

EXHIBIT
3 - B

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OPERATING EXPENSES

SALARY AND WAGES

PA American Water - Coatesville WW
Payroll Study
Actual Year: December 31, 2007

TEST YEAR
AVERAGE
WAGE
RATE

Job Title	TEST YEAR WAGES		REGULAR HOURS		REG OTHER HOURS		1.5 x HOURS		2 x HOURS		TOTAL HOURS	EMPLOYEE COUNT
	CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M		
Operator "B" License	\$ 150	\$ 48,435	7.00	1,774.50	-	381.50	-	37.25	-	33.50	2,233.75	1
Laboratory Technician	\$	\$ 21,749	-	1,082.00	-	107.00	-	11.50	-	-	1,200.50	1
Operator "C" License	\$	\$ 48,902	-	1,857.00	-	335.00	-	28.25	-	46.50	2,266.75	1
Operator "C" License	\$	\$ 45,921	-	1,837.00	-	323.00	-	32.50	-	-	2,192.50	1
Operator "C" License	\$ 181	\$ 46,872	7.00	1,961.00	-	208.00	1.25	44.50	-	33.00	2,254.75	1
Collection System Specialist	\$	\$ 47,842	-	1,835.00	-	325.00	-	128.00	-	15.00	2,303.00	1
Collection Syst Spec Assist	\$	\$ 23,470	-	772.50	-	347.50	-	49.00	-	6.00	1,175.00	1
Collection Syst Spec Assist	\$	\$ 45,949	-	1,825.25	-	337.75	-	83.50	-	43.50	2,290.00	1
Operator "A" License	\$	\$ 3,628	-	61.00	-	59.00	-	22.50	-	9.00	151.50	1
Admin Support Rep (N)	\$	\$ 21,058	-	990.00	-	90.00	-	14.50	-	-	1,094.50	1
TOTAL UNION	\$ 331	\$ 353,825	14.00	13,995.25	-	2,513.75	1.25	451.50	-	186.50	17,162.25	10

Non-Exempt Salary

Supvr Production	\$	\$ 504	17.00	1,874.00	-	269.00	-	-	-	-	2,160.00	1
Supvr Field Operations	\$	\$ 49,246	-	1,800.00	-	8.00	-	-	-	-	1,808.00	1
TOTAL SALARY	\$ 49,750	\$ 63,035	1,817.00	1,874.00	8.00	269.00	-	-	-	-	3,968.00	2
TOTAL COMPANY	\$ 50,080	\$ 416,860	1,831.00	15,869.25	8.00	2,782.75	1.25	451.50	-	186.50	21,130.25	12

Total
Capitalization %

O & M

Per Books

Accruals

PA American Water - Coatesville WW
 PAYROLL STUDY
 Proforma 12/31/08 (plus 6 Mths wage increase)

Job Title	Proforma Wage Rate	TEST YEAR WAGES		REGULAR HOURS		1.5 x HOURS		2 x HOURS		TOTAL HOURS	FULL TIME EMPLOYEE COUNT
		CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M		
Operator "B" License	22.34	\$ 156	\$ 49,056	7.00	2,073.00	-	37.25	-	33.50	2,150.75	1
Laboratory Technician	20.63	\$ -	\$ 43,266	-	2,080.00	-	11.50	-	-	2,091.50	1
Operator "C" License	22.31	\$ -	\$ 49,425	-	2,080.00	-	28.25	-	46.50	2,154.75	1
Operator "C" License	22.22	\$ -	\$ 47,301	-	2,080.00	-	32.50	-	-	2,112.50	1
Operator "C" License	22.29	\$ 198	\$ 49,166	7.00	2,073.00	1.25	44.50	-	33.00	2,158.75	1
Collection System Specialist	21.12	\$ -	\$ 48,618	-	2,080.00	-	128.00	-	15.00	2,223.00	1
Collection Syst Spec Assist	20.95	\$ -	\$ 45,367	-	2,080.00	-	49.00	-	6.00	2,135.00	1
Collection Syst Spec Assist	20.90	\$ -	\$ 47,908	-	2,080.00	-	83.50	-	43.50	2,207.00	1
Collection System Specialist Asst	18.40	\$ 55	\$ 38,217	3.00	2,077.00	-	-	-	-	2,080.00	1
Collection System Specialist Asst	18.40	\$ 55	\$ 38,217	3.00	2,077.00	-	-	-	-	2,080.00	1
TOTAL UNION		\$ 465	\$ 456,541	20.00	20,780.00	1.25	414.50	-	177.50	21,393.25	10.0

Non-Exempt Salary

Supvr Production	\$	526	\$ 66,263	16.37	2,063.63	-	-	-	-	2,080.00	1
Supvr Field Operations	\$	61,868	\$ -	2,080.00	-	-	-	-	-	2,080.00	1
TOTAL SALARY	\$	62,393	\$ 66,263	2,096.37	2,063.63	-	-	-	-	4,160.00	2
TOTAL COMPANY	\$	62,858	\$ 522,804	2,116.37	22,843.63	1.25	414.50	-	177.50	25,553.25	12

Total \$ 585,662

Capitalization % 10.73%

PA American Water - Coatesville WW
 TEST YEAR AND PROPOSED WAGES
 Actual Year: December 31, 2007

BIU	Hire Date	Job Title	Location	12/31/2007 Current Rate	Annual Salary	H/S	Rate 3/23/2008	Annual 2008	Rate 3/23/2009	Annual 2009	DCP %
Hourly											
246708	5/9/1988	Operator "B" License	COATWWW-Treatment	21.37	44,450	H	21.85	45,448	22.34	46,467	5.25
246708	6/4/2007	Laboratory Technician	COATWWW-Treatment	18.03	37,502	H	19.33	40,206	20.63	42,910	5.25
246708	1/21/1977	Operator "C" License	COATWWW-Treatment	21.15	43,992	H	21.76	45,261	22.31	46,405	5.25
246708	6/21/1971	Operator "C" License	COATWWW-Treatment	20.95	43,576	H	21.59	44,907	22.22	46,218	5.25
246708	9/20/1999	Operator "C" License	COATWWW-Treatment	20.59	42,827	H	21.44	44,595	22.29	46,363	5.25
246709	5/30/1995	Collection System Specialist	COATWWW-Sewer Field Services	20.20	42,016	H	20.65	42,952	21.12	43,930	5.25
246709	10/25/1993	Collection Syst Spec Assist	COATWWW-Sewer Field Services	19.61	40,789	H	20.28	42,182	20.95	43,576	5.25
246709	9/9/1996	Collection Syst Spec Assist	COATWWW-Sewer Field Services	19.52	40,602	H	20.21	42,037	20.90	43,472	5.25

Salary	Increase	%	Increase	%					
246708	3/16/2000	Supvr Production	30.88	64,220	4.00%	32.11	66,789	4.00%	0.0%
246709	10/16/1995	Supvr Field Operations	27.50	57,200	4.00%	28.60	59,488	4.00%	0.0%
		COATWWW-Treatment				29.74	61,868		
		COATWWW-Sewer Field Services							

PENNSYLVANIA-AMERICAN WATER COMPANY

AND

EMPLOYEES LOCAL 1821 A OF
AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES
DISTRICT COUNCIL 88 AFL-CIO

Coatesville

AGREEMENT

MARCH 23, 2006 THROUGH MARCH 22, 2011

PENNSYLVANIA-AMERICAN WATER COMPANY

AND

EMPLOYEES LOCAL 1821 A OF
AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES
DISTRICT COUNCIL 88 AFL-CIO

AGREEMENT

RECOGNITION

Whereas, the Employees Local 1821 A of District Council 88 of the American Federation of State, County and Municipal Employees, AFL-CIO (hereinafter "Union") have engaged in collective bargaining sessions;

Whereas, the negotiations have resulted in agreement with respect to wages and other conditions of employment; and

Whereas, the terms of said agreement provided that the parties hereto would enter into a consolidated agreement containing all the terms of employment of the employees of who are represented by the Union:

Now, therefore, the parties hereto set forth the following terms which constitute their consolidated agreement:

ARTICLE I. MANAGEMENT RIGHTS

Except to the extent expressly abridged by a specific provision of this Agreement, PAWC reserves and retains solely and exclusively, all of its rights to manage its business.

The sole and exclusive rights of PAWC which are not abridged by this Agreement shall include, but are not limited to, its right to establish or continue policies, practices and procedures for the conduct of its business and from time to time to change or abolish such policies, practices or procedures; to determine and from time to time re-determine the number, location and types of its operations, and the methods and processes to be employed; to discontinue processes or operations in whole or in part; to transfer, sell or otherwise dispose of its business in whole or part; to determine and from time to time re-determine the number of hours per day or per week operations shall be carried on; to select and to determine and from time to time re-determine the number and classifications of employees required; to determine and from time to time re-determine the work to be assigned to such employees; to subcontract work to establish and change work schedules and assignments; to transfer, promote, or demote employees, or to lay off, terminate, or otherwise relieve employees from duty for lack of work or other legitimate reasons; to make and enforce reasonable rules for the maintenance of discipline and protection of life and property; to suspend, discharge or otherwise discipline employees for just cause; and otherwise to take such measures as PAWC may determine to be necessary for the orderly and economical operations of its business.

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ARTICLE II. PURPOSE

It is recognized by the parties hereto that PAWC is engaged in furnishing an essential public service which vitally affects the health, safety, comfort and general well being of a large number of people in communities furnished with water and/or sewer service by PAWC. The responsibility of uninterrupted service to the public is a mutual responsibility of employees and management, which requires that any disputes arising between employees and management be settled in an orderly way without interruption of water and/or sewer service, and both parties to this Agreement hereby recognize this mutual responsibility.

ARTICLE III. CONTRACT TERM

The term of this Contract shall be for five (5) years, effective March 23, 2006, and ending March 22, 2011.

ARTICLE IV. WAGES

Section 4.1. Effective March 23, 2006, the base rate of pay all employees in the bargaining are as indicated in the following table.

Position	Current Hourly Rate as of 3/22/06	3/23/06	3/23/07	3/23/08	3/23/09	3/23/10
Distribution Crew Member	\$15.73	\$17.73	\$18.45	\$19.17	\$19.89	\$20.58
Distribution Crew Member	\$17.35	\$18.00	\$18.65	\$19.30	\$19.94	\$20.58
Distribution Crew Member	\$17.54	\$18.15	\$18.76	\$19.37	\$19.98	\$20.58
Distribution Crew Member	\$18.41	\$18.82	\$19.25	\$19.68	\$20.12	\$20.58
Laborer	\$16.73	\$17.11	\$17.49	\$17.89	\$18.29	\$18.70
Water Treatment Operator	\$19.98	\$20.90	\$21.81	\$22.72	\$23.63	\$24.54
Water Treatment Operator	\$20.44	\$21.34	\$22.23	\$23.12	\$24.00	\$24.54
Water Treatment Operator	\$21.72	\$22.30	\$22.88	\$23.44	\$24.00	\$24.54
Water Treatment Operator	\$21.91	\$22.44	\$22.95	\$23.48	\$24.00	\$24.54
Water Treatment Operator	\$21.96	\$22.45	\$22.96	\$23.48	\$24.00	\$24.54
Maintenance/Relief Opr.	New Position	\$22.50	\$23.01	\$23.52	\$24.05	\$24.59
Waste Water Operator	\$18.73	\$19.72	\$20.59	\$21.44	\$22.29	\$22.85
Waste Water Operator	\$19.67	\$20.31	\$20.95	\$21.59	\$22.22	\$22.85
Waste Water Operator	\$19.99	\$20.57	\$21.15	\$21.73	\$22.31	\$22.85
Waste Water Operator	\$20.44	\$20.90	\$21.37	\$21.85	\$22.34	\$22.85
Laboratory Technician	\$18.93	\$19.73	\$20.53	\$21.33	\$22.13	\$22.85
Meter Reader	\$15.73	\$16.08	\$16.44	\$16.81	\$18.28	\$18.69
Collections Syst Specialist	\$19.32	\$19.75	\$20.20	\$20.65	\$21.12	\$21.59
Collection Syst. Assistant	\$18.27	\$18.94	\$19.61	\$20.28	\$20.95	\$21.59
Collection Syst. Assistant	\$18.13	\$18.83	\$19.52	\$20.21	\$20.90	\$21.59

Section 4.2. Reduced Hire Rate Effective March 23, 2006, the following wage progression will be in effect.

