSTRIAL	0	0	0	0	0	0	0	14,061	0	14,061
6	522.4	MUNICIPAL	0	0	0	0	0	0	0	41,721	0	41,721
7	522.4	MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0
8		TOTAL METERED SALES	0	0	0	0	0	0	0	1,465,041	0	1,465,041
9		UNMETERED SALES										
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0	0	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0	0	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0	0	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0	0	0	0
14	522.4	MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0	0	0	0
16		TOTAL WASTEWATER SALES	0	0	0	0	0	0	0	1,465,041	0	1,465,041
17		OTHER OPERATING REVENUES										
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0	0	0	0
19	532	LATE PAYMENT FEES	0	0	0	0	0	0	0	9,146	0	9,146
20	536	MISC SERVICE REVENUES	0	0	0	0	0	0	0	0	0	0
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0	0	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0	0	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0	0	0	0
24		TOTAL OTHER OPERATING REVENUES	0	0	0	0	0	0	0	9,146	0	9,146
25												
26		TOTAL OPERATING REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,474,187	\$0	\$1,474,187
												PAGE 1 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS KANE OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2021

Rate Year 1

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PRESENT RATES 12/31/2020	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING CONSUMPTION	MISC	PRO FORMA PRESENT RATES 12/31/2021	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$1,177,940	\$0	\$0	\$0		\$1,177,940	119.62%	\$1,409,072	2,587,012
4	522.2	COMMERCIAL	231,319	0	0	0		231,319	136.82%	316,502	547,821
5	522.3	INDUSTRIAL	14,061	0	0	0		14,061	136.83%	19,240	33,301
6	522.4	MUNICIPAL	41,721	0	0	0		41,721	137.14%	57,215	98,936
7	522.4	MISCELLANEOUS	0	0	0	0		0	0.00%	0	-
8		TOTAL METERED SALES	1,465,041	0	0	0	0	1,465,041	123.00%	1,802,029	3,267,070
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0		0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0		0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	1,465,041	0	0	0	0	1,465,041	123.00%	1,802,029	3,267,070
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	9,146	0	0	0	0	9,146	123.00%	11,250	20,396
20	536	MISC SERVICE REVENUES	0	0	0	0	0	0	0.00%	0	0
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	9,146	0	0	0	0	9,146	123.00%	11,250	20,396
25											
26		TOTAL OPERATING REVENUES	\$1,474,187	\$0	\$0	\$0	\$0	\$1,474,187	123.00%	\$1,813,279	\$3,287,466
											PAGE 2 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS KANE OPERATIONS

TOTAL INCREASE IN REVENUES BY TARIFF SUBDIVISIONS PROJECTED TO

AN ANNUAL BASIS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2022

Rate Year 2

LINE NO.	ACCT. NO.	CUSTOMER CLASSIFICATION	PRO FORMA PROPOSED RATES 12/31/2021	CUSTOMER ADJUSTMENTS	OTHER OPERATING REVENUES	DECLINING CONSUMPTION	MISC	PRO FORMA PRESENT RATES 12/31/2022	PERCENT	AMOUNT	PRO FORMA PROPOSED RATES
1		OPERATING REVENUES	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
2		METERED SALES									
3	522.1	RESIDENTIAL	\$2,587,012	\$0	\$0	\$0	\$0	\$2,587,012	16.22%	\$419,680	\$3,006,692
4	522.2	COMMERCIAL	547,821	0	0	0	0	547,821	15.06%	82,507	630,328
5	522.3	INDUSTRIAL	33,301	0	0	0	0	33,301	15.06%	5,014	38,315
6	522.4	MUNICIPAL	98,936	0	0	0	0	98,936	15.06%	14,903	113,839
7	522.4	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
8		TOTAL METERED SALES	3,267,070	0	0	0	0	3,267,070	15.98%	522,104	3,789,174
9		UNMETERED SALES									
10	522.1	RESIDENTIAL	0	0	0	0	0	0	0.00%	0	0
11	522.2	COMMERCIAL	0	0	0	0	0	0	0.00%	0	0
12	522.3	INDUSTRIAL	0	0	0	0	0	0	0.00%	0	0
13	522.4	MUNICIPAL	0	0	0	0	0	0	0.00%	0	0
14	522.4	MISCELLANEOUS	0	0	0	0	0	0	0.00%	0	0
15		TOTAL UNMETERED SALES	0	0	0	0	0	0	0.00%	0	0
									0.00%		
									0.00%		
16		TOTAL WASTEWATER SALES	3,267,070	0	0	0	0	3,267,070	15.98%	522,104	3,789,174
17		OTHER OPERATING REVENUES									
18	530	GUARANTEED REVENUES	0	0	0	0	0	0	0.00%	0	0
19	532	LATE PAYMENT FEES	20,396	0	0	0	0	20,396	15.98%	3,259	23,655
20	536	MISC SERVICE REVENUES	0	0	0	0	0	0	0.00%	0	0
21	534	RENTS FROM PROPERTIES	0	0	0	0	0	0	0.00%	0	0
22	535	INTERCOMPANY RENTS	0	0	0	0	0	0	0.00%	0	0
23	536	OTHER WATER REVENUES	0	0	0	0	0	0	0.00%	0	0
24		TOTAL OTHER OPERATING REVENUES	20,396	0	0	0	0	20,396	15.98%	3,259	23,655
25											
26		TOTAL OPERATING REVENUES	\$3,287,466	\$0	\$0	\$0	\$0	\$3,287,466	15.98%	\$525,363	\$3,812,829
											PAGE 3 OF 3

PENNSYLVANIA-AMERICAN WATER COMPANY - WW SSS KANE OPERATIONS

NOTES TO STATEMENT OF INCOME

SUMMARY OF ADJUSTMENTS TO OPERATING REVENUES

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/19		PRESENT RATES 12/31/20		PRESENT RATES 12/31/21		PRESENT RATES 12/31/22	
		ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT	ADJUSTMENT	AMOUNT
1	Per Books		\$0						
2	Present Rates At 12/31/19				\$0				
3	Present Rates At 12/31/20						\$1,474,187		
4	Proposed Rates At 12/31/21								\$3,287,466
5	Annualization of Acquired Systems			1,465,041					
6	Other Operating Revenues								
7	532 - Penalties	<u>0</u>		<u>9,146</u>		<u>0</u>		<u>0</u>	
8	Pro Forma Adjustment		<u>0</u>		<u>1,474,187</u>		<u>0</u>		<u>0</u>
9	Pro Forma Present Rates At December 31, 2019		<u>\$0</u>						
10	Pro Forma Present Rates At December 31, 2020				<u>\$1,474,187</u>				
11	Pro Forma Present Rates At December 31, 2021						<u>\$1,474,187</u>		
12	Pro Forma Present Rates At December 31, 2022								<u>\$3,287,466</u>

