

**I. STATEMENT OF INCOME**

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Statement of Income

FR I.1

**Pennsylvania-American Water Company  
Coatesville Wastewater Operations**

**I. Statement of Income**

1. Provide comparative operating statements for the historic test year and the immediately preceding 12 months showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major (greater than 15%) variances between the historic test year and preceding year by detailed account number. Limit the explanation to differences of \$10,000 or greater.

**Answer:** Please see attached.

PENNSYLVANIA AMERICAN WATER COMPANY  
 COATESVILLE WASTEWATER OPERATIONS  
 FR I.1

FR I.1

DESCRIPTION		PER BOOKS	PER BOOKS	VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
		12/31/2006	12/31/2007			
OPERATING REVENUE		2,541,022	2,478,388	(62,634)	-2.46%	
WASTEWATER SALES REVENUE						
461.1	RESIDENTIAL	1,031,250	998,696	(32,554)	-3.16%	
461.2	COMMERCIAL	216,412	204,759	(11,653)	-5.38%	
461.3	INDUSTRIAL	143,716	197,450	53,734	37.39%	Mittal Steel increased production and had a leak in 2007.
461.4	PUBLIC AUTHORITY	174,823	195,062	20,239	11.58%	
462.1	PUBLIC FIRE	0	0	0		
462.2	PRIVATE FIRE	0	0	0		
466.0	BULK SALES	708,741	718,532	9,791	1.38%	
TOTAL WATER SALES		2,274,942	2,314,499	39,557		
OTHER WATER REVENUES						
470.0	PENALTIES (2006 STILL NEED UPDATED)	8,784	11,580	2,796		
471.0	MISCELLANEOUS SERVICE REVENUES	211,317	99,452	(111,865)	-52.94%	Higher number / amount of capacity fees recorded in 2006 compared to 2007.
472.0	RENTS FROM WATER PROPERTY	0	0	0		
474.0	OTHER WASTEWATER REVENUES	45,979	53,248	7,269	15.81%	
TOTAL OTHER WATER REVENUES		266,080	164,280	(101,800)		
400.0 OPERATING REVENUES		2,541,022	2,478,779	(62,243)		
EXPENSES						
601.0	SALARY AND WAGES	446,651	421,436	(25,215)	-5.65%	
604.0	EMPLOYEE PENSION AND BENEFITS	113,696	123,526	9,830	8.46%	
610.0	PURCHASED WATER	0	0	0		
615.0	PURCHASED POWER	219,386	252,288	32,902	15.00%	2007 costs increased due to the addition of 2 pump stations & 2007 PECO increase in rates
616.0	PURCHASED FUEL	2,499	1,700	(799)	-31.97%	
618.0	CHEMICALS	57,014	75,954	18,950	33.24%	Increase in chemical prices and increased usage associated with 4-250 gallon holding tanks installed for direct storage of chemicals to combat odor in the collections system.
620.0	MATERIALS AND SUPPLIES	81,698	29,816	(51,882)	-63.50%	In 2006 costs associated with Pump Maintenance and other materials charged to contract services in 2007
631.0	CONTRACT SERVICES - ENGINEERING	0	0	0		
632.0	CONTRACT SERVICES - ACCOUNTING	0	0	0		
633.0	CONTRACT SERVICES - LEGAL	0	0	0		
634.0	CONTRACT SERVICES - MANAGEMENT	0	0	0		
635.0	CONTRACT SERVICES - TEST	4,236	9,573	5,337	125.99%	
635.0	CONTRACT SERVICES OTHER	141,029	398,221	257,192	64.59%	Costs associated with the video and repair / maintenance of sewer pipelines increased in 2007 over 2006 levels. 2006 contractor costs were also charged to materials and supplies. 2005 levels were \$263,290 and 2008 levels are expected to exceed 2007 levels.
641.0	RENTAL OF BUILDING	0	0	0		
642.0	RENTAL OF EQUIPMENT	6,809	4,070	(2,739)	-40.23%	
650.0	TRANSPORTATION	89,449	102,337	12,888	14.41%	
656.0	INSURANCE - VEHICLES	0	0	0		
657.0	INSURANCE	0	0	0		
658.0	WORKERS COMPENSATION	(132)	(31)	101	-76.52%	
659.0	INSURANCE	0	0	0		
660.0	ADVERTISING	0	0	0		
666.0	REGULATORY EXPENSE - RATE CASE	0	0	0		
667.0	REGULATORY EXPENSE - OTHER	0	0	0		
670.0	BAD DEBT	67,107	53,187	(13,920)	-20.74%	In 2006 adjustments were made to increase the reserve.
675.0	MISCELLANEOUS MAINTENANCE EXPENSE	501,229	351,957	(149,272)	-29.78%	Accounting Adjustment in 2006 to accrue for waste disposal - change in accounting method.
401.0 OPERATING EXPENSES		1,730,871	1,824,044	93,173	5.38%	
403.0 DEPRECIATION EXPENSE		(190,774)	358,656	549,430	-288.00%	Majority of Depreciation expense for 2006 was charged to the total company corporate business unit
406.0	AMORTIZATION UTIL PLANT ACQ ADJ	(506,981)	(506,981)	0		
407.1	AMORTIZATION LIMITED TERM PLANT	0	0	0		
407.3	AMORTIZATION OTHER UTIL PLANT	0	0	0		
407.4	AMORT REGULATORY ASSET	0	0	0		
408.10	TAXES OTHER THAN INCOME - REGULATORY ASSESSMENT	15,225	14,698	(527)	-3.46%	

DESCRIPTION	PER BOOKS		VARIANCE	% VARIANCE	VARIANCE EXPLANATIONS
	12/31/2006	12/31/2007			
408.11	PROPERTY TAXES	36,259	36,362	103	0.28%
408.12	PAYROLL TAXES			0	
408.13	TAXES OTHER THAN INCOME - OTHER	38,086	35,805	(2,282)	-5.99%
409.10	INCOME TAXES - FIT OPER			0	
409.11	INCOME TAXES - SIT OPER			0	
410.10	DEFERRED TAX - FIT			0	
410.11	DEFERRED TAX - SIT			0	
412.11	ITC RESTORED			0	
TOTAL OPERATING EXPENSE		1,122,688	1,762,585	546,724	
TOTAL UTILITY OPERATING INCOME		1,418,334	716,194	702,140	
NON OPERATING INCOME					
415.0	M & J REVENUES	0	0	0	
416.0	M & J EXPENSES	0	0	0	
419.0	INTEREST & DIVIDEND INCOME	0	0	0	
420.0	AFUDC	0	80,095	80,095	In 2006 AFUDC was recorded on Corporate Business ledger
NON OPERATING DEDUCTIONS					
409.20	INCOME TAXES OTHER INC/DED	0	0	0	
408.20	TAXES OTHER THAN INCOME - OTHER INC/DED	0	0	0	
426.0	MISC NON-UTILITY EXPENSE	0	0	0	
TOTAL OTHER INCOME		0	80,095		
INTEREST EXPENSE					
427.2	INTEREST EXPENSE - SHORT TERM DEBT	0	0	0	
427.3	INTEREST EXPENSE - LTD	0	0	0	
427.5	INTEREST EXPENSE - OTHER	0	0	0	
428.0	AMORTIZED DEBT EXPENSE	0	0	0	
437.0	DIVIDEND DECLARED - PREF STOCK	0	0	0	
TOTAL INTEREST EXPENSE		0	0	0	
NET INCOME		1,418,334	796,289	702,140	

Certain per book costs associated with the Coatesville Wastewater Operations were recorded on the Company's Corporate Business unit and allocated / transferred to the Coatesville Wastewater Operations to correctly state per book expenses:

		2006	2007
604.8	Allocate Group Insurance Premium	94,225	103,661
670.7	Allocate uncollectibles	67,107	53,187
408.11	Transfer Property taxes	36,259	36,362
408.1	Allocate General Assessment	15,225	14,698
406	Transfer Neg UPAA amort from Corp	-506,981	-506,981

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Statement of Income

FR I.2

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**I. Statement of Income**

2. Prepare an Income Statement for the various time frames of the rate proceeding including:
  - Col. 1 - Book recorded income statement for the test year.
  - 2 - Adjustments to book recorded income statement to annualize and normalize under present rates.
  - 3 - Income statement under present rates after adjustments in Col. 2.
  - 4 - Adjustments to Col. 3 for revenue increase requested.
  - 5 - Income statement under proposed rates.

**Answer:** Please refer to income statement page of Exhibit No. 3-A.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Statement of Income

FR I.3

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**I. Statement of Income**

3. If a company has separate operating divisions, an income statement must be shown for each division, plus an income statement for the company as a whole.

**Answer:** Please refer to income statement contained on page 1 of Exhibit No. 3-A.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Statement of Income

FR I.4

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**I. Statement of Income**

4. Provide Operating Income claims under:
- a. Present rates
  - b. Pro forma present rates (annualized & normalized)
  - c. Proposed rates (annualized & normalized)

**Answer:** Please refer to income statement on page 1 of Exhibit No. 3-A.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Statement of Income

FR I.5

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**I. Statement of Income**

5. Provide Rate of Return on Original Cost under:
- a. Present rates
  - b. Pro forma present rates
  - c. Proposed rates

**Answer:** Please refer to the summary of rate base adjustments in Exhibit No. 3-A.

## **II. OPERATING REVENUE**

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Operating Revenues (HTY and preceding)

FR II.1

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

1. Prepare a summary of operating revenues for the historic test year and the year preceding the historic test year, providing the following information:
  - a. For each classification of customers:
    - (i) Number of customers as of year-end
    - (ii) Gallons sold
    - (iii) Revenues
  - b. Customers penalties and miscellaneous water revenues.

**Answer:**

Please see attached.

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

## FR. II.1

	TWELVE MONTHS ENDED 12-31-06	TWELVE MONTHS ENDED 12-31-07
a.		
(i)		
NUMBER OF CUSTOMERS		
RESIDENTIAL	5,332	5,530
COMMERCIAL	330	337
INDUSTRIAL	2	2
MUNICIPAL	18	19
SALE FOR RESALE	4	4
PRIVATE FIRE PROTECTION	0	0
PUBLIC FIRE PROTECTION	0	0
TOTAL	<u>5,686</u>	<u>5,892</u>
(ii)		
GALLONS BILLED (100 GALLONS)		
RESIDENTIAL	2,945,504	2,856,139
COMMERCIAL	673,652	649,928
INDUSTRIAL	678,230	961,200
MUNICIPAL	876,024	888,489
SALE FOR RESALE	3,312,620	3,370,980
PRIVATE FIRE PROTECTION	0	0
PUBLIC FIRE PROTECTION	0	0
TOTAL	<u>8,486,030</u>	<u>8,726,736</u>
(iii)		
ACCRUED REVENUES		
RESIDENTIAL	\$1,031,250	\$998,697
COMMERCIAL	216,412	204,759
INDUSTRIAL	143,716	197,450
MUNICIPAL	174,823	195,062
SALE FOR RESALE	708,741	718,531
MISCELLANEOUS	0	0
PRIVATE FIRE PROTECTION	0	0
PUBLIC FIRE PROTECTION	0	0
TOTAL WATER SALES	<u>\$2,274,942</u>	<u>\$2,314,499</u>
b.		
OTHER OPERATING REVENUES		
PENALTIES	\$8,784	\$11,580
RENTS FROM PROPERTIES		0
OTHER WATER REVENUES	<u>257,297</u>	<u>152,700</u>
TOTAL	<u>\$266,081</u>	<u>\$164,280</u>

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

FR II.2

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

2. Prepare a summary of operating revenues for the historic test year, providing the following information:
  - a. For each classification of customers and for customers' penalties and miscellaneous water or wastewater revenues:
    - (i) Revenues
    - (ii) Annualizing and normalizing adjustments to arrive at adjusted operating revenues for ratemaking
    - (iii) Proposed increase in operating revenues
    - (iv) Percent increase in operating revenues
    - (v) Operating revenues under proposed rates

**Answer:**

Please refer to Exhibit 3-A, pages 2 and 3.

Attached please find the calculations for the Company's adjustments for "Change in Revenue Due to Changes in the Number of Customers" and "Specific Customer Adjustments."

PENNSYLVANIA-AMERICAN WATER COMPANY  
CHANGE IN REVENUES DUE TO CHANGE IN CUSTOMERS  
PRESENT RATES DECEMBER 31, 2007

**RESIDENTIAL METERED REVENUES**

**THIRTEEN MONTH AVERAGE**

MONTH	END OF MO CUSTOMERS
Dec-06	5,286
Jan-07	5,293
Feb-07	5,314
Mar-07	5,394
Apr-07	5,405
May-07	5,396
Jun-07	5,408
Jul-07	5,403
Aug-07	5,432
Sep-07	5,436
Oct-07	5,461
Nov-07	5,471
Dec-07	5,479
TOTAL	70,178
THIRTEEN MONTH AVERAGE CUSTOMERS	5,398

**CHANGE IN CUSTOMERS** 81

**AVERAGE ANNUAL CONSUMPTION PER CUSTOMER**

TOTAL METERED USAGE FOR 2007 (00 GALLONS)	2,856,139
TOTAL METERED BILLS FOR 2007	65,711
MONTHLY USAGE PER CUSTOMER	43.47
ANNUAL USAGE PER CUSTOMER	521.58

**SERVICE CHARGE REVENUES**

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
81	972	\$1.86	\$1,808

**CONSUMPTION REVENUES**

AVERAGE ANNUAL CONSUMPTION PER CUSTOMER	521.58
CHANGE IN CUSTOMERS	81
CHANGE IN CONSUMPTION	42,248
BLOCK RATE - ALL CONSUMPTION	0.302
CONSUMPTION REVENUE	\$12,759

**TOTAL ADJUSTMENT** \$14,567

**RESIDENTIAL UNMETERED REVENUES**

NO. OF EDU'S	RATE	ANNUAL REVENUES	PER BOOKS	ADJUSTMENT
75	\$18.33	\$16,497.00	\$16,427.35	\$69.65
14	19.28	3,239.04	2,844.57	394.47
1	12.33	147.96	61.65	86.31
<b>TOTAL ADJUSTMENT</b>		<u><u>\$19,884</u></u>	<u><u>\$19,334</u></u>	<u><u>\$550</u></u>

PENNSYLVANIA-AMERICAN WATER COMPANY  
CHANGE IN REVENUES DUE TO CHANGE IN CUSTOMERS  
RESIDENTIAL METERED REVENUES  
PRESENT RATES DECEMBER 31, 2008

CUSTOMER GROWTH

NORMAL GROWTH	200
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AVERAGE ANNUAL CONSUMPTION PER CUSTOMER

TOTAL METERED USAGE FOR 2007 (00 GALLONS)	2,856,139
TOTAL METERED BILLS FOR 2007	65,711
MONTHLY USAGE PER CUSTOMER	43.47
ANNUAL USAGE PER CUSTOMER	521.58

SERVICE CHARGE REVENUES

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
200	2,400	\$1.86	\$4,464

CONSUMPTION REVENUES

AVERAGE ANNUAL CONSUMPTION PER CUSTOMER	521.58
CHANGE IN CUSTOMERS	200
CHANGE IN CONSUMPTION	104,316
BLOCK RATE - ALL CONSUMPTION	0.302
CONSUMPTION REVENUE	\$31,504

TOTAL ADJUSTMENT	<u>\$35,968</u>
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PENNSYLVANIA-AMERICAN WATER COMPANY  
 COATESVILLE WASTEWATER OPERATIONS  
 MITTEL STEEL  
 ACCOUNT: 240622981  
 CUSTOMER CLASS: INDUSTRIAL

This adjustment removes the revenues associated with a large leak in the last quarter of 2007.

WASTEWATER RATES

USAGE ALLOWANCE PER MONTH (100 GALLONS)	RATES EFFECTIVE 1/29/04
0	\$1.85
ALL	0.1940

MIN CHARGE  
 ALL USAGE

	ACTUAL USAGE 12/31/05	ACTUAL USAGE 12/31/06	ACTUAL USAGE 12/31/07	ACTUAL USAGE 12/31/08	ANNUALIZED USAGE 12/31/07	ACTUAL USAGE 12/31/06	ACTUAL USAGE 12/31/07	ANNUALIZED USAGE 12/31/07	ACTUAL USAGE 12/31/08
JANUARY	42,890	36,340	60,090	130,020	60,090	\$7,051.82	\$8,322.52	\$11,659.32	\$25,225.74
FEBRUARY	48,100	41,310	53,110	98,440	53,110	8,016.00	9,333.26	10,305.20	19,099.22
MARCH	50,004	48,360	62,640	98,440	62,640	9,383.70	9,702.64	12,154.02	12,154.02
APRIL	46,550	37,040	46,620	98,440	46,620	7,187.62	9,032.56	9,046.14	9,046.14
MAY	55,660	32,400	75,310	98,440	75,310	6,287.46	10,799.90	14,612.00	14,612.00
JUNE	52,310	41,370	70,040	98,440	70,040	8,027.64	10,150.00	13,589.62	13,589.62
JULY	51,440	50,270	76,500	98,440	76,500	9,754.24	9,981.22	14,842.86	14,842.86
AUGUST	46,820	39,750	62,440	98,440	62,440	7,713.36	9,084.94	12,115.22	12,115.22
SEPTEMBER	44,440	44,630	73,350	98,440	73,350	8,660.08	8,623.22	14,231.76	14,231.76
OCTOBER	49,280	39,500	64,690	98,440	64,690	7,664.86	9,562.18	12,551.72	12,551.72
NOVEMBER	50,490	51,630	96,870	98,440	96,870	10,018.08	9,796.92	18,794.64	18,794.64
DECEMBER	66,370	43,130	120,310	98,440	64,479	8,369.08	12,877.64	23,342.00	23,342.00
TOTAL	604,354	505,730	861,970	228,450	773,748	98,133.94	117,267.00	167,244.50	44,324.96

PRESENT RATES 12-31-07 \$150,129.43  
 LESS: PER BOOKS 12-31-07 \$167,244.50  
 ADJUSTMENT (\$17,115.07)

**PENNSYLVANIA-AMERICAN WATER COMPANY  
COATESVILLE WASTEWATER OPERATIONS  
CALN TOWNSHIP INFILTRATION FEES**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2,007										<b>\$142.58</b>	<b>\$149.06</b>	<b>\$149.06</b>	<b>\$440.70</b>
2,008													
Discharge	871.0	794.0	659.0	636.6	650.1	663.6	820.9	701.3	831.1	669.4	699.8	699.8	8,696.6
Fee at \$.213	\$185.52	\$169.12	\$140.37	\$135.60	\$138.47	\$141.35	\$174.85	\$149.38	\$177.02	\$142.58	\$149.06	\$149.06	\$1,852.38
											Adjustment		\$1,411.68

Caln Township is interconnected with the Coatesville Wastewater System at various points at the eastern end of the sewer system in an area known as McGargee Heights. Since there is not a single point where the Company can install a meter to monitor the flow, the Company bases this portion of Caln Township's bill on the water usage in McGargee. According to the contract with Caln Towhship, the Company may then add a 10% water infiltration fee to cover any rain or surface water that the water meters would not account for. From the time of acquisition and until 2007, Pennsylvania-American Water Company did not bill Caln Township for this fee. This adjustment annualizes the infiltration fees billed to Caln Towhship.

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

FR II.3

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

3. Provide a schedule of present and proposed tariff rates showing dollar change and percent of change by block. Provide increases to customers at various monthly uses (each 5,000 gallon consumption increment) showing billings at existing proposed rates. Provide also an explanation of any change in block structure and the reason therefore. Provide a copy of the proposed tariff or tariff supplement on a red line basis, to easily identify any changes.

**Answer:**

Please refer to PAWC's Cost of Service Study and Revenue Analysis.

Please refer to Original Tariff Wastewater PA P.U.C. No. 7. The Company is completely revising its Rules and Regulations for the Coatesville Wastewater Operations to more closely align them with the Commission's generic wastewater tariff. As such, the rules and regulations section has not been redlined.

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

FR II.4

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

4. Provide for the future test year a detailed customer consumption analysis and the application of rates to support present and proposed revenues by customer classification and tariff rate schedule.

**Answer:**

Please refer to PAWC's Revenue Analysis.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Determination of Accrued Revenues

FR II.5

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

5. Provide detailed computations of the determination of accrued revenues as of historic test year-end and year-end immediately preceding the historic test year, together with a detailed explanation of the procedures and methods used in developing accrued revenues.

**Answer:**

Utility revenues are adjusted monthly, as follows: For each revenue category, average revenue per day is calculated based on planned billed revenue. The customer database for billing, calculates the number of unbilled days from the last reading date to the end of the month. The average revenue per day is multiplied by the number of unbilled days by revenue category and billing cycle, to produce the unbilled asset for the month. The detailed computations are voluminous in nature, but will be supplied if required. For ratemaking purposes, unbilled revenue is eliminated from this filing.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Detailed Breakdown of Misc. Water Revenues (HTY and at Preceding)

FR II.6

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

6. Provide a detailed breakdown of miscellaneous water revenues for the historic test year and the two years immediately preceding the historic test year. For the historic test year, provide a monthly breakdown and an explanation of monthly variances greater than 15%.

**Answer:**

Please see attached.

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

## FR II.6

PERIOD	470 PENALTIES	471 MISCELLANEOUS SERVICE REVENUES	474 OTHER WATER REVENUES	TOTAL
YTD 2005	\$8,050	\$183,294	\$50,968	\$242,312
YTD 2006	\$8,784	\$211,317	\$45,979	\$266,080
01-07	\$956	\$8,050	\$3,190	\$12,196
02-07	828	1,415	2,953	5,196
03-07	916	3,715	1,362	5,993
04-07	912	9,000	3,485	13,397
05-07	980	2,300	5,480	8,760
06-07	949	2,300	5,615	8,864
07-07	974	52,785	5,122	58,881
08-07	1,006	3,995	5,383	10,384
09-07	954	4,025	4,281	9,260
10-07	1,055	6,692	8,596	16,343
11-07	994	1,725	4,629	7,348
12-07	1,056	3,450	3,152	7,658
YTD 2007	\$11,580	\$99,452	\$53,248	\$164,280

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Detailed Breakdown of Misc. Water Revenues (HTY and at Preceding)

### **Variance Explanations**

Variances of 15% or more occur almost every month in many accounts. A generic explanation is being provided below for most of these accounts. Only when something notable or extraordinary has occurred will a separate explanation be provided.

### **Penalties – Account 470**

Any fluctuations in this account are due to more or less customers paying their bills late and being assessed the penalty.

### **Miscellaneous Service Revenues – Account 471**

This account consists of revenues from capacity fees, tap fees and inspection fees. The number of fees the Company collects varies from month to month. In July, the Company recorded a large number of past due tap fees and inspection fees from Caln Township. In this rate case, the Company is proposing to remove these fees from revenues and begin reporting them as contributions.

### **Other Water Revenues Account 474**

This account consists of revenues from bulk sludge haulers. The revenue varies by the amount of waste that these private contractors dispose of into the Coatesville Wastewater System.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Monthly Summary of Customer Change

FR II.7

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

7. Provide a monthly summary of customers added and lost by customer classification for the historic test year and the current year-to-date.

**Answer:**

Please see attached.

PENNSYLVANIA-AMERICAN WATER COMPANY  
 FILING REQUIREMENT II.7

CLASS	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	TOTAL
RESIDENTIAL CUSTOMERS	7	21	80	11	-9	12	-5	30	5	26	12	8	198
COMMERCIAL CUSTOMERS	-1	4	3	1	1	2	0	2	0	-1	-1	-3	7
INDUSTRIAL CUSTOMERS	0	0	0	0	0	0	0	0	0	0	0	0	0
MUNICIPAL CUSTOMERS	0	0	0	0	0	0	0	1	0	0	0	0	1
RESALE CUSTOMERS	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CUSTOMERS	6	25	83	12	-8	14	-5	33	5	25	11	5	206



Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Customer/Consumption (HTY and Current to Date)

FR II.8

**Pennsylvania-American Water Company  
Coatesville Wastewater Operations**

**II. Operating Revenues**

8. Provide for the historic test year and the current year-to-date, the number of customers and monthly consumption for each classification of customers.

**Answer:**

Please see attached.

PENNSYLVANIA-AMERICAN WATER COMPANY  
FILING REQUIREMENT FR II.8

CLASS	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	TOTAL
RESIDENTIAL CUSTOMERS CONSUMPTION	5,339 258,986	5,360 207,281	5,440 223,733	5,451 211,740	5,442 231,440	5,454 242,896	5,449 259,585	5,479 273,114	5,484 238,946	5,510 255,656	5,522 257,531	5,530 195,231	65,460 2,856,139
COMMERCIAL CUSTOMERS CONSUMPTION	329 52,372	333 45,406	336 58,173	337 49,663	338 56,483	340 50,371	340 64,220	342 53,952	342 61,043	341 51,353	340 60,290	337 46,582	4,055 649,928
INDUSTRIAL CUSTOMERS CONSUMPTION	2 69,780	2 60,090	2 70,570	2 56,200	2 82,030	2 78,990	2 83,910	2 70,360	2 81,470	2 73,080	2 107,140	2 127,580	24 961,200
MUNICIPAL CUSTOMERS CONSUMPTION	18 32,985	18 110,957	18 71,981	18 89,972	18 85,410	18 80,150	18 69,550	19 76,600	19 83,360	19 40,789	19 79,826	19 66,909	221 888,489
RESALE CUSTOMERS CONSUMPTION	4 291,160	4 246,126	4 243,930	4 327,050	4 345,374	4 368,470	4 253,100	4 230,000	4 293,300	4 224,020	4 306,600	4 241,850	48 3,370,980
TOTAL CUSTOMERS CONSUMPTION	5,692 705,283	5,717 669,860	5,800 668,387	5,812 734,645	5,804 800,737	5,818 820,877	5,813 730,365	5,846 704,026	5,851 758,119	5,876 644,898	5,887 811,387	5,892 678,152	69,808 8,726,736

PENNSYLVANIA-AMERICAN WATER COMPANY  
 FILING REQUIREMENT FR II.8  
 FUTURE INFORMATION WILL BE PROVIDED AS AVAILABLE

CLASS	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	TOTAL
RESIDENTIAL CUSTOMERS CONSUMPTION	5,519 260,890	5,529 218,053	5,535 247,883										16,583 726,826
COMMERCIAL CUSTOMERS CONSUMPTION	337 61,148	340 50,231	340 59,658										1,017 171,037
INDUSTRIAL CUSTOMERS CONSUMPTION	2 137,710	2 105,530	2 141,266										6 384,506
MUNICIPAL CUSTOMERS CONSUMPTION	20 76,400	20 69,242	20 76,239										60 221,881
RESALE CUSTOMERS CONSUMPTION	4 343,290	4 271,680	4 309,410										12 924,380
TOTAL CUSTOMERS CONSUMPTION	5,882 879,438	5,895 714,736	5,901 834,456	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	17,678 2,428,630

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Customers/Consumption (HTY, 2 Preceding, 2 Subsequent)

FR II.9

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

9. Provide by customer classification for the historic test year and for the two prior years the number of customers and consumption, and projected number of customers and consumption for the two subsequent years.

**Answer:**

Please see attached. For rate filing purposes, the Company only projects customers and usage for one subsequent year.

**PENNSYLVANIA-AMERICAN WATER COMPANY  
FILING REQUIREMENT FR II.9**

	TWELVE MONTHS ENDED 12-31-05	TWELVE MONTHS ENDED 12-31-06	TWELVE MONTHS ENDED 12-31-07	TWELVE MONTHS ENDED 12-31-08
<b>NUMBER OF CUSTOMERS</b>				
RESIDENTIAL	5,176	5,332	5,530	5,730
COMMERCIAL	334	330	337	337
INDUSTRIAL	2	2	2	2
MUNICIPAL	20	18	19	18
SALE FOR RESALE	4	4	4	5
PRIVATE FIRE PROTECTION	0	0	0	0
PUBLIC FIRE	0	0	0	0
<b>TOTAL</b>	<b>5,536</b>	<b>5,686</b>	<b>5,892</b>	<b>6,092</b>
<b>GALLONS BILLED (100 GALLONS)</b>				
RESIDENTIAL	2,701,638	2,945,504	2,856,139	3,002,703
COMMERCIAL	640,164	673,652	649,928	649,928
INDUSTRIAL	680,226	678,230	961,200	872,978
MUNICIPAL	719,773	876,024	888,489	410,479
SALE FOR RESALE	3,161,394	3,312,620	3,370,980	3,848,990
PRIVATE FIRE PROTECTION	0	0	0	0
PUBLIC FIRE	0	0	0	0
<b>TOTAL</b>	<b>7,903,195</b>	<b>8,486,030</b>	<b>8,726,736</b>	<b>8,785,078</b>

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Private/Public Fire Services

FR II.10

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

10. Provide a breakdown of the number and size of private fire services according to the general water service class of customers.
  - (a) Provide a listing of all public fire protection customers at historic test year-end and the pro forma billing of current rates for each customer.

**Answer:**

Not applicable to wastewater.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Sale for Resale

FR II.11

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

11. Provide a detailed schedule of sales for resale revenues for the historic test year and two preceding years showing revenues and units sold by customer.

**Answer:**

Please see attached.

FR II. 11

## SALE FOR RESALE CUSTOMERS

DESCRIPTION	12/31/2005		12/31/2006		12/31/2007	
	00 GAL	REVENUE	00 GAL	REVENUE	00 GAL	REVENUE
SADSBURY TOWNSHIP	305,210	\$65,032.00	403,893	\$86,052.00	478,010	\$101,838.45
WEST BRANDYWINE	515,140	109,748.00	502,080	106,965.00	518,890	110,545.39
SADSBURY TWP CROSSING	8,582	1,873.00	9,228	1,988.00	9,930	2,136.98
CALN TOWNSHIP	607,550	129,430.00	672,269	143,216.00	610,920	130,146.15
VALLEY TOWNSHIP	2,031,782	432,792.00	2,114,230	450,353.00	2,231,240	475,254.12
TOTAL	3,468,264	\$738,875.00	3,701,700	\$788,574.00	3,848,990	\$819,921.09

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
10 Largest Customers

FR II.12

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**II. Operating Revenues**

12. Provide for the historic test year and the two prior years consumption and billings for the ten (10) largest customers at current rates. Provide the historic and future test year consumption priced at proposed rates.

**Answer:**

Please see attached.