- 4.2.a. During the first year of service, pay will be \$2.50 less than full rate.
- 4.2.b. During the second year of service, pay will be \$2.00 less than full rate.
- 4.2.c. During the third year of service, pay will be \$1.50 less than full rate.
- 4.2.d. During the fourth year of service, pay will be \$1.00 less than full rate.
- 4.2.e. At the fifth year of service pay will be the full rate.

Section 4.3 – Pay for Operator Certification
Effective March 23, 2006 any employee who obtains and maintains a State Certification that is applicable to their current job classification will be paid an additional twenty-five cents (\$0.25) per hour or until full rate has been achieved.

ARTICLE V. VACATIONS

Section 5.1. Earning of Vacation. Employees shall earn vacation according to their seniority determined as of the date of an employee's employment (date of most recent hire). Those employees leaving before the end of the year shall receive vacation pay prorated from the date of the most recent hire. Preference for scheduled vacation will be given according to seniority within the department. The maximum number of employees on vacation at any one time shall be at the sole discretion of PAWC. Each week of eligible vacation pay shall be computed on the basis of the applicable employee's normal workweek. Employees who have earned two (2) weeks of vacation are eligible to use one (1) week in full day increments. Employees who have earned three (3) or more weeks of vacation are eligible to use two (2) of those weeks in full day increments. Requests for more than three (3) days vacation shall be submitted to PAWC at least two (2) weeks in advance of the date the vacation is planned to begin.

Section 5.2 - Vacation Year
The vacation year shall, in all cases, be the calendar year beginning January 1 and ending December 31. No vacation may be taken until earned.

Section 5.3 – One Week Vacation
Each employee with one (1) year but less than two (2) years of continuous service in any vacation year shall be entitled to one (1) week's vacation with pay each vacation year.

Section 5.4 – Two Weeks Vacation
Each employee who, within any calendar year, will have completed two (2) or more continuous years in the service of the Company shall be entitled to a vacation of two (2) weeks.

Section 5.5 – Three Weeks Vacation
Each employee who, within any calendar year, will have completed five (5) or more continuous years in the service of the Company shall be entitled to a vacation of three (3) weeks.

Section 5.6 – Four Weeks Vacation
Each employee who, within any calendar year, will have completed ten (10) or more continuous years in the service of the Company shall be entitled to a vacation of four (4) weeks.

Section 5.7 – Five Weeks Vacation
Each employee who, within any calendar year, will have completed fifteen (15) or more continuous years in the service of the Company shall be entitled to a vacation of five (5) weeks.

Section 5.8 – Vacation Pay

For each full week of vacation to which an employee is entitled, he/she shall be paid an amount equal to forty (40) times his/her hourly rate in effect at the time he/she goes on vacation.

Section 5.9 – Vacation Pay of less than one (1) week

For vacations of less than one (1) week, the employee shall be paid for each day of such vacation an amount equal to eight (8) times his/her hourly rate in effect at the time he/she goes on vacation.

Section 5.10 – Vacation Scheduling

Promptly by April 30th after January 1 of each calendar year, each eligible employee shall be requested to specify the full week vacation period the employee desires. Vacations will, so far as possible, be granted at times most desired by employees (Seniority will be given preference as to Choice), but the final right to allot vacation periods, and the right to change such allotments, is exclusively reserved to the Company in order to insure the orderly operation of the business.

Section 5.11 – Vacation Carry Over

Beginning 2007, one week of vacation may be carried over subject to approval by supervisor, and must be used no later than April 30th of the following year.

Section 5.12. Payment of Vacation Upon Separation of Employment. Upon separation from employment, the employee will be paid any pro rata share of vacation that he/she has earned and has not taken. This value will be calculated from the original date of employment and the entitlement will be calculated by subtracting the vacation used by the employee from the total amount of vacation earned (including reimbursement as provided in this section).

ARTICLE VI. SICK LEAVE

Section 6.1. Sick Leave Defined. Each PAWC employee is eligible for fourteen (14) working days of sick leave with pay for each calendar year. Sick leave unused during the previous twelve (12) months shall be added to the employee's accumulated unused sick leave. Sick days shall be prorated at the rate of 1.166 day per month during the first and final year of employment.

Section 6.2. Doctor's Excuse Required. After an absence of three (3) consecutive days, an employee shall be required, upon request from PAWC, to present a doctor's excuse for the sick leave taken. A doctor's excuse shall contain a return to work date. If an employee has shown a pattern of taking a sick day immediately before or immediately after a holiday the employee will be given prior notice that PAWC will require a doctor's excuse. If in the future the employee continues with this pattern a doctor's excuse will be required in order to be paid for the holiday. Also, if an employee has established a pattern of abusing sick time, the employee may be required to furnish a doctor's excuse after one day's absence for sick leave. The employee shall be notified in advance that an excuse shall be required for all sick leave used for the next four (4) months.

Section 6.3. Accumulation of Sick Leave. Unused sick leave may be accumulated up to a maximum of eighty (80) days.

ARTICLE VII. SENIORITY

Section 7.1. Seniority Defined. Seniority shall be understood as length of uninterrupted service with PAWC from the date of most recent hire. Seniority will be based on Original Hire Date for the purposes of governing the scheduling of vacations, upgrades (if employees are equal

in all other respects), choice of shifts (other than normal rotation), availability of voluntary overtime and layoffs Uninterrupted service shall mean periods of service outside of PAWC's employment for no more than thirty (30) days.

Section 7.2.1. Extension of Work Day. PAWC may require any employee to extend his working day by up to eight (8) hours of overtime.

Section 7.2.2. Prior Notice of Overtime. If PAWC has at least eight (8) hours notice that a replacement is required for a full shift, for which coverage is desired, PAWC shall call first upon employees from a rotating list of those qualified and available on a voluntary basis

Section 7.2.3. Intent of Section. The intent of this section is to assure PAWC of qualified and available workers at all times with preference for those qualified and available and to distribute such overtime on a rotating voluntary basis subject to qualifications and availability and providing for mandatory overtime by the lowest in seniority when required.

Section 7.3. Layoffs by Seniority. In the event layoffs shall become necessary, such layoffs, including temporary layoffs, shall be made on the basis of seniority among employees of a certain department. However, a laid off employee shall be permitted to exercise his seniority rights to bump within the employee's existing department. If unable to bump within the existing department, the employees may bump into former departments served in reverse chronological order of service. Incomplete probationary time shall not count toward seniority in a department. The bumping employee has a thirty (30) day trial period to perform the job satisfactorily.

Section 7.4. Recall from Layoff by Seniority. Employees shall be recalled from layoff according to their seniority as long as they possess the required skills, ability and certification for the recalled position. No new employees shall be hired until all employees on layoff status desiring to return to work and possessing the required skills, ability and certification to perform the job have been recalled. Employees shall be on recall list for a period of eighteen (18) months, or the length of the contract, whichever is longer.

ARTICLE VIII. PERSONAL DAYS

Each employee shall receive five (5) personal days to be used at the discretion of the employee, provided said employee provides PAWC with at least twenty-four (24) hours advance notice. For purposes of this provision, notice to the employee's supervisor shall be sufficient notice. Personal days shall be prorated during the first and final year of employment.

ARTICLE IX. WORK WEEK, OVERTIME AND HOLIDAY PREMIUM PAY/ SHIFT DIFFERENTIAL

Section 9.1. Scheduling Work Hours. PAWC retains the right to schedule hours of work. However, with the exception of employees engaged in continuous operations or regularly working at least part of the work week, more than eight (8) hours per day or more than five (5) work days of each seven (7) day calendar week. Days off shall consist of at least two (2) consecutive days in the work week.

Section 9.2. Work Day Defined. The work day shall consist of any 24 hours in a pre-established work schedule beginning with the scheduled reporting time from the employee's shift.

Section 9.3. Work Shift Defined. The work shift shall consist of eight (8) work hours within a pre-established work schedule or other pre-established schedules that may now exist.

Section 9.4. Regular Work Hours. The regular hours of work for any shift shall be consecutive except that they may be interrupted by a meal period.

Section 9.5. Posting of Work Schedules. Work schedules showing the employees' shifts, workdays, and hours shall be posted and made available to employees. Absent emergency situations, schedules shall be posted fourteen (14) days in advance.

Section 9.6. Changes of Time. Except for emergency situations, changes of starting or finishing time or other schedule changes shall not be implemented without first discussing changes with the Union.

Section 9.7. Leaving Assigned Job. Notwithstanding the above, no employee will leave his assigned job unless properly relieved by qualified personnel. In addition, no employee will be required to work more than a double shift in any one (1) day, except under emergency conditions. Under such circumstances the employee will be entitled, where capable, of completing his regular scheduled workweek. In the event that his situation arises, PAWC shall attempt to replace the employee with another employee. If PAWC cannot find an employee who will volunteer to work, the employer will require the least senior qualified employee to work

Section 9.8. Unpaid Lunch Period. Any employee who normally receives an unpaid lunch period under the above provision and who is required to stay on duty during the normal daily shift and perform the job, shall be paid for this time at the appropriate rate.

Section 9.9. Paid Meal Period Beyond Normal Shift. In the event that any employee is required to work an additional three and one-half (3-1/2) hours beyond his normal shift, the employee, when operational needs permit, shall receive a one-half hour paid meal period between his regular shift and the additional hours.

Section 9.10. Time and One-Half. All hours over eight (8) hours a day shall be at time and one-half.

Section 9.11. Hours Over Forty. All hours over forty (40) hours in any one week shall be at time and one half.

Section 9.12. Work Day Defined. Any work performed by an employee on their first regularly scheduled day off shall be paid at time and a half and work performed on the employee's second regularly scheduled day off shall be paid at double time unless there has been a change in schedule at the request of the employee.

Section 9.13. Holiday Pay. Any work performed by an employee on holidays shall be at the triple time, unless there has been a change in schedule at the request of the employee.

Section 9.14. No Duplication or Pyramiding of Overtime. Overtime payment shall not be duplicated or pyramided for the same hours worked, and to the extent that hours are compensated for by overtime rates under one provision of the Agreement, they shall not be counted as hours worked in determining overtime payments under the same or any other provision of the Agreement. Only one premium pay shall be paid for any period of overtime. In cases where two (2) premium pays may be applicable, the highest premium pay shall be the only premium pay paid for that day or those hours worked.

Section 9.15. Shift Assignments by Seniority. Shift assignments shall be by seniority.