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Revenues

Unbilled Revenue Adjustment

The following adjustment is being made to eliminate unbilled revenue accrued per books for the twelve months ended December 31, 2019.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT
1	Metered Sales	
2	Residential	\$0
3	Commercial	0
4	Industrial	0
5	Municipal	0
6	Miscellaneous (Bulk Customers)	0
		<hr/>
7	Total Metered Sales	\$0
8	Unmetered Sales	
9	Residential	\$0
10	Commercial	0
11	Industrial	0
12	Municipal	0
13	Miscellaneous (Bulk Customers)	0
		<hr/>
14	Total Unmetered Sales	\$0
		<hr/>
15	Total Unbilled Wastewater Sales	\$0
16	Other Operating Revenues	\$0
17	Pro Forma Adjustment	<hr/> <hr/> \$0

Witness: Ashley Everette

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Revenues

Annualization Adjustment - Kane CSS

During 2020, the Company will close on the acquisition of the wastewater utility property of the Kane Sewer Company and begin providing service to that entity's customers. The following adjustment annualizes the revenues associated with this acquisition.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Metered Sales	
2	Residential	\$1,177,940
3	Commercial	231,319
4	Industrial	14,061
5	Municipal	41,721
6	Sales For Resale	0
7	Miscellaneous	0
8	Total Metered Sales	\$1,465,041
9	Unmetered Sales	
10	Residential	\$0
11	Commercial	0
12	Industrial	0
13	Municipal	0
14	Sales For Resale	0
15	Total Unmetered Sales	\$0
16	Total Wastewater Sales	\$1,465,041
17	Miscellaneous Service Fees	\$0
18	Rents From Properties	0
19	Total Operating Revenues	\$1,465,041

Witness: Ashley Everette

Reference: Gannett Fleming Bill Analysis

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Revenues

Number of Customers Served

The following is a list of the number of customers served at December 31, 2018 and 2019, and the estimated number of customers to be served at December 31, 2020 through 2022. Also shown are the number of customers in each class whose bills will increase, decrease or remain unchanged as a result of the rate changes proposed at December 31, 2022 in this filing.

LINE NO.	ACCT. NO.	DESCRIPTION	SERVED AT 12/31/2018	SERVED AT 12/31/2019	TO BE SERVED AT 12/31/2020	TO BE SERVED AT 12/31/2021	TO BE SERVED AT 12/31/2022	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
1		Metered								
2	601.1	Residential	0	0	1,847	1,847	1,847	1,847	0	0
3	601.2	Commercial	0	0	169	169	169	169	0	0
4	601.3	Industrial	0	0	3	3	3	3	0	0
5	606	Municipal	0	0	0	0	0	0	0	0
6	607	Resale	0	0	0	0	0	0	0	0
7	601.4	Bulk	0	0	0	0	0	0	0	0
8		Metered	0	0	2,019	2,019	2,019	2,019	0	0
9		Unmetered (Flat Rate)								
10	602.1	Residential	0	0	0	0	0	0	0	0
11	602.2	Commercial	0	0	0	0	0	0	0	0
12	602.3	Industrial	0	0	0	0	0	0	0	0
13	606	Municipal	0	0	0	0	0	0	0	0
14	602.4	Miscellaneous	0	0	0	0	0	0	0	0
15		Unmetered	0	0	0	0	0	0	0	0
16	604	Private Fire	0	0	0	0	0	0	0	0
17	605	Public Fire	0	0	0	0	0	0	0	0
18		Total Customers	0	0	2,019	2,019	2,019	2,019	0	0

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Revenues

Penalties

The following adjustment reflects the annualization of revenues associated with changes imposed during 2019 and projected to be imposed during 2020 and 2021. Additionally, annualized late payment charges are calculated based on revenues at the proposed rate level.

LINE NO. DESCRIPTION	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	RATE YEAR 1		RATE YEAR 2	
				PRESENT RATES 12/31/21	PROPOSED RATES 12/31/21	PRESENT RATES 12/31/22	PROPOSED RATES 12/31/22
1 Total Billed Wastewater Sales			\$1,465,041	\$1,465,041	\$3,267,070	\$3,267,070	\$3,789,173
2 % Of Penalties To Total							
3 Total Company Sales - 3 Year Avg			0.6243%	0.6243%	0.6243%	0.6243%	0.6243%
4 Penalties			9,146	9,146	20,396	20,396	23,656
5 Less: Per Books At 12/31/2019							
6 Less: Present Rates At 12/31/2019			0				
7 Less: Present Rates At 12/31/2020				9,146			
8 Less: Present Rates At 12/31/2021					9,146		
9 Less: Proposed Rates At 12/31/2021						20,396	
10 Less: Present Rates At 12/31/2022							20,396
11 Pro Forma Adjustments			\$9,146	\$0	\$11,250	\$0	\$3,260

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Summary of Rate Base Adjustments

LINE NO.	DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
		DEPRECIATED ORIGINAL COST 12/31/19	DEPRECIATED ORIGINAL COST 12/31/20	DEPRECIATED ORIGINAL COST 12/31/21	DEPRECIATED PROPOSED 12/31/21	DEPRECIATED ORIGINAL COST 12/31/22	DEPRECIATED PROPOSED 12/31/22
1	Non-Depreciable Plant	\$0	\$38,022	\$38,022	\$38,022	\$38,022	\$38,022
2	Depreciable Plant	0	34,582,446	35,346,925	35,346,925	38,742,360	38,742,360
3	Total Utility Plant In Service	0	34,620,468	35,384,947	35,384,947	38,780,382	38,780,382
4	Deduct:						
5	Contributions In Aid Of Construction	0	0	0	0	0	0
6	Customer Advances For Construction	0	0	0	0	0	0
7	Excluded Property	0	0	0	0	0	0
8	Sub-Total	0	0	0	0	0	0
9	Net Utility Plant In Service	0	34,620,468	35,384,947	35,384,947	38,780,382	38,780,382
10	Accumulated Depreciation	0	16,278,158	16,637,822	16,637,822	17,668,766	17,668,766
11	Depreciated Utility Plant In Service	0	18,342,310	18,747,125	18,747,125	21,111,616	21,111,616
12	Add:						
13	Materials And Supplies	0	6,259	6,259	6,259	6,259	6,259
14	Cash Working Capital - Expenses	0	30,512	30,612	30,612	31,919	31,919
15	Accrued And Prepaid Taxes	0	(2,044)	11,739	40,895	34,431	42,879
16	Acquisition Adjustments	0	787,000	777,162	777,162	747,650	747,650
17	Other Additions	0	0	0	0	0	0
18	Deduct:						
19	Cash Working Capital - Int And Div	0	44,188	44,235	44,276	48,410	48,410
20	Unamortized Itc (3%)	0	0	0	0	0	0
21	Extension Deposits In Suspense	0	0	0	0	0	0
22	Tax Cuts and Jobs Act -Stub Period	0	0	0	0	0	0
23	Other Deductions	0	0	0	0	0	0
24	Deferred Taxes	0	281,434	387,839	387,839	478,533	478,533
25	Total Rate Base Elements	\$0	\$18,838,415	\$19,140,823	\$19,169,938	\$21,404,932	\$21,413,380
26	Utility Operating Income						
27	Per Books						
28	Present Rates At 12/31/2019						
29	Present Rates At 12/31/2020	238,694	-	1.27%	-	-	-
30	Present Rates At 12/31/2021	163,486	-	0.85%	-	-	-
31	Proposed Rates At 12/31/2021	1,430,077	-	-	7.46%	-	-
32	Present Rates At 12/31/2022	1,230,469	-	-	-	5.75%	-
33	Proposed Rates At 12/31/2022	1,597,438	-	-	-	-	7.46%
Witness: Dr. Christina E. Chard							