CUSTOMER: VALLEY TOWNSHIP  
 RATE SCHEDULE X05MB  
 ACCOUNT NO: 240622030

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
<b>CONSUMPTION</b> (100 GALLONS)				
JANUARY	237,152	220,380	196,930	196,930
FEBRUARY	106,120	256,400	158,240	158,240
MARCH	61,280	166,160	154,690	154,690
APRIL	267,700	207,660	233,920	233,920
MAY	264,560	162,120	241,250	241,250
JUNE	187,720	159,780	256,640	256,640
JULY	168,120	164,770	152,410	152,410
AUGUST	125,550	176,060	146,480	146,480
SEPTEMBER	141,600	129,880	191,430	191,430
OCTOBER	118,700	142,170	138,510	138,510
NOVEMBER	172,410	148,160	203,640	203,640
DECEMBER	180,870	180,690	157,100	157,100
<b>TOTAL</b>	<b>2,031,782</b>	<b>2,114,230</b>	<b>2,231,240</b>	<b>2,231,240</b>
<b>REVENUE</b>				
JANUARY	50,515.24	46,942.80	41,947.95	83,110.60
FEBRUARY	22,605.42	54,615.06	33,706.98	66,860.80
MARCH	13,054.50	35,393.94	32,950.83	65,369.80
APRIL	57,021.96	44,233.44	49,826.82	98,646.40
MAY	56,353.14	34,533.42	51,388.11	101,725.00
JUNE	39,986.22	34,035.00	54,666.18	108,188.80
JULY	35,811.42	35,097.87	32,465.19	64,412.20
AUGUST	26,744.01	37,502.64	31,202.10	61,921.60
SEPTEMBER	30,162.66	27,666.30	40,776.45	80,800.60
OCTOBER	25,284.96	30,284.07	29,504.49	58,574.20
NOVEMBER	36,725.19	31,559.94	43,377.18	85,928.80
DECEMBER	38,527.17	38,488.83	33,464.16	66,382.00
<b>TOTAL</b>	<b>\$432,791.89</b>	<b>\$450,353.31</b>	<b>\$475,276.44</b>	<b>\$941,920.80</b>

CUSTOMER: MITTAL STEEL  
 RATE SCHEDULE X03ML  
 ACCOUNT NO: 240622981

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
<b>CONSUMPTION</b> (100 GALLONS)				
JANUARY	42,899	36,340	60,090	60,090
FEBRUARY	48,106	41,310	53,110	53,110
MARCH	50,042	48,360	62,640	62,640
APRIL	46,556	37,040	46,620	46,620
MAY	55,665	32,400	75,310	75,310
JUNE	52,312	41,370	70,040	70,040
JULY	51,440	50,270	76,500	76,500
AUGUST	46,820	39,750	62,440	62,440
SEPTEMBER	44,440	44,630	73,350	73,350
OCTOBER	49,280	39,500	64,690	64,690
NOVEMBER	50,490	51,630	96,870	96,870
DECEMBER	66,370	43,130	120,310	120,310
<b>TOTAL</b>	<b>604,420</b>	<b>505,730</b>	<b>861,970</b>	<b>861,970</b>
<b>REVENUE</b>				
JANUARY	8,324.27	7,051.82	11,659.32	23,294.29
FEBRUARY	9,334.42	8,016.00	10,305.20	20,634.91
MARCH	9,710.01	9,383.70	12,154.02	24,265.84
APRIL	9,033.72	7,187.62	9,046.14	18,162.22
MAY	10,800.87	6,287.46	14,612.00	29,093.11
JUNE	10,150.39	8,027.64	13,589.62	27,085.24
JULY	9,981.22	9,754.24	14,842.86	29,546.50
AUGUST	9,084.94	7,713.36	12,115.22	24,189.64
SEPTEMBER	8,623.22	8,660.08	14,231.76	28,346.35
OCTOBER	9,562.18	7,664.86	12,551.72	25,046.89
NOVEMBER	9,796.92	10,018.08	18,794.64	37,307.47
DECEMBER	12,877.64	8,369.08	23,342.00	46,238.11
<b>TOTAL</b>	<b>\$117,279.80</b>	<b>\$98,133.94</b>	<b>\$167,244.50</b>	<b>\$333,210.57</b>

CUSTOMER: CALN TOWNSHIP  
 RATE SCHEDULE X05MB  
 ACCOUNT NO: 240622017

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	39,190	56,850	54,400	54,400
FEBRUARY	54,130	69,460	43,890	43,890
MARCH	50,840	51,810	50,240	50,240
APRIL	58,500	67,580	50,860	50,860
MAY	61,240	45,700	60,620	60,620
JUNE	51,950	53,700	66,420	66,420
JULY	50,580	66,410	57,430	57,430
AUGUST	42,960	63,000	37,430	37,430
SEPTEMBER	50,210	54,476	45,160	45,160
OCTOBER	42,960	59,440	42,240	42,240
NOVEMBER	53,440	42,120	58,000	58,000
DECEMBER	51,550	41,723	44,220	44,220
TOTAL	607,550	672,269	610,910	610,910
REVENUE				
JANUARY	8,349.33	12,110.91	11,589.06	23,248.00
FEBRUARY	11,531.55	14,796.84	9,350.43	18,833.80
MARCH	10,830.78	11,037.39	10,702.98	21,500.80
APRIL	12,462.36	14,396.40	10,835.04	21,761.20
MAY	13,045.98	9,735.96	12,913.92	25,860.40
JUNE	11,067.21	11,439.96	14,149.32	28,296.40
JULY	10,775.40	14,147.19	12,234.45	24,520.60
AUGUST	9,152.34	13,420.86	7,974.45	16,120.60
SEPTEMBER	10,696.59	11,605.25	9,620.94	19,367.20
OCTOBER	9,152.34	12,662.58	8,998.98	18,140.80
NOVEMBER	11,384.58	8,973.42	12,355.86	24,760.00
DECEMBER	10,982.01	8,888.86	9,420.72	18,972.40
TOTAL	\$129,430.47	\$143,215.62	\$130,146.15	\$261,382.20

CUSTOMER: WEST BRANDYWINE  
 RATE SCHEDULE X05MB  
 ACCOUNT NO: 240621882

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	41,940	41,760	39,080	39,080
FEBRUARY	42,930	42,330	43,210	43,210
MARCH	37,960	37,540	38,310	38,310
APRIL	43,120	43,870	41,550	41,550
MAY	42,640	38,130	42,800	42,800
JUNE	41,230	41,740	44,270	44,270
JULY	41,050	41,170	42,460	42,460
AUGUST	44,220	45,320	45,140	45,140
SEPTEMBER	46,200	48,860	55,980	55,980
OCTOBER	44,240	42,230	42,230	42,230
NOVEMBER	47,850	41,020	44,150	44,150
DECEMBER	41,760	38,110	39,710	39,710
TOTAL	515,140	502,080	518,890	518,890
REVENUE				
JANUARY	8,935.08	8,896.74	8,325.90	16,813.60
FEBRUARY	9,146.95	9,018.15	9,205.59	18,548.20
MARCH	8,087.34	7,997.88	8,161.89	16,490.20
APRIL	9,186.42	9,346.17	8,852.01	17,851.00
MAY	9,084.18	8,123.55	9,118.26	18,376.00
JUNE	8,783.85	8,892.48	9,431.37	18,993.40
JULY	8,745.51	8,771.07	9,045.84	18,233.20
AUGUST	9,420.72	9,655.02	9,616.68	19,358.80
SEPTEMBER	9,842.46	10,409.04	11,925.60	23,911.60
OCTOBER	9,424.98	8,996.85	8,996.85	18,136.60
NOVEMBER	10,193.91	8,739.12	9,405.81	18,943.00
DECEMBER	8,896.74	8,119.29	8,460.09	17,078.20
TOTAL	\$109,748.14	\$106,965.36	\$110,545.89	\$222,733.80

CUSTOMER: SADBURY TOWNSHIP  
 RATE SCHEDULE X04MB, PROPOSED RATE SCHEDULE X05MB  
 ACCOUNT NO: 240621883

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	16,800	28,300	44,500	44,500
FEBRUARY	24,230	40,510	32,400	32,400
MARCH	26,170	29,190	36,160	36,160
APRIL	27,410	30,880	50,740	50,740
MAY	23,930	31,023	48,770	48,770
JUNE	31,660	35,100	52,870	52,870
JULY	28,770	37,700	34,960	34,960
AUGUST	20,740	36,530	31,650	31,650
SEPTEMBER	26,430	28,600	40,860	40,860
OCTOBER	23,070	33,440	31,420	31,420
NOVEMBER	27,550	32,930	41,450	41,450
DECEMBER	28,450	39,690	32,230	32,230
TOTAL	305,210	403,893	478,010	478,010
REVENUE				
JANUARY	3,580.26	6,029.76	9,480.36	19,090.00
FEBRUARY	5,162.85	8,630.49	6,903.06	14,008.00
MARCH	5,576.07	6,219.33	7,703.94	15,587.20
APRIL	5,840.19	6,579.30	10,809.48	21,710.80
MAY	5,098.95	6,609.76	10,389.87	20,883.40
JUNE	6,745.44	7,478.16	11,263.17	22,605.40
JULY	6,129.87	8,031.96	7,448.34	15,083.20
AUGUST	4,419.48	7,782.75	6,743.31	13,693.00
SEPTEMBER	5,631.45	6,093.66	8,705.04	17,561.20
OCTOBER	4,915.77	7,124.58	6,694.32	13,596.40
NOVEMBER	5,870.01	7,015.95	8,830.71	17,809.00
DECEMBER	6,061.71	8,455.83	6,866.85	13,936.60
TOTAL	\$65,032.05	\$86,051.53	\$101,838.45	\$205,564.20

CUSTOMER: VA MEDICAL CENTER  
 RATE SCHEDULE X04MB  
 ACCOUNT NO: 240622314

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
<b>CONSUMPTION</b> (100 GALLONS)				
JANUARY	29,880	46,780	27,900	27,900
FEBRUARY	27,320	49,100	28,320	28,320
MARCH	22,720	40,970	30,380	30,380
APRIL	25,990	40,980	34,330	34,330
MAY	29,830	28,240	31,330	31,330
JUNE	30,193	26,390	26,850	26,850
JULY	29,850	24,110	25,720	25,720
AUGUST	27,650	17,260	27,670	27,670
SEPTEMBER	27,670	31,070	27,470	27,470
OCTOBER	18,880	26,840	26,840	26,840
NOVEMBER	37,360	24,500	33,320	33,320
DECEMBER	37,360	29,690	29,800	29,800
<b>TOTAL</b>	<b>344,703</b>	<b>385,930</b>	<b>349,930</b>	<b>349,930</b>
<b>REVENUE</b>				
JANUARY	6,366.30	9,966.00	5,944.56	12,118.00
FEBRUARY	5,821.02	10,460.16	6,034.02	12,294.40
MARCH	4,841.22	8,728.47	6,472.80	13,159.60
APRIL	5,537.73	8,730.60	7,314.15	14,818.60
MAY	6,355.65	6,016.98	6,675.15	13,558.60
JUNE	6,432.97	5,622.93	5,720.91	11,677.00
JULY	6,359.91	5,137.29	5,480.22	11,202.40
AUGUST	5,891.31	3,678.24	5,895.57	12,021.40
SEPTEMBER	5,895.57	6,619.77	5,852.97	11,937.40
OCTOBER	4,023.30	5,718.78	5,718.78	11,672.80
NOVEMBER	7,959.54	5,220.36	7,099.02	14,394.40
DECEMBER	7,959.54	6,325.83	6,349.26	12,916.00
<b>TOTAL</b>	<b>\$73,444.06</b>	<b>\$82,225.41</b>	<b>\$74,557.41</b>	<b>\$151,770.60</b>

CUSTOMER: QUEBECOR PRINTING  
 RATE SCHEDULE X03M  
 ACCOUNT NO: 240621751

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	5,800	7,970	9,690	9,690
FEBRUARY	8,936	9,220	6,980	6,980
MARCH	5,134	5,990	7,930	7,930
APRIL	7,780	9,530	9,580	9,580
MAY	7,680	7,208	6,720	6,720
JUNE	11,640	8,752	8,950	8,950
JULY	11,360	8,772	7,410	7,410
AUGUST	9,380	9,710	7,920	7,920
SEPTEMBER	9,100	8,770	8,120	8,120
OCTOBER	9,100	10,030	8,390	8,390
NOVEMBER	9,090	8,720	10,270	10,270
DECEMBER	9,380	11,458	7,270	7,270
TOTAL	104,380	106,130	99,230	99,230

## REVENUE

JANUARY	1,753.46	2,408.80	2,928.24	5,577.06
FEBRUARY	2,700.53	2,786.30	2,109.82	4,021.52
MARCH	1,552.33	1,810.84	2,396.72	4,566.82
APRIL	2,351.42	2,879.92	2,895.02	5,513.92
MAY	2,321.22	2,178.68	2,031.30	3,872.28
JUNE	3,517.14	2,644.96	2,704.76	5,152.30
JULY	3,432.58	2,651.00	2,239.68	4,268.34
AUGUST	2,834.62	2,934.28	2,393.70	4,561.08
SEPTEMBER	2,750.06	2,650.40	2,454.10	4,675.88
OCTOBER	2,750.06	3,030.92	2,535.64	4,830.86
NOVEMBER	2,747.04	2,635.30	3,103.40	5,909.98
DECEMBER	2,834.62	3,462.18	2,197.40	4,187.98
TOTAL	\$31,545.08	\$32,073.58	\$29,989.78	\$57,138.02

CUSTOMER: REGENCY PARK APARTMENTS  
 RATE SCHEDULE X02M  
 ACCOUNT NO: 240686826

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	1,530	1,570	2,890	2,890
FEBRUARY	2,040	2,180	2,230	2,230
MARCH	2,190	1,420	6,861	6,861
APRIL	2,440	1,980	3,367	3,367
MAY	1,550	1,600	4,235	4,235
JUNE	2,160	2,080	3,405	3,405
JULY	900	1,470	3,826	3,826
AUGUST	1,970	2,080	3,589	3,589
SEPTEMBER	2,910	2,120	3,743	3,743
OCTOBER	2,350	2,010	3,469	3,469
NOVEMBER	2,040	2,700	2,617	2,617
DECEMBER	2,030	1,970	5,045	5,045
TOTAL	24,110	23,180	45,277	45,277

## REVENUE

JANUARY	463.92	476.00	874.64	1,673.86
FEBRUARY	617.94	660.22	675.32	1,295.02
MARCH	663.24	430.70	2,073.88	3,953.21
APRIL	738.74	599.82	1,018.69	1,947.66
MAY	469.96	485.06	1,280.83	2,445.89
JUNE	654.18	630.02	1,030.17	1,969.47
JULY	273.66	445.80	1,157.31	2,211.12
AUGUST	596.80	630.02	1,085.74	2,075.09
SEPTEMBER	880.68	642.10	1,132.25	2,163.48
OCTOBER	711.56	608.88	1,049.50	2,006.21
NOVEMBER	617.94	817.26	792.19	1,517.16
DECEMBER	614.92	596.80	1,525.45	2,910.83
TOTAL	\$7,303.54	\$7,022.68	\$13,695.97	\$26,169.00

CUSTOMER: DELAWARE VALLEY PROPERTIES  
 RATE SCHEDULE X02M  
 ACCOUNT NO: 240612579

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	350	0	4,832	4,832
		109,100		
FEBRUARY	400	580	2,395	2,395
MARCH	260	320	4,420	4,420
APRIL	400	370	3,184	3,184
MAY	320	280	3,566	3,566
JUNE	350	350	3,232	3,232
JULY	320	320	4,219	4,219
AUGUST	320	6,180	3,532	3,532
SEPTEMBER	370	210	3,648	3,648
OCTOBER	320	330	2,995	2,995
NOVEMBER	330	350	3,376	3,376
DECEMBER		370	3,160	3,160
TOTAL	3,740	118,760	42,559	42,559

## REVENUE

JANUARY	107.56	1.86	1,461.12	2,788.57
		32,948.20		
FEBRUARY	122.66	177.02	725.15	1,389.73
MARCH	80.38	98.50	1,336.70	2,552.08
APRIL	122.66	113.60	963.43	1,842.62
MAY	98.50	86.42	1,078.79	2,061.88
JUNE	107.56	107.56	977.92	1,870.17
JULY	98.50	98.50	1,276.00	2,436.71
AUGUST	98.50	1,868.22	1,068.52	2,042.37
SEPTEMBER	113.60	65.28	1,103.56	2,108.95
OCTOBER	98.50	101.52	906.35	1,734.13
NOVEMBER	101.52	107.56	1,021.41	1,952.82
DECEMBER		113.60	956.18	1,828.84
TOTAL	\$1,149.94	\$35,887.84	\$12,875.14	\$24,608.87

CUSTOMER: HIDDEN VALLEY ESTATES  
 RATE SCHEDULE X02M  
 ACCOUNT NO: 240627148

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
<b>CONSUMPTION</b> (100 GALLONS)				
JANUARY	1,140	2,470	3,980	3,980
FEBRUARY	1,220	3,870	2,730	2,730
MARCH	6,440	5,750	3,180	3,180
APRIL	5,140	3,530	2,880	2,880
MAY	3,840	3,057	3,140	3,140
JUNE	4,300	3,520	2,690	2,690
JULY	4,560	3,678	2,330	2,330
AUGUST	3,050	3,610	2,100	2,100
SEPTEMBER	3,580	2,855	2,290	2,290
OCTOBER	2,860	2,940	2,180	2,180
NOVEMBER	2,860	2,850	3,290	3,290
DECEMBER	3,830	3,280	2,250	2,250
<b>TOTAL</b>	<b>42,820</b>	<b>41,410</b>	<b>33,040</b>	<b>33,040</b>
<b>REVENUE</b>				
JANUARY	346.14	747.80	1,203.82	2,299.52
FEBRUARY	370.30	1,170.60	826.32	1,582.02
MARCH	1,946.74	1,738.36	962.22	1,840.32
APRIL	1,554.14	1,067.92	871.62	1,668.12
MAY	1,161.54	925.07	950.14	1,817.36
JUNE	1,300.46	1,064.90	814.24	1,559.06
JULY	1,378.98	1,112.62	705.52	1,352.42
AUGUST	922.96	1,092.08	636.06	1,220.40
SEPTEMBER	1,083.02	864.07	693.44	1,329.46
OCTOBER	865.58	889.74	660.22	1,266.32
NOVEMBER	865.58	862.56	995.44	1,903.46
DECEMBER	1,158.52	992.42	681.36	1,306.50
<b>TOTAL</b>	<b>\$12,953.96</b>	<b>\$12,528.14</b>	<b>\$10,000.40</b>	<b>\$19,144.96</b>

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
10 Largest Customers (Not Included Above)

FR II.13

**Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
II. Operating Revenues**

13. Provide for the historic test year and the two prior years consumption and billings for the ten (10) largest sales for resale customers if such sales are not included in sales to the ten (10) largest customers requested II.12 above.

**Answer:**

Please see attached.

CUSTOMER: VALLEY TOWNSHIP  
 RATE SCHEDULE X05MB  
 ACCOUNT NO: 240622030

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	237,152	220,380	196,930	196,930
FEBRUARY	106,120	256,400	158,240	158,240
MARCH	61,280	166,160	154,690	154,690
APRIL	267,700	207,660	233,920	233,920
MAY	264,560	162,120	241,250	241,250
JUNE	187,720	159,780	256,640	256,640
JULY	168,120	164,770	152,410	152,410
AUGUST	125,550	176,060	146,480	146,480
SEPTEMBER	141,600	129,880	191,430	191,430
OCTOBER	118,700	142,170	138,510	138,510
NOVEMBER	172,410	148,160	203,640	203,640
DECEMBER	180,870	180,690	157,100	157,100
TOTAL	2,031,782	2,114,230	2,231,240	2,231,240
REVENUE				
JANUARY	50,515.24	46,942.80	41,947.95	83,110.60
FEBRUARY	22,605.42	54,615.06	33,706.98	66,860.80
MARCH	13,054.50	35,393.94	32,950.83	65,369.80
APRIL	57,021.96	44,233.44	49,826.82	98,646.40
MAY	56,353.14	34,533.42	51,388.11	101,725.00
JUNE	39,986.22	34,035.00	54,666.18	108,188.80
JULY	35,811.42	35,097.87	32,465.19	64,412.20
AUGUST	26,744.01	37,502.64	31,202.10	61,921.60
SEPTEMBER	30,162.66	27,666.30	40,776.45	80,800.60
OCTOBER	25,284.96	30,284.07	29,504.49	58,574.20
NOVEMBER	36,725.19	31,559.94	43,377.18	85,928.80
DECEMBER	38,527.17	38,488.83	33,464.16	66,382.00
TOTAL	\$432,791.89	\$450,353.31	\$475,276.44	\$941,920.80

CUSTOMER: CALN TOWNSHIP  
 RATE SCHEDULE X05MB  
 ACCOUNT NO: 240622017

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
<b>CONSUMPTION</b> (100 GALLONS)				
JANUARY	39,190	56,850	54,400	54,400
FEBRUARY	54,130	69,460	43,890	43,890
MARCH	50,840	51,810	50,240	50,240
APRIL	58,500	67,580	50,860	50,860
MAY	61,240	45,700	60,620	60,620
JUNE	51,950	53,700	66,420	66,420
JULY	50,580	66,410	57,430	57,430
AUGUST	42,960	63,000	37,430	37,430
SEPTEMBER	50,210	54,476	45,160	45,160
OCTOBER	42,960	59,440	42,240	42,240
NOVEMBER	53,440	42,120	58,000	58,000
DECEMBER	51,550	41,723	44,220	44,220
<b>TOTAL</b>	<b>607,550</b>	<b>672,269</b>	<b>610,910</b>	<b>610,910</b>
<b>REVENUE</b>				
JANUARY	8,349.33	12,110.91	11,589.06	23,248.00
FEBRUARY	11,531.55	14,796.84	9,350.43	18,833.80
MARCH	10,830.78	11,037.39	10,702.98	21,500.80
APRIL	12,462.36	14,396.40	10,835.04	21,761.20
MAY	13,045.98	9,735.96	12,913.92	25,860.40
JUNE	11,067.21	11,439.96	14,149.32	28,296.40
JULY	10,775.40	14,147.19	12,234.45	24,520.60
AUGUST	9,152.34	13,420.86	7,974.45	16,120.60
SEPTEMBER	10,696.59	11,605.25	9,620.94	19,367.20
OCTOBER	9,152.34	12,662.58	8,998.98	18,140.80
NOVEMBER	11,384.58	8,973.42	12,355.86	24,760.00
DECEMBER	10,982.01	8,888.86	9,420.72	18,972.40
<b>TOTAL</b>	<b>\$129,430.47</b>	<b>\$143,215.62</b>	<b>\$130,146.15</b>	<b>\$261,382.20</b>

CUSTOMER: WEST BRANDYWINE  
 RATE SCHEDULE X05MB  
 ACCOUNT NO: 240621882

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	41,940	41,760	39,080	39,080
FEBRUARY	42,930	42,330	43,210	43,210
MARCH	37,960	37,540	38,310	38,310
APRIL	43,120	43,870	41,550	41,550
MAY	42,640	38,130	42,800	42,800
JUNE	41,230	41,740	44,270	44,270
JULY	41,050	41,170	42,460	42,460
AUGUST	44,220	45,320	45,140	45,140
SEPTEMBER	46,200	48,860	55,980	55,980
OCTOBER	44,240	42,230	42,230	42,230
NOVEMBER	47,850	41,020	44,150	44,150
DECEMBER	41,760	38,110	39,710	39,710
TOTAL	515,140	502,080	518,890	518,890
REVENUE				
JANUARY	8,935.08	8,896.74	8,325.90	16,813.60
FEBRUARY	9,146.95	9,018.15	9,205.59	18,548.20
MARCH	8,087.34	7,997.88	8,161.89	16,490.20
APRIL	9,186.42	9,346.17	8,852.01	17,851.00
MAY	9,084.18	8,123.55	9,118.26	18,376.00
JUNE	8,783.85	8,892.48	9,431.37	18,993.40
JULY	8,745.51	8,771.07	9,045.84	18,233.20
AUGUST	9,420.72	9,655.02	9,616.68	19,358.80
SEPTEMBER	9,842.46	10,409.04	11,925.60	23,911.60
OCTOBER	9,424.98	8,996.85	8,996.85	18,136.60
NOVEMBER	10,193.91	8,739.12	9,405.81	18,943.00
DECEMBER	8,896.74	8,119.29	8,460.09	17,078.20
TOTAL	\$109,748.14	\$106,965.36	\$110,545.89	\$222,733.80

CUSTOMER: SADBURY TOWNSHIP  
 RATE SCHEDULE X04MB, PROPOSED RATE SCHEDULE X05MB  
 ACCOUNT NO: 240621883

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
CONSUMPTION (100 GALLONS)				
JANUARY	16,800	28,300	44,500	44,500
FEBRUARY	24,230	40,510	32,400	32,400
MARCH	26,170	29,190	36,160	36,160
APRIL	27,410	30,880	50,740	50,740
MAY	23,930	31,023	48,770	48,770
JUNE	31,660	35,100	52,870	52,870
JULY	28,770	37,700	34,960	34,960
AUGUST	20,740	36,530	31,650	31,650
SEPTEMBER	26,430	28,600	40,860	40,860
OCTOBER	23,070	33,440	31,420	31,420
NOVEMBER	27,550	32,930	41,450	41,450
DECEMBER	28,450	39,690	32,230	32,230
TOTAL	305,210	403,893	478,010	478,010
REVENUE				
JANUARY	3,580.26	6,029.76	9,480.36	19,090.00
FEBRUARY	5,162.85	8,630.49	6,903.06	14,008.00
MARCH	5,576.07	6,219.33	7,703.94	15,587.20
APRIL	5,840.19	6,579.30	10,809.48	21,710.80
MAY	5,098.95	6,609.76	10,389.87	20,883.40
JUNE	6,745.44	7,478.16	11,263.17	22,605.40
JULY	6,129.87	8,031.96	7,448.34	15,083.20
AUGUST	4,419.48	7,782.75	6,743.31	13,693.00
SEPTEMBER	5,631.45	6,093.66	8,705.04	17,561.20
OCTOBER	4,915.77	7,124.58	6,694.32	13,596.40
NOVEMBER	5,870.01	7,015.95	8,830.71	17,809.00
DECEMBER	6,061.71	8,455.83	6,866.85	13,936.60
TOTAL	\$65,032.05	\$86,051.53	\$101,838.45	\$205,564.20

CUSTOMER: SADBURY TOWNSHIP CROSSING  
 RATE SCHEDULE X05MB  
 ACCOUNT NO: 240679195

	31-Dec-05	31-Dec-06	31-Dec-07	PROPOSED RATES
<b>CONSUMPTION</b> (100 GALLONS)				
JANUARY	0	680	750	750
FEBRUARY	0	630	780	780
MARCH	0	670	690	690
APRIL	2,260	800	720	720
MAY	720	670	700	700
JUNE	800	860	1,140	1,140
JULY	740	660	800	800
AUGUST	1,010	1,000	950	950
SEPTEMBER	860	680	730	730
OCTOBER	890	1,000	1,040	1,040
NOVEMBER	610	730	810	810
DECEMBER	692	848	820	820
<b>TOTAL</b>	<b>8,582</b>	<b>9,228</b>	<b>9,930</b>	<b>9,930</b>
<b>REVENUE</b>				
JANUARY	4.71	146.70	161.61	715.00
FEBRUARY	6.82	136.05	168.00	727.60
MARCH	8.12	144.57	148.40	689.80
APRIL	488.82	172.26	155.22	702.40
MAY	158.13	144.57	150.96	694.00
JUNE	172.26	185.04	244.68	878.80
JULY	159.48	142.44	172.26	736.00
AUGUST	216.99	214.86	204.21	799.00
SEPTEMBER	185.04	146.70	157.35	706.60
OCTOBER	191.43	214.86	223.38	836.80
NOVEMBER	131.79	157.35	174.39	740.20
DECEMBER	149.26	182.48	176.52	744.40
<b>TOTAL</b>	<b>\$1,872.85</b>	<b>\$1,987.88</b>	<b>\$2,136.98</b>	<b>\$8,970.60</b>

### **III. OPERATING EXPENSE**

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

FR III.1

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

1. Prepare a summary of operating expenses by operating expense account for the historic test year and the two years proceeding the test year.