Section 9.16. Minimum Call Out Time. A minimum of ~~two~~ ^{three W} (3) hours shall be paid at the appropriate rate of pay if called out for overtime while off duty; but no minimum shall apply if the overtime is an extension of a regular tour of duty. For purposes of this provision, once an employee has punched the time clock to end the work duty for the day, any call back of that

three WF

employee for extended duty shall result in a minimum of ~~two~~ (3) hours pay. However, previously scheduled overtime within two (2) hours of the employee's regular shift start time, that is arranged prior to the end of the previous day's shift, shall not be considered "call out," but will be paid at the regular 1-1/2 overtime rate. Management agrees not to abuse previously scheduled overtime.

Section 9.17. Voluntary Overtime. Voluntary overtime shall be offered on a continuously rotating basis beginning with the most senior personnel at the top of the list.

9.17.a In the event there are insufficient volunteers, overtime shall be assigned by seniority. All employees, including those who do not desire voluntary overtime, are expected to be available for mandatory or unscheduled overtime associated with general overtime call-outs. An employee will be considered available if the Employer has been notified of the employee's whereabouts. (i.e, a telephone number where the employee can be reached.

9.17.b. While it is understood that employees are required to be available for mandatory or unscheduled overtime associated with general overtime call-outs, an employee who is unavailable for such call-outs will not be disciplined in a manner that is Arbitrary or Capricious.

9.17.c It's recognized the Network and Collections department needs a reliable list of candidates for call-out overtime that may or may not occur. The Employer shall seek volunteers for the performance of the overtime work on a weekly basis by seniority starting on the first working day of the week. In the event no one volunteers to take call for the week, the employer shall have the right to assign such work on a non-volunteer basis, starting with the least senior employee. Each time thereafter, using the same seniority process, if no one volunteers to take call, the next least senior person will be assigned and continue on an inverse rotating manner. This process is to enable supervisors to assign mandatory overtime to all employees in these departments

Section 9.18. Shift Differential There shall be a Shift differential of \$0.15 for 2nd and 3rd Shifts.

ARTICLE X. SYMPATHY LEAVE

In the event of the death of a spouse, child, step-child, grandchild, parent, step-parent, mother-in-law or father-in-law, grandparent, brother or sister, step-sibling of a full-time employee, such employee shall be granted a leave of absence not to exceed three (3) days, with full pay. In order to be granted sympathy leave, the employee shall not otherwise be scheduled off. In the event an employee is already scheduled off for another reason, sympathy leave shall not be granted.

ARTICLE XI. PAY PERIOD

The pay period will begin on Monday and end on Sunday.

ARTICLE XII. LIFE INSURANCE

Group Life Insurance will be provided by Pennsylvania-American Water Company in accordance with the American Water System policy.

ARTICLE XIII. HEALTH BENEFITS

Section 13.1. Group health, medical, hospitalization, dental and prescription benefits will be provided by Pennsylvania-American Water Company in accordance with the agreement between American Water Works Company, Inc. and all participating unions and shall apply to all eligible employees.

Section 13.2. Disability Insurance. (a) Short Term Disability: PAWC shall provide a short term disability benefit of 2/3 of the employee's pay to a maximum of \$500 per week for 26 weeks in accordance with the terms set forth by the plan administrator of the policy. While on Short Term Disability, the employee shall not collect both disability pay and accumulated sick leave pay in accordance with the Short Term Disability policy. Short Term Disability shall become effective on the 15th calendar day of an absence, due to illness or accident.

(b) This benefit is offered in lieu of the American Water Works Company, Inc., Short Term Disability Plan.

ARTICLE XIV. HOLIDAYS

All employees covered by this Agreement shall be entitled to eight (8) paid holidays per year as follows: New Year's Day, Rev. Martin Luther King Jr.'s Birthday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving and Christmas Day.

All Shift employees will observe Holidays as they fall within the Calendar Year.

ARTICLE XV. PENSION BENEFITS

Pension benefits will be provided by American Water Works Inc., for all eligible employees in accordance with the agreement between American Water Works Company, Inc. and all participating unions.

ARTICLE XVI. 401(k) SAVINGS PLAN

The American System 401(k) Savings Plan will be provided by Pennsylvania-American Water Company in accordance with the agreement between American Water Works Company, Inc. and all participating unions.

ARTICLE XVII. JOB SAFETY

PAWC agrees to assure the health and safety of all employees in accordance with local, state, and federal laws applicable to local municipalities. A safety committee composed of PAWC's safety coordinator, the supervisor of the applicable department and the shop steward of the applicable area or department shall be established to make a semiannual safety survey and make recommendations with respect to any problems which may arise.

ARTICLE XVIII. UNION ACTIVITY

Section 18.1. Union Recognition. PAWC recognizes the Union as the exclusive collective bargaining agency for all employees of PAWC covered by this agreement. The Union shop steward for the affected operations area may interview individual members during working hours for the purpose of investigating grievances provided that such activities do not interfere with operations. Permission shall be obtained from the PAWC supervisor of the operations facility or department in question when access to that facility or department is requested or leaving work from that facility. Permission shall not be unreasonably denied by PAWC.

Section 18.2. Dues. PAWC agrees to deduct the Union membership dues, fees and assessments once a month from the pay of those employees who individually request in writing that such deductions be made. The amount to be deducted shall be certified to PAWC by the Union and the aggregate deductions of all affected employees shall be remitted together with an itemized statement to the Union by the fifteenth (15th) day of the succeeding month after such deductions are made.

This authorization shall be irrevocable during the term of this Agreement unless the employee exercises the right to withdraw Union membership during the last fifteen (15) days prior to the expiration date of this Agreement. The employee's authorization shall be on a Union dues deduction card.

Section 18.3. Union Security. Any employee who, on the effective date of this Agreement, is a member of the Union and each employee who becomes a member after that date, must remain a member for the duration of this Agreement with the provision that any such employee may resign from the Union during a period of fifteen (15) days prior to the expiration date of this Agreement. The payment of dues and assessments while a member shall be the only requisite employment condition.

Section 18.4. Bulletin Boards. The Union shall have full access to a bulletin board at permanent work locations for the purpose of posting useful information for people within the Union.

Section 18.5. Access to Employer's Premises. Full time Union representatives shall be granted access to the facilities of PAWC to investigate, discuss or process grievances and for the purpose of bargaining. The Manager shall be informed whenever such representatives intend to present. No Union business shall be conducted on PAWC time or PAWC property.

Section 18.6. Union Membership. PAWC has agreed not to interfere with the rights of employees to become members of the Union, and there shall be no discrimination, interference, restraint or coercion by PAWC or any PAWC representative against any employee because of Union membership or because of any employee activity in an official capacity on behalf of the Union or for any other cause related to Union activity.

Section 18.7. Strikes, Lockouts. The Union agrees that during the term of this Agreement, neither the Union nor its agents, nor its members will authorize, instigate, aid, condone or engage in a work stoppage or strike. PAWC agrees that during the same period there shall be no lockouts.

Section 18.8. Fair Share Fee. After a fourteen (14) day written notice from the Union, PAWC agrees to deduct a fair share fee from all employees in the bargaining unit who are not members of the Union. Authorization from non-members to deduct fair share fees shall not be required. The amounts to be deducted shall be certified to PAWC by the Union, and the

aggregate deductions of all employees shall be remitted together with an itemized statement to the Union by the fifteenth (15th) day of the succeeding month after such deductions are made.

Upon request, PAWC shall provide the Union a list of all bargaining unit employees. This list shall contain the employee's name, social security number, address and whether the employee is a member or non-member of the Union.

The Union shall indemnify PAWC and hold PAWC harmless against any and all claims, suits, orders or judgments arising from this provision or, brought or issued against PAWC as a result of actions under the provisions of this Article.

ARTICLE XIX. WORKERS COMPENSATION

An employee who is temporarily disabled as a result of injury by an accident in the course of his employment, as defined in the Pennsylvania Workers' Compensation Act shall receive full pay for the first month of his disability, without charge against annual sick leave, less the amount of any Workers' Compensation payments payable during such period. After the first month of work related illness or injury, the disabled employee will receive only what the Workers' Compensation Carrier provides equivalent to 2/3 regular wages.

ARTICLE XX. JOB ASSIGNMENTS

Section 20.1. Posting of Job Vacancies. All job vacancies shall be posted for fifteen (15) calendar days to afford the employees an opportunity to apply for vacant positions that are posted.

Section 20.2. Consideration of Employees for Vacancies. Before any employees are hired for vacancies, employees of PAWC shall be considered for such vacancies, on the basis of skill, ability and seniority. Where skill and ability are equal, then seniority will govern. Notice for job vacancies shall be posted on all Union bulletin boards for fifteen (15) calendar days. Within that time, interested employees shall apply to their supervisors for each vacancy. PAWC may grant a trial period to any such employee which trial period shall not exceed ninety (90) calendar days. The employee shall be paid at the rate for the new job during the trial period. An employee who does not perform satisfactorily, or is not satisfied with the position, and returns to his or her former job, shall be paid at the rate of his or her former job. Any employee who returns to his or her former job either because of dissatisfaction with the new position or unsatisfactory performance may not post for another job for six (6) months after returning to the original position. PAWC shall be the sole judge of what constitutes satisfactory performance in the new job under this Agreement.

Section 20.3. Temporary Employees. PAWC may hire temporary employees and use volunteers and other special programs as long as there are no layoffs or reduction of hours in a workweek or harmful effect on the bargaining unit as a direct result thereof, and, provided further, that such temporary employees would not come within the provisions of this Collective Bargaining Agreement. Supervisors will be responsible for the supervision of such temporary employees. Prior to implementing any special program utilizing volunteers, PAWC shall meet and discuss with the Union.

ARTICLE XXI. EMPLOYMENT SECURITY

PAWC agrees that no regular employee shall be laid off or a vacancy in a regular job classification allowed to exist as a result of maintenance and operation work, coming under the jurisdiction of this Agreement, being done by outside contractors. Provided, however, that his

Section shall be inoperative if, in any emergency, PAWC makes a bona fide effort to call its employees to work and cannot reach them. The information contained herein shall not prevent CCA from:

- A. Engaging outside contractors to perform such work in the event of emergency;
- B. Engaging outside contractors to perform such work when PAWC's employees are not available to do it; or cannot complete it within PAWC's time requirements;
- C. Engaging outside contractors to perform any work which, in judgment of PAWC, PAWC has no employees qualified to perform.

ARTICLE XXII. GRIEVANCE AND ARBITRATION PROCEDURE

Section 22.1. Definition. A grievance is a dispute raised by an employee, employees or employer, and filed by the employee, employees, or employer, involving the interpretation or application of the express terms of this Agreement and conditions of employment. The parties shall make every reasonable effort to resolve grievances at each step of the process outlined in this Article. There shall be no suspension of work on account of any grievance by an employee, and no employee shall leave work to discuss a grievance matter without notifying his immediate supervisor. The employee and the Union shop steward shall have reasonable time to investigate and present grievances during working hours.

Section 22.2. Sequence. Not later than ten (10) days after the incident or occurrence prompting the grievance, the employee having the grievance shall discuss the matter verbally at a meeting with the employee's supervisor, and where the shop steward or local Union official shall be in attendance unless the employee determines at that time that the presence of the shop steward or local Union official is not necessary. If the grievance is not resolved within ten (10) days of this initial discussion then the written grievance must be submitted in the following sequence:

- (a) To the department supervisor
- (b) To the Manager
- (c) To the Arbitrator

Section 22.3. Form of Appeal and Representation. A grievance must be presented in writing and dated at each step. The grievance shall be explained clearly and it must cite the contract provision allegedly violated, the relief sought and other pertinent details. The grievance shall be signed by the employee or a local Union official. The employee shall be entitled to representation of his/her choosing in processing a grievance. The employer shall have no legal obligation to pay for the employee's lawyer or other professional representation.