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Summary of Detailed Plant Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	AMOUNT 12/31/2019	ADDITIONS	ACQUISITION	RETIREMENTS	ESTIMATED BOOK COST 12/31/2020	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2021	AVERAGE PLANT IN SERVICE 12/31/2021	ADDITIONS	RETIREMENTS	ESTIMATED BOOK COST 12/31/2022
1	352.00	Franchises & Consents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	353.00	Land & Land Rights		0	38,022	0	38,022	0	0	38,022	38,022	0	0	38,022
3		Total Intangible Plant	<u>\$0</u>	<u>\$0</u>	<u>\$38,022</u>	<u>\$0</u>	<u>\$38,022</u>	<u>\$0</u>	<u>\$0</u>	<u>\$38,022</u>	<u>\$38,022</u>	<u>\$0</u>	<u>\$0</u>	<u>\$38,022</u>
4	354.20	Structures And Improvements - Collection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	354.30	Structures And Improvements - SPP		71,561	2,121,099	4,191	2,188,469	54,996	4,241	2,239,223	2,213,846	38,431	4,653	2,273,000
6	354.40	Structures And Improvements - TDP		360,439	10,683,655	21,108	11,022,987	277,004	21,364	11,278,627	11,150,807	193,569	23,438	11,448,759
7	354.70	Structures And Improvements - General		0	0	0	0	0	0	0	0	0	0	0
8	355.00	Power Generation Equipment		0	0	0	0	0	0	0	0	0	0	0
9	360.10	Collection Sewers - Force Mains		0	551,256	0	551,256	0	0	551,256	551,256	0	0	551,256
10	361.10	Collection Sewers - Gravity Mains		168,275	9,688,417	9,588	9,847,104	714,579	36,703	10,524,980	10,186,042	792,623	95,422	11,222,180
11	361.20	Manholes		31,725	885,568	1,539	915,754	86,021	4,419	997,355	956,555	93,777	10,695	1,080,438
12	362.00	SPEC Collection Structures		0	0	0	0	0	0	0	0	0	0	0
13	363.00	Services		35,000	281,389	1,171	315,217	35,000	1,542	348,675	331,946	35,000	2,422	381,253
14	364.00	Flow Measuring Devices		0	29,601	0	29,601	0	0	29,601	29,601	0	0	29,601
15	365.00	Flow Measuring Installations		0	0	0	0	0	0	0	0	0	0	0
16	370.00	Receiving Wells		0	0	0	0	0	0	0	0	0	0	0
17	371.00	Pumping Equipment		0	1,478,991	0	1,478,991	92,400	0	1,571,391	1,525,191	0	0	1,571,391
18	380.00	Treatment Equipment		0	6,128,482	0	6,128,482	39,600	0	6,168,082	6,148,282	0	0	6,168,082
19	381.00	Plant Sewers		0	1,576,345	0	1,576,345	0	0	1,576,345	1,576,345	0	0	1,576,345
20	382.00	Outfall Sewer Lines		0	0	0	0	0	0	0	0	0	0	0
21	389.10	Other Plant And Miscellaneous Equipment - Intangibles		0	733	0	733	0	0	733	733	1,438,800	0	1,439,533
22	390.00	Office Furniture And Equipment		0	24,944	2,469	22,475	0	0	22,475	22,475	10,000	0	32,475
23	390.20	Computers & Peripheral		0	0	0	0	0	0	0	0	0	0	0
24	391.00	Transportation Equipment		0	33,668	0	33,668	0	0	33,668	33,668	0	0	33,668
25	392.00	Stores Equipment		0	6,403	0	6,403	0	0	6,403	6,403	0	0	6,403
26	393.00	Tools, Shop And Garage Equipment		40,000	62,881	16,022	86,859	30,000	0	116,859	101,859	20,000	6,613	130,246
27	394.00	Laboratory Equipment		0	6,373	0	6,373	0	6,373	0	3,186	0	0	0
28	395.00	Power Operated Equipment		0	2,684	0	2,684	0	0	2,684	2,684	0	0	2,684
29	396.00	Communication Equipment		232,000	5,971	926	237,045	142,000	0	379,045	308,045	10,000	0	389,045
30	397.00	Miscellaneous Equipment		132,000	5,273	5,273	132,000	132,000	0	264,000	198,000	142,000	0	406,000
31		Total Tangible Plant	<u>\$0</u>	<u>\$1,071,000</u>	<u>\$33,573,733</u>	<u>\$62,287</u>	<u>\$34,582,446</u>	<u>\$1,603,600</u>	<u>\$74,643</u>	<u>\$36,111,404</u>	<u>\$35,346,925</u>	<u>\$2,774,200</u>	<u>\$143,243</u>	<u>\$38,742,360</u>
32		Total Utility Plant In Service	<u><u>\$0</u></u>	<u><u>\$1,071,000</u></u>	<u><u>\$33,611,755</u></u>	<u><u>\$62,287</u></u>	<u><u>\$34,620,468</u></u>	<u><u>\$1,603,600</u></u>	<u><u>\$74,643</u></u>	<u><u>\$36,149,426</u></u>	<u><u>\$35,384,947</u></u>	<u><u>\$2,774,200</u></u>	<u><u>\$143,243</u></u>	<u><u>\$38,780,382</u></u>

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Materials And Supplies

The Company's claim for materials and supplies at December 31, 2020, December 31, 2021, and December 31, 2022 is calculated on the basis of the average monthly balances in the material and supplies accounts for PAWC's other wastewater districts for the period of December 2018 to December 2019. This balance was divided by the total number of customers in the other wastewater districts in order to calculate the amount of materials and supplies per customer. This per customer number was then multiplied by the total number of Kane Wastewater customers to calculate the Company's claim.

LINE NO.	DETAIL	12/31/2020 through 12/31/2022 AMOUNT
1	13-Month average of M&S for PAWC's 16 other WW districts	\$79,188
2	Number of customers in PAWC's 16 other WW districts	25,551
3	Amount of M&S per customer	\$3.10
4	Total number of Kane WW customers	2,019
5	Allowance for Materials and Supplies	
6	At 12/31/2020 through 12/31/2022	<u><u>\$6,259</u></u>

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

Charges for wastewater service are billed in arrears on a monthly basis. The calculation set forth below reflects summarized operating revenues billed for the December 31, 2019 and as annualized under present rates for the twelve months ending December 31, 2020, 2021, and 2022.