**Answer:** See attached schedule.

PENNSYLVANIA-AMERICAN WATER COMPANY  
COATESVILLE WASTEWATER OPERATIONS  
NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SUMMARY OF EXPENSE ACCOUNTS

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PREVIOUS YEAR ENDING 12/31/05	PREVIOUS YEAR ENDING 12/31/06	HISTORIC TEST YEAR ENDING 12/31/07
1		<b>SOURCE OF SUPPLY EXPENSES</b>			
2		-OPERATIONS-			
3	601.1	SALARY AND WAGES			
4	601.2	SALARY AND WAGES			
5	610.1	PURCHASED WATER			
6	615.1	PURCHASED POWER	0	0	27,387
7	616.1	PURCHASED FUEL	1,720	2,499	1,700
8	618.1	CHEMICALS			
9	620.1	MATERIALS AND SUPPLIES			
10	620.2	MATERIALS AND SUPPLIES	2,152	3,894	0
11	631.1	CONTRACT SERVICES - ENGINEERING			
12	633.1	CONTRACT SERVICES - LEGAL			
13	636.1	CONTRACT SERVICES			
14	636.2	CONTRACT SERVICES MAINTENANCE	71	477	0
15	642.1	RENTAL OF EQUIPMENT			
16	675.1	MISCELLANEOUS OPERATING EXPENSE	873	4,584	795
17	675.2	MISCELLANEOUS MAINTENANCE EXPENSE	(161)	(177)	0
18					
19		TOTAL SOURCE OF SUPPLY EXPENSES	<u>4,655</u>	<u>11,277</u>	<u>29,882</u>
20					
21		<b>WATER TREATMENT</b>			
22		-OPERATION-			
23	601.3	SALARY AND WAGES	38,866	36,578	200,350
24	601.4	SALARY AND WAGES	225,355	241,622	71,429
25	615.3	PURCHASED POWER	194,395	219,386	224,901
26	618.3	CHEMICALS	43,761	57,014	75,964
26	620.3	MATERIALS AND SUPPLIES	0	624	946
27	620.4	MATERIALS AND SUPPLIES	21,919	28,494	19,881
28	631.3	CONTRACT SERVICES - ENGINEERING	3,548	0	0
29	633.3	CONTRACT SERVICES - LEGAL			
30	634.3	CONTRACT SERVICES - MANAGEMENT			
31	635.3	CONTRACT SERVICES - TEST	990	4,236	9,573
32	636.3	CONTRACT SERVICES	(109)	809	1,721
33	636.4	CONTRACT SERVICES	15,531	19,076	3,115
34	641.3	RENTAL OF BUILDING			
35	642.3	RENTAL OF EQUIPMENT	3,960	3,987	3,970
36	650.3	TRANSPORTATION			
37	650.4	TRANSPORTATION			
38	675.4	MISCELLANEOUS MAINTENANCE EXPENSE	2,606	1,755	2,806
39		-MISCELLANEOUS-			
40	675.3	MISCELLANEOUS OPERATING EXPENSE	213,704	378,187	257,635
41					
42		TOTAL WATER TREATMENT EXPENSE	<u>764,526</u>	<u>991,768</u>	<u>872,291</u>
43					
44					
45		<b>TRANSMISSION AND DISTRIBUTION</b>			
46		-OPERATION-			
47	601.5	SALARY AND WAGES	0	0	9,138
48	601.6	SALARY AND WAGES	118,273	142,990	117,260
49	604.5	EMPLOYEE PENSION AND BENEFITS			
50	620.5	MATERIALS AND SUPPLIES			
51	631.5	CONTRACT SERVICES - ENGINEERING			
52	636.5	CONTRACT SERVICES	0	0	5,149
53	641.5	RENTAL OF BUILDING			
54	642.5	RENTAL OF EQUIPMENT	0	322	0
55	650.5	TRANSPORTATION			
56	675.5	MISCELLANEOUS OPERATING EXPENSE	50,778	61,330	40,841

PENNSYLVANIA-AMERICAN WATER COMPANY  
COATESVILLE WASTEWATER OPERATIONS  
NOTES TO STATEMENT OF INCOME

OPERATING EXPENSES

SUMMARY OF EXPENSE ACCOUNTS

LINE NO.	ACCT. NO.	ACCOUNT TITLE	PREVIOUS YEAR ENDING 12/31/05	PREVIOUS YEAR ENDING 12/31/06	HISTORIC TEST YEAR ENDING 12/31/07
		-MAINTENANCE-			
1	620.6	MATERIALS AND SUPPLIES	11,384	48,686	8,989
2	636.6	CONTRACT SERVICES	243,709	120,306	387,049
3	675.6	MISCELLANEOUS MAINTENANCE EXPENSE	0	43,112	41,753
4					
5		TOTAL TRANSMISSION AND DISTRIBUTION	<u>424,144</u>	<u>416,746</u>	<u>610,179</u>
6					
7		CUSTOMER ACCOUNTING			
8		-OPERATION-			
9	601.7	SALARY AND WAGES	2,095	(8,105)	(4,153)
10	620.7	MATERIALS AND SUPPLIES			
11	633.7	CONTRACT SERVICES - LEGAL			
12	634.7	CONTRACT SERVICES - MANAGEMENT			
13	636.7	CONTRACT SERVICES	4,088	360	1,187
14	642.7	RENTAL OF EQUIPMENT			
15	650.7	TRANSPORTATION			
16	670.7	BAD DEBT		67,107	53,187
17		-MISCELLANEOUS-			
18	675.7	MISCELLANEOUS EXPENSE	2,958	3,471	4,103
19					
20		TOTAL CUSTOMER ACCOUNTING	<u>9,141</u>	<u>62,833</u>	<u>54,324</u>
21					
22					
23		ADMINISTRATIVE AND GENERAL			
24	601.8	SALARY AND WAGES	25,330	33,567	27,412
25	603.8	SALARY OF OFFICERS			
26	604.8	EMPLOYEE PENSION AND BENEFITS	(16,597)	19,671	19,865
27	615.8	PURCHASED POWER			
28	620.8	MATERIALS AND SUPPLIES			
29	631.8	CONTRACT SERVICES	4,101	0	0
30	632.8	CONTRACT SERVICES - ACCOUNTING			
31	633.8	CONTRACT SERVICES - LEGAL			
32	634.8	CONTRACT SERVICES - MANAGEMENT			
33	635.8	CONTRACT SERVICES - TEST			
34	636.8	CONTRACT SERVICES	(40)	0	0
35	641.8	RENTAL OF BUILDING			
36	642.8	RENTAL OF EQUIPMENT	8,360	2,500	100
37	650.8	TRANSPORTATION	46,507	89,449	102,337
38	656.8	INSURANCE - VEHICLES			
39	657.8	INSURANCE		94,225	103,661
40	658.8	WORKERS COMPENSATION	(1,394)	(132)	(31)
41	659.8	INSURANCE			
42	660.8	ADVERTISING			
43	666.8	AMORTIZATION OF RATE CASE			
44	667.8	REGULATORY COMMISSION			
45		-MISCELLANEOUS-			
46	675.8	MISCELLANEOUS EXPENSE	3,482	8,967	4,024
47					
48		TOTAL ADMINISTRATIVE AND GENERAL	<u>69,749</u>	<u>248,247</u>	<u>257,368</u>
49					
50					
51					
52		TOTAL OPERATING EXPENSES	<u>1,272,215</u>	<u>1,730,871</u>	<u>1,824,044</u>

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Expenses

FR III.2

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

2. Prepare a summary of operating expenses for the historic test year providing annualizing and normalizing adjustments to arrive at adjusted future operating expenses for ratemaking, including supporting data.

**Answer:** Please refer to the Summary of Expense Accounts in exhibit 3-A.

Expense	Reference
Labor & Labor Related Expense	Refer to Exhibit 3-B
Production Expenses	Refer to Exhibit 3-B
Other Expenses	Refer to Exhibit 3-B

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Extraordinary Property Losses

FR III.3

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

3. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided, such as explanation and breakdown of costs.

**Answer:** Coatesville Wastewater Operations has incurred no extraordinary property losses.

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

FR III.4

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

4. Supply detailed calculations of normalization of rate case expense, including supporting data for outside services rendered. Provide the items comprising the rate case expense claim (include the actual billings or invoices in support of each kind of rate case expense) and the items comprising the actual expenses of the prior rate cases.

**Answer:** Please see 3-A Rate Case Adjustment. The Company has no prior rate cases for Coatesville Wastewater Operations.

Pennsylvania-American Water Company  
Coatesville Wastewater Operation  
Data Requirements of the Pennsylvania Public Utility Commission  
Salary, Wage, Fringe Benefit Adjustments (HTY and Future)

FR III.5

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operation**  
**III. Operating Expense**

5. Submit detailed computation of adjustments to operating expenses for salary, wage and fringe benefit increases (union and non-union merit, progression, promotion and general) granted during the historic test year and during the 12 months subsequent to the historic test year. Supply data for the historic test year showing:
  - a. Actual payroll expense (regular and overtime separately) by categories of operating expenses, i.e., maintenance, operating transmission, distribution, other.
  - b. Date, percentage increase and annual amount of each general payroll increase during the historic test year and future test year.
  - c. Dates and annual amounts of merit increases or management salary adjustments.
  - d. Total annual payroll increases in the historic and future test years.
  - e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data by categories of expenses.
  - f. Detailed list of employee benefits and cost thereof for union and non-union personnel. Specific benefits for executives and officers should be included, and costs thereof.
  - g. Support the annualized pension cost figures by providing the following:
    - (i) State whether these figures include any unfunded pension costs. Explain.
    - (ii) Provide latest actuarial study used for determining pension accrual rates.
  - h. Submit a schedule showing any deferred income and consultant fee, paid to both corporate officers and employees, in historic and future test years.

**Answer:**

- a-e. Please refer to the testimony of John Cox and Exhibit No. 3-B.
- f. Please see attached.
- g. None
- h. None



**AMERICAN WATER**  
**SUMMARY OF FULL TIME UNION BENEFITS EFFECTIVE JANUARY 1, 2008**  
**FOR EMPLOYEES HIRED ON OR AFTER 1/1/06**  
**BENEFITS AT A GLANCE**

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Preferred Provider Organization (PPO) Medical Plan <u>Standard Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Plan typically pays 80% of covered expenses after coinsurance and deductible.  Annual deductible Single/Family: \$1,000/\$3,000 Out of pocket: \$3,500/\$10,500 Lifetime Maximum: unlimited  Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single: \$42 Family: \$94
Preferred Provider Organization (PPO) Medical Plan <u>Premium Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Plan typically pays 100% of covered expenses after co-payment.  No annual deductible Out of pocket \$1,000/\$3,000 Lifetime Maximum: unlimited  Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single: \$57 Family: \$120
Exclusive Provider Organization (EPO)	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	The EPO Plan includes comprehensive benefits, where you pay a copay and then the plan covers 100%. This means, at the time of service, you pay a set, flat amount.  <u>There are no out-of-network benefits under this plan.</u>  No Annual Deductible Lifetime Maximum: unlimited	Single: \$62 Family: \$126
EyeMed Vision Plan This plan is bundled with the dental plan. You cannot choose vision and dental separately.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	The Plan covers exams at 100% after \$15 copay Frames – In Network: 100% after \$50 copay Standard plastic lenses – In Network: covered after \$35 copay single lenses; all others \$50 copay Contact Lenses: In Network: Covered up to \$100 (if medically necessary to wear contacts instead of glasses, then 100% of U&C.  Out-of-Network benefits are available. Plan pays less for these benefits.  Frequency for frames, lenses and contacts: Once every 24 months	Included in the Medical Plan
Prescription Drug Plan	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Two ways to buy: Retail (for acute medication): 10%-Generic Drugs 20%-Preferred Brand Name Drugs 20%-Non-Preferred Brand Name Drugs Mail Order (for maintenance or chronic conditions): Generic-\$14 Preferred Brand-\$30 Non-Preferred Brand: \$70	Included in the Horizon Medical Plans

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Wellness and Discount Program	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Just present your Horizon BCBSNJ ID card at these select businesses or mention that you are a Horizon BCBSNJ member when calling. For more information and easy online ordering, visit <a href="http://www.horizonblue.com/nationalaccounts">www.horizonblue.com/nationalaccounts</a> <ul style="list-style-type: none"> <li>• Discounts on chiropractic, acupuncture, massage therapy, nutrition counseling and vitamins through our Horizon Alternative Therapies Program.</li> <li>• Discounts on eye examinations, lenses, eyeglass frames and laser vision correction services at participating-Cole Vision-affiliated outlets (located in the optical departments in such stores as Sears, JCPenney, Target and Pearle Vision Centers, as well as in many independent optometrist and ophthalmologist offices) and at Davis Vision providers.</li> <li>• Discounts on health club memberships, bicycle and in-line skating helmets, vacation packages and more.</li> </ul>	Included in the Horizon Medical Plans
Medical/Dental and Vision Opt-out Option	This enrollment period, you have the opportunity not to elect medical and/or dental/vision coverage for you and your dependents. Please note: You must have equivalent medical coverage under another medical plan if you elect the medical opt-out option.	Medical and Dental/Vision Plan Choices  Dental/Vision PPO only: Single (\$85) credit; Family (\$73) credit  Medical and Dental/Vision Opt-out Option Single (\$100) credit; Family (\$100) credit	
Dental Plan <u>Dental Standard PPO Plan</u> which is included with the Standard PPO Medical Plan.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Annual deductible: Individual - \$100 Family - \$200  Preventive Care: 80% of covered expenses after deductible (x-rays, cleanings and exam). Other covered services at 50% after deductible for major and basic services.  Maximum calendar year benefit is \$1,000  <b>Orthodontia:</b> Not covered	Included as part of the Medical Plans
Dental Plan <u>Premium PPO Plan</u> which is included with the Premium PPO and EPO Medical Plans.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Annual deductible: Individual - \$50 Family - \$100  Preventive Care: 100% of covered expenses with no deductible (x-rays, cleanings and exam). Basic and major services are 80% after deductible.  Maximum calendar year benefit is \$1,000  <b>Orthodontia:</b> - \$1,500.00 lifetime maximum. - Pays 50% of covered expenses after deductible - Covers employees and eligible dependents	Included as part of the Medical Plans

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
<b>Flexible Spending Accounts (Pre-Tax Savings Accounts)</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	<b>Health Care Savings Account:</b> Set aside to pay for health services not covered by health plan such as: - Deductibles - Co-payments - Hearing aids - Routine physicals - Psychiatric treatment Annual amount that may be contributed: Minimum: \$120; Maximum: \$2,500 Use it or lose it  <b>Dependent Care Spending Account:</b> Set aside to pay for dependent care expenses for working parent such as: - wages paid to babysitter or companion (expenses not covered if care is provided by someone claimed as a dependent) - Nursery school/day care center costs - Wages paid to a housekeeper for providing care for an eligible dependent (dependent child under 13) or any dependent who is physically or mentally incapable of self care - Annual amount that may be contributed is \$5,000 (\$2,500 if married and file separately) Use it or lose it	Voluntary Contribution
<b>Group Term Life Insurance</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Basic life insurance equal to 1.25 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000)  <b>Accident Death &amp; Dismemberment:</b> Provides a benefit up to \$10,000.  <b>Travel Accident Insurance while on company business:</b> - Salary over \$40,000: \$500,000 - Salary under \$40,000: \$400,000 - Spouse: \$250,000	None
<b>Voluntary Term Life Insurance</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Voluntary Life Insurance is in addition to the company-paid Basic Life Insurance. You may purchase up to the lesser of either \$300,000 or 3 times your salary in coverage without having to provide evidence of good health, provided you enroll on a timely basis. Your choices are: - VL of 1 x base pay - VL of 2 x base pay - VL of 3 x base pay	Monthly contribution based on age.
<b>Voluntary Dependent Term Life Insurance</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	VDL covers eligible dependents. You will be the beneficiary of the Dependent Term Life coverage you elect. The plan offers \$20,000 coverage for spouse; and \$10,000 coverage for each dependent child.	Voluntary Contribution \$5.00/mo. for spouse \$1.20/mo. for all children
<b>Employee Assistance Plan (EAP)</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	Provides employee and each eligible dependent with up to six sessions per issue, per calendar year, for evaluation, short-term counseling and/or referral for behavioral health care issues at no cost, as well as legal, elder care and child care referral assistance.	None

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Short Term Disability	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08. Benefits Eligibility: 3/1/08) <u>OR</u> As stated in your union contract.	STD benefit of \$320 per week for up to 52 weeks (rolling 12 months) for extended illness or injury. The weekly STD will continue to increase by \$10 per year through 2010.* *This STD Benefit does not apply to St. Louis; MO UAW Local 335	None
401(k)	Employees are eligible to participate as soon as possible after date of hire.  Record Keeper/Trustee – Merrill Lynch	<ul style="list-style-type: none"> <li>- A retirement and savings plan that allows you to save on a pre-tax basis.</li> <li>- Company matches 100% for every dollar you contribute during each pay period up to the first 3% of your base pay, and a 50% matching contribution on the next 2% of your base income you contribute during each pay period.</li> <li>- Company matching contributions will be invested in the same funds as you direct your employee contributions.</li> <li>- You may contribute up to 20% of your eligible compensation not exceeding IRS limits.</li> <li>- All contributions, earnings and dividends accumulate tax-free until you withdraw, usually at age 59 1/2 or when you retire.</li> <li>- Company matching contributions vest immediately.</li> <li>- There are eleven investment options: American Funds EuroPacific Growth Fund American Funds Growth Fund of America Janus Mid Cap Value Fund MainStay Small Cap Opportunities Fund Merrill Lynch Equity Index Trust Merrill Lynch International Index Trust Merrill Lynch Retirement Preservation Trust Munder Mid Cap Core Growth Fund PIMCO Total Return Fund Van Kampen Growth &amp; Income Fund Goal Manager Service</li> <li>- If you need money before you retire, there are special provisions for loans or hardship withdrawals.</li> <li>- If you are age 50 or older, you will be able to make an additional "catch-up" contribution of \$5,000 to the plan in 2008. This means that if you are age 50 or older in 2008, you may be able to contribute up to \$20,500 (the \$15,500 IRS limit plus the \$5,000 catch-up contribution) to the Plan on a pre-tax basis in 2008. Matching contributions are not made on catch-up contributions. You may elect a pre-tax "catch-up" deferral rate of 1-20% of your eligible compensation up to the \$5,000 limit.</li> <li>For your contribution to be classified as "catch-up" contributions, you must have either a contribution equal to the plan maximum limit of 20% or actual pre-tax contributions of \$15,500 for 2008. At the end of the year, if your pre-tax contributions do not meet these requirements, the "catch-up" contributions (to the extent necessary) will automatically be re-characterized as regular pre-tax contributions in the Plan. If contributions are reclassified, they are not subject to receive a company match.</li> </ul>	<p>Voluntary Contribution up to 20% of your eligible compensation not to exceed IRS limit of \$15,500 in 2008</p> <p>Catch Up Contributions Voluntary contribution up to \$5,000 in 2008</p>

Benefits	When You Are Eligible	What You Receive	Monthly Cost To Employee
<b>Defined Contribution Plan</b> (This will be part of the above 401(k) Plan)	Immediately  Record Keeper/Trustee – Merrill Lynch	Every month, American Water will contribute 5.25% of your base pay into your account. Just like the 401(k) plan, you manage the investment options of your account. You are fully vested in your account balance after one year of service. These contributions will be made as a separate segment within your 401(k) Savings Plan. Different provisions apply to this segment of your 401(k) Plan (i.e. no loans/hardships).	Contributions not to exceed IRS limit of \$12,075.00 in 2008.
<b>Vacation</b>	As stated in union contract.		None
<b>Holidays</b>	As stated in union contract.		None
<b>Educational Assistance</b>	Employees may take advantage of this benefit for eligible courses in which they enroll after their date of hire.	- Financial Assistance of 100% for tuition, registration and required fees. - Books, equipment, travel, parking, late registration and insurance are the responsibility of the employee (Graduate level course work may be taxable income). <b>Limits Include:</b> - \$5,250.00 per year - Up to six credit hours per semester or six actual class hours if credits are not awarded - Proof of grade of C or better must be submitted at the completion of each course. Failure to submit transcript will exclude employee from future participation in the Plan.	None
<b>Retiree Medical Reimbursement Account</b>	Immediately	Employees hired on or after 01-01-06 will receive a \$500 per year contribution by American Water to help pay for retiree medical expenses – you do not need to contribute anything. Once you retire, you can use your account to help pay for retiree medical expenses. If you leave the company prior to retirement, funds in this account will be forfeited.*	None

These sheets provide a brief description of your benefits under each plan. Should there be a conflict between the benefits described on these sheets and those described in the legal plan documents, the terms of the legal documents will be used to determine coverage and benefits.

American Water reserves the right to amend or otherwise change the benefits contained in the Summary Plan Description at any time for any reason or, if applicable, subject to collective bargaining agreements.

\*This benefit does not apply to employees in these Union locations: Long Island, Alton Call Center, Pensacola Call Center and Sterling, IL.

Revised: 11/27/07

## AMERICAN WATER

### SUMMARY OF FULL TIME NON-UNION BENEFITS EFFECTIVE JANUARY 1, 2008 FOR EMPLOYEES HIRED ON OR AFTER 1/1/06 AND EMPLOYEES TRANSFERRED FROM NON-REGULATED COMPANIES TO REGULATED COMPANIES ON OR AFTER 1/1/06 BENEFITS AT A GLANCE

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Standard Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08. Benefits Eligibility: 3/1/08)	Plan typically pays 80% of covered expenses after coinsurance and deductible. Annual deductible Single/Family: \$1,000/\$3,000 Out of pocket: \$3,500/\$10,500 Lifetime Maximum: unlimited Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single: \$60 Family: \$148
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Premium Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08. Benefits Eligibility: 3/1/08)	Plan typically pays 100% of covered expenses after co-payment. No annual deductible Out of pocket \$1,000/\$3,000 Lifetime Maximum: unlimited Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single: \$72 Family: \$178
<b>Exclusive Provider Organization (EPO)</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08. Benefits Eligibility: 3/1/08)	The EPO Plan includes comprehensive benefits, where you pay a copay and then the plan covers 100%. This means, at the time of service, you pay a set, flat amount. <u>There are no out-of-network benefits under this plan.</u> No Annual Deductible Lifetime Maximum: unlimited	Single: \$74 Family: \$182
<b>EyeMed Vision Plan</b> This plan is bundled with the dental plan.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08. Benefits Eligibility: 3/1/08)	The Plan covers exams at 100% after \$15 copay Frames – In Network: 100% after \$50 copay Standard plastic lenses – In Network: covered after \$35 copay single lenses; all others \$50 copay Contact Lenses: In Network: Covered up to \$100 (if medically necessary to wear contacts instead of glasses, then 100% of U&C. Out-of-Network benefits are available. Plan pays less for these benefits. Frequency for frames, lenses, contacts and exams: Once every 24 months	Included in the Medical Plan
<b>Prescription Drug Plan</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08). Benefits Eligibility: 3/1/08)	Two ways to buy: <b>Retail (for acute medication):</b> 10% - Generic Drugs 20% - Preferred Brand Name Drugs 20% - Non-Preferred Brand Name Drugs <b>Mail Order (for maintenance or chronic conditions):</b> Generic - \$14 Preferred Brand - \$30 Non-Preferred Brand - \$70	Included in the Horizon Medical Plans

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Wellness and Discount Program	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08). Benefits Eligibility: 3/1/08)	Just present your Horizon BCBSNJ ID card at these select businesses or mention that you are a Horizon BCBSNJ member when calling. For more information and easy online ordering, visit <a href="http://www.horizonblue.com/nationalaccounts">www.horizonblue.com/nationalaccounts</a> <ul style="list-style-type: none"> <li>• Discounts on chiropractic, acupuncture, massage therapy, nutrition counseling and vitamins through our Horizon Alternative Therapies Program.</li> <li>• Discounts on eye examinations, lenses, eyeglass frames and laser vision correction services at participating Cole Vision-affiliated outlets (located in the optical departments in such stores as Sears, JCPenney, Target and Pearle Vision Centers, as well as in many independent optometrist and ophthalmologist offices) and at Davis Vision providers.</li> <li>• Discounts on health club memberships, bicycle and in-line skating helmets, vacation packages and more.</li> </ul>	Included in the Horizon Medical Plans
Dental & Vision Only	You have the opportunity not to elect medical for you and your dependents. Please note: You must have equivalent medical coverage under another medical plan if you elect the medical opt-out option.	Premium Dental PPO & EyeMed Vision Plans	Single: \$5.70 Family: \$13.65
Dental Plan <u>Dental Standard PPO Plan</u> which is included with the Standard PPO Medical Plan.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08). Benefits Eligibility: 3/1/08)	Annual deductible: Individual - \$100 Family - \$200 Preventive Care: 80% of covered expenses after deductible (x-rays, cleanings and exam). Other covered services at 50% after deductible for major and basic services. Maximum calendar year benefit is \$1,000 <b>Orthodontia:</b> Not covered	Included as part of the Medical Plans
Dental Plan <u>Premium PPO Plan</u> which is included with the Premium PPO and EPO Medical Plans.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08). Benefits Eligibility: 3/1/08)	Annual deductible: Individual - \$50 Family - \$100 Preventive Care: 100% of covered expenses with no deductible (x-rays, cleanings and exam). Basic and major services are 80% after deductible. Maximum calendar year benefit is \$1,000 <b>Orthodontia:</b> - \$1,500.00 lifetime maximum. - Pays 50% of covered expenses after deductible - Covers employees and eligible dependents	Included as part of the Medical Plans

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Flexible Spending Accounts (Pre-Tax Savings Accounts)	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08. Benefits Eligibility: 3/1/08)	<p><b>Health Care Savings Account:</b> Set aside to pay for health services not covered by health plan such as:</p> <ul style="list-style-type: none"> <li>- Deductibles</li> <li>- Co-payments</li> <li>- Hearing aids</li> <li>- Routine physicals</li> <li>- Psychiatric treatment</li> </ul> <p>Annual amount that may be contributed: Minimum: \$120; Maximum: \$3,000</p> <p>Use it or lose it</p> <p><b>Dependent Care Spending Account:</b> Set aside to pay for dependent care expenses for working parent such as:</p> <ul style="list-style-type: none"> <li>- Wages paid to babysitter or companion (expenses not covered if care is provided by someone claimed as a dependent)</li> <li>- Nursery school/day care center costs</li> <li>- Wages paid to a housekeeper for providing care for an eligible dependent (dependent child under 13) or any dependent who is physically or mentally incapable of self care</li> <li>- Annual amount that may be contributed is \$5,000 (\$2,500 if married and file separately)</li> </ul> <p>Use it or lose it</p>	Voluntary Contribution
Group Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08). Benefits Eligibility: 3/1/08)	<p><b>Basic life insurance</b> equal to 1 1/2 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000)</p> <p><b>Accident Death &amp; Dismemberment:</b> equal to 1 1/2 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000)</p> <p><b>Travel Accident Insurance while on company business:</b></p> <ul style="list-style-type: none"> <li>- Salary over \$40,000: \$500,000</li> <li>- Salary under \$40,000: \$400,000</li> <li>- Spouse: \$250,000</li> </ul>	None
Voluntary Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08) Benefits Eligibility: 3/1/08)	<p>Voluntary Life Insurance is in addition to the company-paid Basic Life Insurance. You may purchase up to the lesser of either \$300,000 or 3 times your salary in coverage without having to provide evidence of good health, provided you enroll on a timely basis. Your choices are:</p> <ul style="list-style-type: none"> <li>- VL of 1 x base pay</li> <li>- VL of 2 x base pay</li> <li>- VL of 3 x base pay</li> </ul>	Monthly Contribution based on age.
Voluntary Dependent Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08). Benefits Eligibility: 3/1/08)	VDL covers eligible dependents. You will be the beneficiary of the Dependent Term Life coverage you elect. The plan offers \$20,000 coverage for spouse; and \$10,000 coverage for each dependent child.	Voluntary Contribution \$5.00/mo. for spouse \$1.20/mo. for all children
Employee Assistance Plan (EAP)	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/08) Benefits Eligibility: 3/1/08)	Provides employee and each eligible dependent with up to six sessions per issue, per calendar year, for evaluation, short-term counseling and/or referral for behavioral health care issues at no cost, as well as legal, elder care and child care referral assistance.	None

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Short Term Disability	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/08) Benefits Eligibility: 3/1/08)	You are eligible for 2 weeks of sick leave at full pay each year. If you are still disabled after 2 weeks, you will receive 75% of your base pay for an additional 24 weeks through the STD benefit.	None
Long Term Disability	Qualifying Period: Six months	<ul style="list-style-type: none"> <li>- Provides 60% of base monthly income (not to exceed \$15,000) replacement if employee becomes disabled due to illness or accident</li> <li>- Offsets for other income benefits such as social security disability, income from any employer or any employment &amp; disability, retirement, pension or annuity benefits from any group insurance or pension plan (including American Water), membership or association with any group association, union or other organization.</li> </ul>	None
401(k)	<p>Employees are eligible to participate as soon as possible after date of hire.</p> <p>Record Keeper/Trustee -- Merrill Lynch</p>	<ul style="list-style-type: none"> <li>- A retirement and savings plan that allows you to save on a pre-tax basis.</li> <li>- Company matches 100% for every dollar you contribute during each pay period up to the first 3% of your total pay, and a 50% matching contribution on the next 2% of your total income you contribute during each pay period.</li> <li>- Company matching contributions will be invested in the same funds as you direct your employee contributions.</li> <li>- You may contribute up to 20% of your eligible compensation not exceeding IRS limits.</li> <li>- All contributions, earnings and dividends accumulate tax-free until you withdraw, usually at age 59 1/2 or when you retire.</li> <li>- Company matching contributions vest immediately.</li> <li>- There are eleven investment options: American Funds EuroPacific Growth Fund American Funds Growth Fund of America Janus Mid Cap Value Fund MainStay Small Cap Opportunities Fund Merrill Lynch Equity Index Trust Merrill Lynch International Index Trust Merrill Lynch Retirement Preservation Trust Munder Mid Cap Core Growth Fund PIMCO Total Return Fund Van Kampen Growth &amp; Income Fund Goal Manager Service</li> <li>- If you need money before you retire, there are special provisions for loans or hardship withdrawals.</li> <li>- If you are age 50 or older, you will be able to make an additional "catch-up" contribution of \$5,000 to the plan in 2008. This means that if you are age 50 or older in 2008, you may be able to contribute up to \$20,500 (the \$15,500 IRS limit plus the \$5,000 catch-up contribution) to the Plan on a pre-tax basis in 2008. Matching contributions are not made on catch-up contributions. You may elect a pre-tax "catch-up" deferral rate of 1-20% of your eligible compensation up to the \$5,000 limit.</li> </ul>	<p>Voluntary Contribution up to 20% of your eligible compensation not to exceed IRS limit of \$15,500 in 2008</p> <p>Catch Up Contributions Voluntary contribution up to \$5,000 in 2008</p>

Benefits	When You Are Eligible	What You Receive	Monthly Cost To Employee
401 (k) (continued)		<ul style="list-style-type: none"> <li>- For your contribution to be classified as "catch-up" contributions, you must have either a contribution equal to the plan maximum limit of 20% or actual pre-tax contributions of \$15,500 for 2008. At the end of the year, if your pre-tax contributions do not meet these requirements, the "catch-up" contributions (to the extent necessary) will automatically be re-characterized as regular pre-tax contributions in the Plan. If contributions are reclassified, they are not subject to receive a company match.</li> </ul>	
Defined Contribution Plan (This will be part of the above 401(k) Plan)	<p>Immediately</p> <p>Record Keeper/Trustee – Merrill Lynch</p>	<p>Every month, American Water will contribute 5.25% of your base pay into your account. Just like the 401(k) plan, you manage the investment options of your account. You will be able to select the investment option that best meets your investment goals.</p> <p>You are fully vested in your account balance after one year of service.</p> <p>These contributions will be made as a separate segment within your 401(k) Savings Plan. Different provisions apply to this segment of your 401(k) Plan (i.e. no loans/hardships).</p>	Contribution not to exceed IRS limit of \$12,075.00 in 2008
Vacation	Based on policy.		None
Holidays	Based on policy.		None
Educational Assistance	Employees may take advantage of this benefit for eligible courses in which they enroll after their date of hire.	<ul style="list-style-type: none"> <li>- Financial Assistance of 100% for tuition, registration and required fees.</li> <li>- Books, equipment, travel, parking, late registration and insurance are the responsibility of the employee (Graduate level course work may be taxable income).</li> </ul> <p>Limits include:</p> <ul style="list-style-type: none"> <li>- \$5,250.00 per year</li> <li>- Up to six credit hours per semester or six actual class hours if credits are not awarded</li> <li>- Proof of grade of C or better must be submitted at the completion of each course. Failure to submit transcript will exclude employee from future participation in the Plan.</li> </ul>	None

These sheets provide a brief description of your benefits under each plan. Should there be a conflict between the benefits described on these sheets and those described in the legal plan documents, the terms of the legal documents will be used to determine coverage and benefits.

American Water reserves the right to amend or otherwise change the benefits contained in the Summary Plan Description.