Section 22.4. Decisions and Time Limits. Informal hearings shall be held at Steps (a) and (b); these hearings shall be scheduled within five (5) days. A decision shall be made within five (5) days of the hearing at Step (a) and within fifteen (15) days at Step (b). Failure to receive a decision within these time limits shall entitle the employee to appeal to the next step. If a grievance is not appealed to the next step within fifteen (15) days of a decision, it shall be considered settled on the basis of PAWC's last answer. The time limit in each step may be extended in writing by mutual consent of the parties involved at any step. As used herein, "days" shall mean workdays of Monday through Friday, exclusive of holidays.

Section 22.5. Right to Mediation. After a grievance has been filed, prior to involving the arbitration procedure, either the employer or the Union shall have the right to utilize the PA Bureau of Mediation to attempt grievance resolution without prejudice to either party's right to arbitrate.

Section 22.6. Arbitration. If the grievance is not settled in accordance with the foregoing procedure, the employee may refer the grievance to arbitration within fifteen (15) working days after receipt of the answer to Step (b).

The arbitrator shall be a person mutually agreed upon of, if such a person cannot be agreed upon with twenty (20) days after submission of the request for arbitration, then the employee and Union and PAWC shall jointly request the American Arbitration Association to submit a list of seven (7) Arbitrators (who are members of the American Arbitration Association) to the parties. Each party shall alternatively strike a name until (1) name remains and that person shall be the Arbitrator. The employee (Union) shall strike the first name.

Section 22.7. Submission to Arbitrator. Only a grievance which has been prosecuted through the grievance procedure set forth in this Article may be submitted to an Arbitrator.

Section 22.8. Jurisdiction and Authority of Arbitrator. The jurisdiction of the Arbitrator shall be limited to determination of the facts and the interpretation and application of specific provisions of this Agreement at issue. The decision of the Arbitrator shall be based solely on his/her interpretation of the meaning or application of the express terms of this Agreement to the facts of the grievance presented. The Arbitrator shall be bound by the provisions of this Agreement and shall have to authority to suggest amendments, modifications, additions to or subtractions from the provisions of the Agreement, or to rule upon wage increases as set forth in the Agreement, or management prerogative. The Arbitrator shall consider and reach a decision only in the specific issue or issues submitted to him/her in writing by the parties, and shall have no authority to make his/her decision on any other issue not so submitted.

The Arbitrator shall submit his/her decision in writing within thirty (30) days following the close of the hearing or submission of briefs, whichever is later, unless the parties agree to an extension. The decision of the Arbitrator shall be binding upon both parties. All fees and expenses of the Arbitrator shall be divided equally between the parties except where one of the parties of this agreement requests a postponement of a previously scheduled arbitration meeting which results in a postponement charge. The postponing party shall pay such charge unless such postponement results in a settlement of the grievance in which event the postponement charge will be divided equally between the parties. A postponement charge resulting from a joint

postponement request shall be shared equally by the parties. Each party shall bear the costs of preparing and presenting its own case. Either party desiring a record of the proceedings shall pay for the record and make a copy available, without charge, to the arbitrator.

Section 22.9. Exclusive Remedy. The grievance and Arbitration procedure set forth in this Article shall be the exclusive remedy for the disposition of any claim, dispute or grievance relating to this Agreement or terms and conditions of employment against PAWC.

If the employee or the Union fails to initially present the grievance within the ten (10) working days of the occurrence, or to appeal in the foregoing steps of this grievance procedure to any further step, or to give notice of its intent to present the grievance to an Arbitrator and notify the American Arbitration Association with the time limits set forth above, the grievance shall be deemed closed and not subject to further discussion or appeal. However, the time limits may be extended to a date certain, but only if the parties mutually agree in writing.

ARTICLE XXIII. JURY DUTY

Employees required to perform jury duty or subpoenaed to attend court in an action to which they are not an interested party shall be granted leaves while attending court. Evidence of such duty in the form of subpoena or other written notification shall be presented to the employee's immediate supervisor as far in advance as practicable. The employee shall receive

the difference between the salary he/she would have received had he worked a normal week less what he receives for such jury duty or court appearance.

ARTICLE XXIV. NONDISCRIMINATION

There shall not be any discrimination against anyone covered by this Agreement because of race, color, creed, sex, religion, national origin, age, membership or non-membership in the Union.

ARTICLE XXV. SEPARATION

In addition to voluntary retirement, an employee may be separated from the service of PAWC by any of the following methods:

Section 25.1. Resignation. To resign in good standing any employee must give his division head or department head at least fourteen (14) calendar days prior notice.

Section 25.2. Quitting. An employee who fails to report to work for five (5) consecutive work days without authorized leave shall be separated from the payroll and reported as "quit."

Section 25.3. Separation After Disability. An employee has the right to return to the position held prior to the injury or disability provided the employee is capable of performing duties required for that position, and further, provided the employee returns to work within a period one year from the date of the injury or disability.

Section 25.3.1. Recurring Disability. If an employee returns to the position within one year from the date of injury or disability, but has a recurrence of the same injury or disability within six (6) months from the date of return to the position, for the purposes of determining the one year period, the date of disability will be that date of the original injury or disability.

Section 25.3.2. Right to Fill Vacancy. If an employee is terminated after one year due to injury or disability, the employee has the right to return to the position held before the injury or disability if a vacancy in that position occurs within two (2) years from the date of termination, and, further, provide the employee is capable of performing duties required for that position.

Section 25.4. Unpaid Leave of Absence. Leaves of absence for a period not to exceed six (6) months within one calendar year may be granted for any reasonable purpose, and such leaves may be extended or renewed. Any unpaid leave exceeding two (2) weeks shall not accrue seniority, paid leave or employee benefits. PAWC shall be the sole judge of what constitutes reasonable purpose under this section.

Section 25.4.1. Eligibility Requirements. Regular full-time employees shall be eligible for a Leave of Absence without pay after one (1) year of service with PAWC.

Section 25.4.2. Application of Leave. Any request for a Leave of Absence shall be submitted in writing by the employee to the Manager with a copy to the immediate supervisor. The request shall state the reason the Leave of Absence is being requested and length of time off the employee desires.

Section 25.4.3. Authorization. Authorization for a Leave of Absence shall be furnished in writing to the employee with a copy to his immediate supervisor and it shall be in writing.

Section 25.4.4. Return to Work. The decision as to whether an employee shall be returned to the position held at the time the Leave of Absence was requested shall be made after a meet and discuss between management and labor is held.

ARTICLE XXVI. DISCIPLINARY ACTIONS

Section 26.1. Dismissals. Dismissals are discharges or separations made for delinquency, misconduct, inefficiency, inability to perform the work of the position satisfactorily, or other reasons as provided in this Article XXV. To resign in good standing any employee must give his division head or department head at least fourteen (14) calendar days prior notice.

Section 26.2. Suspension. A supervisor may, for disciplinary purposes recommend suspensions without pay of an employee in his department for such length of time he considers appropriate. A written statement specifically setting forth reasons for such suspension shall be furnished to the affected employee by his/her department supervisor and a copy filed with the Manager who shall make all decisions on suspensions. An employee may be suspended by the Manager for a longer period, depending on the investigation or outcome of a hearing on the charges against the employee.

Section 26.3. Reasons for Disciplinary Action. PAWC has the right to establish and enforce rules to maintain discipline, order and productivity and to protect employees and property generally. PAWC has the right to enact reasonable work rules. PAWC has the right to maintain discipline and efficiency and may discharge, suspend or otherwise discipline any employee for proper cause.

Section 26.4. Grievance on Discipline or Dismissal. An employee shall have the right to file a grievance alleging that he has not be disciplined or discharged for proper cause. If the grievance is not filed within ten (10) calendar days from the date of discharge for the imposition of discipline, then said discharge or discipline shall not be arbitrable. An employee grievance concerning discipline must be processed according to the terms of the grievance procedure set forth in this contract.

Section 26.5. Forms of Discipline. Disciplinary action or measures with just and proper causes shall include but are not limited to:

- Verbal Reprimand (with written notification of verbal reprimand to be given to employee and Union, with a copy in the employee file)
- Written Reprimand
- Suspension
- Discharge

The above forms of discipline are a list of the types of discipline and shall not be construed as a set procedure of progressive discipline which must be followed in every disciplinary action.

Written notice of all disciplinary actions shall include both the reason for the discipline and the date and shall be filed with the Union and District Council 88.

Section 26.6. Purging of Employee Records. After two (2) years of good conduct, an employee's record shall be purged of any disciplinary entries other than two years.

ARTICLE XXVII. MISCELLANEOUS PROVISIONS

Section 27.1. Military Leave. PAWC agrees to follow all applicable federal or state laws with respect to compensations of employees on military leave with the PA National Guard or the military reserve.

Section 27.2. Training. PAWC shall pay for tuition and mileage upon successful completion of any course of instruction mandated or authorized by PAWC subject to the prior approval of the course by the Executive Director. In the event that more employees desire to attend a course than PAWC shall authorize, PAWC supervisors shall authorize the employees who shall attend such courses according to who signed up first unless there is a need to have an employee in a particular job classification attend such course. Correspondence courses are generally reimbursed under this provision if they are approved in advance by the supervisor and deemed by management to be directed related to employee's job. PAWC will reimburse the employee for such courses when the employee provides proof of payment and successful completion of course.

Section 27.3 PAWC Training Election. PAWC may elect to enroll an employee in a seminar or training program when Management deems it of value to PAWC or it is a state or federal requirement. Under these circumstances PAWC will pay the full cost of registration, materials, books, travel, lodging and meals. PAWC will pay the employee no more than eight (8) hours and at his/her regular base rate while attending seminars and training programs occurring during normal work hours. Enrollment will not interfere with previously scheduled vacation time or regular days off without appropriate compensation.

Section 27.4. Equipment. All employees shall be furnished basic equipment consisting of knee high work boots, apparel, rain suit and hat, work glove, safety glasses, safety hat and liner, uniforms and jackets. Equipment will be replaced as needed, with the employee's supervisor determining need, and upon return of worn or damaged items.

Section 27.5. Required Uniforms. All operations employees, in positions provided under the Collective Bargaining Agreement shall wear PAWC issued uniforms and ANSI approved boots at all times during work hours. Operations employees shall be in uniform at the start of his/her workday and shall remain in full uniform until he/she has clocked out at the end of the his/her work shift.

Section 27.6. Benefits Pro-rated. Vacation time and personal time accrued since January 1st of the year in which death or termination occurs shall be paid on a prorated basis upon separation.

Section 27.7. Labor Management Committee. PAWC agrees that regular meetings between labor representatives and management conducted in a non-confrontational setting may be beneficial to PAWC. In that regard, a labor management committee shall be established to meet when necessary to discuss matters of mutual importance to PAWC and labor, or problems that arise in PAWC operations. Union input will be invited on issues that re discussed at the meetings. Special meetings may be called and agreed upon by both PAWC and the Union.

ARTICLE XXVIII. PROBATIONARY PERIODS

Section 28.1. Upgrade Probationary Return Period. An employee who is upgraded shall be able to return to his or her previous position within 90 calendar days of the upgrade. It is understood that a lock step downward transfer of employees may occur as a result and that a newly hired employee might have to be released. The Union agrees that such an occurrence shall not constitute a grievance.