The calculation further reflects the average lag in receipt of revenues less the lag in payment of operating expenses to determine cash working capital

LINE NO. DESCRIPTION	PER BOOK AMOUNT	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT
1 Operating Revenue Billed During The Twelve Months Ended 12/31/2019					
2 Bi-Monthly Billings					
3 Lag Days					
4 Dollar Days					
5 Quarterly					
6 Lag Days					
7 Dollar Days					
8 Monthly Billings			\$1,474,187	\$1,474,187	\$3,287,466
9 Lag Days			50.7	50.7	50.7
10 Dollar Days			\$74,756,023	\$74,756,023	\$166,707,404
11 Total Billed Revenue			\$1,474,187	\$1,474,187	\$3,287,466
12 Total Dollar Days			\$74,756,023	\$74,756,023	\$166,707,404
13 Average Lag In Receipt Of Revenue (Line 12 / Line11)			50.7	50.7	50.7
14 Deduct: Average Lag In Payment Of					
15 Operating Expenses			30.6	30.6	30.6
16 Average Lag Between Payment Of Operating					
17 Expenses And Receipt Of Revenues			20.1	20.1	20.1
18 Working Capital Requirements					
19 Annual Operating Expenses (Including Payroll Expenses)			\$554,162	\$556,022	\$579,789
20 Operating Expenses Per Day (Line 20 / 365 Days)			1,518	1,523	1,588
21 Cash Working Capital Required					
22 (Line 17 * Line 20)		\$0	\$30,512	\$30,612	\$31,919

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Support of Expense Days

LINE NO. DESCRIPTION	LAG (LEAD) DAYS	PER BOOKS	DOLLAR DAYS	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		PRESENT RATES 12/31/2022	
		AMOUNT		AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS	AMOUNT	DOLLAR DAYS
1 Labor and Payroll Taxes	12.14	\$0	\$0	\$0	\$0	\$12,057	\$146,372	\$12,057	\$146,372	\$12,057	\$146,372
2 Group Insurance	10.92	0	0	0	0	0	0	0	0	0	0
3 OPEB's and VEBA	0.00	0	0	0	0	0	0	0	0	0	0
4 Pension	13.14	0	0	0	0	0	0	0	0	0	0
5 Purchased Power	24.97	0	0	0	0	0	0	0	0	0	0
6 Purchased Water	34.69	0	0	0	0	0	0	0	0	0	0
7 Chemicals	48.81	0	0	0	0	0	0	0	0	0	0
8 Miscellaneous	31.01	0	0	0	0	542,105	16,810,676	543,965	16,868,353	567,732	17,605,371
9 Transportation	39.23	0	0	0	0	0	0	0	0	0	0
10 Ins Other Than Group	(53.43)	0	0	0	0	0	0	0	0	0	0
11 Service Company	12.14	0	0	0	0	0	0	0	0	0	0
12 Waste Disposal	45.65	0	0	0	0	0	0	0	0	0	0
13 Telephone	8.71	0	0	0	0	0	0	0	0	0	0
14 Rents	8.05	0	0	0	0	0	0	0	0	0	0
15 Natural Gas	31.80	0	0	0	0	0	0	0	0	0	0
16 Totals		\$0	\$0	\$0	\$0	\$554,162	\$16,957,048	\$556,022	\$17,014,725	\$579,789	\$17,751,743
17 Average Lag							30.6		30.6		30.6
18 Sum. Of Expense Pro Forma Present Rates & Payroll Taxes		\$0		\$0		\$575,464		\$577,324		\$601,091	
19 Uncollectibles		0		0		17,764		17,764		17,764	
20 Amortizations		0		0		3,538		3,538		3,538	
21 Sum Of Other Expenses		0		0		12,057		12,057		12,057	
22 Miscellaneous		\$0		\$0		\$542,105		\$543,965		\$567,732	

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Accrued and Prepaid Taxes

LINE NO.	DESCRIPTION	NET REVENUE LAG DAYS FUTURE	PRESENT RATES 12/31/2019		PRESENT RATES 12/31/2020		PRESENT RATES 12/31/2021		RATE YEAR 1 PROPOSED RATES 12/31/2021		RATE YEAR 2			
			TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PRESENT RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT	PROPOSED RATES 12/31/2022 TAXES PAYABLE	ACCRUED TAXES ADJUSTMENT
1	General Assessment	213.1	\$0	\$0	\$8,490	\$4,957	\$8,490	\$4,957	\$18,934	\$11,054	\$18,934	\$11,054	\$21,960	\$12,821
2	Public Utility Realty Tax	61.0	0	0	0	0	0	0	0	0	0	0	0	0
3	Local Property Tax	115.3	0	0	0	0	43,880	13,861	43,880	13,861	43,880	13,861	43,880	13,861
4	State Income Tax	21.4	0	0	(77,394)	(4,538)	(78,568)	(4,606)	99,294	5,822	33,837	1,984	85,370	5,005
5	Federal Income Tax	13.7	0	0	(65,630)	(2,463)	(65,887)	(2,473)	270,645	10,158	200,673	7,532	298,177	11,192
6	Totals			\$0		(\$2,044)		\$11,739		\$40,895		\$34,431		\$42,879

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Calculation Of Lag Days For Accrued & Prepaid Taxes

LINE NO.	DESCRIPTION	TAX PERIOD		PAYMENTS				TOTAL TAX LAG DAY	REVENUE LAG LESS TAX LAG
		BEGINNING	ENDING	2019 TAX					
1	General Assessment	7/1/19	6/30/20	7/3/19	9/19/19				
2	Percent Of Payment			66.78%	33.22%				1.0
3	Lag Days			(120.2)	(33.9)			(146.5)	197.2
4	Public Utility Realty Tax	1/1/19	12/31/19	4/30/19					
5	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
6	Lag Days			(15.8)				(15.8)	66.5
7	Local Property Tax	1/1/19	12/31/19	Lag calculated using expense lag method					
8	Payment								
9	Lag Days							(48.4)	99.1
10	State Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
11	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
12	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2
13	Federal Income Tax	1/1/19	12/31/19	4/15/19	6/15/19	9/15/19	12/15/19		
14	Percent Of Payment			25.00%	25.00%	25.00%	25.00%		1.0
15	Lag Days			(19.5)	(4.3)	18.8	41.5	36.5	14.2

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Calculation of Cash Working Capital Requirements

The payment of interest on the Company's long term debt is made six months in arrears. Payment of interest on the Company's short term debt is made monthly in arrears. The payment of dividends on the Company's preferred stock is made quarterly in arrears. The average lag days of interest and dividend payments and the deduction of the average lag days for the receipt of revenue is calculated below to determine cash working capital requirements.