Revised: 11/27/07

**AMERICAN WATER**  
**SUMMARY OF FULL TIME NON-UNION BENEFITS AS OF JANUARY 1, 2006**  
**BENEFITS AT A GLANCE**

Benefit	When You Are Eligible	What You Receive
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Standard Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	Plan typically pays 80% of covered expenses after coinsurance and deductible.  Annual deductible Single/Family: \$1,000/\$3,000  Out of pocket: \$3,500/\$10,500  Lifetime Maximum: unlimited  Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Premium Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	Plan typically pays 100% of covered expenses after co-payment.  No annual deductible  Out of pocket \$1,000/\$3,000  Lifetime Maximum: unlimited  Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.
<b>Exclusive Provider Organization (EPO)</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	The EPO Plan includes comprehensive benefits, where you pay a copay and then the plan covers 100%. This means, at the time of service, you pay a set, flat amount.  <u>There are no out-of-network benefits under this plan.</u>  No Annual Deductible  Lifetime Maximum: unlimited
<b>EyeMed Vision Plan</b> This plan is bundled with the dental plan. You cannot choose vision and dental separately.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	The Plan covers exams at 100% after \$15 copay Frames – In Network: 100% after \$50 copay Standard plastic lenses – In Network: covered after \$35 copay single lenses; all others \$50 copay Contact Lenses: In Network: Covered up to \$100 (if medically necessary to wear contacts instead of glasses, then 100% of U&C.  Out-of-Network benefits are available. Plan pays less for these benefits.  Frequency for frames, lenses and contacts: Once every 24 months
<b>Prescription Drug Plan</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	Two ways to buy: <b>Retail (for acute medication):</b> 10%-Generic Drugs 20%-Preferred Brand Name Drugs 20%-Non-Preferred Brand Name Drugs <b>Mail Order (for maintenance or chronic conditions):</b> Generic-\$14 Preferred Brand-\$30 Non-Preferred Brand: \$70

Benefit	When You Are Eligible	What You Receive
Wellness and Discount Program	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>Just present your Horizon BCBSNJ ID card at these select businesses or mention that you are a Horizon BCBSNJ member when calling. For more information and easy online ordering, visit <a href="http://www.horizon-bcbnsj.com/nationalaccounts">www.horizon-bcbnsj.com/nationalaccounts</a></p> <ul style="list-style-type: none"> <li>• Discounts on chiropractic, acupuncture, massage therapy, nutrition counseling and vitamins through our Horizon Alternative Therapies Program.</li> <li>• Discounts on eye examinations, lenses, eyeglass frames and laser vision correction services at participating Cole Vision-affiliated outlets (located in the optical departments in such stores as Sears, JCPenney, Target and Pearle Vision Centers, as well as in many independent optometrist and ophthalmologist offices) and at Davis Vision providers.</li> <li>• Discounts on health club memberships, computer hardware, bicycle and in-line skating helmets, vacation packages and more.</li> </ul>
Dental Plan <b>Dental Standard PPO Plan</b> which is included with the Standard PPO Medical Plan.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>Annual deductible: Individual - \$100 Family - \$200</p> <p>Preventive Care: 80% of covered expenses after deductible (x-rays, cleanings and exam). Other covered services at 50% after deductible for major and basic services.</p> <p>Maximum calendar year benefit is \$1,000</p> <p><b>Orthodontia:</b> Not covered</p>
Dental Plan <b>Premium PPO Plan</b> which is included with the Premium PPO and EPO Plans.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>Annual deductible: Individual - \$50 Family - \$100</p> <p>Preventive Care: 100% of covered expenses with no deductible (x-rays, cleanings and exam). Other covered services are 80% after deductible for basic services and 50% after deductible for major services.</p> <p>Maximum calendar year benefit is \$1,000</p> <p><b>Orthodontia:</b> - \$1,500.00 lifetime maximum. - Pays 50% of covered expenses after deductible - Covers dependents only</p>

Benefit	When You Are Eligible	What You Receive
Flexible Spending Accounts (Pre-Tax Savings Accounts)	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	<p><b>Health Care Savings Account:</b> Set aside to pay for health services not covered by health plan such as:</p> <ul style="list-style-type: none"> <li>- Deductibles</li> <li>- Co-payments</li> <li>- Hearing aids</li> <li>- Routine physicals</li> <li>- Psychiatric treatment</li> </ul> <p>Annual amount that may be contributed: Minimum: \$120; Maximum: \$3,000</p> <p>Use it or lose it</p> <p><b>Dependent Care Spending Account:</b> Set aside to pay for dependent care expenses for working parent such as:</p> <ul style="list-style-type: none"> <li>- wages paid to babysitter or companion (expenses not covered if care is provided by someone claimed as a dependent)</li> <li>- Nursery school/day care center costs</li> <li>- Wages paid to a housekeeper for providing care for an eligible dependent (dependent child under 13) or any dependent who is physically or mentally incapable of self care</li> <li>- Annual amount that may be contributed is \$5,000 (\$2,500 if married and file separately)</li> </ul> <p>Use it or lose it</p>
Group Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>Basic life insurance equal to 1 1/2 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000)</p> <p><b>Accident Death &amp; Dismemberment:</b> equal to 1 1/2 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000)</p> <p><b>Travel Accident Insurance while on company business:</b></p> <ul style="list-style-type: none"> <li>- Salary over \$40,000: \$500,000</li> <li>- Salary under \$40,000: \$400,000</li> <li>- Spouse: \$250,000</li> </ul>
Voluntary Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06) Benefits Eligibility: 3/1/06)	<p>Voluntary Life Insurance is in addition to the company-paid Basic Life Insurance. You may purchase up to the lesser of either \$300,000 or 3 times your salary in coverage without having to provide evidence of good health, provided you enroll on a timely basis. Your choices are:</p> <ul style="list-style-type: none"> <li>- VL of 1 x base pay</li> <li>- VL of 2 x base pay</li> <li>- VL of 3 x base pay</li> </ul>
Voluntary Dependent Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>VDL covers eligible dependents. You will be the beneficiary of the Dependent Term Life coverage you elect. The plan offers \$20,000 coverage for spouse; and \$10,000 coverage for each dependent child.</p>
Employee Assistance Plan (EAP)	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06) Benefits Eligibility: 3/1/06)	<p>Provides employee and each eligible dependent with up to six sessions per issue, per calendar year, for evaluation, short-term counseling and/or referral for behavioral health care issues at no cost, as well as legal, elder care and child care referral assistance.</p>

Benefit	When You Are Eligible	What You Receive
Short Term Disability	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/06) Benefits Eligibility: 3/1/06)	You are eligible for 2 weeks of sick leave at full pay each year. If you are still disabled after 2 weeks, you will receive 75% of your base pay for an additional 24 weeks through the STD benefit.
Long Term Disability	Qualifying Period: Six months	<ul style="list-style-type: none"> <li>- Provides 60% of base monthly income (not to exceed \$15,000) replacement if employee becomes disabled due to illness or accident</li> <li>- Offsets for other income benefits such as social security disability, income from any employer or any employment &amp; disability, retirement, pension or annuity benefits from any group insurance or pension plan (including American Water), membership or association with any group association, union or other organization.</li> </ul>
401(k)	<p>Employees are eligible to participate as soon as possible after date of hire.</p> <p>Record Keeper/Trustee – Merrill Lynch</p>	<ul style="list-style-type: none"> <li>- A retirement and savings plan that allows you to save on a pre-tax basis.</li> <li>- Company matches 100% for every dollar you contribute up to the first 3% of your total pay. And a 50% matching contribution on the next 2% of your total income you contribute.</li> <li>- Company matching contributions will be invested in the same funds as you direct your employee contributions.</li> <li>- You may contribute up to 20% of your eligible compensation not exceeding IRS limits.</li> <li>- All contributions, earnings and dividends accumulate tax-free until you withdraw, usually at age 59 1/2 or when you retire.</li> <li>- Company matching contributions vest immediately.</li> <li>- There are eleven investment options:  Merrill Lynch Retirement Preservation Fund PIMCO  Franklin Small Cap Growth  Merrill Lynch Index Equity  Merrill Lynch International Index  Van Kampen Emerging Growth Fund  Van Kampen Growth &amp; Income Fund  Nations International Value Investor Fund  Oppenheimer Capital Appreciation Fund  State Street Research Aurora Fund  Goal Manager Service</li> <li>- If you need money before you retire, there are special provisions for loans or hardship withdrawals.</li> <li>- If you are age 50 or older, you will be able to make an additional "catch-up" contribution of \$5,000 to the plan in 2006. This means that if you are age 50 or older in 2006, you may be able to contribute up to \$20,000 (the \$15,000 IRS limit plus the \$5,000 catch-up contribution) to the Plan on a pre-tax basis in 2006. Matching contributions are not made on catch-up contributions. You may elect a pre-tax "catch-up" deferral rate of 1-20% of your eligible compensation up to the \$5,000 limit.</li> </ul>

Benefits	When You Are Eligible	What You Receive
401 (k) (continued)		<ul style="list-style-type: none"> <li>- For your contribution to be classified as "catch-up" contributions, you must have either a contribution equal to the plan maximum limit of 20% or actual pre-tax contributions of \$15,000 for 2006. At the end of the year, if your pre-tax contributions do not meet these requirements, the "catch-up" contributions (to the extent necessary) will automatically be re-characterized as regular pre-tax contributions in the Plan. If contributions are reclassified, they are not subject to receive a company match.</li> </ul>

<b>Defined Contribution Plan</b> (This will be part of the above 401(k) Plan)	Employees are eligible to participate as soon as possible after date of hire.  Record Keeper/Trustee – Merrill Lynch	Every month, American Water will contribute 5.25% of your base pay into your account. Just like the 401(k) plan, you manage the investment options of your account. You will be able to select the investment option that best meets your investment goals. You are fully vested in your account balance after one year of service. These contributions will be made as a separate segment within your 401(k) Savings Plan. Different provisions apply to this segment of your 401(k) Plan (i.e. no loans/hardships).
<b>Vacation</b>	Based on policy.	
<b>Holidays</b>	Based on policy.	
<b>Educational Assistance</b>	Employees may take advantage of this benefit for eligible courses in which they enroll after their date of hire.	<ul style="list-style-type: none"> <li>- Financial Assistance of 100% for tuition, registration and required fees.</li> <li>- Books, equipment, travel, parking, late registration and insurance are the responsibility of the employee (Graduate level course work may be taxable income).</li> </ul> <b>Limits include:</b> <ul style="list-style-type: none"> <li>- \$5,250.00 per year</li> <li>- Up to six credit hours per semester or six actual class hours if credits are not awarded</li> <li>- Proof of grade of C or better must be submitted at the completion of each course. Failure to submit transcript will exclude employee from future participation in the Plan.</li> </ul>

These sheets provide a brief description of your benefits under each plan. Should there be a conflict between the benefits described on these sheets and those described in the legal plan documents, the terms of the legal documents will be used to determine coverage and benefits.

American Water reserves the right to amend or otherwise change the benefits contained in the Summary Plan Description.

**AMERICAN WATER**  
**SUMMARY OF FULL TIME UNION BENEFITS AS OF JANUARY 1, 2006**  
**BENEFITS AT A GLANCE**

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Standard Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	Plan typically pays 80% of covered expenses after coinsurance and deductible.  Annual deductible Single/Family: \$1,000/\$3,000  Out of pocket: \$3,500/\$10,500  Lifetime Maximum: unlimited  Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single: \$28 Family: \$62
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Premium Plan</u>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	Plan typically pays 100% of covered expenses after co-payment.  No annual deductible  Out of pocket: \$1,000/\$3,000  Lifetime Maximum: unlimited  Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single: \$37 Family: \$80
<b>Exclusive Provider Organization (EPO)</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	The EPO Plan includes comprehensive benefits, where you pay a copay and then the plan covers 100%. This means, at the time of service, you pay a set, flat amount.  <u>There are no out-of-network benefits under this plan.</u>  No Annual Deductible  Lifetime Maximum: unlimited	Single: \$39 Family: \$84
<b>EyeMed Vision Plan</b> This plan is bundled with the dental plan. You cannot choose vision and dental separately.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	The Plan covers exams at 100% after \$15 copay. Frames – In Network: 100% after \$50 copay. Standard plastic lenses – In Network: covered after \$35 copay single lenses; all others \$50 copay. Contact Lenses: In Network: Covered up to \$100 (if medically necessary to wear contacts instead of glasses, then 100% of U&C.  Out-of-Network benefits are available. Plan pays less for these benefits.  Frequency for frames, lenses and contacts: Once every 24 months	Included in the Medical Plan
<b>Prescription Drug Plan</b>	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	Two ways to buy: <b>Retail (for acute medication):</b> 10%-Generic Drugs 20%-Preferred Brand Name Drugs 20%-Non-Preferred Brand Name Drugs <b>Mail Order (for maintenance or chronic conditions):</b> Generic-\$14 Preferred Brand-\$30 Non-Preferred Brand: \$70	Included in the Horizon Medical Plans

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Wellness and Discount program	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>Just present your Horizon BCBSNJ ID card at these select businesses or mention that you are a Horizon BCBSNJ member when calling. For more information and easy online ordering, visit <a href="http://www.horizon-bcbsnj.com/nationalaccounts">www.horizon-bcbsnj.com/nationalaccounts</a></p> <ul style="list-style-type: none"> <li>• Discounts on chiropractic, acupuncture, massage therapy, nutrition counseling and vitamins through our Horizon Alternative Therapies Program.</li> <li>• Discounts on eye examinations, lenses, eyeglass frames and laser vision correction services at participating Cole Vision-affiliated outlets (located in the optical departments in such stores as Sears, JCPenney, Target and Pearle Vision Centers, as well as in many independent optometrist and ophthalmologist offices) and at Davis Vision providers.</li> <li>• Discounts on health club memberships, computer hardware, bicycle and in-line skating helmets, vacation packages and more.</li> </ul>	Included in the Horizon Medical Plans
Medical/Dental and Vision Opt-out Option	This enrollment period, you have the opportunity not to elect medical and/or dental/vision coverage for you and your dependents. Please note: You must have equivalent medical coverage under another medical plan if you elect the medical opt-out option.	<p>Medical and Dental/Vision Plan Choices</p> <p>Dental/Vision PPO only: Single (\$88) credit; Family (\$79) credit</p> <p>Medical and Dental/Vision Opt-out Option: Single (\$100) credit; Family (\$100) credit</p>	
Dental Plan <u>Dental Standard PPO Plan</u> which is included with the Standard PPO Medical Plan.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>Annual deductible: Individual - \$100 Family - \$200</p> <p>Preventive Care: 80% of covered expenses after deductible (x-rays, cleanings and exam). Other covered services at 50% after deductible for major and basic services.</p> <p>Maximum calendar year benefit is \$1,000</p> <p><b>Orthodontia:</b> Not covered</p>	Included as part of the Medical Plans
Dental Plan <u>Premium PPO Plan</u> which is included with the Premium PPO and EPO Plans.	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p>Annual deductible: Individual - \$50 Family - \$100</p> <p>Preventive Care: 100% of covered expenses with no deductible (x-rays, cleanings and exam). Basic and major services are 80% after deductible.</p> <p>Maximum calendar year benefit is \$1,000</p> <p><b>Orthodontia:</b> - \$1,500.00 lifetime maximum. - Pays 50% of covered expenses after deductible - Covers employees and eligible dependents</p>	Included as part of the Medical Plans

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Flexible Spending Accounts (Pre-Tax Savings Accounts)	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	<p><b>Health Care Savings Account:</b> Set aside to pay for health services not covered by health plan such as:</p> <ul style="list-style-type: none"> <li>- Deductibles</li> <li>- Co-payments</li> <li>- Hearing aids</li> <li>- Routine physicals</li> <li>- Psychiatric treatment</li> </ul> <p>Annual amount that may be contributed: Minimum: \$120; Maximum: \$2,500</p> <p>Use it or lose it</p> <p><b>Dependent Care Spending Account:</b> Set aside to pay for dependent care expenses for working parent such as:</p> <ul style="list-style-type: none"> <li>- wages paid to babysitter or companion (expenses not covered if care is provided by someone claimed as a dependent)</li> <li>- Nursery school/day care center costs</li> <li>- Wages paid to a housekeeper for providing care for an eligible dependent (dependent child under 13) or any dependent who is physically or mentally incapable of self care</li> <li>- Annual amount that may be contributed is \$5,000 (\$2,500 if married and file separately)</li> </ul> <p>Use it or lose it</p>	Voluntary Contribution
Group Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	<p><b>Basic life insurance</b> equal to 1.25 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000)</p> <p><b>Accident Death &amp; Dismemberment:</b> Provides a benefit up to \$10,000.</p> <p><b>Travel Accident Insurance while on company business:</b></p> <ul style="list-style-type: none"> <li>- Salary over \$40,000: \$500,000</li> <li>- Salary under \$40,000: \$400,000</li> <li>- Spouse: \$250,000</li> </ul>	None
Voluntary Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06) Benefits Eligibility: 3/1/06)	<p>Voluntary Life Insurance is in addition to the company-paid Basic Life Insurance. You may purchase up to the lesser of either \$300,000 or 3 times your salary in coverage without having to provide evidence of good health, provided you enroll on a timely basis. Your choices are:</p> <ul style="list-style-type: none"> <li>- VL of 1 x base pay</li> <li>- VL of 2 x base pay</li> <li>- VL of 3 x base pay</li> </ul>	Monthly contribution based on age.
Voluntary Dependent Term Life Insurance	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06). Benefits Eligibility: 3/1/06)	VDL covers eligible dependents. You will be the beneficiary of the Dependent Term Life coverage you elect. The plan offers \$20,000 coverage for spouse; and \$10,000 coverage for each dependent child.	Voluntary Contribution \$5.00-spouse/mo. \$1.20-for all children/mo.
Employee Assistance Plan (EAP)	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06) Benefits Eligibility: 3/1/06)	Provides employee and each eligible dependent with up to six sessions per issue, per calendar year, for evaluation, short-term counseling and/or referral for behavioral health care issues at no cost, as well as legal, elder care and child care referral assistance.	None

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Short Term Disability	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e., Start Date: 1/21/06) Benefits Eligibility: 3/1/06)	STD benefit of \$300 per week for up to 52 weeks (rolling 12 months) for extended illness or injury. The weekly STD will continue to increase by \$10 per year through 2010.* *This STD Benefit does not apply to St. Louis, MO UWUA Local 335	None
401(k)	Employees are eligible to participate as soon as possible after date of hire.  Record Keeper/Trustee – Merrill Lynch	<ul style="list-style-type: none"> <li>- A retirement and savings plan that allows you to save on a pre-tax basis.</li> <li>- Company matches 100% for every dollar you contribute up to the first 3% of your base pay. And a 50% matching contribution on the next 2% of your base income you contribute.</li> <li>- Company matching contributions will be invested in the same funds as you direct your employee contributions.</li> <li>- You may contribute up to 20% of your eligible compensation not exceeding IRS limits.</li> <li>- All contributions, earnings and dividends accumulate tax-free until you withdraw, usually at age 59 1/2 or when you retire.</li> <li>- Company matching contributions vest immediately.</li> <li>- There are eleven investment options: Merrill Lynch Retirement Preservation Fund PIMCO Franklin Small Cap Growth Merrill Lynch Index Equity Merrill Lynch International Index Van Kampen Emerging Growth Fund Van Kampen Growth &amp; Income Fund Nations International Value Investor Fund Oppenheimer Capital Appreciation Fund State Street Research Aurora Fund Goal Manager Service</li> <li>- If you need money before you retire, there are special provisions for loans or hardship withdrawals.</li> <li>- If you are age 50 or older, you will be able to make an additional "catch-up" contribution of \$5,000 to the plan in 2006. This means that if you are age 50 or older in 2006, you may be able to contribute up to \$20,000 (the \$15,000 IRS limit plus the \$5,000 catch-up contribution) to the Plan on a pre-tax basis in 2006. Matching contributions are not made on catch-up contributions. You may elect a pre-tax "catch-up" deferral rate of 1-20% of your eligible compensation up to the \$5,000 limit. For your contribution to be classified as "catch-up" contributions, you must have either a contribution equal to the plan maximum limit of 20% or actual pre-tax contributions of \$15,000 for 2006. At the end of the year, if your pre-tax contributions do not meet these requirements, the "catch-up" contributions (to the extent necessary) will automatically be re-characterized as regular pre-tax contributions in the Plan. If contributions are reclassified, they are not subject to receive a company match.</li> </ul>	<p>Voluntary Contribution up to 20% of your eligible compensation not to exceed IRS limit of \$15,000 in 2006</p> <p>Catch Up Contributions Voluntary contribution up to \$5,000 in 2006</p>

Benefits	When You Are Eligible	What You Receive	Monthly Cost To Employee
Defined Contribution Plan This will be part of the above 401(k) Plan)	Employees are eligible to participate as soon as possible after date of hire.  Record Keeper/Trustee – Merrill Lynch	Every month, American Water will contribute 5.25% of your base pay into your account. Just like the 401(k) plan, you manage the investment options of your account. You are fully vested in your account balance after one year of service. These contributions will be made as a separate segment within your 401(k) Savings Plan. Different provisions apply to this segment of your 401(k) Plan (i.e. no loans/hardships).	
Vacation	As stated in union contract.		None
Holidays	As stated in union contract.		None
Educational Assistance	Employees may take advantage of this benefit for eligible courses in which they enroll after their date of hire.	<ul style="list-style-type: none"> <li>- Financial Assistance of 100% for tuition, registration and required fees.</li> <li>- Books, equipment, travel, parking, late registration and insurance are the responsibility of the employee (Graduate level course work may be taxable income).</li> </ul> <b>Limits include:</b> <ul style="list-style-type: none"> <li>- \$5,250.00 per year</li> <li>- Up to six credit hours per semester or six actual class hours if credits are not awarded</li> <li>- Proof of grade of C or better must be submitted at the completion of each course. Failure to submit transcript will exclude employee from future participation in the Plan.</li> </ul>	None
Retiree Medical Reimbursement Account	After 1 full month of employment. Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/06. Benefits Eligibility: 3/1/06)	Employees hired on or after 01-01-06 will receive a \$500 per year contribution by American Water to help pay for retiree medical expenses – you do not need to contribute anything. Once you retire, you can use your account to help pay for retiree medical expenses. If you leave the company prior to retirement, funds in this account will be forfeited.*	None

These sheets provide a brief description of your benefits under each plan. Should there be a conflict between the benefits described on these sheets and those described in the legal plan documents, the terms of the legal documents will be used to determine coverage and benefits.

American Water reserves the right to amend or otherwise change the benefits contained in the Summary Plan Description at any time for any reason or, if applicable, subject to collective bargaining agreements.

\*This benefit does not apply to employees in these Union locations: Long Island, Alton Call Center, Pensacola Call Center and Sterling, IL.

Revised: 3/17/06

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

FR III.6

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

6. Supply an exhibit showing an analysis, by functional accounts, of the charges by affiliates (service corporations, etc.) for services rendered included in the operating expenses of the filing company for the historic and future test years and for the 12-month period ended prior to the historic test year:
  - a. Supply a copy of contracts, if applicable.
  - b. Explain the nature of the services provided.
  - c. Explain the basis on which charges are made.
  - d. If charges allocated, identify allocation factors used.
  - e. Supply the components and amounts comprising the expense in this account.
  - f. Provide details of initial source of charge and reason thereof.

**Answer:** Not applicable for this filing.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Leasing Equipment, Computer Rentals, Office Space Costs

FR III.7

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

7. Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease. Explain the method of calculating monthly or annual payments. If allocated from the parent company, provide the method of allocation.

**Answer:**

Coatesville Wastewater Operations leases office equipment. The lease for this equipment may be reviewed at the Company's office.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Storm Damage

FR III.8

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

8. Submit detailed calculations (or best estimates) of the cost resulting from storm damage.

**Answer:** Coatesville Wastewater Operations did not incur any storm damage.

Pennsylvania-American Water Company  
 Coatesville Wastewater Operations  
 Data Requirements of the Pennsylvania Public Utility Commission  
 Advertising Expense (HTY and 2 Precedent)

FR III.9

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

9. Submit details of expenditures for advertising (national, institutional and local media). Provide a schedule of advertising expense by media categories for the historic test year and the prior two comparable years with respect to:
  - a. Public health and safety
  - b. Conservation of energy.
  - c. Explanation of billing practices, rates, rules and regulations.
  - d. Provision of factual and objective data programs in educational institutions.
  - e. Other advertising programs
  - f. Total advertising expense

**Answer:**

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Advertising expenditures	\$0	\$0	\$0

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Social/Service Org Memberships (HTY)

FR III.10

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

10. Prepare a detailed schedule for the historic test year showing types of social and service organization memberships paid for by the Company and the cost thereof.

**Answer:** Following are details on 2007 costs for memberships/dues:

Eastern PA Water Pollution Control Operators Association	\$110
PA State Association of Township Supervisors	105
American Water Works Association	173

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

FR III.11

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

11. Submit a schedule showing a breakdown by the expenditures associated with Outside Services Employed, Regulatory Commission Expenses showing expenses relating to rate cases separately, and Miscellaneous General Expenses, for the historic test year and prior two comparable years.

**Answer:** Please see attached.

**QUESTION OE11****COATESVILLE WASTEWATER**

	2005	2006	2007
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**OUTSIDE SERVICES**

AUDITING

COLLECTION AGENCY

DISTRIBUTION SYSTEM

3,939	1,169	8,057
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ENGINEERING

7,649		
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GROUNDS CARE

29,610	28,916	13,510
--------	--------	--------

JANITORIAL

97	(35)	167
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LEGAL

MAINTENANCE

2,540	42,842	42,255
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CONTRACT SERVICES MAINT

259,311	139,860	390,165
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M&amp;S

35,455	81,074	28,870
--------	--------	--------

PAVING

	1,738	1,274
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SECURITY

SERVICE COMPANY

TEMPORARY

LAB TESTING

990	4,236	9,573
-----	-------	-------

WASTE DISPOSAL

178,924	305,524	183,263
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<u>518,515</u>	<u>605,324</u>	<u>677,134</u>
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**REGULATORY**

AMORTIZATION

OTHER

DEMAND STUDY

<u>0</u>	<u>0</u>	<u>0</u>
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**MISCELLANEOUS**

BANK SERVICE CHARGE

COMMUNITY ORGANIZATIONS

NONDEDUCTIBLE COMPANY DUES

MEMBERSHIPS

388

AWWA DUES

NAWC FEES

CREDIT LINE FEES

DIRECTOR FEES &amp; EXPENSE

CLUB DUES

ELECTRIC EXPENSE

16,030	24,323	7,261
--------	--------	-------

EMPLOYEE EXPENSE

135	2,420	(440)
-----	-------	-------

DEDUCTIBLE MEALS

371	584	716
-----	-----	-----

FORMS

HEATING

20,031	55,664	54,716
--------	--------	--------

INJURIES/DAMAGES

LAB SUPPLIES

5,224	4,680	6,545
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NONDEDUCTIBLE LOBBYING

MAP &amp; SURVEY

TAXABLE MEALS

381	673	716
-----	-----	-----

CELLULAR PHONE

5,572	3,588	3,390
-------	-------	-------

WIRELESS SERVICE

2,958	3,359	3,166
-------	-------	-------

OVERAGE/SHORTAGE

OFFICE &amp; ADMIN SUPPLIES

1,218	4,186	2,168
-------	-------	-------

MAILING	314	98	298
NONDEDUCTIBLE PENALTIES			
PERMITS		110	1,030
BILLING POSTAGE			
CONFERENCE REGISTRATION	125	320	
RELOCATION			
AWWA RESEARCH			
R & D SERVICE COMPANY			
SUBSCRIPTIONS			
TELEPHONE	5,668	7,302	7,359
TRASH	1,727	1,679	2,077
TRUSTEE FEES			
UNIFORMS	896	895	1,036
SEWER		3,930	
WATER			
OTHER	2,451	8,433	21,062
	<u>63,101</u>	<u>122,244</u>	<u>111,488</u>

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Research and Development

FR III.12

**Pennsylvania-American Water Company  
Coatesville Wastewater Operations**

**III. Operating Expense**

12. Submit details of information covering research and development expenditures, by project, within the company and note forecasted company programs.

**Answer:** Pennsylvania-American Water Company has incurred research and development costs; however none of these costs have been allocated to the Coatesville Wastewater operation.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Charitable and Civic Contributions (HTY)

FR III.13

**Pennsylvania-American Water Company  
Coatesville Wastewater Operations**

**III. Operating Expense**

13. Provide a detailed schedule of all charitable and civic contributions by recipient and amount for the historic test year.

**Answer:**

Charitable and civic contributions for Coatesville Wastewater were \$0 in calendar year 2007.

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

FR III.14

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

14. Please provide the two most recent actuarial studies for both pension expense and postretirement benefits other than pensions (OPEBs).

**Answer:** Pension and post retirement benefits were not allocated to CWW for this filing. Copies of the actuarial studies are available upon request.

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

FR III.15

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

15. Please identify the total pension expense under Statement of Accounting Standards (SFAS 87) for the historic test year and the portion charged to Operation and Maintenance (O&M). Include an analysis showing the contribution to the pension plan and the amount deferred or expensed for each of the past two years and the historic test year. Provide any estimates for the future year.

**Answer:** Not applicable for this filing.

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

FR III.16

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

16. Please provide an analysis of OPEBs showing the accrual amount under SFAS 106 and the pay-as-you-go expense.

**Answer:** Not applicable for this filing.

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

FR III.17

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

17. Please reconcile the historic and future test year SFAS No. 106 expense levels with the amount identified in the actuarial report.

**Answer:** Not applicable for this filing.

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

FR III.18

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

18. Please identify the actual or projected amounts contributed to SFAS No. 106 funds for the historic and future test years. Identify the actual or projected dates and amounts of the contributions.

**Answer:** Not applicable for this filing.

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

FR III.19

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

19. Please explain the funding options or plans which are being used for SFAS No. 106 costs. Identify the portion of costs which are eligible for tax preferred funding.

**Answer:** Not applicable for this filing.

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

FR III.20

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

20. State whether the Company is studying or anticipating any changes to its postretirement benefits offered to employees as a result of SFAS No. 106 or for other reasons? If yes, please provide the study and explain the anticipated change.

**Answer:** At this point, there are no changes planned in the postretirement benefits offered to our employees.

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

FR III.21

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

21. State whether the historic test year expenses reflect any accruals for post-employment benefits under SFAS 112. If yes, please provide complete details including supporting documentation, assumptions, and funding mechanisms.

**Answer:** The historic test year expenses for Coatesville Wastewater does not reflect any accruals for post retirement benefits.