Section 28.2. Probationary Period for New Employees. PAWC shall be entitled to a probation period of ninety (90) calendar days for all new employees. During such periods PAWC, in its sole discretion, may terminate such employees without recourse to the grievance and arbitration procedure. By written agreement between PAWC and the local Union or District Council 88 of AFSCME, the probationary period may be extended up to ninety (90) calendar days for a total of one hundred and eighty (180) calendar days.

ARTICLE XXIX. WORK RULES

Section 29.1. Notice of Work Rules. While PAWC retains unimpaired its right to adopt all reasonable work rules, notice of modification to existing rules and/or new rules which because of their nature, do not require immediate implementation will be provided to the Union prior to their becoming effective.

Section 29.2. Posting of Work Rules. Absent a need for immediate implementation, PAWC shall post the modification of existing work rules and/or new work rules pertaining to a department or job prior to the time when such rules shall become effective.

Section 29.3. Providing Work Rules to Employees. As existing work rules are reduced to writing pursuant to the first section of this Article, all employees shall receive a copy for work rules pertaining to his or her job. PAWC shall endeavor to inform all new employees of existing work rules which are not self-evident and have not yet been reduced to writing and new employees shall receive a copy of existing work rules pertaining to his or her job that have been reduced to writing.

Section 29.4. Compliance with Work Rules. All employees shall comply with all existing, modified or new work rules. Failure to comply with said rules shall be deemed grounds for discipline, suspension or discharge. Any employee who feels has been wrongfully discharged for failing to comply with any work rules shall have the right to file a grievance concerning the matter pursuant to the procedure set forth in this Agreement.

ARTICLE XXX. SUCCESSORS

If, during the term of this Agreement, PAWC should sell its business, acquire another business, or merge its business with another employer, under such circumstances that such new owner and operator of PAWC's business or the surviving business would be a legal successor to PAWC under the National Labor Relations Act, then in such event it is agreed that such successor employer shall assume the terms and conditions of this Agreement for the balance of its remaining term. PAWC shall, following sale, merger or discontinuance of its present business operation covered by the terms of this Agreement have no further responsibility or obligations arising out of or as a result of this Agreement except if it is the surviving operating entity.

ARTICLE XXXI. TRANSFERS WITHIN COATESVILLE DISTRICT

Coatesville District includes the following operational departments: Network (including water distribution and sewer collection) and Production (including the water plant and the wastewater plant). The Company reserves the right to temporarily transfer employees between operational departments. The transfers will last no longer than 30 days. If the transfer required additional time beyond 30 days due to an empty position, the company will post the vacant position.

ARTICLE XXXII. PAST PRACTICE

It is mutually understood by PAWC and the Union that no other past practices or prior understandings, other than those set forth in this Agreement, shall be the basis of any claim by the Union or an employee against PAWC.

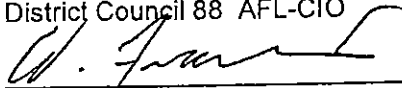
ARTICLE XXXIII. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties. Union Job Descriptions and includes all terms and conditions of employment including those existing prior to his contract, as amended by previous agreements and/or this Agreement.

ARTICLE XXXIV. FORMER AGREEMENTS

This Agreement represents the entire Agreement between the parties and there are no other Agreements except as set forth herein. This Agreement shall supersede all previous Agreements between the parties. No additional negotiations on this Agreement will be conducted on any item, whether contained herein or not, during the term of this Agreement. This provision does not exclude any item from negotiations for a subsequent contract.

American Federation of State,
County & Municipal Employees.
District Council 88 AFL-CIO

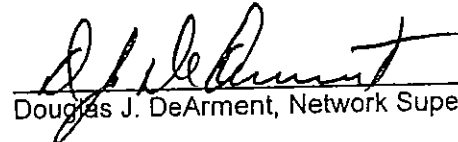


Walter Francis, Council Representative


Pennsylvania-American Water Co.



Jeff L. Chamberlain, Production Superintendent



Douglas J. DeArment, Network Superintendent



Susan L. Caruso, Manager Human Resources

Date

4-13-06

Date

4-26-06

ANNUAL INCENTIVE PLAN

PA American Water - Coatesville WW
 AIP Payouts
 Proforma 12/31/08

	2008	2007	2006	Average AIP Payout
Supvr Production	\$ 5,890	\$ 3,895	\$ 1,859	\$ 3,881
Supvr Field Operations	\$ 5,437	\$ 2,843	NA	\$ 4,140
				\$ 8,022
			Per Books AIP	\$ 6,354
			Adjustment	\$ 1,668

GROUP INSURANCE

FORM 392 - TOTAL

**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
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	77,650	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>

Employee Contributions

Employee	Single PPO (\$62/Month)	Family PPO (\$120/Month)	Opt Out (\$-100/Month)	Hire Date	Monthly 2008	Annual 2008
1	1		1	03/06/00	\$ 120.00	\$ 1,440.00
2			1	10/16/95	120.00	1,440.00
3			1	05/30/95	120.00	1,440.00
4			1	10/25/93	120.00	1,440.00
5			1	09/09/96	120.00	1,440.00
6		1		05/09/88	62.00	744.00
7		1		06/04/07	62.00	744.00
8		1		01/21/77	62.00	744.00
9		1		06/21/71	62.00	744.00
10		1		09/20/99	62.00	744.00
11		1		2008	62.00	744.00
12			1	2008	120.00	1,440.00
Total	6	6	6	0	\$ 1,092.00	\$ 13,104.00

401K & DEFINED CONTRIBUTION PLAN (DCP)

PA American Water - Coatesville WW
 PAYROLL STUDY
 PROFORMA 12/31/08

	Proforma Labor	Status	Rate	Defined Contribution Plan	Proforma DCP Expense	Emp Contrib %	Company 401K Contrib %	Proforma 401 K Expense
Operator "B" License	\$ 49,212	H	21.85	5.25%	\$ 2,584			
Laboratory Technician	43,266	H	18.83	5.25%	\$ 2,271			
Operator "C" License	49,425	H	21.73	5.25%	\$ 2,595			
Operator "C" License	47,301	H	21.59	5.25%	\$ 2,483			
Operator "C" License	49,364	H	21.44	5.25%	\$ 2,592			
Supvr Production	66,789	S	30.875	0%		1%	0.50%	\$ 334
Supvr Field Operations	61,868	S	28.654	0%		5%	2.50%	\$ 1,547
Collection System Specialist	48,618	H	20.65	5.25%	\$ 2,552			
Collection Syst Spec Assist	45,367	H	20.28	5.25%	\$ 2,382			
Collection Syst Spec Assist	47,908	H	20.21	5.25%	\$ 2,515			
Collection System Specialist Asst	38,272	H		5.25%	\$ 2,009			
Collection System Specialist Asst	38,272	H		5.25%	\$ 2,009			
	\$ 585,662							
					\$ 23,993			\$ 1,881
			Less Capitalized 10.73%		\$ (2,574)			\$ (202)
			Proforma Cost		\$ 21,419			\$ 1,679
			Per Books		\$ 16,568			\$ 1,560
			Adjustment		\$ 4,851			\$ 119

PURCHASE POWER

Pennsylvania-American Coatesville Wastewater Power Expense
 Test Year - Jan 2007 to Dec 2007

Base Year Costs:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PECO Energy	\$20,559	\$18,812	\$24,224	\$21,016	\$20,063	\$19,095	\$20,103	\$17,713	\$16,528	\$15,764	\$16,779	\$18,746	\$229,500
Strategic Energy	1,084	1,262	1,250	1,176	1,015	1,013	1,046	940	896	767	1,052	1,819	\$13,317
PPL Electric/Utilities	341	347	395	336	346	285	297	316	352	281	300	328	\$3,924
Total Base Year Costs	21,983	20,421	25,869	22,528	21,423	20,392	21,446	18,968	17,876	16,812	18,131	20,893	246,742

Proforma Adjustments to Base Year:

2067053045	281	281	281	281	281	268	197	211	235	218	66	0	2,580
Adjusted Base Year Costs	22,264	20,702	26,150	22,809	21,704	20,660	21,643	19,180	18,111	17,030	18,197	20,893	249,322
Proforma Power Expense	\$22,264	\$20,702	\$26,150	\$22,809	\$21,704	\$20,660	\$21,643	\$19,180	\$18,111	\$17,030	\$18,197	\$20,893	\$249,342

Test Year Power Expense
 Reclass Adjusted Test Year Power from Misc Oper Costs
 Total Test Year Power Costs

\$252,570
\$0
<u>\$252,570</u>

Proforma Adjustment

<u>(\$3,228)</u>

PA - Coatesville Wastewater 2007 Actual Power Bills
from Soursenel Iron System

Facility	Provider	Account Number	January	February	March	April	May	June	July	August	September	October	November	December	Grand Total	
PAAWC - Branford Blvd Lift Station No. 1	PECO ENERGY	1411601109	\$ 5	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 8	\$ 9	\$ 9	\$ 8	\$ 9	\$ 105
PAAWC - Branford Blvd Lift Station No. 1	PECO ENERGY	4504801703	\$ 653	\$ 625	\$ 680	\$ 638	\$ 551	\$ 601	\$ 566	\$ 500	\$ 653	\$ 579	\$ 594	\$ 594	\$ 625	\$ 7,244
PAAWC - Brinton Lift Station #1	PECO ENERGY	5142400504	\$ 329	\$ 346	\$ 327	\$ 330	\$ 178	\$ 158	\$ 144	\$ 163	\$ 144	\$ 137	\$ 216	\$ 216	\$ 235	\$ 2,766
PAAWC - West Sadsbury Site RT30 & 10 Hwy	PECO ENERGY	New Account	\$ 211	\$ 229	\$ 216	\$ 207	\$ 180	\$ 188	\$ 180	\$ 184	\$ 204	\$ 182	\$ 243	\$ 243	\$ 256	\$ 2,480
PAAWC - Coatesville Wastewater Treatment	PECO ENERGY	9134001409	\$ 18,203	\$ 15,483	\$ 21,820	\$ 18,804	\$ 18,179	\$ 17,339	\$ 19,392	\$ 16,051	\$ 14,983	\$ 14,258	\$ 14,637	\$ 16,083	\$ 16,083	\$ 205,232
PAAWC - Northwoods Pump Station	PECO ENERGY	2067053045					\$ 13	\$ 84	\$ 70	\$ 46	\$ 70	\$ 63	\$ 215	\$ 301	\$ 301	\$ 792
PAAWC - Parkersburg Pump / Lift Station	PECO ENERGY	0786300308	\$ 705	\$ 632	\$ 764	\$ 748	\$ 793	\$ 637	\$ 563	\$ 565	\$ 431	\$ 389	\$ 515	\$ 604	\$ 604	\$ 7,347
PAAWC - Strasburg Hunt Pump / Lift Station #1	PECO ENERGY	1096501608	\$ 63	\$ 55	\$ 48	\$ 41	\$ 42	\$ 53	\$ 59	\$ 46	\$ 41	\$ 42	\$ 60	\$ 62	\$ 62	\$ 610
PAAWC - Strasburg Hunt Pump / Lift Station #2	PECO ENERGY	3880601407	\$ 16	\$ 16	\$ 17	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 196
PAAWC - Providence Hill Lift Station	PECO ENERGY	3580158017	\$ 371	\$ 419	\$ 364	\$ 223	\$ 115	\$ 81	\$ 89	\$ 109	\$ 100	\$ 90	\$ 275	\$ 495	\$ 495	\$ 2,730
PAAWC - West Sadsbury Pump / Lift Station - Quebec	PPL ELECTRIC UTILITIES	5817463014	\$ 341	\$ 347	\$ 395	\$ 336	\$ 348	\$ 285	\$ 297	\$ 315	\$ 352	\$ 281	\$ 300	\$ 328	\$ 328	\$ 3,924
PAAWC - Parkersburg Pump / Lift Station	STRATEGIC ENERGY	24635	\$ 1,084	\$ 1,262	\$ 1,250	\$ 1,176	\$ 1,015	\$ 1,013	\$ 1,046	\$ 940	\$ 896	\$ 757	\$ 1,052	\$ 1,819	\$ 1,819	\$ 13,317
Total			\$ 21,983	\$ 20,421	\$ 25,869	\$ 22,528	\$ 21,423	\$ 20,392	\$ 21,446	\$ 18,968	\$ 17,876	\$ 16,812	\$ 18,131	\$ 20,893	\$ 20,893	\$ 246,742