LINE

NO.	DESCRIPTION	LONG TERM	SHORT TERM	PREFERRED			
		INTEREST	INTEREST	DIVIDEND			
1	Average Lag Calculation						
2	Future Revenue Lag Days	50.7	50.7	50.7			
3	Less: Interest Payments Lag Days	92.4	15.2	46.2			
4	Average Lag Between The Payment	(41.7)	35.5	4.5			
5	Of Interest And The Receipt						
6	Of Revenues						
					RATE YEAR 1	RATE YEAR 2	
		PRESENT		PRESENT	PROPOSED	PRESENT	PROPOSED
		RATES		RATES	AMOUNT	RATES	AMOUNT
		12/31/19		12/31/20	12/31/21	12/31/22	12/31/22
7	Long Term Debt						
8	Working Capital Requirements						
9	Pro Forma Annual Interest Expense	\$0		\$336,461	\$337,447	\$371,515	\$371,661
10	Interest Expense Per Day						
11	(Line 9 / 365 Days)	0		922	925	1,018	1,018
12	Cash Working Capital Required						
13	(Line 4 Col.1 X Line 11)		0	(38,447)	(38,573)	(38,614)	(42,451)
14	Long Term Debt - Wastewater Specific						
15	Working Capital Requirements						
16	Pro Forma Annual Interest Expense	0		50,194	49,492	52,091	52,112
17	Interest Expense Per Day						
18	(Line 16 / 365 Days)	0		138	136	143	143
19	Cash Working Capital Required						
20	(Line 4 Col.1 X Line 18)		0	(5,755)	(5,671)	(5,671)	(5,963)
21	Preferred Dividends						
22	Working Capital Requirements						
23	Pro Forma Annual Dividend Expense	0		987	842	208	208
24	Dividend Expense Per Day						
25	(Line 23 / 365 Days)	0		3	2	1	1
26	Cash Working Capital Required						
27	(Line 4 Col.3 X Line 25)	<u>0</u>		<u>14</u>	<u>9</u>	<u>9</u>	<u>5</u>
28	Total Cash Working Capital Required						
29	(Line 13 + Line 20 + Line 27)	<u>\$0</u>		<u>(\$44,188)</u>	<u>(\$44,235)</u>	<u>(\$44,276)</u>	<u>(\$48,410)</u>

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Acquisition Adjustments

The Company is requesting recognition of the transaction costs associated with its acquisition of the wastewater assets of the Borough of Kane Authority (Docket No. A-2019-3014248).

LINE NO.	DESCRIPTION		PRESENT RATES 12/31/2020	2021 Amortizations	PRESENT RATES 12/31/2021	2021 Amortizations	2022 Amortizations	PRESENT RATES 12/31/2022
			AMOUNT	(Half-Year)	AMOUNT	(Half-Year)		AMOUNT
1	Kane Transaction Costs	Seeking Approval	\$787,000	\$9,838	\$777,162	\$9,837	\$19,675	\$747,650
2	Effect to Rate Base Element		<u>\$787,000</u>	<u>\$9,838</u>	<u>\$777,162</u>	<u>\$9,837</u>	<u>\$19,675</u>	<u>\$747,650</u>

Witness: Dr. Christina E. Chard

Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Rate Base Elements

Deferred Income tax

The following calculation is being made to reflect the federal tax difference between using accelerated and straight-line depreciation, the effects of the Tax Cuts and Jobs Act, taxable contributions and advances and normalizing the effect of the repairs and maintenance deduction for state and federal tax. This adjustment is carried as a rate base reduction.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Deferred Tax		(\$281,434)	(\$387,839)	(\$478,533)
2	Less: Prior Year		0	(281,434)	(387,839)
3	Effect to Rate Base Element	<u>\$0</u>	<u>(\$281,434)</u>	<u>(\$106,405)</u>	<u>(\$90,694)</u>

Witness: John R. Wilde
Reference: FR IV.4

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		Source Of Supply Expenses					
2		-Operations-					
3	601.1	Salary And Wages	\$0	\$0	\$0	\$0	\$0
4	601.2	Salary And Wages	0	0	0	0	0
5	610.1	Purchased Water	0	0	0	0	0
6	615.1	Purchased Power	0	0	0	0	0
7	616.1	Purchased Fuel	0	0	0	0	0
8	620.1	Materials And Supplies	0	0	0	0	0
9	631.1	Contract Services - Engineering	0	0	0	0	0
10	633.1	Contract Services - Legal	0	0	0	0	0
11	636.1	Contract Services	0	0	0	0	0
12	641.1	Rental Of Building	0	0	0	0	0
13	642.1	Rental Of Equipment	0	0	0	0	0
14	650.1	Transportation	0	0	0	0	0
15		-Maintenance-					
16	620.2	Materials And Supplies	0	0	0	0	0
17	631.2	Contract Services - Engineering	0	0	0	0	0
18	636.2	Contract Services	0	0	0	0	0
19		-Miscellaneous-					
20	675.1	Miscellaneous Operating Expense	0	0	0	0	0
21	675.2	Miscellaneous Maintenance Expense	0	0	0	0	0
22		Total Source Of Supply Expenses	\$0	\$0	\$0	\$0	\$0
23		Water Treatment					
24		-Operation-					
25	601.3	Salary And Wages	\$0	\$0	\$124,837	\$124,837	\$124,837
26	601.4	Salary And Wages	0	0	0	0	0
27	604.3	Employee Pension And Benefits	0	0	0	0	0
28	615.3	Purchased Power	0	0	115,310	115,310	115,310
29	618.3	Chemicals	0	0	26,183	27,508	28,900
30	620.3	Materials And Supplies	0	0	0	0	0
31	631.3	Contract Services - Engineering	0	0	0	0	0
32	633.3	Contract Services - Legal	0	0	0	0	0
33	634.3	Contract Services - Management	0	0	0	0	0
34	635.3	Contract Services - Test	0	0	0	0	0
35	636.3	Contract Services	0	0	17,905	17,905	17,905
36	641.3	Rental Of Building	0	0	0	0	0
37	642.3	Rental Of Equipment	0	0	0	0	0
38	650.3	Transportation	0	0	0	0	0
39		-Maintenance-					
40	620.4	Materials And Supplies	0	0	0	0	0
41	631.4	Contract Services - Engineering	0	0	0	0	0
42	636.4	Contract Services	0	0	0	0	0
43	650.4	Transportation	0	0	0	0	0
44	675.4	Miscellaneous Maintenance Expense	0	0	0	0	0
45		-Miscellaneous-					
46	675.3	Miscellaneous Operating Expense	0	0	25,725	26,260	26,785
47		Total Water Treatment Expense	\$0	\$0	\$309,960	\$311,820	\$313,737
48		Transmission And Distribution					
49		-Operation-					
50	601.5	Salary And Wages	\$0	\$0	\$0	\$0	\$0
51	601.6	Salary And Wages	0	0	0	0	0
52	604.5	Employee Pension And Benefits	0	0	0	0	0
53	615.5	Purchased Power	0	0	6,370	6,370	6,370
54	620.5	Materials And Supplies	0	0	0	0	0
55	631.5	Contract Services - Engineering	0	0	0	0	0
56	636.5	Contract Services	0	0	0	0	0
57	641.5	Rental Of Building	0	0	0	0	0
58	642.5	Rental Of Equipment	0	0	0	0	0
59	650.5	Transportation	380	0	0	0	0