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

FR III.22

**Pennsylvania-American Water Company**  
**III. Operating Expense**

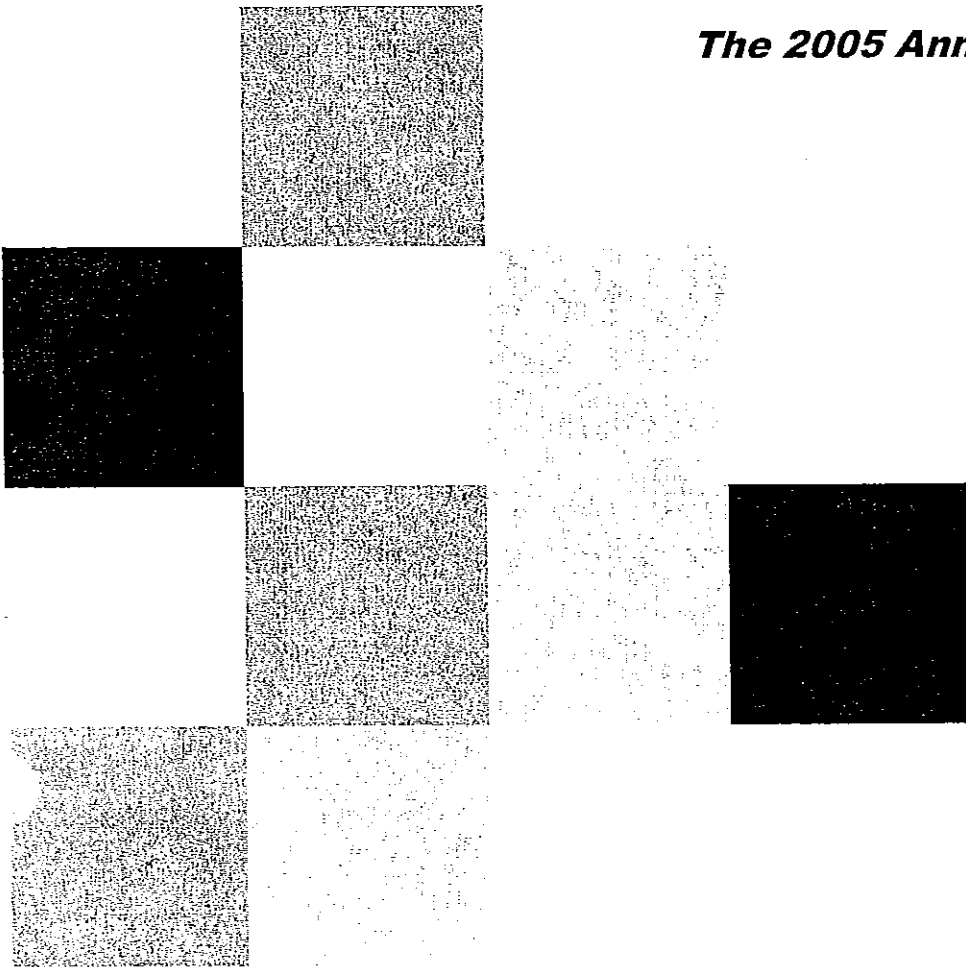
22. Please provide a copy of all incentive compensation and bonus plans and provide the level of related bonus payments included in the cost of service. Provide information for the preceding two years and any changes since the last rate case.

**Answer:**

Attached please find a copy of the Company's annual incentive plan for the years 2005, 2006, and 2007. Please refer to the salary and wages expense adjustment detailed in Exhibit 3A for annual incentive pay expenses claimed in the cost of service.



*Rewarding Achievement*  
*The 2005 Annual Incentive Plan*



## ***The 2005 American Water Annual Incentive Plan***

The 2005 American Water Annual Incentive Plan (AIP) recognizes the opportunity and the accountability we share for achieving our goals. Your accomplishments have helped to build American Water's success to this point, and the AIP will reward you for the contribution you make to the achievement of our goals.

### ***Who Is Eligible for the 2005 AIP***

As in our previous plan, all full-time management, professional and technical employees (exempt from overtime) in American Water are eligible to participate in the 2005 AIP.

Eligible employees who join American Water before September 30 of a plan year (January 1 – December 31) are also eligible to participate in the plan on a prorated basis.

Eligible employees seconded from RWE/Thames Water will participate in the plan for the duration of their secondment. Target levels for assignees seconded from the UK/Germany are aligned with incentive opportunities for UK or German based employees to maintain the "home country terms and conditions" approach adopted for assignees.

### ***Your Award Opportunity***

Your award opportunity is based on your role. Your manager will confirm your award opportunity to you in writing. Any award you earn is based on your salary as of December 31, 2005.

If you are promoted during the plan year to a position with a higher target level, your bonus plan will be prorated to reflect the full months at each award level. Similarly, if you are reclassified to a position with a lower AIP award level, your bonus plan will be prorated to reflect the full months at each award level.

## ***What the Plan Measures***

The AIP is designed to reward participants for the performance results they and the Company attain during the plan year. There are three performance components: 'Company' (financial), 'Operational' and 'Individual'.

- The **Company** component is based on two key measures – Value Added and Free Cash Flow I. (See next page for definitions of these measures.)

You will have performance targets set at your business unit/regional level. Your AIP letter will provide you with your Company component targets.

- The **Operational** component includes performance measures tied to the American Water balanced scorecard through which customer service, environmental and health & safety measures and goals, as appropriate to your role, are the key performance indicators. If you were in American Water Business Center roles in Voorhees will have a mix of financial and individual measures, but no Operational component.
- The **Individual** component includes Performance Targets (KPIs) as agreed by you and your manager within the companywide standard performance management process.

<b>Financial Measures</b>	<b>Operational Measures</b>	<b>Individual Measures</b>
<ul style="list-style-type: none"> <li>▪ Value Added</li> <li>▪ Free Cash Flow I</li> </ul>	<p>Examples include:</p> <ul style="list-style-type: none"> <li>▪ Customer Service – This will make up 50% of the total operational component. This measure deals with services we provide that directly benefit the customer.</li> <li>▪ Environmental</li> <li>▪ Health &amp; Safety</li> </ul> <p>...as applicable to your business unit and role</p>	<ul style="list-style-type: none"> <li>▪ 5 Performance Targets (KPIs) agreed by AIP participant and their manager.</li> </ul>

## **Company (Financial)**

### **A Note on “Value Added” and “Free Cash Flow I”**

For the 2005 AIP, we will continue to use Value Added and Free Cash Flow I as the measures for the Company component of the AIP because they are critical gauges of our business success, and they are now the standard used by RWE. Here's how we define these terms.

- **Value Added**

- An established measure which reflects the contribution made by a business unit to the Group, relative to its cost of capital
- It is calculated using operating result and operating assets

- **Free Cash Flow I**

- An important operating figure that is linked to net debt performance.
- It is defined as the cash flow from operating activities (after interest and tax) plus capital expenditure. It does not include the impact of financial restructuring or any impact of acquisitions or disposals.

Each financial measure is independent of the other and has equal weighting. Business performance in relation to the business plan will deliver half the relevant financial bonus element. If only one financial measure is met, there could be a potential award under the plan.

Awards are calculated on a straight-line basis between each target and range from an award of 50% - 150% of target with no award for performance below 50%. The two elements can cross-subsidize each other and it is only the overall Company (financial) bonus which is capped at 150%.

#### **Example**

Free Cash Flow 1 Result	175%
Value Added Result	110%
Combined Company Bonus Result	$(175\% + 110\%) \div 2 = 142.5\%$

## ***How Your Award Is Weighted***

Your award opportunity is based on two or three performance components (see page 3), depending on your role. You can earn part of your award for each component independent of the others. That means you can receive an award based on all, some or none of the applicable components, depending on actual performance results.

Note that the American Water Board reserves the right to determine whether incentives are payable to any individual or group of individuals. The Board may withhold all incentive payments in exceptional circumstances, such as failing to meet minimum financial goals. In any case, individuals who do not meet their performance expectations will not be eligible to receive an incentive award.

The portion of your award opportunity you can earn for each component is reflected in weightings assigned to each, based on your role in the organization, as the following chart shows. The award has a target and a maximum opportunity.

<b>BUSINESS CENTER 2005</b>			
<b>Company (Financial)</b>		<b>Individual</b>	<b>Target Opportunity</b>
<b>VA</b>	<b>FCF1</b>		
4.325%	4.325%	8.65%	17.30%
2.875%	2.875%	5.75%	11.50%
0.950%	0.950%	1.90%	3.80%

<b>REGION 2005</b>				
<b>Company (Financial)</b>		<b>Individual</b>	<b>Operational</b>	<b>Target Opportunity</b>
<b>VA</b>	<b>FCF1</b>			
4.325%	4.325%	4.325%	4.325%	17.30%
2.875%	2.875%	2.875%	2.875%	11.50%
0.950%	0.950%	0.950%	0.950%	3.80%

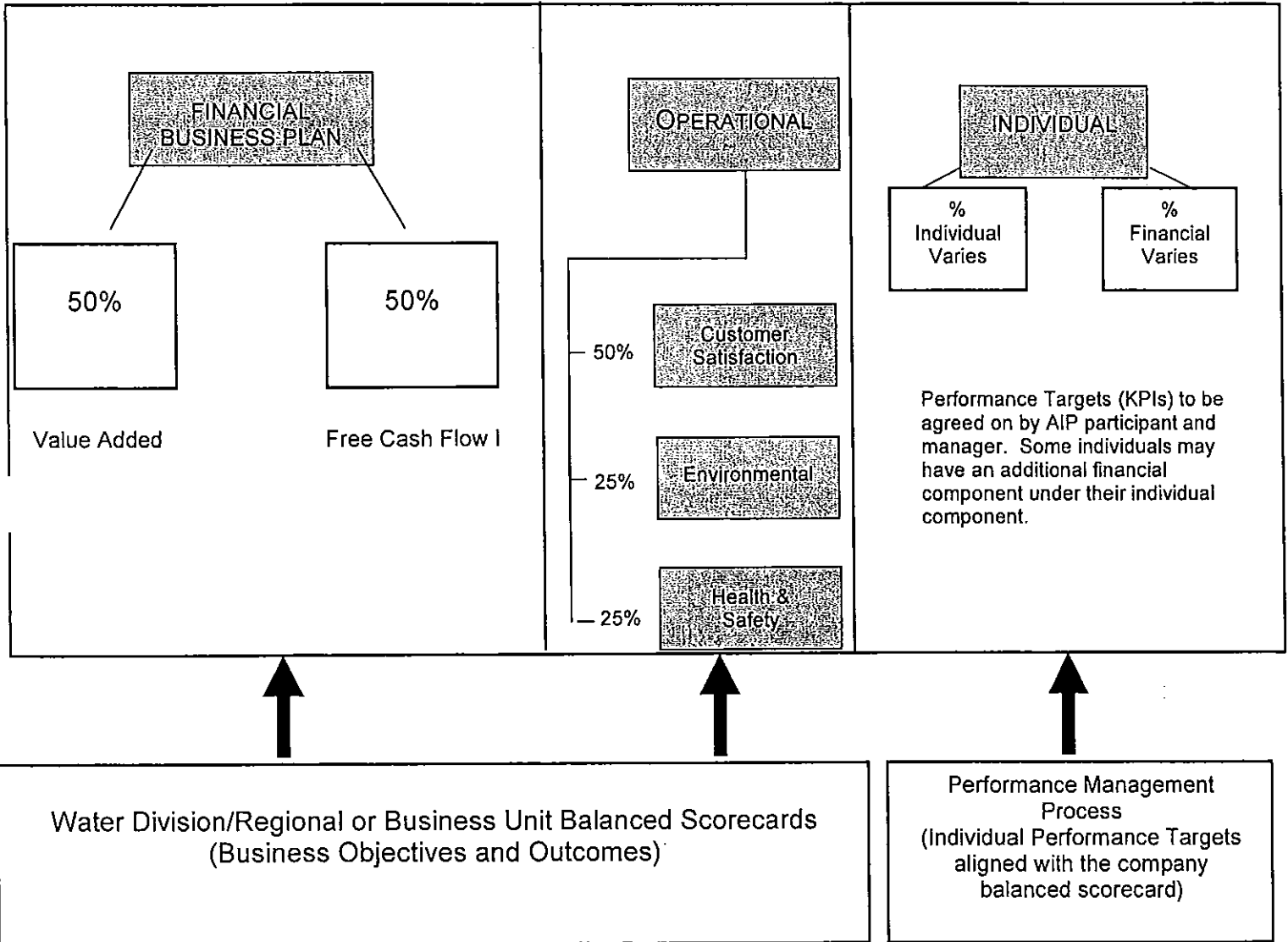
Note that award opportunities for all Business Center (Voorhees) roles will have a mix of Financial and Individual measures, but no Operational component.

Your manager will discuss these with you and confirm in writing the performance measures, weightings and target maximums that apply to you.

## How the Weightings Come Together

Here is an example of how the three performance components and their weightings come together. As you can see, the measures within each component are also weighted.

### EXAMPLE



## ***Operational***

Operational components are performance measures tied to the American Water scorecard. Customer Service makes up 50% of this component and is measured on a state by state basis. All other operational components are measured on a regional basis.

Operational components are evaluated on a range from 0 to 120%.

## ***Performance You Can Impact***

We believe it's essential that you are accountable for, measured on and rewarded for performance that you can directly impact or influence. For 2005, this means that a much larger part of your AIP is dependent on individual performance measures.

You and your manager need to work together to agree on your individual performance targets. These targets can be based on financial, customer related or operationally based and should relate back to the balanced scorecard for your business unit or region and should directly reflect your role.

## ***Individual Performance***

Individual performance will be assessed using American Water's Performance Management and Development Review (PDR) process. This process has been revised to align with the Balanced Scorecard. The first section of the PDR form contains a scorecard in which your individual Performance Targets will be documented. You will jointly identify and agree to your individual Performance Targets and relative weightings to be achieved during the year with your direct supervisor. You should have already agreed these as part of the annual performance management review so attaching the AIP component to them should be straight forward.

In overview, the PDR requires each individual to have 5 Performance Targets. The Performance Targets should be specific and measurable and aligned with the Balanced Scorecard. Each target needs to be evaluated on a range of 0 to 120% according to its importance relative to other targets. In this way excelling at your highest priority target, which has the heaviest weighting, will drive a bigger award. At least one of the targets should be linked to a personal development objective. At the beginning of 2006, a structured performance review will be conducted to determine how well you performed against your targets in 2005. **It will be the Performance Scorecard Summary Rating for these 5 Performance Targets and NOT the "overall" performance rating that will be used for AIP award purposes (see below).**

American Water  
Annual Performance and Development Review

Name: \_\_\_\_\_ Local: \_\_\_\_\_  
 Position Title: \_\_\_\_\_ Approval Period: \_\_\_\_\_  
 Performance Rating: E-Exceeds Expectation, M-Meets Expectation, P-Progressing, D-Does Not Meet Expectation, T-Too Soon To Rate

**Double click here to make selections.**

BSC Quadrant	Performance Target	Target Measure	Weight %	Results/Comments	Emp. Rating	Sup. Rating
Finance						
Customer						
Process						
Employee						

Scorecard Summary Rating (click one box)  Exceeds  Meets  Progressing  Does Not Meet  Too Soon

## Performance Category

Each participant in the AIP plan should have 5 performance targets. An assessment should be made of performance against each target. Once evaluated, each individual performance target rating will be added and averaged to determine an overall rating.

### Example #1

Performance Target Rating (PT)	AIP Performance Rating	Percentage Amount	Weighting	Subtotal
PT#1 (Meets Expectation)	Target fully achieved	100	x 20% =	20
PT#2 (Progressing) *	Target largely achieved	75	x 20% =	15
PT#3 (Does Not Meet Expectation)	Target not achieved	0	x 20% =	0
PT #4 (Progressing) *	Target partially achieved	25	x 20% =	5
PT #5 (Exceeds Expectation)	Target exceeds	120	x 20% =	24

Take each performance target percentage amount and multiply it by its assigned weight. Add the subtotal numbers = 64 (Individual Weighting Factor) 64% would be used as the INDIVIDUAL weighting factor in the AIP plan.

### Example #2

Performance Target Rating (PT)	AIP Performance Rating	Percentage Amount	Weighting	Subtotal
PT#1 (Exceeds Expectation)	Target exceeds fully achieved	110	x 10% =	11
PT#2 (Progressing) *	Target largely achieved	85	x 20% =	17
PT#3 (Does Not Meet Expectation)	Target not achieved	0	x 10% =	0
PT #4 (Progressing) *	Target partially achieved	85	x 20% =	17
PT #5 (Meets Expectation)	Target fully achieved	100	x 40% =	40

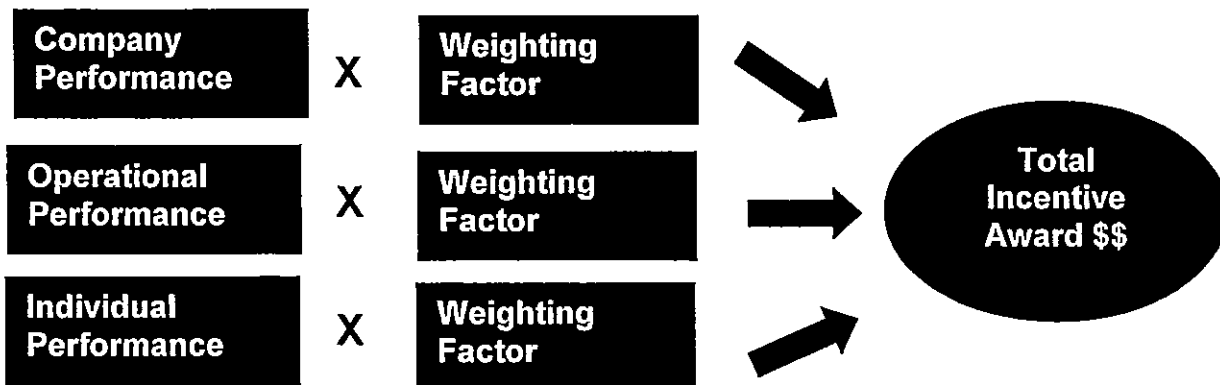
85 would be the subtotal and 85 would be used as the INDIVIDUAL weighting factor in the AIP plan.

\* The system allows a % amount of 5% to 95% to be assigned to Progressing.

Percentages other than these are possible. Performance ratings can range from 0% - 120%. The degree of percentage given will be based on the supervisor's assessment of performance on the performance target. The maximum payment you can receive under the Individual component is 120%. This would only be awarded if an individual exceeded all 5 performance targets. This should be used only in cases of exceptional and outstanding performance against a target. If an individual received a "too soon to rate" on their performance review they would not be eligible for an AIP award.

### ***How Your Payout Is Determined***

At the end of the year, the amount for each component is based on performance against each goal within the component and its relative weighting. However, the maximum of the three components is capped at the maximum opportunity of each component.



***(See example on page 10)***

## Company Performance

Value Added = 98.2% of Business Plan Target

Free Cash Flow 1 = 112.8% of Business Plan Target

Company Performance =  $(112.8\% + 98.2\%) \div 2 = 105.5\% \times 5.75\%$  (Target) = 6.066%

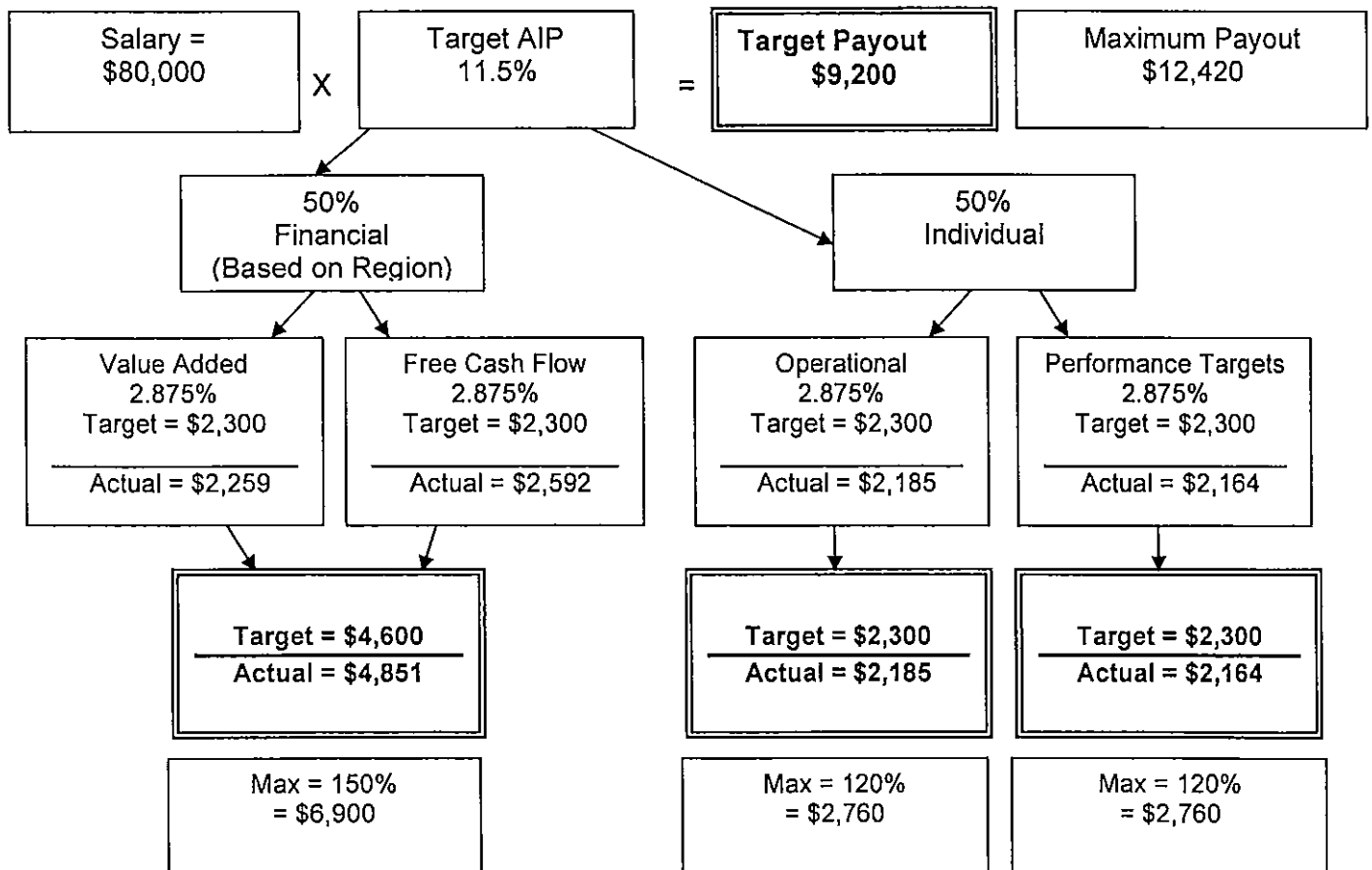
## Operational Performance

Achievement against operational targets =  $95\% \times 2.875\%$  (Target) = 2.731%

## Individual Performance

Achievement against 5 Performance targets =  $94.1\% \times 2.875\%$  (Target) = 2.705%

**Total AIP Payable** = 6.066% (Company) + 2.731% (Operational) + 2.705% (Individual) = 11.50% of base salary of \$80,000 = **\$9,200**



Note: Actual results may vary due to rounding.

## ***Target Bonuses***

You will have received a letter which states your target bonus opportunity. Target bonus is defined as the bonus paid at 100% for both company and individual awards. This means business plan is achieved for the company and operational element, and the employee has met his/her objectives for the individual element.

The maximum bonus you can receive is 150% of your Company (financial) element, 120% of operational and 120% of your Individual element.

## ***Adjustments for Uncontrollable Events***

The financial data included in the appendices has been prepared on the basis of the business plans agreed in 2005, using the assumptions set at that time. As in previous years, the actual results used for assessment will be amended to reflect the impact of events that are not considered to be within the control of local management. Any such amendments will require the explicit approval of the Water Division Finance Director, and where material the Board of RWE Thames Water plc, whose decision will be final. The following items are those most likely to be considered for amendment:

- The impact of movements in foreign exchange rates
- The impact of changes in intra-group recharges
- Disposal/acquisition of businesses not anticipated in the business plan, but subsequently mandated by the Board of Directors

## ***Award Payments***

To be eligible to receive an AIP award, you must be actively employed at the end of the plan year for which the award is earned. However, in case of disability, retirement or death during the plan year, a prorated award based on full months' participation in the plan may be payable. Employees who resign, are terminated or laid off at any time during the plan year are not eligible.

Awards are usually determined and paid through payroll as soon as possible after RWE's release of financial results. Awards are normally paid by April of the following year. Awards are subject to all federal, state and local income tax withholdings.

If you become eligible to join the AIP during a plan year, any payout for that year will be prorated to reflect the number of full months you participated in the plan.

The American Water Board reserves the right to determine whether incentives are payable to any individual or group of individuals. The Board may withhold all incentive payments in exceptional circumstances, such as failing to reach minimum financial goals. Individuals with poor performance will not be eligible to receive an incentive award.

## ***Rewarding Achievement***

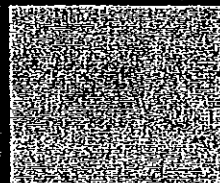
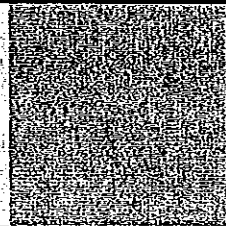
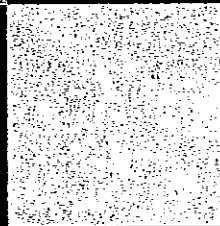
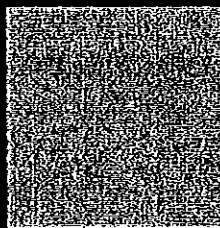
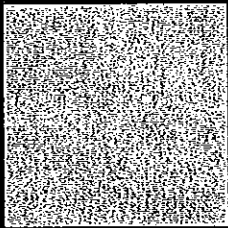
Our AIP goals are challenging, but with your focus and contribution and effective teamwork, they can be achieved. Remember, your individual results do matter; our overall performance is the collective results of all AIP participants.

It's important that you clearly understand your goals, how we're performing against the goals, and how the AIP works so you know how you personally affect our performance. Be sure to talk to your manager or your local HR representative if you have questions.

This brochure describes the 2005 American Water Annual Incentive Plan. The Plan Administrator, whose decisions will be final and binding, will determine interpretations of the Plan. The Company reserves the right to amend, modify, or discontinue the Plan during the plan year or at any time in the future. Participation in the Plan does not convey any commitment to ongoing employment. If there are any differences between the information contained here and the Plan Document, the Plan Documents will govern.



The 2006 Annual Incentive Plan  
**REWARDING ACHIEVEMENT**



## **The 2006 American Water Annual Incentive Plan**

The 2006 American Water Annual Incentive Plan (AIP) recognizes the opportunity and the accountability we share for achieving our goals. Your accomplishments have helped to build American Water's success to this point, and the AIP will reward you for the contribution you make to the achievement of our goals.

### **Who Is Eligible for the 2006 AIP**

As in our previous plan, all full-time management, professional and technical employees (exempt from overtime) in American Water are eligible to participate in the 2006 AIP.

Eligible employees who join American Water before September 30 of a plan year (January 1 – December 31) are also eligible to participate in the plan on a prorated basis.

Eligible employees seconded from RWE/Thames Water will participate in the plan for the duration of their secondment. Target levels for assignees seconded from the UK/Germany are aligned with incentive opportunities for UK or German based employees to maintain the "home country terms and conditions" approach adopted for assignees.

### **Your Award Opportunity**

Your award opportunity is based on your role. Your manager will confirm your award opportunity to you in writing. Any award you earn is based on your salary as of December 31, 2006.

If you are promoted during the plan year to a position with a higher target level, your bonus plan will be prorated to reflect the full months at each award level. Similarly, if you are reclassified to a position with a lower AIP award level, your bonus plan will be prorated to reflect the full months at each award level.

## **What the Plan Measures**

The AIP is designed to reward participants for the performance results they and the Company attain during the plan year. There are three performance components: 'Company' (financial), 'Operational' and 'Individual'.

- The **Company** (financial) component is based on Operating Result (OR). Operating Result is American Water's primary measure of trading profitability. Essentially, this is calculated as revenues, less operating expenses (such as operation and maintenance expense, depreciation, and marketing and administrative expenses). It also incorporates a share of the earnings of affiliates in which the company has an ownership stake, but excludes certain one-time items (e.g. restructuring costs), interest and taxation. See Attachment A for the 2006 financial component.

You will have performance targets set at American Water level and possibly in your individual performance targets at the Business Unit/Region level. Your AIP letter will provide you with your Company component targets.

- The **Operational** component includes performance measures tied to the American Water balanced scorecard through which customer satisfaction, environmental and health & safety measures and goals, as appropriate to your role, are the key performance indicators. If you were in an American Water Business Center role in Voorhees, you will have a mix of financial and individual measures, but no Operational component. See Attachment B for the 2006 operational components.
- The **Individual** component includes Performance Targets (KPIs) as agreed by you and your manager within the companywide standard performance management process.

<b>Financial Measures</b>	<b>Operational Measures</b>	<b>Individual Measures</b>
<ul style="list-style-type: none"> <li>▪ Operating Result</li> </ul>	<p>Examples include:</p> <ul style="list-style-type: none"> <li>▪ Customer Satisfaction – [This will make up 50% of the total operational component. This measure deals with services we provide that directly benefit the customer. *Detailed measures to follow].</li> <li>▪ Environmental</li> <li>▪ Health &amp; Safety</li> </ul> <p>...as applicable to your business unit and role</p>	<ul style="list-style-type: none"> <li>▪ 5 Performance Targets (KPIs) agreed by AIP participant and their manager.</li> </ul>

## How Your Award Is Weighted

Your award opportunity is based on two or three performance components (see page 3), depending on your role. You can earn part of your award for each component independent of the others. That means you can receive an award based on all, some or none of the applicable components, depending on actual performance results.

Note that the American Water Board reserves the right to determine whether incentives are payable to any individual or group of individuals. The Board may withhold all incentive payments in exceptional circumstances, such as failing to meet minimum financial goals. In any case, individuals who do not meet their performance expectations will not be eligible to receive an incentive award.

The portion of your award opportunity you can earn for each component is reflected in weightings assigned to each, based on your role in the organization, as the following chart shows. The award has a target and a maximum opportunity.