515100 \$ 252,288 Purchase Power
 575320 292 Electricity 246709.575320.14 9142400604 PECC
 Total Per Books \$ 252,570

Average for PECO Acct. 2067053045
 Dec-07 301
 Jan-08 290
 Feb-08 273
 Mar-08 259
 Average 281

CHEMICALS

PA American - Coatesville WW
 Pro Forma Adjustment
 Chemicals

Chemical	2007												2008		Pro Forma Cost	
	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Historic Test Year Usage	Ongoing Usage		Contract Price
246708- Wastewater Treatment Plant																
Alum 140A-BULK	45,098	57,460	65,899	110,268	77,460	70,953	90,789	75,647	76,190	104,768	55,232	69,814	899,578	899,578	\$ 0.0585	\$ 52,625
Lime 280A-BULK					50	50		600	900	250	270	430	2,550	2,550	0.1600	\$ 408
Sludge Polymer 430A-55GA	490	243	440	637	580	595	530	440	338	562	275	395	5,525	5,525	2.2778	\$ 12,585
Soda Ash 470A-50LB	1,250	1,250	1,904	900	1,450	1,350	1,850	1,200	1,500	1,800	1,150	1,500	17,104	17,104	0.2600	\$ 4,447
Hypo Chloride Sol 570A-55GA	397	100	312	100	500	620	1,734	1,330	200	1,100	150	300	6,843	6,843	0.1830	\$ 1,252
246709-Collections																
Hypo Chloride Sol 570A-BULK						822	16,586	16,920	13,220	12,080			59,628	59,628	0.3990	\$ 23,792
Hypo Chloride Sol 570A-BULK									2,690	2,690	2,500		5,190	5,190	0.3990	\$ 2,071
															\$ 97,180	

***246709 - chemicals used for odor control in the sewer lines

PA American Water Company
 Chemical Bid Prices -2008

Coatesville Chemical Bid Prices
 2008

State	Location	Chemical	Concentration	Annual Volume	Unit of Measure	Container Type	Shipment Quantity	Shipment Type	Supplier	2008 Cost
PA	Coatesville Wastewater Plant	Aluminum Sulfate - Liquid	50%	1,000,000.00	wet lbs	Bulk	4,200	Gallon	Delta	\$0.0585
PA	Coatesville Wastewater Plant	Sodium Hypochlorite	13%	26,000.00	wet lbs	55 gallon drum	3	Drum	Brenntag	\$0.1830
PA	Coatesville Wastewater Plant	Polymer - Cationic (ZETAC-7557)	100%	9,000.00	dry lbs	55 lb bag	20	Bags	Coyne	\$2.2778
PA	Coatesville Wastewater Plant	Hydrated Lime	72% CaO	5,000.00	dry lbs	50 lb bag	50	Bags	Brenntag	\$0.1600
PA	Coatesville Wastewater Plant	(Lite) Soda Ash	Neat	19,000.00	dry lbs	50 lb bag	100	Bags	Brenntag	\$0.2600
PA	Coatesville Collection System	Sodium Hypochlorite	13%	65,000.00	wet lbs	Bulk	1,000	Bulk	Univar	\$0.3990

LEASED VEHICLES

Pennsylvania American Water Company
 Coatesville Wastewater Operations
 Leased Vehicles

Vehicle Number	In Service	Year	Make	Model	Driver	Vin #	Rental Amt	Interest Amt	Tax Amt	Mgmt Fee	Ins Fee	PTA FUND	Monthly Cost	Leasing Company
1	040429	05/28/04	2005	STER	Stirling	Flush / Vac Truck	2FZAAATDC05AN60980	2232.31	334.24	154.72	11.00	1.15	2,733.42	ARI
2	060452	02/21/06	2006	CHEV	Silverado	Collections	1GCHK24U06E202662	406.56	57.93	28.36	7.00	1.15	501.00	ARI
3	060453	02/24/06	2006	CHEV	Silverado	Collections	1GCHK24U46E202373	433.67	61.79	30.22	7.00	1.15	533.83	ARI
4	070131	11/06/06	2007	CHEV	Colorado	WW Plant - Supervisor	1GCDT19E778120516	299.63	49.81	21.46	7.00	1.15	389.53	ARI
5	070134	10/23/06	2007	CHEV	Silverado	WW Plant - Pool	1GCEK14X77Z156782	279.89	46.53	20.07	7.00	1.15	364.43	ARI
6	060454	03/17/06	2006	CHEV	Express	Service / Camera	1GCFH15T861186949	366.23	53.27	25.66	7.00	1.15	465.90	ARI
7	060448	01/12/06	2006	CHEV	Equinox	Collections - Supervisor	2CNDL23F866108804	347.5	38.35	23.64	7.00	1.15	429.22	ARI
8	82008	12/27/07	2008	INTE	Dump Truck	Pool	1HTMMAAM78H655060	817.43	225.63	63.31	11.00	1.15	1,118.52	ARI
9	Ordering in 2008		2009	DODG	RAM PICKUP	Collections		327.69	69.06	28.34	7.00	1.15	445.14	ARI
													Per Month Cost	6,980.99
													Annual Cost	<u>83,771.88</u>

RATE CASE EXPENSE



March 10, 2008

Via E-MAIL AND 1ST CLASS MAIL

Mr. Steve Klick
 Manager, Rates and Regulations
 Pennsylvania American Water Company
 800 West Hersheypark Drive
 Hershey, PA 17033-2400

Dear Steve:

Coatesville 2008 Wastewater Rate Case

Thank you for the opportunity to conduct depreciation and cost of service allocation and rate design studies for Pennsylvania American Water Company's 2008 Wastewater Rate Case for Coatesville. The studies will be based on the pro forma financial and operating data for the future test year ending December 31, 2008.

The estimated cost to prepare each study and direct testimony, up to the time of the April 2008 filing, is provided below. We expect to complete the depreciation study by April 16, 2008, and the cost of service and rate design study by April 21, 2008. Work performed subsequent to the filing date will be invoiced based on hourly billings rates for our personnel in effect at the time the work is performed. A copy of our billing rates currently in effect is attached. We understand that the Company will provide bill analysis data for our use in designing proposed rates.

		<u>Post Filing EST</u>
Depreciation	\$15,000	\$15,000
Cost of Service Allocation and Rate Design	\$15,000	\$15,000

Please advise me via email at pherbert@gfnet.com if you accept the foregoing proposal. Your response will serve as our notice to proceed with the assignment.

Thank you again for this opportunity to provide these professional services. If you have any questions, please contact me.

Very truly yours,

PAUL R. HERBERT
 President
 Valuation and Rate Division

TOTAL EST.
 \$30,000 *DEPRE*
 \$30,000 *COS*

PRH/krm



P. MOUL & ASSOCIATES
 251 HOPKINS ROAD
 HADDONFIELD, NJ 08033
 TELEPHONE: 856-428-7515 • FACSIMILE: 856-428-0026

April 16, 2008

Mr. John Cox
 Assistant Manager of Rates & Regulations
 Pennsylvania-American Water Company
 800 W. Hershey Park Drive
 Hershey, PA 17033

Dear Mr. Cox:

I am pleased to submit this proposal to provide you with cost of equity testimony for your Pennsylvania-American Water Company – Coatesville Wastewater Division rate case. My cost of equity testimony will employ a variety of approaches which will include the Discounted Cash Flow (“DCF”) model, the Risk Premium approach, the Capital Asset Pricing Model (“CAPM”), and the Comparable Earnings method. For the DCF and CAPM methods, I will include the adjustment that is necessary to account for the divergence of the market value capitalization and the book value capitalization.

The fee for my direct testimony will be \$12,500 on a cost not to exceed basis. I have excluded from this quote the time and expense associated with meetings outside my office that may be necessary during the preparation of my testimony. The costs will be billed separately. While my fee quote represents the maximum amount for my direct testimony in ready to file form, the billings will be based upon hours actually logged to the case if they are less than estimated.

As you know, a considerable amount of your rate case expense usually occurs after the filing of the direct testimony. It is difficult to quantify precisely the amount of time necessary for responding to interrogatories, analyzing testimony of opposing witnesses, preparing rebuttal testimony, attending hearings for cross-examination, and assisting your rate case counsel.

As such, these post-filing activities will be billed at the following hourly rates together with out-of-pocket expenses (i.e., duplication, telephone, delivery, and travel costs).

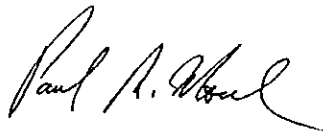
	<u>Hourly rate</u>
Paul Moul	\$205
Clerical	\$56

Mr. John Cox
Pennsylvania-American Water Company
Page 2 of 2
April 16, 2008

Based upon my prior experience, I find that the additional time required after a rate case is filed usually equals the cost for the preparation of the direct testimony. Here, a ball-park estimate would be \$12,500. Therefore, for rate case planning purposes, you could use \$25,000 for the cost for the full litigation of the rate of return issue in your case.

I trust that this proposal will be acceptable to you. If you have any questions concerning the scope of my testimony or my fee, please call.