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Expenses

Summary of Expense Accounts

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PER BOOKS 12/31/19	PRESENT RATES 12/31/19	PRESENT RATES 12/31/20	PRESENT RATES 12/31/21	PRESENT RATES 12/31/22
1		-Maintenance-					
2	620.6	Materials And Supplies	\$0	\$0	\$117,133	\$117,133	\$117,133
3	631.6	Contract Services - Engineering	0	0	0	0	0
4	636.6	Contract Services	0	0	0	0	0
5	650.6	Transportation	0	0	0	0	0
6	675.6	Miscellaneous Operating Expense	0	0	0	0	0
7		-Miscellaneous-					
8	675.5	Miscellaneous Operating Expense	0	0	0	0	0
9		Total Transmission And Distribution	\$0	\$0	\$123,503	\$123,503	\$123,503
10		Customer Accounting					
11		-Operation-					
12	601.7	Salary And Wages	\$0	\$0	\$0	\$0	\$0
13	604.7	Employee Pension And Benefits	0	0	0	0	0
14	615.7	Purchased Power	0	0	0	0	0
15	620.7	Materials And Supplies	0	0	0	0	0
16	631.7	Contract Services - Engineering	0	0	0	0	0
17	633.7	Contract Services - Legal	0	0	0	0	0
18	634.7	Contract Services - Management	0	0	0	0	0
19	636.7	Contract Services	0	0	0	0	0
20	642.7	Rental Of Equipment	0	0	0	0	0
21	650.7	Transportation	0	0	0	0	0
22	657.7	Insurance	0	0	0	0	0
23	670.7	Bad Debt	0	0	17,764	17,764	39,614
24		-Miscellaneous-					
25	675.7	Miscellaneous Expense	0	0	14,578	14,578	14,578
26		Total Customer Accounting	\$0	\$0	\$32,342	\$32,342	\$54,192
27		Administrative And General					
28	601.8	Salary And Wages	\$0	\$0	\$0	\$0	\$0
29	603.8	Salary Of Officers	0	0	0	0	0
30	604.8	Employee Pension And Benefits	0	0	48,162	48,162	48,162
31	615.8	Purchased Power	0	0	0	0	0
32	620.8	Materials And Supplies	0	0	0	0	0
33	631.8	Contract Services	0	0	0	0	0
34	632.8	Contract Services - Accounting	0	0	0	0	0
35	633.8	Contract Services - Legal	0	0	0	0	0
36	634.8	Contract Services - Management	0	0	9,041	9,041	9,041
37	635.8	Contract Services - Test	0	0	0	0	0
38	636.8	Contract Services	0	0	0	0	0
39	641.8	Rental Of Building	0	0	0	0	0
40	642.8	Rental Of Equipment	0	0	0	0	0
41	650.8	Transportation	0	0	0	0	0
42	656.8	Insurance - Vehicles	0	0	0	0	0
43	657.8	Insurance	0	0	29,146	29,146	29,146
44	658.8	Workers Compensation	0	0	0	0	0
45	659.8	Insurance	0	0	0	0	0
46	660.8	Advertising	0	0	0	0	0
47	666.8	Amortization Of Rate Case	0	0	3,538	3,538	3,538
48	667.8	Regulatory Commission	0	0	0	0	0
49		-Miscellaneous-					
50	675.8	Miscellaneous Expense	0	0	7,715	7,715	7,715
51		Total Administrative And General	\$0	\$0	\$97,602	\$97,602	\$97,602
52		Total Operating Expenses	\$0	\$0	\$563,407	\$565,267	\$589,034

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Expenses

Summary of Operating Expense Adjustments

LINE NO.	DESCRIPTION	PRESENT RATES		PRESENT RATES		PRESENT RATES		PRESENT RATES	
		12/31/19 DETAIL	12/31/19 AMOUNT	12/31/20 DETAIL	12/31/20 AMOUNT	12/31/21 DETAIL	12/31/21 AMOUNT	12/31/22 DETAIL	12/31/22 AMOUNT
1	Per Books		\$0						
2	Present Rates At 12/31/2019				\$0				
3	Present Rates At 12/31/2020						\$563,407		
4	Proposed Rates At 12/31/2021								\$587,117
5	Compensation	-		\$0		\$0		\$0	
6	Group Insurance	-		-		-		-	
7	Other Post Employment Benefits & VEBA	-		-		-		-	
8	Pension	-		-		-		-	
9	Purchased Power	-		-		-		-	
10	Waste Disposal	-		-		-		-	
11	Chemicals	-		-		-		-	
12	Change In Consumption Expense	-		-		-		-	
13	Transportation Expense	-		-		-		-	
14	Insurance Other Than Group	-		-		-		-	
15	Regulatory Expense (Rate Case Expense)	-		3,538		-		-	
16	Service Company Expense	-		-		-		-	
17	Postage and Customer Accounting	-		-		-		-	
18	Inflation	-		-		-		-	
19	401K & Defined Contribution Plan	-		-		-		-	
20	Rent Expense	-		-		-		-	
21	Miscellaneous Adjustments	0		542,105		1,860		1,917	
22	Uncollectibles	<u>0</u>		<u>17,764</u>		<u>0</u>		<u>0</u>	
23	Pro Forma Adjustments	<u>0</u>		<u>563,407</u>		<u>1,860</u>		<u>1,917</u>	
24	Present Rates At 12/31/2019	<u><u>\$0</u></u>							
25	Present Rates At 12/31/2020			<u><u>\$563,407</u></u>					
26	Present Rates At 12/31/2021					<u><u>\$565,267</u></u>			
27	Present Rates At 12/31/2022							<u><u>\$589,034</u></u>	

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Expenses

Regulatory Expense (Rate Case Expense)

The following adjustment reflects the estimated cost of this rate case normalized over a three-year period. Additionally, there is an adjustment for a 10 year amortization of the Customer Class Demand Study.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT
1	Rate Case Expense Allocation	\$10,374
2	Normalized Over 3 Years	3,458
3	Plus Allocation of Amortization of Demand Study	80
4	Less: Amount Charged To Operating Expense	
5	During The Twelve Months Ended 12/31/19	<u>0</u>
6	Pro Forma Adjustment	<u><u>\$3,538</u></u>
	666.8 Regulatory Commission Expense	\$3,538