BUSINESS CENTER 2006			
Level	Company Operating Results	Individual	Target Opportunity
L5 – L6	6.0%	14.0%	20%
L7	4.5%	10.5%	15%
L8 – L9	3.0%	7.0%	10%
*L10 – L14	1.5%	3.5%	5%

\* Exempt only

REGION 2006				
Level	Company Operating Results	Individual	Operational	Target Opportunity
L5 – L6	6.0%	7.0%	7.0%	20%
L7	4.5%	5.25%	5.25%	15%
L8 – L9	3.0%	3.5%	3.5%	10%
*L10 – L14	1.5%	1.75%	1.75%	5%

\* Exempt only

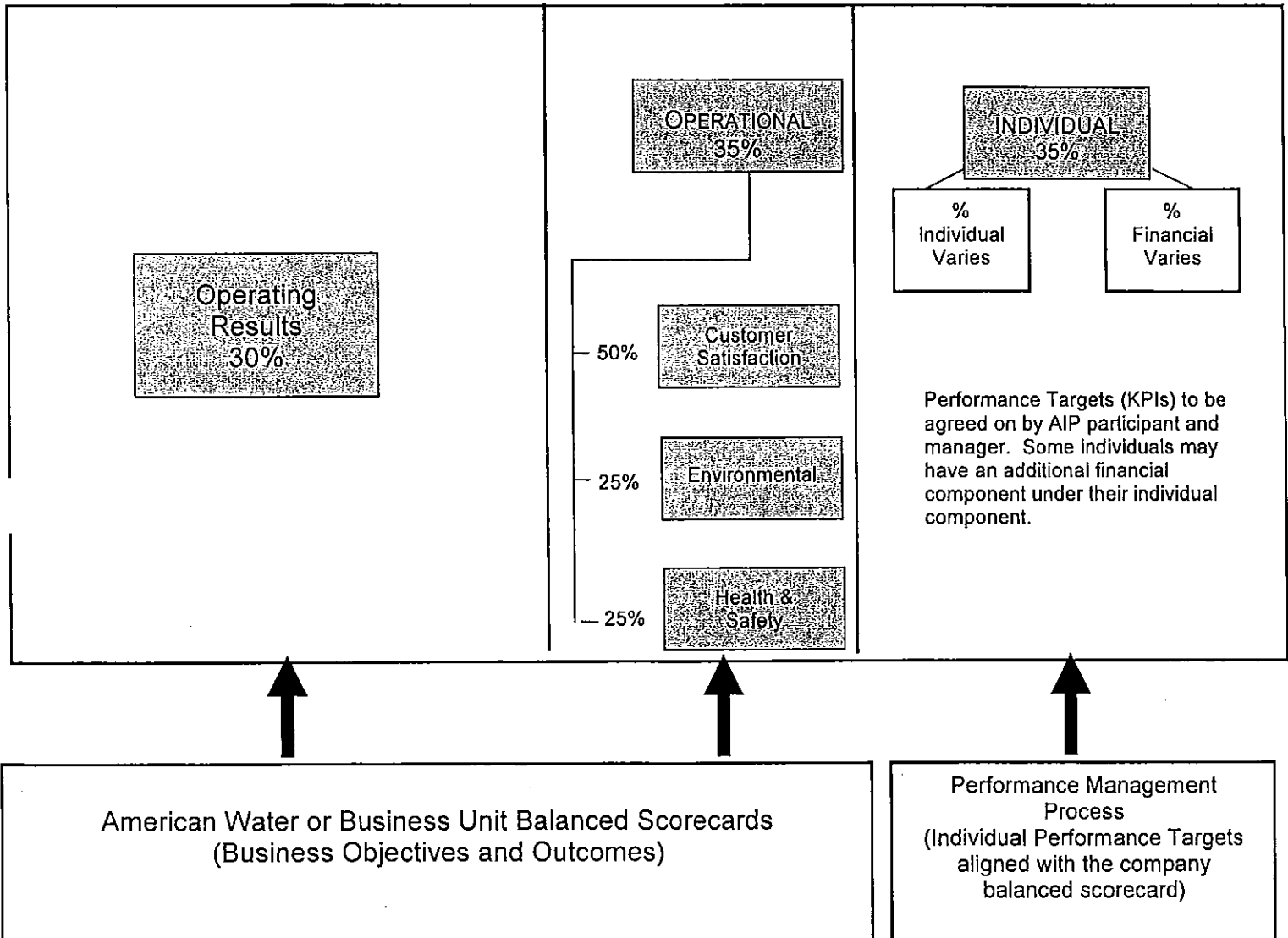
Note that award opportunities for all Business Center (Voorhees) roles will have a mix of Financial and Individual measures, but no Operational component.

Your manager will discuss these with you and confirm in writing the performance measures, weightings and target maximums that apply to you.

## How the Weightings Come Together

Here is an example of how the three performance components and their weightings come together. As you can see, the measures within each component are also weighted.

### EXAMPLE



## ***Operational***

Operational components are performance measures tied to the American Water scorecard. Customer Satisfaction makes up 50% of this component and is measured on a state-by-state basis. All other operational components are measured on a regional basis.

Operational components are evaluated on a range from 0 to 120%.

## ***Performance You Can Impact***

We believe it's essential that you are accountable for, measured on and rewarded for performance that you can directly impact or influence. For 2006, this means that a much larger part of your AIP is dependent on individual performance measures.

You and your manager need to work together to agree on your individual performance targets. These targets can be based on financial, customer related or operationally based and should relate back to the balanced scorecard for your business unit or region and should directly reflect your role.

## **Individual Performance**

Individual performance will be assessed using American Water's Performance Management and Development Review (PDR) process. This process has been revised to align with the Balanced Scorecard. The first section of the PDR form contains a scorecard in which your individual Performance Targets will be documented. You will jointly identify and agree to your individual Performance Targets and relative weightings to be achieved during the year with your direct supervisor.

In overview, the PDR requires each individual to have 5 Performance Targets. The Performance Targets should be specific and measurable and aligned with the Balanced Scorecard. Each target needs to be evaluated on a range of 0 to 120% according to its importance relative to other targets. In this way excelling at your highest priority target, which has the heaviest weighting, will drive a bigger award. At least one of the targets should be linked to a personal development objective. At the beginning of 2007, a structured performance review will be conducted to determine how well you performed against your targets in 2006. **It will be the Performance Scorecard Summary Rating for these 5 Performance Targets and NOT the "overall" performance rating that will be used for AIP award purposes (see below).**

American Water  
Annual Performance and Development Review

Name: \_\_\_\_\_ Local: \_\_\_\_\_  
 Position Title: \_\_\_\_\_ Appraisal Period: \_\_\_\_\_

Performance Rating:  Exceeds Expectation,  Meets Expectation,  Progressing,  Does Not Meet Expectation,  Too Soon To Rate

Double-click here to make selections.

BSC Quadrant	Performance Target	Target Measure	Weight %	Results/Comments	Emp. Rating	Sup. Rating
Finance						
Customer						
Process						
Employee						

Scorecard Summary Rating (click one box)  Exceeds  Meets  Progressing  Does Not Meet  Too Soon

## Performance Category

Each participant in the AIP plan should have 5 performance targets. An assessment should be made of performance against each target. Once evaluated, each individual performance target rating will be added and averaged to determine an overall rating.

### Example #1

Performance Target Rating (PT)	AIP Performance Rating	Percentage Amount	Weighting	Subtotal
PT#1 (Meets Expectation)	Target fully achieved	100	x 20%	= 20
PT#2 (Progressing)*	Target largely achieved	75	x 20%	= 15
PT#3 (Does Not Meet Expectation)	Target not achieved	0	x 20%	= 0
PT #4 (Progressing) *	Target partially achieved	25	x 20%	= 5
PT #5 (Exceeds Expectation)	Target exceeds	120	x 20%	= 24

Take each performance target percentage amount and multiply it by its assigned weight. Add the subtotal numbers = 64 (Individual Weighting Factor) 64% would be used as the INDIVIDUAL weighting factor in the AIP plan.

### Example #2

Performance Target Rating (PT)	AIP Performance Rating	Percentage Amount	Weighting	Subtotal
PT#1 (Exceeds Expectation)	Target exceeds fully achieved	110	x 10%	= 11
PT#2 (Progressing)*	Target largely achieved	85	x 20%	= 17
PT#3 (Does Not Meet Expectation)	Target not achieved	0	x 10%	= 0
PT #4 (Progressing) *	Target partially achieved	85	x 20%	= 17
PT #5 (Meets Expectation)	Target fully achieved	100	x 40%	= 40

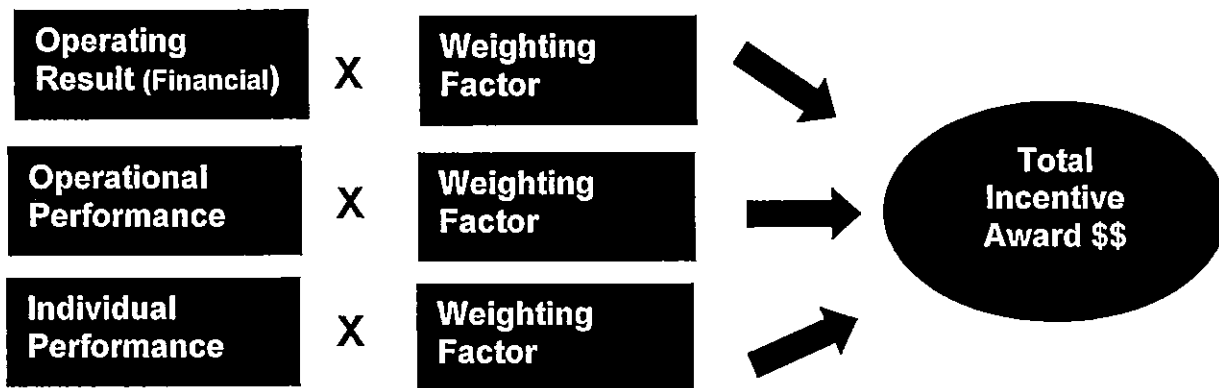
85 would be the subtotal and 85 would be used as the INDIVIDUAL weighting factor in the AIP plan.

\* The system allows a % amount of 5% to 95% to be assigned to Progressing.

Percentages other than these are possible. Performance ratings can range from 0% - 120%. The degree of percentage given will be based on the supervisor's assessment of performance on the performance target. The maximum payment you can receive under the Individual component is 120%. This would only be awarded if an individual exceeded all 5 performance targets. This should be used only in cases of exceptional and outstanding performance against a target. If an individual received a "too soon to rate" on their performance review they would not be eligible for an AIP award.

## How Your Payout Is Determined

At the end of the year, the amount for each component is based on performance against each goal within the component and its relative weighting. However, the maximum of the three components is capped at the maximum opportunity of each component.



*(See example on page 10)*

**Example**

Target Bonus of 15% with 30% Operating Results, 70% Individual Component.

**Company Performance**

Operating Result = 108.50% x 4.50% (Target) = 4.89%

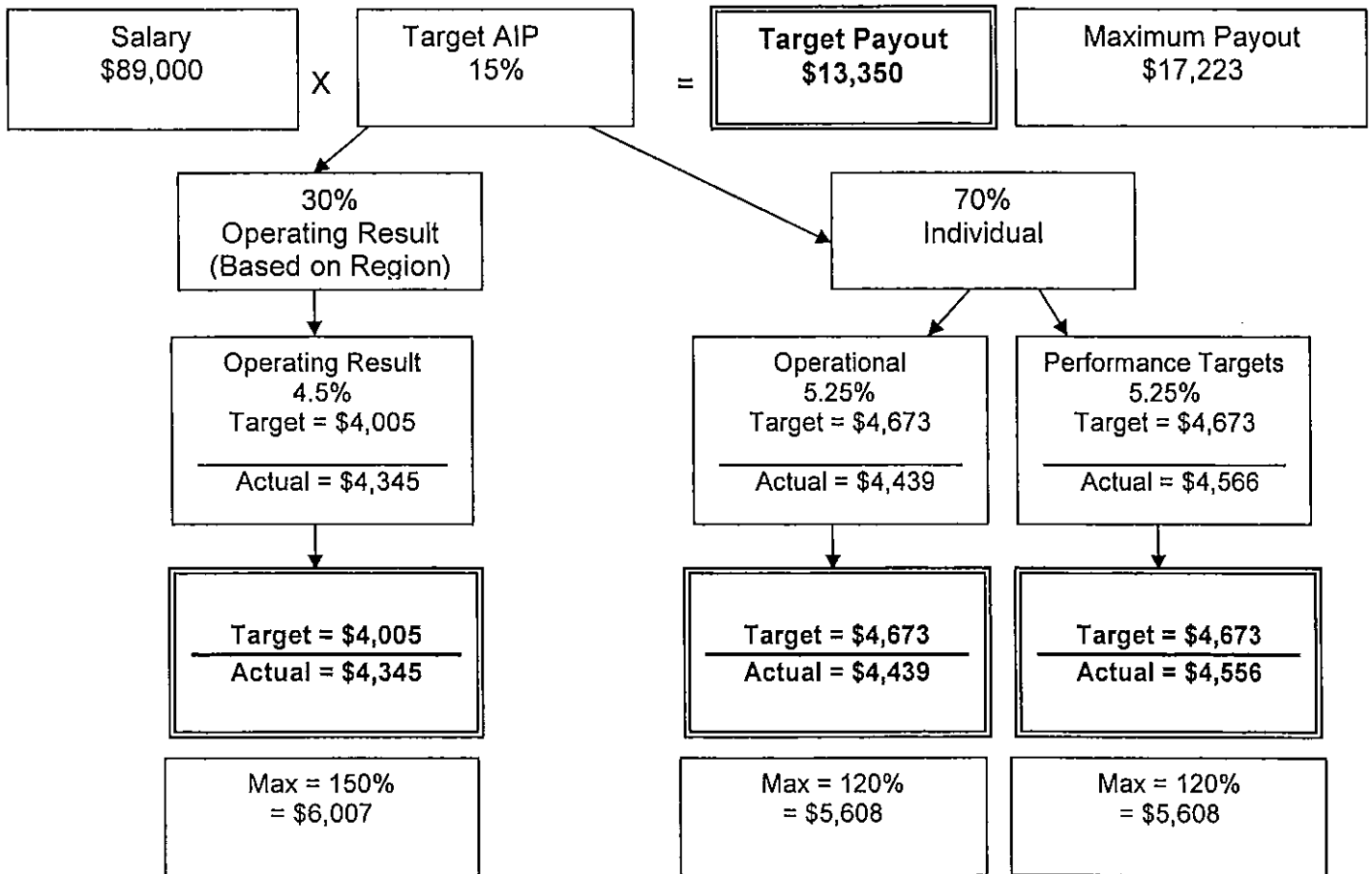
**Operational Performance**

Achievement against operational targets = 95% x 5.25% (Target) = 5.01%

**Individual Performance**

Achievement against 5 Performance targets = 97.5% x 5.25% (Target) = 5.12%

**Total AIP Payable** = 4.89% (Company) + 5.01% (Operational) + 5.12% (Individual) = 15.02% of base salary of \$89,000 = **\$13,350**



Note: Actual results may vary due to rounding.

## **Target Bonuses**

You will have received a letter which states your target bonus opportunity. Target bonus is defined as the bonus paid at 100% for both company and individual awards. This means business plan is achieved for the company and operational element, and the employee has met his/her objectives for the individual element.

The maximum bonus you can receive is 150% of your Company (financial) element, 120% of operational and 120% of your Individual element.

## **Adjustments for Uncontrollable Events**

The financial data included in the appendices has been prepared on the basis of the business plans agreed in 2006, using the assumptions set at that time. As in previous years, the actual results used for assessment will be amended to reflect the impact of events that are not considered to be within the control of local management. Any such amendments will require the explicit approval of the Chief Financial Officer, and if material, the Board, whose decision will be final. The following items are those most likely to be considered for amendment:

- Weather conditions having a material adverse impact on the financial results
- The impact of movements in foreign exchange rates
- The impact of changes in intra-group recharges
- Disposal/acquisition of businesses not anticipated in the business plan, but subsequently mandated by the Board of Directors

## **Award Payments**

To be eligible to receive an AIP award, you must be actively employed at the end of the plan year for which the award is earned. However, in case of disability, retirement, layoff, or death during the plan year, a prorated award based on full months' participation in the plan may be payable. Employees who resign or are terminated at any time during the plan year are not eligible.

Awards are usually determined and paid through payroll as soon as possible after the release of financial results. Awards are normally paid by April of the following year. Awards are subject to all federal, state and local income tax withholdings.

If you become eligible to join the AIP during a plan year, any payout for that year will be prorated to reflect the number of full months you participated in the plan.

The American Water Board reserves the right to determine whether incentives are payable to any individual or group of individuals. The Board may withhold all incentive payments in

exceptional circumstances, such as failing to reach minimum financial goals. Individuals with poor performance will not be eligible to receive an incentive award.

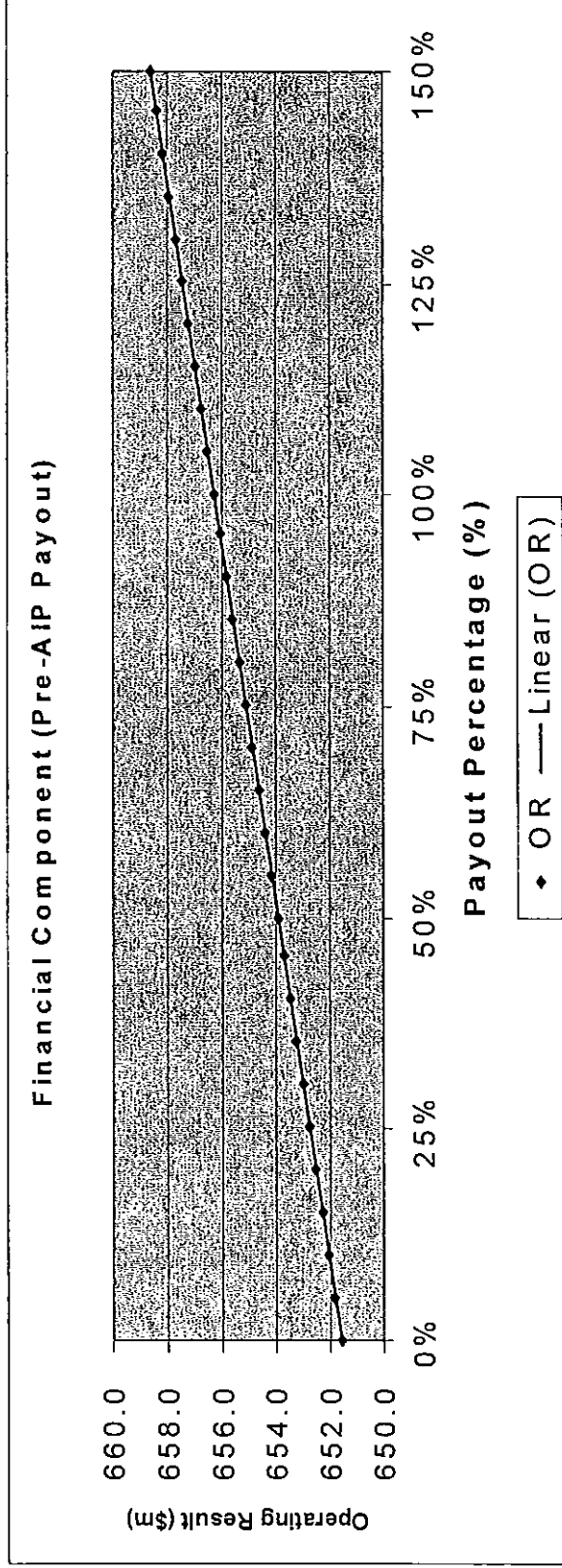
## **Rewarding Achievement**

Our AIP goals are challenging, but with your focus and contribution and effective teamwork, they can be achieved. Remember, your individual results do matter; our overall performance is the collective results of all AIP participants.

It's important that you clearly understand your goals, how we're performing against the goals, and how the AIP works so you know how you personally affect our performance. Be sure to talk to your manager or your local HR representative if you have questions.

This brochure describes the 2006 American Water Annual Incentive Plan. The Plan Administrator, whose decisions will be final and binding, will determine interpretations of the Plan. The Company reserves the right to amend, modify, or discontinue the Plan during the plan year or at any time in the future. Participation in the Plan does not convey any commitment to ongoing employment. If there are any differences between the information contained here and the Plan Document, the Plan Documents will govern.

## Attachment A Financial Component



### Financial Payout (%) = [ Operating Result (Pre-AIP) - \$651.6m ] / \$4.7m

- In order to allow for the movement on the AIP accrual in achieving the budgeted Operating Result of \$640.0m, the actual result needs to be considered before the AIP payment is made, but after the AIP accrual has been released
- The financial component is triggered at a pre-AIP result of \$651.6m – this allows for 120% individual / operational payout
- Financial component is 33% of the AIP budget (i.e. \$4.7m) – out performance of the 2006 Business Plan can lead to a maximum 150% payout of this component

## Attachment B Operational Component

### 2006 AIP OPERATIONAL MEASURES & TARGETS

	Weighting	NE	SE	Central	West	AWE
Notices of Violation (NOVs)	25%	4*	4*	4*	4*	4*
Injury Frequency Rate (IFR)	25%	10.1	8.0	8.0	6.5	15.0
Customer Satisfaction Rating	37.5%	95%	95%	95%	95%	N/A
Customer Service Quality Rating	12.5%	75%	75%	75%	75%	N/A

\* if total AW NOVs are less than or equal to the target of 21, everyone gets rewarded for the NOV component, regardless of their individual region result vs. target. If total AW NOVs are more than 21, then only those regions with a result that meets or is less than their target get rewarded. The AW target for NOVs will be adjusted upward for any significant growth (add 1 NOV per 5% growth in customers served, rounded down).

#### Description of Measures:

**Notices of Violation (NOVs):** Number of times that an official notice is issued by a primacy agency for failure to comply with a federal, state, or local environmental statute or regulation that are covered by the Environmental Management Plan (EMP)

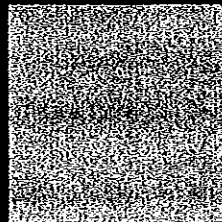
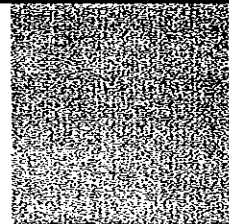
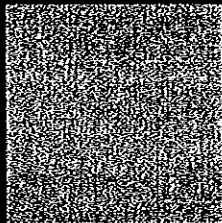
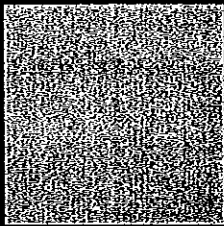
**Injury Frequency Rate (IFR):** Number of lost time injuries per million hours worked

**Customer Satisfaction Rating:** Percentage of responses to Question #23 in the annual customer satisfaction survey for which a rating of "Satisfied" or "Very Satisfied" is received.

**Customer Service Quality Rating:** Percentage of all customer service quality survey responses to Question #29 throughout 2006 for which a rating of "Very Good" or "Excellent" is received.



The 2007 Annual Incentive Plan  
**REWARDING ACHIEVEMENT**



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## ***The 2007 American Water Annual Incentive Plan***

The 2007 American Water Annual Incentive Plan (AIP) recognizes the opportunity and the accountability we share for achieving our goals. Your accomplishments have helped to build American Water's success to this point, and the AIP will reward you for the contribution you make to the achievement of our 2007 goals.

### ***Who Is Eligible for the 2007 AIP***

All full-time management, professional and technical employees (exempt from overtime) in American Water are eligible to participate in the 2007 AIP.

Eligible employees who join American Water on or before September 30 of a plan year (January 1 – December 31) are also eligible to participate in the plan on a prorated basis. Employees transferred from non-exempt to exempt status on or after September 30 are not eligible in the transfer year.

Individuals who do not meet their individual performance expectations will not be eligible to receive an incentive award. The American Water Board, or its designee for these purposes, reserves the right to determine whether incentives are payable to any individual or group of individuals. The Board may withhold all incentive payments in certain circumstances.

### ***Your Award Opportunity***

Your award opportunity is based on your role. Your manager will confirm your award opportunity to you in writing. Any award you earn is based on your salary as of December 31, 2007.

If you are promoted during the plan year to a position with a higher target level, your bonus plan will be prorated to reflect participation at each award level. Similarly, if you are reclassified to a position with a lower AIP award level, your bonus plan will be prorated to reflect your participation at each award level.

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## ***What the Plan Measures***

The AIP is designed to reward participants for the performance results they and the Company attain during the plan year. There are three performance components: 'Financial' (Corporate, Regional), 'Operational' and 'Individual'.

- The **Financial** component is based on Operating Income. The performance level will be determined at the Corporate and Regional levels. For 2007, more than 80% of the Operating Income target for the entire Company must be achieved before any payment will be made on the corporate financial component of the Plan (although a payment could be made on the regional financial component if the regional operating income exceeds 80% of target). In addition, more than 70% of the Operating Income target must be achieved before any payment will be made on any component of the Plan for the entire Company (including regional financial, operational and individual components).

Operating Income – is defined as earnings before interest, taxes and other non-operating expenses.

See Attachment A for the 2007 Target Level Achievement Schedule.

Your AIP letter will provide you with your Company component targets.

- The **Operational** component includes performance measures tied to the American Water business objectives through which customer satisfaction, customer service quality, service level, environmental, health & safety, and quality measures and compliance goals are the key performance indicators. If you are an employee of the Business Center or the Belleville Lab, you will not have an operational component. See Attachments B and C for the 2007 operational components.

The Customer Satisfaction Study measures overall satisfaction with the services offered by American Water that directly benefits the customer. This study is conducted annually in the fourth calendar quarter and surveys approximately 1,100 American Water regulated water or sewer customers.

The Customer Service Quality Study measures customer satisfaction levels as a result of field and Customer Service contacts. This study is conducted throughout the year and surveys approximately 900 American Water regulated water or sewer customers each quarter.

Service Level (Customer Service Centers): Measures the percentage of customer calls answered within a specified period of time.

Notices of Violation (NOV): The number of times that an official notice is issued by a primacy agency for failure to comply with a federal, state, or local environmental statute or regulation that is covered by the Environmental Management Plan (EMP).

Lost Work Day Case Rate (LWCR): The number of total OSHA recordable injuries and/or illness cases with lost workday(s) per 200,000 hours worked.

Service Level measures the percentage of customer calls (Customer Service Centers) answered within a specified period of time.

Quality Measures (Shared Services Center - SSC):

- SSC Error Rate - Number of Financial Statements errors (Annual).
- Reconciliations - Calendar Year Average of accounts beyond policy.
- Timeliness of Processes - Annual percentage of process conducted according to schedule -Tax filings, Financial Statements available for consolidation, External Audit information submissions, days to image and process invoices, and Orcom rate changes.

Compliance (Shared Services Center - SSC):

- External Audit Findings - Number of unrecorded differences and topside entries.
- Internal Audit Findings - Number of instances of deviations from policy/procedures during SOX testing.
- External Filing Requirements - Annual Reports and Commission Reports completed by established deadlines for SSC.

- The **Individual** component includes Performance Targets as agreed by you and your manager within the companywide standard performance management process.

***How Your Award Is Weighted***

Your award opportunity is based on two or four performance components (see pages 3 and 4), depending on your role. However, you could earn part of your award based on individual, operational and regional financial components if Company Operating Income is more than 70%. If Company Operating Income is 70% or less, no award will be paid on any component.

The portion of your award opportunity you can earn for each component is reflected in weightings assigned to each, based on your role in the organization, as the following charts show. The award has a target and a maximum opportunity.

BUSINESS CENTER 2007			
Level	Company Financial (30%)	Individual <sup>(1)</sup> (70%)	Target Opportunity
L5 – L6	6.00%	14.00%	20%
L7	4.50%	10.50%	15%
L8 – L9	3.00%	7.00%	10%
*L10 – L14	1.50%	3.50%	5%

\* Exempt only

REGION 2007					
Level	Company Financial (30%)	Regional Financial (10%)	Individual <sup>(1)</sup> (30%)	Operational <sup>(2)</sup> (30%)	Target Opportunity
Financial 30%	Individual/ Operational/ Regional Financial 70%				
L5 – L6	6.00%	2.00%	6.00%	6.00%	20%
L7	4.50%	1.50%	4.50%	4.50%	15%
L8 – L9	3.00%	1.00%	3.00%	3.00%	10%
*L10 – L14	1.50%	0.50%	1.50%	1.50%	5%

\* Exempt only

Note that award opportunities for all Business Center (Voorhees) roles will have a mix of Financial and Individual measures, but no Operational component.

Your manager will discuss these with you and confirm in writing the performance measures, weightings and target maximums that apply to you.

SHARED SERVICES CENTER / CUSTOMER SERVICE CENTER 2007				
Level	Company Financial (30%)	Individual <sup>(1)</sup> (35%)	Operational <sup>(3)</sup> (35%)	Target Opportunity
Financial 30%	Individual/ Operational 70%			
L5 – L6	6.00%	7.00%	7.00%	20%
L7	4.50%	5.25%	5.25%	15%
L8 – L9	3.00%	3.50%	3.50%	10%
*L10 – L14	1.50%	1.75%	1.75%	5%

\* Exempt only

(1) This component is defined as Target Agreement or Performance Targets.