Sincerely



Paul R. Moul

/mt
Enclosure

POST FILING ESTIMATE	12,500
TOTAL EST.	<u>25,000</u>

INFLATION

PENNSYLVANIA-AMERICAN WATER COMPANY

INFLATION CALCULATION 2007

TOTAL PER BOOK EXPENSES		1,824,044
LESS: ADJUSTED EXPENSES		
LABOR	421,436	
GROUP INSURANCE	105,275	
40K & DEFINED CONTRIBUTION	18,128	
CHEMICALS	75,964	
POWER	252,570	
LEASED VEHICLES	79,004	
UNCOLLECTABLES	53,187	
		1,005,564
		818,480
CHANGE IN CPI & PPI	5.97%	
PRO FORMA AJUSTMENT		48,863

PENNSYLVANIA-AMERICAN WATER COMPANY
HISTORY OF INFLATION INDICIES
2007

CPI @ DECEMBER		CHANGE
2007	210.036	
2006	201.8	<u>4.08%</u>

PPI @ DECEMBER		
2007	178.6	
2006	165.6	<u>7.85%</u>

AVERAGE CHANGE		5.97%
----------------	--	-------

UNCOLLECTABLE EXPENSE

Pennsylvania American Water Company - Coatesville Waste Water Operations

3 Year Average Calculation of Uncollectible Accounts Expense (Wastewater)

		<u>YE</u> <u>12/31/2005</u>	<u>YE</u> <u>12/31/2006</u>	<u>YE</u> <u>12/31/2007</u>	<u>3 Year Avg</u>
Billed Wastewater Sales	(a)	2,122,501	2,274,942	2,314,499	2,237,314
(Net Write-offs)	(a)	69,499	70,584	66,564	68,882
Ratio	(a)	0.032743829	0.031026716	0.028759619	0.030787945

TAXES, OTHER THAN INCOME

PAYROLL TAXES

PA American Water - Coatesville WW
 CALCULATION OF PAYROLL TAXES
 PROFORMA 12/31/08

				<u>PROFORMA</u>
Tax Bases	FICA	Total Salary and Wages & AIP		\$ 593,683.70
		Less: Excess Social Security Wages		-
				<u>593,683.70</u>
	FUTA	\$7000 PER EMPLOYEE	10(H) 12(F)	84,000.00
	SUTA	\$8000 PER EMPLOYEE	10(H) 12(F)	96,000.00
TAX	FICA	6.20%		36,808.39
	MEDICARE	1.45%		8,608.41
	FUTA	0.80%		672.00
	SUTA	4.376%		4,200.96
SUBTOTAL				<u>50,290.00</u>
LESS:		10.73% CHARGED TO OPERATIONS		<u>5,396.12</u>
AMOUNT CHARGED TO OPERATIONS EXPENSE				44,893.88
LESS: PER BOOKS				35,806.00
ADJUSTMENT				<u><u>\$ 9,087.88</u></u>

PROPERTY TAXES

PA American - Coatesville WW**Property Tax**

<u>Taxing Authority</u>	<u>Property</u>	<u>Amount</u>
Borough of South Coatesville	W&RR S 1st Ave	7,448.00
Chester County	W&RR S 1st Ave	3,727.92
Coatesville Area School Dist	W&RR S 1st Ave	25,186.00
		<u>\$ 36,361.92</u>

CHESTER COUNTY TREASURER

ALAN J. RANDZIN

2 North High Street, Suite 120

P.O. Box 2748

West Chester, PA 19380-0991

TELEPHONE: 610-344-6370

PLEASE SEE INSTRUCTIONS ON REVERSE SIDE

CHESTER COUNTY TAX BILL FOR 2007

Read carefully - taxes are due - prompt payment is requested

Payments not received by December 31 2007
will be subject to a lien charge. Liens will
be entered in the Tax Claim Office on
January 15 2008 with an additional 9%
interest per year.

For your convenience a return envelope
has been enclosed. Please return bottom
portion of bill and make sure that the
address is showing in the window.

Please make check payable to
CHESTER COUNTY TREASURER

TOTAL ASSESSMENT:	1,000,000	TOTAL MILLAGE:	3.80400	MILLS
Land:	96,000	General Fund:	2.70000	MILLS
Buildings:	904,000	Debt Purposes:	0.75800	MILLS
		Parks Exp:	0.15600	MILLS
		Library System:	0.19000	MILLS



INVOICE DATE: FEB 01 2007

INVOICE #: 200700011227

2% DISCOUNT DUE		FACE AMOUNT DUE		10% PENALTY	
ON OR BEFORE	AMOUNT DUE	ON OR BEFORE	AMOUNT DUE	AFTER	AMOUNT DUE
APR 02 2007	3,727.92	JUN 01 2007	3,804.00	JUN 01 2007	4,184.40

PA AMERICAN WATER CO
800 W HERSHEY PARK DR
HERSHEY PA 17033

PARCEL#: 0902_00010000

UPI: 9-2-1

LOCATION: W & REAR OF S FIRST AVE
DESCRIPTION: 4.4 AC & SEWAGE PLANT

TAXPAYER'S COPY

CHESTER COUNTY TAX BILL FOR 2007

^ DETACH HERE ^

INVOICE DATE: FEB 01 2007

INVOICE #: 200700011227

2% DISCOUNT DUE		FACE AMOUNT DUE		10% PENALTY	
ON OR BEFORE	AMOUNT DUE	ON OR BEFORE	AMOUNT DUE	AFTER	AMOUNT DUE
APR 02 2007	3,727.92	JUN 01 2007	3,804.00	JUN 01 2007	4,184.40

FINAL PAYMENT DUE ON OR BEFORE December 31 2007

PLEASE MAKE CHECK PAYABLE TO:

CHESTER COUNTY TREASURER

2007000112279 003727920 003804002 004184409 9

0902_00010000
PA AMERICAN WATER CO
800 W HERSHEY PARK DR
HERSHEY PA 17033



CHESTER COUNTY TREASURER
ALAN J. RANDZIN
C/O FIRST NATIONAL BANK
P.O. BOX 504
WEST CHESTER, PA 19381-0504

PAYMENT COPY

2007-2008 DUPLICATE NOTICE

COATESVILLE AREA SCHOOL DISTRICT

berkheimer
TAX ADMINISTRATOR

PO BOX 912
Bangor, PA 18013 0912

RTTI NUMBER: 00424
MAILING DATE: 07/01/07

***AUMD**MTXRD AADC 180

|||||

PA AMERICAN WATER CO
ACCOUNT: 000090-0000026
800 W HENSHY PARK DR
HERSHEY, PA 17033

LOCAL OFFICE LOCATION
325-A North Pottstown Pike
Exton, PA 19341
TELEPHONE: 610-361-7214
TOLL FREE: 866-600-1714
EMAIL: csh@berkshab-inc.com
URL: www.hab-inc.com

OFFICE HOURS
Monday thru Friday
9:00 am - 4:00 pm

~~WRR~~ WRR S 1st AVE → SEWER PLT

RWD
7/20/07

TYPE OF TAXES	BILL RATE	RANGE	2.00% DISCOUNT UNTIL 08/31/07	AT MARK UNTIL 10/31/07	10.00% PENALTY AFTER 10/31/07
SCHOOL REAL ESTATE	25.70 ML	1,000,000.00	25,186.00	25,700.00	28,270.00
<p>July 1-07 TO June 30-08</p>			<p>\$ 25,186.00</p>		

DESCRIPTION W & REAR OF 8 FIRST AVE 4.4 AC & SEWAGE PLANT	TOTAL TAX	25,186.00	25,700.00	28,270.00
UNPAID TAXES SENT TO LIEN ON:			01/01/08	
COATESVILLE AREA SCHOOL DISTRICT Chester County, PA		ASSESSED VALUE: 1,000,000 MAP NO: 09-02 -0001.0000		

GENERAL INFORMATION:

- Taxes are due and payable and payment is requested from the above named.
- If you are requesting a return receipt, enclose a self-addressed stamped envelope.
- There will be a \$20.00 fee for returned checks. Make checks payable to HAB-RET.
- If taxes are paid by Mortgage Company, please forward this bill to them.
- If you are choosing to use the installment payment plan, please submit the proper installment coupon when making your payment.
- Payment of the first installment shall indicate your intention to pay on the installment plan with no discounts or changes allowed.
- First (1st) installment must be paid by the due date or the amount of the bill must be paid in full. (P.L. 1050 as amended).
- The postmark must be prior to the appropriate due date.
- Postdated checks will not be accepted. DO NOT MAIL CASH. VISA/MASTERCARD/NOV payments WILL NOT BE ACCEPTED.
- Except for the installment plan, PARTIAL PAYMENTS WILL NOT BE ALLOWED.
- If you wish to pay your Real Estate Tax in person, please go to the address indicated on the upper right hand portion of your bill. You may also visit us on the web address indicated and select OFFICE LISTING for the nearest BERKHEIMER location.

If you no longer own this property, please return the bill to Berkheimer.

2007-2008 NOTICE
COATESVILLE AREA SCHOOL DISTRICT
Chester County, PA

PA AMERICAN WATER CO
ACCOUNT: 000090 0000026
800 W HENSHY PARK DR
HERSHEY, PA 17033

ACCOUNT NO: 00090-0000026
BILL NUMBER: 00494
MAP NO: 09 02 0001.0000
TOTAL ASSESSMENT: 1,000,000

DUPLICATE

SEE NEXT PAGE FOR INSTALLMENTS

DISCOUNT	UNTIL 08/31/07	UNTIL 10/31/07	AFTER 10/31/07
BASE AMT	25,186.00	25,700.00	28,270.00
PENALTY			

Send To:
BERKHEIMER TAX ADMINISTRATOR
PO BOX 912
Bangor, PA 18013-0912

|||||

GENERAL ASSESSMENT



Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
 P.O. Box 3265
 Harrisburg, PA 17105-3265

GENERAL ASSESSMENT INVOICE

PA-AMERICAN WATER CO-WASTEWATER
 800 W HERSHEY PARK DR
 HERSHEY PA, 17033

SW

61

INVOICE DATE	INVOICE NUMBER
8/23/07	07- 230073

FISCAL YEAR
JULY 1, 2007 - JUNE 30, 2008

CERTIFIED MAIL NUMBER
71879822765000285690

- Read Carefully Notice of Assessment
- Use Return Envelope Provided
- Make Check Payable to:
Commonwealth of Pennsylvania

Pennsylvania Public Utilities Commission	\$ 24,757.00
Pennsylvania Office of Consumer Advocate	\$ 8,154.00
Pennsylvania Small Business Advocate	\$ 954.00
PAY THIS AMOUNT WITHIN 30 DAYS ▶	\$ 33,865.00

TO RECEIVE PROPER CREDIT FOR YOUR PAYMENT, REMOVE THE BOTTOM PART OF THIS INVOICE AT THE PERFORATION AND RETURN WITH YOUR REMITTANCE.

MAIL PAYMENT TO:
 PA PUC
 PO BOX 61380
 HARRISBURG, PA 17106-1380

FOLD AND TEAR AT PERFORATION

OFFICE OF SMALL BUSINESS ADVOCATE

Run Date: 7/31/2007

Allocation of Public Utility Groups for the Total Assessment of Estimated Office Expenditures for Fiscal Year July 1, 2007 to June 30, 2008.

Schedule A

Group	Total Office Expenditures of Each Group for Calendar Year	Percentage Distribution	Total Assessment for Fiscal Year Allocated to Each Group (Total X Percent)
Electric	\$368,641.00	42.0000%	\$375,060.28
Gas	\$236,983.00	27.0000%	\$241,109.67
Telephone & Telegraph	\$140,435.00	16.0001%	\$142,880.45
Water & Sewage	\$131,657.00	15.0000%	\$133,949.59
Totals	\$877,716.00	100.0%	\$893,000.00

Schedule B

Group	Estimated Total Office Expenditures for Fiscal Year July 1, 2007 to June 30, 2008 Assessable on Each Group (A)	Gross Intrastate Operating Revenues of Each Group for Calendar Year 2006 (B)	General Assessment Factor for Each Group (Column (A) Divided by Column (B)) (C)
Electric	\$375,060.28	\$11,627,318,949.00	0.000032256815
Gas	\$241,109.67	\$4,398,363,956.00	0.000054818035
Telephone & Telegraph	\$142,880.45	\$3,836,959,379.00	0.000037237937
Water & Sewage	\$133,949.59	\$776,882,457.00	0.000172419378
Totals	\$892,999.99	\$20,639,524,741.00	

OFFICE OF CONSUMER ADVOCATE

Run Date: 7/31/2007

Allocation of Public Utility Groups for the Total Assessment of Estimated Office Expenditures for Fiscal Year July 1, 2007 to June 30, 2008.