Witness: Stacey D. Gress

Reference: Exhibit No. 3-B

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Expenses

Miscellaneous Expense Adjustment

The following adjustment is being made to annualize Kane WW expenses to pro forma expenses.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNTS	PRESENT RATES 12/31/2021 AMOUNTS	PRESENT RATES 12/31/2022 AMOUNTS
1	Kane WW Annualized Production Costs	\$173,588	\$175,448	\$177,365
2	Kane WW Annualized Other O&M Expenses	368,517	368,517	368,517
3	Kane WW Taxes Other Than Income	12,057	55,937	55,937
4	Subtotal Annualized Kane Expenses	\$554,162	\$599,902	\$601,819
5	Less: Present Rates 2020 and 2021		554,162	599,902
6	Pro Forma Adjustment	<u>\$554,162</u>	<u>\$45,740</u>	<u>\$1,917</u>
	408.12 Payroll Taxes	\$12,057		
	408.2 Taxes, Other Than Income - Property	-	\$43,880	
	601.3 Salary and Wages- Water Treatment	124,837		
	604.8 A&G Employee Pension And Benefits	48,162		
	615.3 Purch Power Oper WT	115,310		
	615.5 Purch Power Oper TD	6,370		
	618.3 Chemicals- Water Treatment	26,183	1,325	\$1,392
	620.6 M&S Maint TD	117,133		
	634.8 AG - Contract Services Management	9,041		
	636.3 Cont Serv Other Operating	17,905		
	657.8 General Liability	29,146		
	675.3 Misc Exp Oper WT	25,725	535	525
	675.7 Misc Exp Customer Accounting	14,578		
	675.8 Misc Expense Admin & General	7,715		

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Expenses

Calculation of Uncollectible Accounts Expenses

The following adjustment develops the Company's uncollectible accounts expense claim calculated on the ratio of actual per books revenue to net write-offs. This ratio is applied to pro forma sales at present and proposed rates.

LINE NO	DESCRIPTION	PER BOOKS	Rate Year 1				Rate Year 2	
			PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Total Sales	\$0	\$0	\$1,474,187	\$1,474,187	\$3,287,466	\$3,287,466	\$3,812,829
2	3 Year Average	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%	1.2050%
3	Annualized Uncollectible Expense		\$0	\$17,764	\$17,764	\$39,614	\$39,614	\$45,945
4	Less: Amount Charged To Operating Expense							
5	During The Twelve Months Ended 12/31/2019		0					
6	Less: Present Rates 12/31/2019			0				
7	Less: Present Rates 12/31/2020				17,764			
8	Less: Present Rates 12/31/2021					17,764		
9	Less: Proposed Rates 12/31/2021						39,614	
10	Less: Present Rates 12/31/2022							39,614
11	Pro Forma Adjustment		\$0	\$17,764	\$0	\$21,850	\$0	\$6,331
670.7	Customer Accounting And Collecting - Bad Debt		\$0	\$17,764	\$0	\$21,850	\$0	\$6,331

Witness: Ashley E. Everette

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Depreciation

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2019 AMOUNT	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Annualized Depreciation	\$0	\$794,563	\$805,787	\$1,138,907
2	Book Depreciation	<u>0</u>	<u>0</u>	<u>794,563</u>	<u>805,787</u>
3	Pro Forma Adjustment	<u>\$0</u>	<u>\$794,563</u>	<u>\$11,224</u>	<u>\$333,120</u>
	503 Depreciation	\$0	\$794,563	\$11,224	\$333,120

Witness: Dr. Christina E. Chard, John Spanos
Reference: Exhibits No. 11

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Operating Expenses

Amortization Expense

This adjustment is being made to reflect the Company's claim for amortizations.

LINE NO.	DESCRIPTION	PRESENT RATES 12/31/2020 AMOUNT	PRESENT RATES 12/31/2021 AMOUNT	PRESENT RATES 12/31/2022 AMOUNT
1	Kane Acquisition Costs Seeking Approval	\$0	\$19,675	\$19,675
3	Proforma Expense	0	19,675	19,675
4	Less: Per Books	0	0	19,675
5	Pro Forma Adjustment	\$0	\$19,675	\$0

Witness: Dr. Christina E. Chard
Reference: Exhibit No. 3-C

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

**Calculation of General Assessment by the Pennsylvania Public Utility
Commission, Consumer Advocate and Small Business Advocate Fees**

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Total Wastewater Sales	\$0	\$1,465,041	\$1,465,041	\$3,267,070	\$3,267,070	\$3,789,173
2	Estimated General Assessment Fee						
3	Public Utility Commission At 0.004206187214	0	6,162	6,162	13,742	13,742	15,938
4	Consumer Advocate Fee At 0.001366996958	0	2,003	2,003	4,466	4,466	5,180
5	Small Business Advocate Fee At 0.000162780343	0	238	238	532	532	617
6	Damage Prevention Comittee Fee At 0.000059307687	0	87	87	194	194	225
7	Subtotal	0	8,490	8,490	18,934	18,934	21,960
8	Less: Amount Charged To Operating Expenses During						
9	The Twelve Months Ended 12/31/2019	0					
10	Less: Pro Forma Under Present Rates At 12/31/2019		0				
11	Less: Pro Forma Under Present Rates At 12/31/2020			8,490			
12	Less: Pro Forma Under Present Rates At 12/31/2021				8,490		
13	Less: Pro Forma Under Proposed Rates 12/31/2021					18,934	
14	Less: Pro Forma Under Present Rates 12/31/2022						18,934
15	Pro Forma Adjustment	\$0	\$8,490	\$0	\$10,444	\$0	\$3,026
	507.1 Taxes Other Than Income				\$18,934		\$3,026

Witness: Dr. Christina E. Chard

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Pro Forma State And Federal Income Taxes Under Present And Proposed Rates

LINE NO. DESCRIPTION	RATE YEAR 1				RATE YEAR 2	
	PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED 12/31/22 AMOUNT
1 State Income Tax Per Computation						
2 Shown On Following Page	\$0	(\$77,394)	(\$78,568)	\$99,294	\$33,837	\$85,370
3 Less: State Income Tax Per Book						
4 Computation Shown On Following Page	0					
5 Less: Present Rates 12/31/2019		0				
6 Less: Present Rates 12/31/2020			(77,394)			
7 Less: Present Rates 12/31/2021				(78,568)		
8 Less: Proposed Rates 12/31/2021					99,294	
9 Less: Present Rates 12/31/2022						33,837
10 Pro Forma Adjustment	\$0	(\$77,394)	(\$1,174)	\$177,862	(\$65,457)	\$51,533
11 Federal Income Tax Per Computation						
12 Shown On Following Page	\$0	(\$65,630)	(\$65,887)	\$270,645	\$200,673	\$298,177
13 Less: Federal Income Tax Per Book						
14 Computation Shown On Following Page	0					
15 Less: Present Rates 12/31/2019		0				
16 Less: Present Rates 12/31/2020			(65,630)			
17 Less: Present Rates 12/31/2021				(65,887)		
18 Less: Proposed Rates 12/31/2021					270,645	
19 Less: Present Rates 12/31/2022						200,673
20 Pro Forma Adjustment	\$0	(\$65,630)	(\$257)	\$336,532	(\$69,972)	\$97,504

Witness: John R. Wilde

Pennsylvania-American Water Company - WW CSS Kane Operations
Notes to Statement Of Income
Calculation Of State And Federal Income Taxes