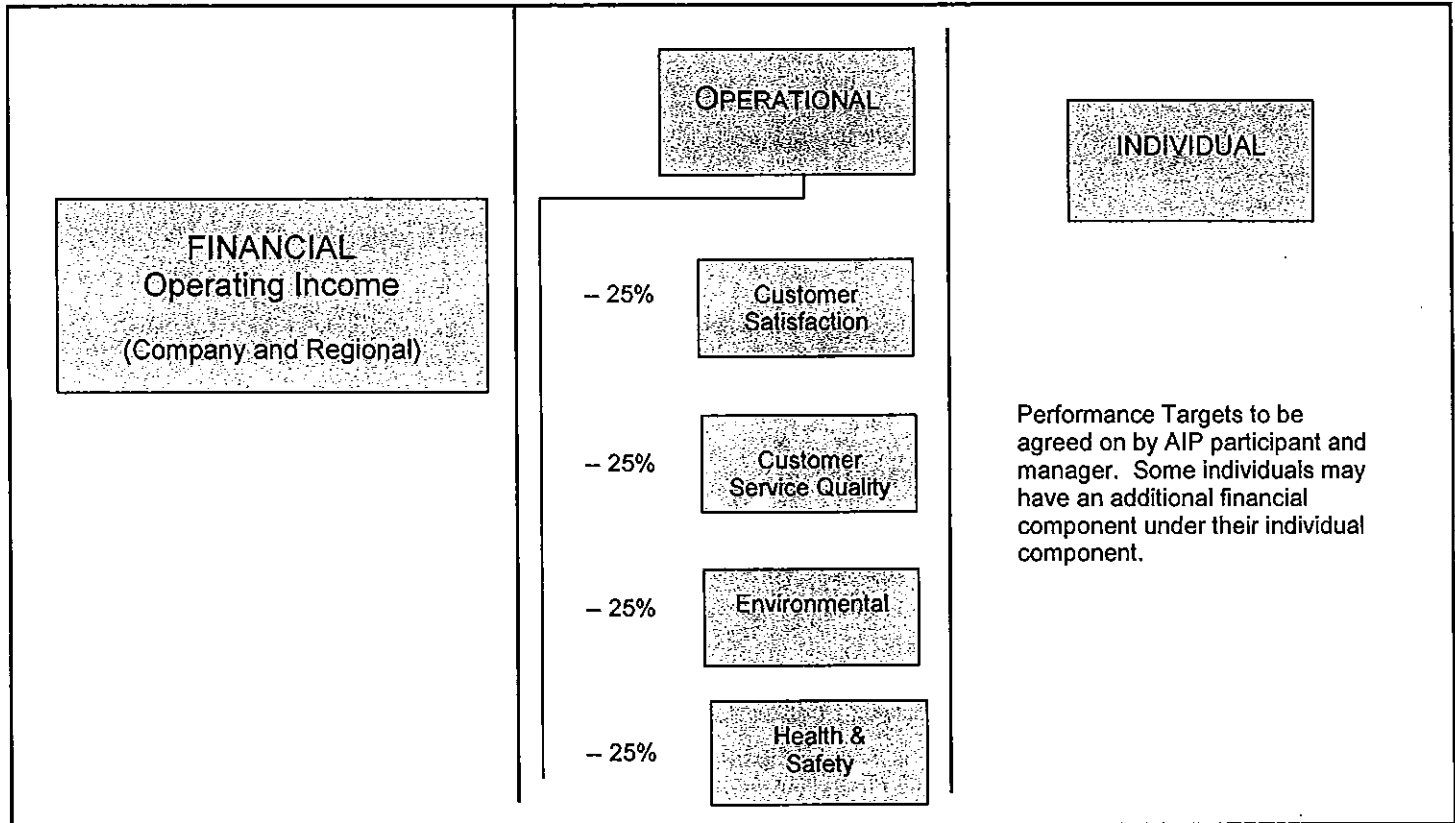
(2) 50% of the Operational component is allocated to Customer Satisfaction/Customer Service Quality.

(3) This component is defined by Customer Service Center as: 34% Customer Satisfaction; 33% Customer Service Quality, 33% Service Level

## How the Weightings Come Together

Here is an **example** of how the three/four performance components and their weightings come together. As you can see, the measures within each component are also weighted.

### EXAMPLE



American Water or Business Unit (e.g., Customer Service Center, Northeast Region, etc.) Objectives and Outcomes

Performance Management Process  
(Individual Performance Targets aligned with the company balanced scorecard)

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## ***Operational***

Regional Operational components are performance measures tied to the American Water objectives. Customer Service Quality is 25% of this component and is measured on a state-by-state basis. Customer Satisfaction (25%), Environmental Notice of Violations (NOVs) (25%) and Lost Workday Health and Safety Case Rate (LWCR) (25%) (Attachments B & C). Shared Services and Customer Service operational components are described in Attachments B & C.

Operational components are evaluated on a range from 0 to 120%.

## ***Performance You Can Impact***

We believe it is essential that you are accountable for, measured on and rewarded for performance that you can directly impact or influence.

You and your manager have agreed on your individual performance targets. These targets should relate back to the performance scorecard for your business unit or region and should directly reflect your role.

## ***Individual Performance***

Individual performance will be assessed using American Water's Performance Management and Development Review (PDR) process. The first section of the PDR form contains a scorecard in which your individual Performance Targets will be documented. You and your supervisor will jointly identify and agree to your individual Performance Targets and relative weightings to be achieved during the year.

In overview, the PDR requires each individual to have 5 Performance Targets. The Performance Targets should be specific and measurable and aligned with the Company performance targets. Each target needs to be evaluated on a range of 0 to 120% according to its importance relative to other targets. In this way excelling at your highest priority target, which has the heaviest weighting, will drive a bigger award. At least one of the targets should be linked to a personal development objective. At the beginning of 2008, a structured performance review will be conducted to determine how well you performed against your targets in 2007. **It will be the Performance Scorecard Summary Rating for these 5 Performance Targets and NOT the "overall" performance rating that will be used for AIP award purposes (see below).**

American Water

### Annual Performance and Development Review

Name:	Position Title:	Location:	Fiscal Period:
Performance Rating: Ex Exceeds Expectations, M Meets Expectations, P Progressing, D Does Not Meet Expectations, T Too Soon To Rate			

**Double-click here to make selections.**

Performance Scorecard						
BSC Quadrant	Performance Target	Target Measure	Weight %	Results/Comments	Emp. Rating	Sup. Rating
Finance						
Customer						
Process						
Employee						

Scorecard Summary Rating (click one box)  Exceeds  Meets  Progressing  Does Not Meet  Too Soon

## Performance Category

Each participant in the AIP plan should have 5 performance targets. An assessment should be made of performance against each target. Once evaluated, each individual performance target rating will be added and averaged to determine an overall rating.

### Example #1

Performance Target Rating (PT)	AIP Performance Rating	Percentage Amount	Weighting	Subtotal
PT#1 (Meets Expectation)	Target fully achieved	100 x	20% =	20
PT#2 (Meets Expectations)	Target largely achieved	85 x	20% =	17
PT#3 (Does Not Meet Expectation)	Target not achieved	0 x	20% =	0
PT #4 (Progressing)	Target partially achieved	60 x	20% =	12
PT #5 (Exceeds Expectation)	Target exceeds expectations	120 x	20% =	24

Take each performance target percentage amount and multiply it by its assigned weight. Add the subtotal numbers = 73 (Individual Weighting Factor) 73% would be used as the INDIVIDUAL weighting factor in the AIP plan.

### Example #2

Performance Target Rating (PT)	AIP Performance Rating	Percentage Amount	Weighting	Subtotal
PT#1 (Exceeds Expectation)	Target exceeds expectations	120 x	10% =	12
PT#2 (Meets Expectations)	Target largely achieved	90 x	20% =	18
PT#3 (Does Not Meet Expectation)	Target not achieved	0 x	10% =	0
PT #4 (Progressing)	Target partially achieved	55 x	20% =	11
PT #5 (Meets Expectation)	Target fully achieved	100 x	40% =	40

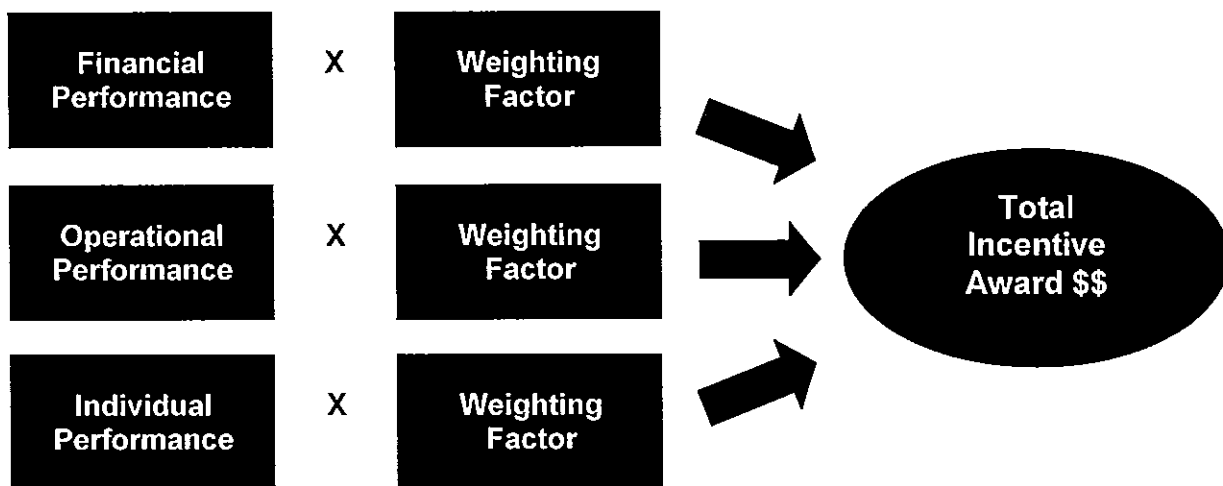
81 would be the subtotal and 81% would be used as the INDIVIDUAL weighting factor in the AIP plan.

<b>2007 Target Rating Scale</b>	
<b>Rating</b>	<b>Scale</b>
Exceeds Expectations	101 – 120%
Meets Expectations	
- Target Fully Achieved	100%
- Target Largely Achieved	75 – 99%
Progressing	
- Target Partially Achieved	25 – 74%
Does Not Meet Expectations	0%
- Not Achieved	
Too Soon to Rate	0%

Performance ratings can range from 0% - 120%. The degree of percentage given will be based on the supervisor's assessment of performance on the performance target. The maximum payment you can receive under the Individual component is 120%. This would only be awarded if an individual exceeded all 5 performance targets. This should be used only in cases of exceptional and outstanding performance against a target. If an individual received a "too soon to rate" or "does not meet expectations" on their performance scorecard they would not be eligible for an AIP award.

### ***How Your Payout Is Determined***

At the end of the year, the amount for each component is based on performance against each goal within the component and its relative weighting. Here is a simplified way to think of it.



(See example on page 10.)

**2007 AIP Payout Example**

**L9 REGION EXAMPLE:**

Target Opportunity is 10% with 30% Company Operating Income, 10% Regional Operating Income, 30% Operational and 30% Individual Components

**Financial Performance**

Company (Operating Income)

Achievement against financial target = 103.000% x 3.000% (Target) =3.090%

Regional (Operating Income)

Achievement against financial target = 101.000% x 1.000% (Target) =1.010%

Operational Performance

Achievement against operational targets = 97.95% x 3.000% (Target) =2.939%

Individual Performance

Achievement against 5 Performance targets = 98.70% x 3.000% (Target) = 2.961%

Total AIP payable is 3.090% (Company Operating Income) + 1.010% (Regional Operating Income) + 2.939% (Operational) + 2.961% (Individual) is 10.00% of annual base salary of \$65,000 or \$6,500

Salary	x	AIP Target	equals	Target Payout	Maximum Payout
\$65,000		10%		\$6,500	\$8,580
Company Operating Income (30%)				Financial/Operational/Individual (70%)	
Company Operating Income =3%		Regional Operating Income =1.00%		Operational Results =3.00%	Individual Performance Targets =3.00%
Target		Target		Target	Target
\$1,950		\$650		\$1,950	\$1,950
Actual		Actual		Actual	Actual
\$2,009		\$657		\$1,910	\$1,925
Maximum = 150%		Maximum = 150%		Maximum= 120%	Maximum= 120%
\$2,925		\$975		\$2,340	\$2,340

---

## ***Target Bonuses***

You will have received a letter which states your target bonus opportunity. Target bonus is defined as the bonus paid at 100% for both financial and individual awards. This means business plan is achieved for the financial and operational element, and the employee has met his/her objectives for the individual element.

The maximum bonus you can receive is 150% of your Financial element (both corporate and regional), 120% of operational and 120% of your Individual element.

## ***Adjustments for Uncontrollable Events***

The financial data included in the appendices has been prepared on the basis of the business plans agreed in 2007, using the assumptions set at that time. As in previous years, the actual results used for assessment may be amended to reflect the impact of events that are not considered to be within the control of local management. Any such amendments will require the explicit approval of the Chief Executive Officer and the Chief Financial Officer, and if material, the Board, whose decision will be final. The following items are those most likely to be considered for amendment:

- Weather conditions having a material impact on the financial results
- The impact of movements in foreign exchange rates
- Disposal/acquisition of businesses not anticipated in the business plan, but subsequently mandated by the Board of Directors
- Goodwill impairments
- Costs related to the public offering

## ***Award Payments***

To be eligible to receive an AIP award, you must be actively employed on the date the payment is made. However, in case of disability, retirement, layoff or death during the plan year, a prorated award based on participation in the plan may be payable. Employees who resign or are terminated for cause at any time prior to payment are not eligible.

Awards are usually determined and paid in cash as soon as possible after the release of financial results. Awards are normally paid by April of the following year. Awards are subject to all federal, state and local income tax withholdings.

If you become eligible to join the AIP during a plan year, any payout for that year will be prorated to reflect your participation in the plan.

The American Water Board, or its designee for these purposes, reserves the right to determine whether incentives are payable to any individual or group of individuals. The Board may withhold all incentive payments in certain circumstances, such as failing to reach minimum financial goals. Individuals who do not meet their individual performance expectations will not be eligible to receive an incentive award.

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## ***Rewarding Achievement***

Our AIP goals are challenging, but with your focus and contribution and effective teamwork, they can be achieved. Remember, your individual results do matter; our overall performance is the collective results of all AIP participants.

It is important that you clearly understand your goals, how we are performing against the goals, and how the AIP works so you know how you personally affect our performance. Be sure to talk to your manager or your local HR representative if you have questions.

This brochure describes the 2007 American Water Annual Incentive Plan. The American Water Board or its Designee, whose decisions will be final and binding, will determine interpretations of the Plan. The Company reserves the right to amend, modify, or discontinue the Plan during the plan year or at any time in the future. Participation in the Plan does not convey any commitment to ongoing employment. If there are any differences between the information contained here and the Plan Document, the Plan Documents will govern.

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**Attachment A**

**Company bonus 2007 for American Water will be based on Operating Income. If the Operating Income results are met, the award payout will be based on the following:**

Bonus payout curve: Range between 0% and 150%	
% of Operating Income Achieved	% Payout
125%	150%
120%	140%
115%	130%
110%	120%
105%	110%
100% *	100%
95%	75%
90%	50%
85%	25%
80%	0%
70%	0%

\* Business Plan Operating Income

Operating Income is defined as earnings before interest, taxes and other non-operating expenses.

## Attachment B

### 2007 AIP OPERATIONAL MEASURES & TARGETS

	Weighting	NE	SE	Central	West	AWE
Notices of Violation (NOV)**	25%	4*	4*	4*	4*	4*
Lost Work Day Case Rate (LWCR) ***	25%	2.2	1.7	1.7	1.4	1.7
Customer Satisfaction Rating (Q23 of CSS)	25%	95%	95%	95%	95%	N/A
Customer Service Quality Rating (Q29 of SQS)	25%	80%	80%	80%	80%	N/A

\* If total AW NOVs are less than or equal to the target of 21, everyone gets rewarded for the NOV component, regardless of their individual region result vs. target. If total AW NOVs exceed 21 rewards will be determined by region. The AW target for NOVs will be adjusted upward for any significant growth (add 1 NOV per 5% growth in customers served, rounded down).

\*\*Definition - Notices of Violation (NOV): Number of times that an official notice is issued by a primary agency for failure to comply with a federal, state, or local environmental statute or regulation that is covered by the Environmental Management Plan (EMP). For an acquisition in which the Company has entered into a consent agreement to correct known deficiencies, violations will not count towards the NOV target unless they are due to issues not contemplated by the consent agreement or are related to a failure to comply with the consent agreement.

\*\* Lost Work Day Case Rate (LWCR) is the number of total OSHA recordable injuries and/or illness cases with lost workday(s) per 200,000 hours worked.  $LWCR \times 5 =$  Injury Frequency Rate (IFR) which is a similar measure only per 1,000,000 hours worked. LWCR is a more recognized and tracked US metric.

**Operational Parameters for 2007 AIP - Payout Scale and Relative Weighting**

**I. Relative Weighting**

**25%**

**25%**

**25%**

**25%**

**II. Payout Scales**

**CUSTOMER SATISFACTION**

**SERVICE QUALITY**

**Lost Workday Case Rate (LWCR)**

**ENVIRONMENTAL NOVs**

<u>% Achieved</u>	<u>Payout (%)</u>	<u>% Achieved</u>	<u>Payout (%)</u>	<u>% of Target</u>	<u>Payout (%)</u>	<u>% of Target</u>	<u>Payout (%)</u>
≤ 90%	0%	≤ 75%	0%	≤ 50%	120%	≤ 50%	120%
91%	10%	76%	10%	75%	110%	75%	110%
92%	20%	77%	20%	100%	100%	100%	100%
93%	40%	78%	40%	110%	70%	110%	70%
94%	70%	79%	70%	120%	30%	120%	30%
95%	100%	80%	100%	≥ 130%	0%	≥ 130%	0%
96%	110%	85%	110%				
≥ 97%	120%	≥ 90%	120%				

**Operational Parameters for 2007 AIP - Payout Scale and Relative Weighting – Customer Service Centers**

**I. Relative Weighting**

**34%**

**33%**

**33%**

**II. Payout Scales**

**CUSTOMER SATISFACTION**

**SERVICE QUALITY**

**SERVICE LEVEL**

<u>% Achieved</u>	<u>Payout (%)</u>	<u>% Achieved</u>	<u>Payout (%)</u>	<u>% Achieved</u>	<u>Payout (%)</u>
≤ 90%	0%	≤ 75%	0%	< 72%	0%
91%	10%	76%	10%	72% - < 80%	75%
92%	20%	77%	20%	80%	100%
93%	40%	78%	40%	>80% - < 84%	105%
94%	70%	79%	70%	84% - <86%	110%
95%	100%	80%	100%	86%	120%
96%	110%	85%	110%		
≥ 97%	120%	≥ 90%	120%		

**Operational Parameters for 2007 AIP - Payout Scale and Relative Weighting – Shared Service Center**

**I. Relative Weighting**

**55%**

**45%**

**II. Payout Scales**

**QUALITY**

**COMPLIANCE**

<u>% Achieved *</u>	<u>Payout (%)</u>	<u>% Achieved *</u>	<u>Payout (%)</u>
<75%	0%	<75%	0%
75%	25%	75%	25%
80%	50%	80%	50%
85%	75%	85%	75%
90%	100%	90%	100%
95%	110%	95%	110%
100%	120%	100%	120%

- \* If the percentage achieved is between the range parameters of the scale, the payout percentage will be derived from the actual percentage achieved. For example, if the percentage achieved is 88%, the payout percentage will be 90%.

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

FR III.23

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

23. Please provide the most recent insurance premiums for each type of insurance coverage, both employee benefit and those purchased for the Company, reflected in the Company's filing. If available, please provide estimated premiums for the subsequent calendar year.

**Answer:** See attached.

**HORIZON BLUECROSS/BLUESHIELD  
GROUP INSURANCE PREMIUM STATEMENT  
(Rates effective January 1, 2007)**

COMPANY: Pennsylvania American Water Co.  
MONTH OF: March-08

Insurance/Employees:	Rate	Premium
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**ACTIVE EMPLOYEES**

LIVES	LIFE INSURANCE:				
352	32,474,000	1 Life - Basic (Non Bargaining)	\$0.180 per	\$1,000	\$5,845.32
634	36,789,500	2 Life - Basic (Bargaining)	\$0.180 per	\$1,000	6,622.11
634	6,340,000	3 A. D. & D. (\$10,000 cov. per employee)	0.020 per	\$1,000	126.80
352	32,474,000	4 A. D. & D. (Non Bargaining)	0.020 per	\$1,000	649.48
15	938,149	5 Life - Voluntary Under 30	\$0.06 per	\$1,000	56.29
23	2,213,715	6 Life - Voluntary 30-34	\$0.08 per	\$1,000	177.10
44	4,727,826	7 Life - Voluntary 35-39	\$0.10 per	\$1,000	472.78
42	4,787,669	8 Life - Voluntary 40-44	\$0.12 per	\$1,000	574.52
73	8,581,024	9 Life - Voluntary 45-49	\$0.19 per	\$1,000	1,630.39
63	6,587,108	10 Life - Voluntary 50-54	\$0.32 per	\$1,000	2,107.87
40	4,669,197	11 Life - Voluntary 55-59	\$0.59 per	\$1,000	2,754.83
16	1,178,029	12 Life - Voluntary 60-64	\$0.75 per	\$1,000	883.52
1	77,850	13 Life - Voluntary 65-69	\$1.37 per	\$1,000	106.38
0	0	14 Life - Voluntary 70 and over	\$2.21 per	\$1,000	0.00
267	5,340,000	15 Life - Dependent Spouse	\$0.25 per	\$1,000	1,335.00
202	3,640,000	16 Life - Dependent Children	\$1.20 per	\$1,000	242.40
0	0	17 Life - Supplemental	\$0.35 per	\$1,000	0.00
36	1,038,000	18 Life - Optional	\$0.35 per	\$1,000	363.30

DISABILITY:					
1,805,860		19 Long Term Disability (non union only)	\$0.400 per	\$100	7,223.44
986		20 Short-term Managed Disability	\$2.61 per	EMPLOYEE	2,573.46
0		21 A. & S.-Coverage for New Jersey only	\$0.20 per	\$10	0.00

MEDICAL, DENTAL & PRESCRIPTION COVERAGE:					
228		22 Employees without dependent coverage		\$482.00	109,896.00
689		23 Employees with dependent coverage		\$1,188.00	818,532.00
3		24 Employees with single dental coverage only		\$36.00	108.00
9		25 Employees with dependent dental coverage only		\$85.00	765.00

Actives' subtotal: \$963,045.99

**CONTINUATION OF COVERAGE**

MEDICAL, DENTAL & PRESCRIPTION COVERAGE:					
4		30 Individual (former emp., spouse, or dependent)		\$482.00	1,928.00
1		31 Family (2 or more individuals)		\$1,188.00	1,188.00
0		32 Employee with single dental coverage only		\$36.00	0.00
0		33 Employees with dependent dental coverage only		\$85.00	0.00

Continuation of Coverage Subtotal: \$3,116.00

**TOTAL PREMIUM TO BE PAID TO TRUST: \$966,161.99**

Total Employees Covered	986
Monthly Cost Per Employee	\$ 979.88
Number of Employees Coatesville Wastewater Operations	12
GI Cost Coatesville Waterwater Operations	\$ 11,758.56
Less Employee Monthly Contribution	\$ 1,092.00
Monthly Cost Coatesville Waterwater Operations	\$ 10,666.56
Annualized Cost	\$127,998.72
Less 10.73% not charged to operating income	\$ 13,734.26
Pro forma Expense	<u>\$114,264.46</u>

Pennsylvania-American Water Company  
 Coatesville Wastewater Operations  
 Data Requirements of the Pennsylvania Public Utility Commission  
 Industry Organization Payments

FR III.24

**Pennsylvania-American Water Company  
 Coatesville Wastewater Operations**

**III. Operating Expense**

24. Please provide the level of payments made to industry organizations included in the cost of service along with a description of each payee organization.

**Answer:** Following are details on 2007 payments to industry organizations:

<b>Description</b>	<b>2007 Amt.</b>
Eastern PA Water Pollution Control Operators Association	\$110
American Water Works Association	173

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Cancelled Construction Projects

FR III.25

**Pennsylvania-American Water Company  
Coatesville Wastewater Operations**

**III. Operating Expense**

25. If the Company has included any costs associated with cancelled construction projects or obsolete inventory in requested rates, separately identify the items, provide the related amounts and explain the reason for the cancellation or obsolescence.

**Answer:** The Company has not included any costs associated with cancelled construction projects or obsolete inventory in requested rates.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Vacation Pay

FR III.26

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

26. Please explain how the Company accounts for vacation pay for book and ratemaking purposes.

**Answer:** For book purposes, the Company maintains both an asset account for vacation pay and a liability account for vacation pay. The net effect for book purposes equals zero. The Company has made no claim for vacation pay for ratemaking purposes since a full year of salaries and wages for each employee has been included in the Company's claim.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Eliminated Employee Positions

FR III.27

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

27. Indicate whether any employee positions have been eliminated since the commencement of the historic test year or is expected to be eliminated during the future test year.

**Answer:** There were no employee positions eliminated in 2007 and the company does not anticipate eliminating any employee positions in 2008.

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

FR III.28

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**III. Operating Expense**

28. Furnish the name of each supplier, gallonage and expense for water purchased as recorded in Water Purchased for Resale- Account 706 for the historic test year and two preceding years.

**Answer:** Not applicable for this filing.

#### **IV. TAXES**

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.1

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

1. Provide a copy of the latest Pennsylvania corporate tax report and the latest Pennsylvania corporate tax settlement.

**Answer:** Attached are the 2006 Pennsylvania Corporate Tax Report and the 2006 Pennsylvania Corporate Tax-Notice of Available Credit. The 2006 Settlement of Taxes has not been received yet.

PA DEPT OF REVENUE  
 BUREAU OF CORPORATION TAXES  
 PO BOX 280417  
 HARRISBURG PA 17128-0417

**PA CORPORATION TAXES**  
 OFFICIAL NOTICE OF AVAILABLE CREDIT  
 PURSUANT TO 72 PS SECTION 10003(F)



Department use only

PENNSYLVANIA-AMERICAN W  
 800 W HERSHEY PARK DR  
 HERSHEY PA 17033

ACCT. NO. 0059-145  
 TAX YR END 12-06  
 TAX TYPE(S) 01,03,04  
 REFERENCE 11614431  
 NOTICE MAILED 11-19-07  
 CREDIT \*\*CREDIT\*\*

WE HAVE RECEIVED YOUR 12/06 ANNUAL TAX REPORT FOR THE TAXES LISTED ABOVE AND HAVE DETERMINED THAT YOUR TOTAL TAX PAYMENTS AND CREDITS ARE GREATER THAN YOUR TOTAL SELF-ASSESSED TAX.

ON YOUR ANNUAL REPORT, YOU SELECTED THE FOLLOWING REFUND/TRANSFER METHOD TO RESOLVE THIS TAX CREDIT. PAY ANY CURRENT YEAR UNDERPAID TAXES AND:

C. REFUND THE REMAINING CREDIT FROM THE CURRENT TAX YEAR.

ANALYSIS OF TAX CREDIT/UNDERPAYMENTS					
TAX TYPES	TAX YR END	TAX AND ADJUSTMENTS	PAYMENTS AND CREDITS	UNDERPAID TAX BALANCE	TAX CREDIT
CSF	2006	3,020,522.00	3,366,239.00		345,717.00
LOANS	2006	0.00	0.00		
CNI	2006	8,113,054.00	10,036,800.00		1,923,746.00
TOTAL TAX CREDIT				----->	2,269,463.00

DISPOSITION OF TAX CREDIT					
		CSF	LOANS	CNI	TOTAL
TRANSFER IN	2006	0.00	0.00	0.00	0.00
TRANSFER TO	2007	0.00	0.00	0.00	0.00
TAX CREDIT UTILIZED				----->	0.00
TAX CREDIT REMAINING				----->	2,269,463.00

TAX CREDIT UNDER REVIEW FOR REFUNDING					
		CSF	LOANS	CNI	TOTAL
REFUND UNDER REVIEW		345,717.00	0.00	1,923,746.00	2,269,463.00

WE ARE CURRENTLY IN THE PROCESS OF REVIEWING YOUR CREDIT OF \$2,269,463.00 FOR THE PURPOSE OF REFUNDING. YOU WILL RECEIVE NOTIFICATION OF OUR REVIEW WITHIN THREE WEEKS OF THIS CREDIT NOTICE.

PLEASE READ THE INSTRUCTIONS ON THE REVERSE SIDE OF THIS NOTICE.

ACTION 98

10100061177

DEPARTMENT USE ONLY

RCT-101 PAGE 1 OF 6

PA CORPORATE TAX REPORT 2006

STEP A

STEP B

Tax Year Beg.	XX	01012006	Regulated Inv. Co.	XX	N	First Report	XX	N
Tax Year End.	XX	12312006	52-53 Week Filter	XX	N	Koz/EIP Credit	XX	N
			Address Change	XX	N	File Period Change	XX	N

STEP C

Corp Tax Account ID	XX	0059145
Federal EIN	XX	251008096
Corporation Name	XX	PENNSYLVANIA-AMERICAN WATER COMPANY
Address Line 1	XX	800 WEST HERSHEY PARK D
Address Line 2	XX	
City	XX	HERSHEY
State	XX	PA
ZIP	XX	17033

STEP D

A. Tax Liability from Tax Report

B. Estimated Payments & Credits on Deposit

C. Restricted Credits

Calculation: A minus B minus C

STEP E: Payment Make check for this amount payable to "PA Dept of Revenue"

CS/FF	3020522	4242396	0	-1221874	0
LOANS	0	0	0	0	0
CNI	8113054	9160643	0	-1047589	0
TOTAL	11133576	13403039	0	-2269463	0

STEP F: Refund /Transfer Method Select one of the following options:

Made Payment Via EFT N

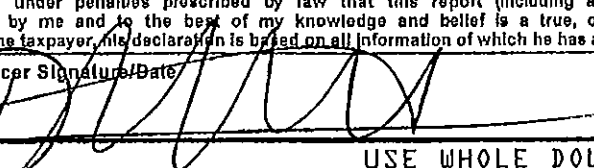
A	N	Total transfer of credit	
B	N	Combination Transfer/Refund Enter transfer amount to right	0
C	Y	Total refund of credit	TRANS AMT

STEP G: Corporate Officer (Sign affirmation below)

NAME DARWIN RANSOM  
 PHONE 8563102200  
 E-MAIL

FORM BARCODE

I hereby affirm under penalties prescribed by law that this report (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct and complete report. If prepared by a person other than the taxpayer, this declaration is based on all information of which he has any knowledge.

Corporate Officer Signature/Date  10/12/07

USE WHOLE DOLLARS ONLY 6Y4623 2.000

**Application for Automatic 6-Month Extension of Time To File  
 Certain Business Income Tax, Information, and Other Returns**

OMB No. 1545-0233

▶ File a separate application for each return.

<b>Type or Print</b>  File by the due date for the return for which an extension is requested. See instructions.	Name	
	Thames Water Aqua US Holdings, Inc. and Affiliated Subsidiaries	
	Identifying number 57-1143168	
Number, street, and room or suite no. (if P.O. box, see instructions)		
1025 Laurel Oak Road		
City, town, state, and ZIP code (if a foreign address, enter city, province or state, and country (follow the country's practice for entering postal code)).		
Voorhees, NJ 08043		

Note. See instructions before completing this form.