LINE NO.	DESCRIPTION	PER BOOKS	PRESENT RATES		RATE YEAR 1		RATE YEAR 2	
			12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT
1	Utility Operating Income Before Taxes			\$95,670	\$19,031	\$1,800,016	\$1,464,979	\$1,980,985
2	Less: Interest Expense			386,655	386,939	387,528	423,606	423,773
3	Taxable Operating Income			(290,985)	(367,908)	1,412,488	1,041,373	1,557,212
4	Add: Premature Property Losses / Amortizations			0	19,675	19,675	19,675	19,675
5	Depr - Straight Line-Remaining Life (Including COR)			794,563	805,787	805,787	1,138,907	1,138,907
6	Taxable Meals & Entertainment			0	0	0	0	0
7	Total			794,563	825,462	825,462	1,158,582	1,158,582
8	Deduct:							
9	Tax Depreciation:							
10	State Tax Depreciation Adjustments			1,278,296	1,244,020	1,244,020	1,861,242	1,861,242
11	Total			1,278,296	1,244,020	1,244,020	1,861,242	1,861,242
12	State Taxable Income			(774,718)	(786,466)	993,930	338,713	854,552
13	State Income Tax At:							
14	Historic, Future And Fully Projected At 9.99%			(77,394)	(78,568)	99,294	33,837	85,370
15	Taxable Income After State Income Tax			(697,324)	(707,898)	894,636	304,876	769,182
16	Add:							
17	Federal Tax Depreciation Adjustments			384,800	394,152	394,152	650,708	650,708
18	Income Subject To Federal Income Tax			(312,524)	(313,746)	1,288,788	955,584	1,419,890
19	Federal Income Tax @ 21%			(65,630)	(65,887)	270,645	200,673	298,177
20	Excess ADIT			0	0	0	0	0
21	Federal Tax Liability			(\$65,630)	(\$65,887)	\$270,645	\$200,673	\$298,177
	Witness: John R. Wilde							

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Pro Forma Interest Expense Under Present and Proposed Rates

LINE NO.	DESCRIPTION	PRESENT RATES		RATE YEAR 1 PRESENT RATES		RATE YEAR 2 PRESENT RATES	
		12/31/19 AMOUNT	12/31/20 AMOUNT	12/31/21 AMOUNT	12/31/21 AMOUNT	12/31/22 AMOUNT	12/31/22 AMOUNT
1	Interest On Long Term Debt Per Computation						
2	Shown On Following Page	\$0	\$336,461	\$337,447	\$337,960	\$371,515	\$371,661
3	Less: Interest On Long Term Debt As Per Book						
4	Computation On Following Page	0					
5	Less: Present Rates At 12/31/2019		0				
6	Less: Present Rates At 12/31/2020			336,461			
7	Less: Present Rates At 12/31/2021				337,447		
8	Less: Proposed Rates 12/31/2021					337,960	
9	Less: Present Rates 12/31/2022						371,515
14	Pro Forma Adjustment	\$0	\$336,461	\$986	\$513	\$33,555	\$146
15	Interest On Wastewater Specific Long Term Debt Per Computation						
16	Shown On Following Page	\$0	\$50,194	\$49,492	\$49,568	\$52,091	\$52,112
17	Less: Interest On Wastewater Specific Long Term Debt As Per Book						
18	Computation On Following Page	0					
19	Less: Present Rates At 12/31/2019		0				
20	Less: Present Rates At 12/31/2020			50,194			
21	Less: Present Rates At 12/31/2021				49,492		
22	Less: Proposed Rates 12/31/2021					49,568	
23	Less: Present Rates 12/31/2022						52,091
28	Pro Forma Adjustment	\$0	\$50,194	(\$702)	\$76	\$2,523	\$21

Witness: Ann E. Bulkley

Pennsylvania-American Water Company - WW CSS Kane Operations

Notes to Statement Of Income

Application of Income Deductions

PRESENT RATES AT DECEMBER 31, 2019					PRESENT RATES AT DECEMBER 31, 2020			PRESENT RATES AT DECEMBER 31, 2021			PRESENT RATES AT DECEMBER 31, 2022		
LINE NO.	DESCRIPTION	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE	AMOUNT	CAPITAL STRUCTURE	COST RATE
1	Capital Structure												
2	Long Term Debt	\$220,761,520	38.78%	4.61%	\$248,256,380	39.34%	4.54%	\$255,170,585	39.44%	4.47%	\$272,178,861	39.90%	4.35%
3	Long Term Debt - WW Specific	67,377,275	11.83%	2.51%	66,183,901	10.49%	2.54%	65,599,037	10.14%	2.55%	63,832,693	9.36%	2.60%
4	Total Debt	288,138,795	50.61%		314,440,281	49.83%		320,769,622	49.58%		336,011,554	49.26%	
5	Preferred Stock	552,155	0.10%	8.69%	395,403	0.06%	8.73%	317,293	0.05%	8.80%	61,831	0.01%	9.70%
6	Common Equity	280,645,216	49.29%		316,209,150	50.11%		325,921,359	50.37%		346,066,580	50.73%	
7	Totals	\$569,336,166	100.00%		\$631,044,834	100.00%		\$647,008,274	100.00%		\$682,139,965	100.00%	
					PRESENT RATES 12/31/19 AMOUNT	PRESENT RATES 12/31/20 AMOUNT	PRESENT RATES 12/31/21 AMOUNT	PROPOSED RATES 12/31/21 AMOUNT	PRESENT RATES 12/31/22 AMOUNT	PROPOSED RATES 12/31/22 AMOUNT			
8	Application Of Long Term Debt Interest:												
9	Original Cost Rate Base				\$0	\$18,838,415	\$19,140,823	\$19,169,938	\$21,404,932	\$21,413,380			
10	Debt Percentage (From Above)				38.78%	39.34%	39.44%	39.44%	39.90%	39.90%			
11	Debt Portion Of Rate Base				0	7,411,032	7,549,141	7,560,624	8,540,568	8,543,939			
12	Interest Cost (From Above)				4.61%	4.54%	4.47%	4.47%	4.35%	4.35%			
13	Pro Forma Long Term Interest Deduction				\$0	\$336,461	\$337,447	\$337,960	\$371,515	\$371,661			
14	Application Of Wastewater Specific Long Term Debt Interest:												
15	Original Cost Rate Base				\$0	\$18,838,415	\$19,140,823	\$19,169,938	\$21,404,932	\$21,413,380			
16	Debt Percentage (From Above)				11.83%	10.49%	10.14%	10.14%	9.36%	9.36%			
17	Debt Portion Of Rate Base				0	1,976,150	1,940,879	1,943,832	2,003,502	2,004,292			
18	Interest Cost (From Above)				2.51%	2.54%	2.55%	2.55%	2.60%	2.60%			
19	Pro Forma Wastewater Specific Long Term Interest Deduction				\$0	\$50,194	\$49,492	\$49,568	\$52,091	\$52,112			

Witness: Ann E. Bulkley