- 1 Enter the form code for the return that this application is for (see below) 1 2
  - 2 If the foreign corporation does not have an office or place of business in the United States, check here ▶
  - 3 If the organization is a corporation or partnership that qualifies under Regulations section 1.6081-5, check here ▶
  - 4a The application is for calendar year 20<sup>06</sup>, or tax year beginning ..... 20 ..... and ending ..... 20 .....
  - b Short tax year. If this tax year is less than 12 months, check the reason:  
 Initial return     Final return     Change in accounting period     Consolidated return to be filed
  - 5 If the organization is a corporation and is the common parent of a group that intends to file a consolidated return, check here ▶   
 If checked, attach a schedule, listing the name, address, and Employer Identification Number (EIN) for each member covered by this application.
- |   |   |           |    |
|---|---|-----------|----|
| 6 Tentative total tax   | 6 | None      |    |
| 7 Total payments and credits (see instructions)   | 7 | 5,000,000 | 00 |
| 8 Balance due. Subtract line 7 from line 6. Generally, you must deposit this amount using the Electronic Federal Tax Payment System (EFTPS), a Federal Tax Deposit (FTD) Coupon, or Electronic Funds Withdrawal (EFW) (see instructions for exceptions) | 8 | None      |    |

Application Is For:	Form Code	Application Is For:	Form Code
Form 706-GS(D)	01	Form 1120-H	17
Form 706-GS(T)	02	Form 1120-L	18
Form 990-C (2005 fiscal year filers only)	03	Form 1120-ND	19
Form 1041 (estate)	04	Form 1120-ND (section 4951 taxes)	20
Form 1041 (trust)	05	Form 1120-PC	21
Form 1041-N	06	Form 1120-POL	22
Form 1041-QFT	07	Form 1120-REIT	23
Form 1042	08	Form 1120-RIC	24
Form 1065	09	Form 1120-S	25
Form 1065-B	10	Form 1120-SF	26
Form 1066	11	Form 3520-A	27
Form 1120	12	Form 8812	28
Form 1120 (sub T) (2005 fiscal year filers only)	13	Form 8613	29
Form 1120-A	14	Form 8729	30
Form 1120-C	34	Form 8804	31
Form 1120-F	15	Form 8831	32
Form 1120-FSC	16	Form 8876	33

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 13804A

Form 7004 (Rev. 12-2005)

COMPANIES TO BE INCLUDED IN THE CONSOLIDATED FEDERAL INCOME TAX RETURN  
OF THAMES WATER AQUA US HOLDINGS, INC. AND AFFILIATED SUBSIDIARIES

YEAR - 01/01/12-31/05

COMPANY	Employer Identification Number
1 AAET, Inc., Voorhees, New Jersey	22-3259128
2 ACUS Coporation, Houston, Texas	74-1939504
3 American Lake Water Company, Belleville, Illinois	06-1396121
4 American Water Capital Corp, Voorhees, New Jersey	22-3732448
5 American Water Engineering, Inc., Voorhees, New Jersey	76-0654501
6 American Water Enterprises Holding, Inc., Voorhees, New Jersey	76-0605357
7 American Water Enterprises, Inc., Voorhees, New Jersey	22-3169459
8 American Water Industrial Operations, Inc., Voorhees, New Jersey	74-2177717
9 American Water Industrials, Inc., Voorhees, New Jersey	76-0666917
10 American Water Operations and Maintenance, Inc., Voorhees, New Jersey	98-0165919
11 American Water Residuals Management, Inc., Voorhees, New Jersey	52-2062646
12 American Water Resources, Inc., Voorhees, New Jersey	54-0912221
13 American Water Services CDM, Inc., Voorhees, New Jersey	91-1746331
14 American Water Services Underground Infrastructure, Inc., Voorhees, New Jersey	76-0469163
15 American Water (USA), Inc., Voorhees, New Jersey	98-0165920
16 American Water Works Company, Inc., Voorhees, New Jersey	51-0063666
17 American Water Works Service Company, Inc., Voorhees, New Jersey	23-1340234
18 Applied Wastewater Management, Inc., Lawrenceville, New Jersey	22-2881173
19 Applied Wastewater Services, Inc., Lawrenceville, New Jersey	22-2711356
20 Applied Water Management of Delaware Inc., Lawrenceville, New Jersey	20-1553646
21 Applied Water Management, Inc., Lawrenceville, New Jersey	22-3608285
22 Arizona-American Water Company, Scottsdale, Arizona	85-0096580
23 Bluefield Valley Water Works Company, Bluefield, West Virginia	68-6022466
24 California-American Water Company, Chula Vista, California	51-0104148
25 Dillman-Merka Enterprises, Inc., Voorhees, New Jersey	74-2408590
26 E-Town Corporation, Lawrenceville, New Jersey	22-2596330
27 E-Town Properties Inc., Lawrenceville, New Jersey	22-2817018
28 Edison Water Company, Lawrenceville, New Jersey	22-3519296
29 Elizabethtown Water Company, Lawrenceville, New Jersey	22-1683171
30 Hawaii-American Water Company, Honolulu, Hawaii	99-0108667
31 Hydro-Aerobics, Inc., Houston, Texas	95-3870533
32 Illinois-American Water Company, Belleville, Illinois	51-0105894
33 Illinois Water Service Company, Voorhees, New Jersey	37-1330046
34 Indiana-American Water Company, Inc., Greenwood, Indiana	35-0936102
35 Iowa-American Water Company, Davenport, Iowa	42-0735216
36 Kentucky-American Water Company, Lexington, Kentucky	61-0485002
37 Laurel Oak Properties Corporation, Voorhees, New Jersey	20-1022964
38 Liberty Water Company, Lawrenceville, New Jersey	22-3596293
39 Long Island American Water, Lynbrook, New York	11-1516986
40 Mag-Con, Inc., Voorhees, New Jersey	72-0370343
41 Maryland-American Water Company, Bel Air, Maryland	52-0265025
42 Michigan-American Water Company, Calumet, Michigan	38-1657784
43 Missouri-American Water Company, St. Joseph, Missouri	44-0578460
44 Mobile Residuals Management (USA), Inc. FKA Trimax Residuals Management (USA) Inc. Voorhees, New Jersey	98-0183794
45 New Jersey-American Water Company, Inc., Lawrenceville, New Jersey	22-1546642
46 New Mexico-American Water Company, Inc., Clovis, New Mexico	85-0344576
47 Ohio-American Water Company, Marion, Ohio	31-4399620
48 Pennsylvania-American Water Company, Inc., Hershey, Pennsylvania	25-1008096
49 Philip Automated Management Controls, Inc., Voorhees, New Jersey	98-0166914
50 PWT Waste Solutions, Inc., Houston, Texas	63-1047291
51 Southwest Utilities, Inc., Voorhees, New Jersey	74-2211380
52 Tennessee-American Water Company, Chattanooga, Tennessee	62-0528095
53 Texas-American Water Company, Austin, Texas	20-4368857
54 Thames Water Aqua US Holdings, Inc., Voorhees, New Jersey	57-1143168
55 Thames Water Holdings, Incorporated, Voorhees, New Jersey	52-1723310
56 Thames Water North America, Inc., Voorhees, New Jersey	08-1648192
57 The Mount Holly Water Company, Mount Holly, New Jersey	22-0519440
58 UESG Holdings, Inc., Voorhees, New Jersey	20-0663050
59 United Water Virginia, Inc., Warsaw, Virginia	54-1016694
60 Utility Management and Engineering, Inc., Voorhees, New Jersey	22-3239760
61 Virginia-American Water Company, Alexandria, Virginia	54-0118650
62 Walker Water Works, Inc., Voorhees, New Jersey	76-0115681
63 Watertek, Inc., Voorhees, New Jersey	94-1737182
64 West Virginia-American Water Company, Charleston, West Virginia	55-0307487

10100062178

NAME PENNSYLVANIA-AMERICAN WATER CO  
ACCOUNT ID 0059145 TAX YEAR END 12312006

RCT-101 PAGE 2 OF 6

PA CORPORATE TAX REPORT 2006

SECTION A: CS/FF

OLDEST PERIOD FIRST	TAX PERIOD BEGINNING	TAX PERIOD ENDING	BOOK INCOME			
YEAR 1	01012002	12312002	57325249	Investment in LLC	XX	N
YEAR 2	01012003	01102003	636208	Holding Company	XX	N
YEAR 3	01112003	12312003	61409633	Family Farm	XX	N
YEAR 4	01012004	12312004	60608167			
YEAR 5	01012005	12312005	66792138			
YEAR 6						
YEAR 7						
CUR YR	01012006	12312006	61698095	WHOLE DOLLARS ONLY		

2. TOTAL BOOK INCOME (sum of income for all tax periods up to, but not over 5 years total)	2	308469490
3. DIVISOR (In years and in part years rounded to three decimal places) See Instructions	3	5.000
4. Divide Line (2) by Line (3)	4	61693898
5. AVERAGE BOOK INCOME - Enter Line (4) or if Line (4) is less than zero enter "0"	5	61693898
6. Divide Line (5) by 0.095	6	649409453
7. Shareholders' equity at the END of the current period	7	781637109
8. Shareholders' equity at the BEGINNING of the current period	8	723733688
9. If Line (7) is more than twice as great or less than half as much as Line (8), add Lines (7) and (8) and divide by 2. Otherwise enter Line (7).	9	781637109
10. NET WORTH - Enter Line (9) or if Line (9) is less than zero enter "0"	10	781637109
11. Multiply Line (10) by 0.75	11	586227832
12. Add Lines (6) and (11)	12	1235637285
13. Divide Line (12) by 2	13	617818643
14. \$125,000 valuation deduction	14	-125000
15. CAPITAL STOCK VALUE - Line (13) less Line (14) but not less than "0". If 100% Taxable, enter Line (15) on Line (17).	15	617693643
16. Proportion of taxable assets or apportionment proportion (From Schedule A-1, Line 5)	16	1.000000
17. TAXABLE VALUE - Multiply Line (15) by Line (16). If less than zero, enter "0"	17	617693643
18. CAPITAL STOCK/FOREIGN FRANCHISE TAX - Multiply Line (17) by 0.00489	18	3020522

10100063179

NAME PENNSYLVANIA-AMERICAN WATER CO  
 ACCOUNT ID 0059145 TAX YEAR END 12312006

RCT-101 PAGE 3 OF 6

PA CORPORATE TAX REPORT 2006

## SECTION B: Bonus Depreciation

1. Current Year Fed. Deprec. of 168k Prop.	1	0	Business Trust	XX	N
2. Current Year Adj. for Disp. of 168k Prop.	2	117989	Solicitation Only	XX	N
3. Other Adjustments	3	0	Single Entity LLC	XX	N
(Must Attach Schedule C-3 if claiming bonus depreciation)			Multi-Member LLC	XX	N
			PA-S	XX	N
			Taxable Built-In Gains	XX	N

## SECTION C: CORPORATE NET INCOME TAX

1. Income or Loss from federal return on a separate company basis	1	79876035
2. DEDUCTIONS:		
A. Corporate Dividends Received (From Schedule C-2, Line 6)	2A	0
B. Interest on U.S. Securities (GROSS INT less EXPENSES)	2B	0
C. Curr Yr. Addtl. PA Deprec. plus Adjust. for Sale (Attached Schedule C-3)	2C	5138290
D. Other (Attached Schedule). See Instructions	2D	0
TOTAL DEDUCTIONS - Sum of (A) through (D)	2	5138290
3. ADDITIONS:		
A. Taxes Imposed on or measured by net income (Attached Schedule)	3A	6474008
B. Tax Preference Items (Attached copy of Federal Form 4626)	3B	0
C. Employment Incentive Payment Credit Adjustment (Attached Schedule W)	3C	0
D. Current Year Bonus Depreciation (Attached Schedule C-3)	3D	0
E. Other (Attached Schedule) See Instructions	3E	0
TOTAL ADDITIONS - Sum of (A) through (E)	3	6474008
4. Income or Loss with Pennsylvania Adjustments (Line 1 - Line 2 + Line 3)	4	81211753
5. Total Nonbusiness Income (or Loss)	5	0
6. Income (or Loss) to be Apportioned (Line 4 - Line 5)	6	81211753
7. Apportionment Proportion (from Schedule C-1 Line 5)	7	1.000000
8. Income (or Loss) Apportioned to PA (Line 6 x Line 7)	8	81211753
9. Nonbusiness Income (or Loss) allocated to PA	9	0
10. Taxable Income (or Loss) after Apportionment (Line 8 + Line 9)	10	81211753
11. Total Net Operating Loss Deduction (from RCT-103) can not exceed \$2,000,000	11	0
12. PA Taxable Income (or Loss) (Line 10 - Line 11)	12	81211753
13. Corporate Net Income Tax (Line 12 x .0998)	13	8113054

10100064170

NAME PENNSYLVANIA-AMERICAN WATER CO  
ACCOUNT ID 0059145 TAX YEAR END 12312006

RCT-101 PAGE 4 OF 6

PA CORPORATE TAX REPORT 2006

SECTION D: LOANS TAX

- 1. Did this corporation have a fiscal officer resident in PA and paying interest on indebtedness of the corporation? XX N
- 2. Did this corporation have indebtedness outstanding to individual residents and/or partnerships resident in Pennsylvania? XX N
- 3. Did this corporation have indebtedness outstanding held by a trustee, agent or guardian for a resident individual taxable in its own right or by an executor or administrator of an estate wherein the decedent was a resident of Pennsylvania? XX N

List outstanding indebtedness. Attach separate schedule if additional space required.

Interest Amount	Interest Rate	Taxable Value			
0	0	0	TAX INDEBT	XX	0
0	0	0			
0	0	0	LOANS TAX	XX	0

SCHEDULE A-1: Apportionment Schedule For Capital Stock/Foreign Franchise Tax (Include Form RCT-102, RCT-105, or RCT-106)

Three Factor					Single Factor		
Property-PA	1 A	0	1 C	0	Numerator	4 A	0
Property-Total	1 B	0			Denominator	4 B	0
Payroll-PA	2 A	0	2 C	0			
Payroll-Total	2 B	0					
Sales-PA	3 A	0	3 C	0	Apportionment	5	1.000000
Sales-Total	3 B	0			Proportion		

SCHEDULE C-1: Apportionment Schedule For Corporate Net Income Tax (Include Form RCT-106)

Three Factor					Single Factor		
Property-PA	1 A	0	1 C	0	Numerator	4 A	0
Property-Total	1 B	0			Denominator	4 B	0
Payroll-PA	2 A	0	2 C	0			
Payroll-Total	2 B	0					
Sales-PA	3 A	0	3 C	0	Apportionment	5	1.000000
Sales-Total	3 B	0			Proportion		

10100065171

NAME PENNSYLVANIA-AMERICAN WATER CO  
ACCOUNT ID 0059145 TAX YEAR END 12312006

RCT-101 PAGE 5 OF 6 PA CORPORATE TAX REPORT 2006

SECTION E: CORPORATE STATUS CHANGES

Out of Existence XX N Out of Existence Date XX  
(Final Report) \* Date of Distribution of XX  
Assets OR No Assets to distribute XX

PA Corporations: Report date business activity ceased and date assets were distributed.  
Foreign (Non-PA) Corporations: Report date business activity in PA ceased and date PA assets were distributed.  
\* Schedule of Disposition of Assets MUST be completed and filed with the PA Corporate Tax Report.

Has the corporation sold or transferred in bulk 51% or more of any of the following classes of assets: XX N  
any stock of goods, wares, merchandise of any kind, fixtures, machinery, equipment, buildings or real estate. If so,  
please provide the name and address of the purchaser. (Attach separate schedule if additional space required.)

Purchaser Name XX  
Address Line 1 XX  
Address Line 2 XX  
City XX  
State XX  
Zip XX

SECTION F: GENERAL INFORMATION QUESTIONNAIRE

Brief Description of corporate activity in PA WATER UTILITY

Brief Description of corporate activity outside of PA

List other states in which taxpayer has activity

State of Incorporation XX PA  
Incorporation Date XX 07151904

If incorporated outside of PA, does the corporation solicit sales in Pennsylvania? XX  
If yes, does the corporation use:

Employee XX  
Exclusive Sales Representative XX  
Independent Sales Representative XX

1. Has federal government changed taxable income as originally reported for any prior period for which reports of change have not been filed in PA? XX N If yes:  
First Period End Date: XX  
Last Period End Date: XX

- 2. Does any corporation, individual, or other business entity hold all or a majority of the stock of this corporation? Y
- 3. Does this corporation own all or a majority of stock in other corporations? If yes, complete Schedule X. N
- 4. Is this taxpayer a partnership that elects to file federal taxes as a corporation? N

10100066171

NAME PENNSYLVANIA-AMERICAN WATER CO  
ACCOUNT ID 0059145 TAX YEAR END 12312006

RCT-101 PAGE 6 OF 6 PA CORPORATE TAX REPORT 2006

SCHEDULE OF REAL PROPERTY IN PA (Attach separate schedule if additional space required.)

Own/Rent	Street Address	City	County	KOZ/KOEZ
----------	----------------	------	--------	----------

CORPORATE OFFICERS

SSN	Last Name	First Name	MI
-----	-----------	------------	----

President/Managing Partner	XX	ROSS	ROBERT	M
Vice President	XX	KELVINGTON	WILLIAM	C
Secretary	XX	REDMOND	VELMA	A
Treasurer/Tax Manager	XX	BULS	CHRISTOPHER	C

TAX PREPARER'S NAME AND ADDRESS

Mail to Practitioner	XX	N
Federal EIN	XX	
Firm Name	XX	
Address Line 1	XX	
Address Line 2	XX	
City	XX	
State	XX	
Zip	XX	

Tax Preparer's Signature/Date
-------------------------------

NAME  
PHONE  
E-MAIL

**SCHEDULE C-2 PA DIVIDEND DEDUCTION SCHEDULE**

M M D D Y Y

CORPORATION \_\_\_\_\_ CORP TAX ACCOUNT ID \_\_\_\_\_ TAX PERIOD ENDING                     

1	Federal Schedule C, Line (20), Total deductions . . . . .	1	
2	Federal Schedule C, Line (15), Foreign Dividend Gross-Up (Section 78) . . . . .	2	
3	Dividends from less-than-20%-owned foreign corporations listed on Lines (13) and (14) of federal Schedule C - x 70% . . . . .	3	
4	Dividends from 20%-or-more-owned foreign corporations listed on Lines (13) and (14) of federal Schedule C - x 80% . . . . .	4	
5	Dividends listed on Lines (13) and (14) of federal Schedule C from foreign corporations that meet the "80% voting and value test" of IRC §1504 (a) (2) and otherwise would qualify for 100% deduction under IRC §243 (a) (3) if they were a domestic corporation. Do not list any amounts included in Item 4 . . . . .	5	
6	Total PA Dividend Deduction - Add Lines 1, 2, 3, 4 and 5 [Enter above at Section C, Line (2a)] . . . . .	6	

**SCHEDULE X**

Taxpayers completing this schedule must provide beginning and ending balance sheets, reflecting the consolidated net worth of the taxpayer and all subsidiaries.

M M D D Y Y

CORPORATION Pennsylvania-American Water Company CORP TAX ACCOUNT ID 0059145 TAX PERIOD ENDING 12/31/2006

Name	File In PA	Corp Tax Account ID	Entity ID (EIN)

Name, SSN, EIN and/or Corp Tax Account ID Number (if applicable) of any individual or business entity owning all or a majority of the stock of the taxpayer.

Name	SSN or EIN	Corp Tax Account ID
American Water Works Company, Inc.	51-0063696	



**C-5 Schedule of Taxes**

PA Corporate Net Income Tax . . . . .	
PA Capital Stock/Franchise Tax . . . . .	
Philadelphia Business Privilege Tax-Gross Receipts Portion . . . . .	
Philadelphia Business Privilege Tax-Net Income Portion . . . . .	
Income Taxes - Other States . . . . .	6,474,008.
Payroll Taxes . . . . .	
Real Estate Taxes . . . . .	
Sales and Use Tax . . . . .	
Business Privilege Tax - Other than Income . . . . .	
Occupancy Tax . . . . .	
Local Income Taxes . . . . .	
Local Taxes - Not based on income . . . . .	
Michigan Single Business Tax . . . . .	
Other Taxes - Not Based on Income . . . . .	10,876,793.
Other Income Taxes . . . . .	
<b>Total Tax Expense reported on Federal Income Tax Return . . . . .</b>	<b>17,350,801.</b>

**Schedule OA - Other Additions**

Description	Amount
<b>Total</b>	

**Schedule OD - Other Deductions**

Description	Amount
Federal wages disallowed as a result of tax credits under IRC Sec. 45B or IRC Sec. 51.	
<b>Total</b>	

RCT-101, Page 1, Step D, Tax Summary, Payments and Credits Detail

	Cap. Stock Fran.	Loans Tax	Corp. Net Inc.
	-----	-----	-----
Applied fm REV-855			
Tentative payments	4,242,396.		9,160,643.
Payments with ext.			
Credits:			
Neigh. Assi.			
Employ. Incentive			
Educational Imp.			
Keystone Opp Zone			
Coal Waste Removal			
Jobs Creation Tax			
Pennsylvania R & D			
	-----	-----	-----
Totals	4,242,396.		9,160,643.
	=====	=====	=====

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.2

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

2. Submit details of calculations for Taxes, Other than Income, where a company is assessed taxes for doing business in another state, or on its property located in another state.

**Answer:** Pennsylvania-American Water Company does business solely within Pennsylvania and has no property located in another state.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.3

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

3. Submit a schedule showing for the last three years the income tax refunds, plus interest, net of taxes, received from the federal government due to prior years' claims.

**Answer:** Pennsylvania-American Water Company did not receive any federal tax refunds in 2007, 2006 and 2005 attributable to prior year's federal tax returns.

Pennsylvania-American Water Company  
Coatesville Wastewater District  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.4

**Pennsylvania-American Water Company**  
**Coatesville Wastewater District**  
**IV. Taxes**

4. Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 utility property that increases productive capacity, and Accelerated Depreciation Rate (ADR) rates on property (separate between state and federal; also, rate used).
  - a. State whether tax depreciation is based on all rate base items claimed as of the end of the future test year, and whether it is the annual tax depreciation at the end of the future test year. If based on historic test year, justify.
  - b. Reconcile any different between the deferred tax balance, as shown as a reduction to measures of value (rate base), and the deferred tax balance as shown on the balance sheet.

**Answer:**

Please refer to the calculation of state and federal deferred income taxes.

- a. Tax depreciation is based on utility plant in service. Please see attached for the Company's future test year claim for State and Federal tax depreciation.
- b. No deferred taxes prior to the future test year are being claimed in this case. The calculation of deferred taxes for the future test year is detailed in Exhibit 3-A .

24-Pennsylvania American Water Coatesville Waste Water  
 State Tax Depreciation  
 2008

Tax Book : State - MARCS  
 Tax Year : 2008

Vintage	Beginning Assets Balance	Additions/ Retirements	CIAC Basis Adjustment	Depreciable Base Ending Asset Balance	Beginning Reserve	State	
						Current Depreciation	Ending Reserve
2001	\$7,090,807.00			\$6,539,628.00	\$899,466.67	\$242,484.24	\$590,771.92
2002	\$112,775.00	(\$551,179.00)		\$112,775.00	\$24,811.00	\$4,511.00	\$29,322.00
2003	\$261,992.00			\$261,992.00	\$47,160.00	\$10,480.00	\$57,640.00
2004	\$285,825.00			\$285,825.00	\$40,018.00	\$11,433.00	\$51,451.00
2005	\$1,988,974.00			\$1,988,974.00	\$198,897.00	\$79,559.00	\$278,456.00
2006	\$1,369,197.00			\$1,369,197.00	\$82,150.00	\$54,767.00	\$136,917.00
2007	\$1,286,911.00		(\$702,000.00)	\$584,911.00	\$25,738.00	\$23,396.00	\$49,134.00
2008	\$6,715,110.00		(\$2,561,944.00)	\$4,153,166.00	\$71,907.00	\$71,907.00	\$71,907.00
<b>PA Coatesville Waste V</b>	<b>\$19,111,591.00</b>	<b>(\$551,179.00)</b>	<b>(\$3,263,944.00)</b>	<b>\$15,296,468.00</b>	<b>\$1,318,240.67</b>	<b>\$498,537.24</b>	<b>\$1,265,598.92</b>

24-Pennsylvania American Water Coatesville Waste Water  
 Federal Tax Depreciation  
 2008

Tax Book : Federal - MARCS  
 Tax Year : 2008

Vintage	Beginning Assets Balance	Additions/ Retirements	CIAC Basis Adjustment	2008 Bonus Basis Adjustment	Ending Asset Balance	Beginning Reserve	Current Depreciation	Federal Ending Reserve
2001	\$7,090,807.00	(\$551,179.00)			\$6,539,628.00	\$899,466.67	\$242,484.24	\$590,771.92
2002	\$112,775.00				\$112,775.00	\$24,811.00	\$4,511.00	\$29,322.00
2003	\$261,992.00				\$261,992.00	\$47,160.00	\$10,480.00	\$57,640.00
2004	\$285,825.00				\$285,825.00	\$40,018.00	\$11,433.00	\$51,451.00
2005	\$1,988,974.00				\$1,988,974.00	\$198,897.00	\$79,559.00	\$278,456.00
2006	\$1,369,197.00				\$1,369,197.00	\$82,150.00	\$54,767.00	\$136,917.00
2007	\$1,286,911.00		(\$702,000.00)		\$584,911.00	\$25,738.00	\$23,396.00	\$49,134.00
2008	\$6,715,110.00		(\$2,561,944.00)	(\$557,827.00)	\$3,595,339.00	\$1,318,240.67	\$629,733.00	\$629,733.00
PA Coatesville Waste Water	\$19,111,591.00	(\$551,179.00)	(\$3,263,944.00)	(\$557,827.00)	\$14,738,641.00	\$1,318,240.67	\$1,056,363.24	\$1,823,424.92

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.5

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

5. Submit a schedule showing a breakdown of accumulated investment tax credits (3 percent, 4 percent, 7 percent, 10 percent and 11 percent), together with details of methods used to write-off the unamortized balances.

**Answer:** Not applicable for this filing.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.6

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

6. Submit a schedule showing the adjustments for taxable net income per books, including below-the-line items, and pro-forma under existing rates, together with an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for rate making purposes.

**Answer:** Please see the calculation of State and Federal Income Taxes page in Exhibit No. 3-A.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.7

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

7. Submit detailed calculations supporting historic and future taxable income before state and federal income taxes where the income tax is subject to allocation due to operations in another state, or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.

**Answer:** Pennsylvania-American Water Company operates only in Pennsylvania. State and Federal income taxes are calculated on a total company basis; no allocation of taxable income among its operating divisions occurs.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.8

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

8. Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits and reserves by accounting areas.

**Answer:** Please see the answer to question no. FR IV.12 of this exhibit. Deferred taxes due to accelerated depreciation are the most significant component of the Company's deferred income taxes.

Pennsylvania-American Water Company  
Coatesville Wastewater District  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.9

**Pennsylvania-American Water Company**  
**Coatesville Wastewater District**  
**IV. Taxes**

9. Explain the reason for the use of cost of removal of any retired plant figures in the income tax calculations.

**Answer:**

Coatesville Wastewater does not have any ADR cost of removal. It was an asset purchase and the asset vintages reset to the purchase date, March 2001.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.10

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

10. State whether all tax savings due to accelerated depreciation on property installed prior to 1970 have been passed through to income. If not, explain.

**Answer:** Not applicable for this filing. Coatesville Wastewater Operation was an asset purchase and the asset vintages reset to the purchase date.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.11

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

11. Show any income tax loss or gain carryovers from previous years that may affect historic test year income taxes or future test year income taxes. Show loss or gain carryovers by years of origin and amounts remaining by years at the end of the historic test year.

**Answer:** Pennsylvania-American Water Company does not have any state income tax loss/gain carryovers.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.12

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

12. Provide a detailed analysis of Taxes Accrued per books as of the historic and future test year date. Also supply the basis for the accrual and the amount of taxes accrued monthly.

**Answer:** Income taxes are not accrued for Coatesville Wastewater Operations. Please refer to the calculation of Federal and State Income Taxes in Exhibit 3-A for both the historical test year and the future test year.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.13

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

13. Under Section 1552 of the Internal Revenue Code and Regulations 1.1552-1 if applicable, a Parent Company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the federal government. If this request is not applicable, provide an explanation.
- a. State what option has been chosen by the group.
  - b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return.
  - c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
  - d. Provide annual income tax return for group, and if income tax return shows net operating loss, provide details of amount of net operating loss allocated to the income tax returns of each of the members of the consolidated group.

**Answer:** This request is not applicable to Pennsylvania American Water Company or Coatesville Wastewater Operations.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.14

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
**IV. Taxes**

14. Please provide a copy of the corporate federal tax returns and supporting schedules for the preceding three years and, if applicable, a copy of the calculation work papers for the Company's consolidated tax savings adjustment.

**Answer:** The information and reports for tax years requested are proprietary and confidential. The Company will, however, provide this information to a party to this proceeding pursuant to the execution of a suitable confidentiality agreement.

A consolidated tax adjustment is not applicable to Coatesville Wastewater Operations in this filing.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.15

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

15. Provide a schedule of federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per books, pro forma at present rates, and pro forma at proposed rates, to include the following categories:
- a. Social Security
  - b. Unemployment
  - c. Capital stock
  - d. Public utility realty
  - e. P.U.C. assessment
  - f. Other property
  - g. Any other appropriate categories

**Answer:**

- a. Please refer to Exhibit No. 3-A.
- b. Please refer to Exhibit No. 3-A.
- c. Not applicable in this case
- d. Not applicable in this case
- e. Please refer to Exhibit No. 3-A.
- f. Please refer to Exhibit No. 3-A.
- g. None

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.16

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

16. Submit a schedule showing a breakdown of the deferred income taxes by state and federal per books, pro-forma, existing rates, and under proposed rates.

**Answer:** Please see question no. FR IV.12 and Exhibit 3-A for the calculation of deferred income taxes.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.17

**Pennsylvania-American Water Company**  
**Coatesville Wastewater Operations**  
**IV. Taxes**

17. With respect to determination of income taxes, federal and state:
- a. Show income tax results of the annualizing and normalizing adjustments to the historic test year before any rate increase.
  - b. Show income taxes for the annualized and normalized test year.
  - c. Show income tax effect of the rate increase requested.
  - d. Show income taxes for the normalized and annualized test year after application of the full rate increase.

**Answer:** a. – d. Please see the Income Statement and Calculation of Federal and State Income Taxes in Exhibit No. 3-A.

Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
Data Requirements of the Pennsylvania Public Utility Commission  
Taxes

FR IV.18

**Pennsylvania-American Water Company  
Coatesville Wastewater Operations  
IV. Taxes**

18. State amount of debt interest utilized for income tax calculations, and details of debt interest computations, under each of the following rate case bases:
- a. Actual per book test year
  - b. Annualized historic test year-end
  - c. Proposed future test year-end

**Answer:** Please refer to the Application of Income Deductions in Exhibit No. 3-A.