Schedule A

Group	Total Office Expenditures of Each Group for Calendar Year	Percentage Distribution	Total Assessment for Fiscal Year Allocated to Each Group (Total X Percent)
Electric	\$1,778,921.00	35.7080%	\$1,776,927.42
Gas	\$1,417,273.00	28.4487%	\$1,415,684.71
Steam Heat	\$125.00	0.0025%	\$124.86
Telephone & Telegraph	\$639,579.00	12.8382%	\$638,862.25
Water & Sewage	\$1,145,959.00	23.0026%	\$1,144,674.76
Totals	\$4,981,857.00	100.0%	\$4,976,274.00

Schedule B

Group	Estimated Total Office Expenditures for Fiscal Year July 1, 2007 to June 30, 2008 Assessable on Each Group (A)	Gross Intrastate Operating Revenues of Each Group for Calendar Year 2006 (B)	General Assessment Factor for Each Group (Column (A) Divided by Column (B)) (C)
Electric	\$1,776,927.42	\$11,627,318,949.00	0.000152823486
Gas	\$1,415,684.71	\$4,398,363,956.00	0.000321866204
Steam Heat	\$124.86	\$108,117,053.00	0.000001154859
Telephone & Telegraph	\$638,862.25	\$3,836,959,379.00	0.000166502219
Water & Sewage	\$1,144,674.76	\$776,882,457.00	0.001473420785
Totals	\$4,976,274.00	\$20,747,641,794.00	

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Run Date: 7/31/2007

Allocation of Public Utility Groups for the Total Assessment of Estimated Commission Expenditures for Fiscal Year July 1, 2007 to June 30, 2008.

Schedule A

Group	Total Commission Expenditures of Each Group for Calendar Year	Percentage Distribution	Total Assessment for Fiscal Year Allocated to Each Group (Total X Percent)
Electric	\$16,780,893.84	34.1711%	\$16,908,864.80
Gas	\$10,663,721.00	21.7146%	\$10,745,042.45
Pipeline	\$53,252.34	0.1084%	\$53,658.44
Steam Heat	\$254,067.28	0.5174%	\$256,004.79
Telephone & Telegraph	\$8,609,387.85	17.5314%	\$8,675,042.97
Transportation	\$9,298,052.56	18.9337%	\$9,368,959.43
Water & Sewage	\$3,449,124.13	7.0235%	\$3,475,427.12
Totals	\$49,108,499.00	100.0%	\$49,483,000.00

Schedule B

Group	Estimated Total Commission Expenditures for Fiscal Year July 1, 2007 to June 30, 2008 Assessable on Each Group (A)	Gross Intrastate Operating Revenues of Each Group for Calendar Year 2006 (B)	General Assessment Factor for Each Group (Column (A) Divided by Column (B)) (C)
Electric	\$16,908,864.80	\$11,627,318,949.00	0.001454235914
Gas	\$10,745,042.45	\$4,398,363,956.00	0.002442963465
Pipeline	\$53,658.44	\$53,805,950.00	0.000997258482
Steam Heat	\$256,004.79	\$108,117,053.00	0.002367848391
Telephone & Telegraph	\$8,675,042.97	\$3,836,959,379.00	0.002260916031
Transportation	\$9,368,959.43	\$2,782,702,451.00	0.003366856355
Water & Sewage	\$3,475,427.12	\$776,882,457.00	0.004473555927
Totals	\$49,483,000.00	\$23,584,150,195.00	

FUTURE TEST YEAR ADDITIONS

PENNSYLVANIA-AMERICAN WATER COMPANY - COATESVILLE WASTEWATER

PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT

FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2008

STATE	ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT	COMP DATE
	354.200	Pump Station - Developer Funded	50103940	115,175	Feb-08	None	\$ -	
		Account Subtotal		\$ 115,175				
	354.400	Pump Station - Developer Funded	50103940	54,000	Feb-08	None	\$ -	
		Account Subtotal		\$ 54,000				
	360.000	2,210' 8" Swr Main - Developer Funded	50123125	233,589	Feb-08	None		
	360.000	12 Manholes - Developer Funded	50103913	25,800	Feb-08	None		
	360.000	16 Manhole - Developer Funded	50102447	18,800	Feb-08	None		
	360.000	4 Manholes - Developer Funded	50099587	14,400	Feb-08	None		
		Account Subtotal		\$ 292,589				
	361.100	Manhole - Replacement	2467-F1	36,000	Dec-08	Retire Manholes	\$ 39,813	Dec-08
	361.100	Manhole - New	2467-E1	70,000	Dec-08	None	-	Dec-08
	361.100	836' of 10" PVC Pipe - Maple & West St. Parkesburg	429866	242,411	Nov-08	Retire 836' of 8 & 10" Clay Pipe	24,241	Nov-08
	361.100	1,292' of 8" PVC Spruce & Walnut St. Parkesburg	429868	625,742	Nov-08	Retire 1,292' of 8 & 18" Clay Pipe	62,574	Nov-08
	361.100	30 Inch Trunk Line Upgrade (76' - 24" - 998' -36" & 1,125-42" DIP)	24670507	2,456,323	Aug 08	Retire 780' of 18" & 1,543' of 30" of Concrete pipe	245,632	Aug 08
	361.100	West End Trunk Line Upgrade (3,088' - 30" PVC)	24670706	1,673,190	Dec 08	Retire 1,173' - 18" & 1,525' - 24" clay pipe	167,319	Dec 08
	361.100	12 Manholes - Developer Funded	50123127	27,400	Feb-08	None		
	361.100	2,017' 8" PVC Swr Main - Developer Funded	50102973	47,642	Feb-08	None		
	361.100	395' 2" Swr Main - Developer Funded	50103923	18,750	Feb-08	None		
	361.100	2,988' 8" Swr Main - Developer Funded	50102443	68,605	Feb-08	None		
	361.100	2,414' 10" Swr Main - Developer Funded	50099578	348,869	Feb-08	None		
	361.100	444' 16" Swr Main - Developer Funded	50099584	70,158	Feb-08	None		
	361.100	246' 8" PVC Swr Main - Developer Funded	50080643	34,134	Feb-08	None		
	361.100	3 Manholes - Developer Funded	50080643	20,075	Feb-08	None		
	361.100	3,715' 8" PVC Swr Main - Developer Funded	50014590	92,875	Feb-08	None		

361.100	28 manholes - Developer Funded	50014590	48,950	Feb-08	None			
361.100	697' 8"PVC Swr Main - Developer Funded	50060335	20,834	Mar-08	None			
361.100	1 Manhole - Developer Funded	50060335	3,400	Mar-08	None			
361.100	350' 8" Swr Main - Developer Funded	50032507	6,590	Mar-08	None			
361.100	2 Manholes - Developer Funded	50032507	5,100	Mar-08	None			
	Account Subtotal		\$ 5,917,048				\$ 539,579	
363.000	Replace Service Laterals - Maple & West St. Parkesburg	429866	36,000	Nov-08	Retire Services		3,800	Nov-08
363.000	Replace Services Laterals - Spruce & Walnut St. Parkesburg	429868	48,000	Nov-08	Retire Services		4,800	Nov-08
363.000	Replace Services Laterals - General	Various	30,000	Dec-08	Retire Services		3,000	Dec-08
363.000	New Services Laterals - General	Various	25,500	Dec-08	None			
363.000	39' 6" Service Laterals - Developer Funded	50123126	76,787	Feb-08	None			
363.000	27' 6" Service Laterals - Developer Funded	50103917	18,636	Feb-08	None			
363.000	49' 6" Service Laterals - Developer Funded	50102451	30,625	Feb-08	None			
363.000	13' 6" Sewer Laterals - Developer Funded	50080643	6,620	Feb-08	None			
363.000	60' 6" Sewer Laterals - Developer Funded	50014590	25,014	Feb-08	None			
363.000	1' 4" & 2' 6" Sewer Laterals - Developer Funded	50060335	10,416	Mar-08	None			
363.000	12' 6" Sewer Laterals - Developer Funded	50032507	4,700	Mar-08	None			
	Account Subtotal		\$ 314,298				\$ 11,600	
371.100	Pump Station - Developer Funded	50103940	16,000	Feb-08	None			
	Account Subtotal		\$ 16,000				\$ -	
396.000	Pump Station - Developer Funded	50103940	6,000	Feb-08	None			
	Account Subtotal		\$ 6,000				\$ -	
	Grand Total		\$ 6,715,110				\$ 551,179	

CAPITAL STRUCTURE

Pennsylvania American Water Company
Capital Structure @ 12/31/07

	<u>Historic 12/31/2007</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Short term debt	70,909,110	4.06%	5.28%	0.21%
Long term debt	849,613,514	48.59%	6.09%	2.96%
Preferred Stock	14,171,700	0.81%	8.11%	0.07%
Common Equity	<u>813,827,422</u>	<u>46.54%</u>	11.50%	<u>5.35%</u>
	1,748,521,746	100.00%		8.59%

Pennsylvania American Water Company
 Capital Structure Estimated at December 31, 2008

	<u>Future 12/31/2008</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long term debt	994,482,482	52.90%	6.12%	3.24%
Preferred Stock	14,171,700	0.75%	8.11%	0.06%
Common Equity	<u>871,540,000</u>	<u>46.35%</u>	11.50%	<u>5.33%</u>
	1,880,194,182	100.00%		8.63%

Notes:

1 Equity Infusion	26,000,000	Jul-08
Equity Infusion	<u>7,000,000</u>	Dec-08
	<u><u>33,000,000</u></u>	
2 Long Term Debt	100,000,000	May-08
Long Term Debt	<u>56,700,000</u>	Dec-08 (During Rate Year)
	<u><u>156,700,000</u></u>	

PA AMERICAN WATER
SCHEDULE OF DEBT AT DECEMBER 31, 2007

DATE OF ISSUE	DATE OF MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING	COUPON RATE	ANNUAL INTEREST	NOTE #	ISSUANCE EXPENSE	NET PROCEEDS	NET PROCEEDS Ratio	PERCENT TO TOTAL	EFFECTIVE COST RATE	WEIGHTED COST RATE
Bonds and Notes												
1-Dec-1992	1-Dec-2007	37,900,000	0				174,946	37,825,054	99.54%	4.47%	6.81%	0.30%
1-Nov-1993	1-Nov-2033	38,000,000	38,000,000	6.78%	2,578,400		2,069,948	147,930,352	98.62%	17.66%	7.52%	1.40%
1-Sep-1996	1-Sep-2026	150,000,000	150,000,000	7.80%	11,700,000		165,469	15,334,531	98.93%	1.82%	9.82%	0.18%
24-Aug-1989	1-Aug-2019	15,500,000	15,500,000	9.71%	1,505,050		116,061	19,883,939	99.42%	2.35%	9.75%	0.23%
15-Feb-1991	15-Jan-2021	20,000,000	20,000,000	9.69%	1,938,000		167,527	29,232,473	99.43%	0.58%	9.41%	0.05%
15-Jun-1988	31-Mar-2008	29,400,000	4,900,000	9.35%	458,150	2	88,352	9,911,648	99.12%	1.18%	8.90%	0.10%
1-Nov-1991	1-Nov-2031	10,000,000	10,000,000	8.82%	882,000		60,119	9,939,891	99.40%	1.18%	8.20%	0.10%
15-Aug-1995	1-Aug-2025	10,000,000	33,000,000	7.08%	815,000		551,683	32,448,317	99.33%	3.88%	7.24%	0.26%
1-Nov-1997	1-Nov-2017	33,000,000	16,700,000	4.30%	2,388,400		865,428	17,817,229	97.63%	2.15%	3.33%	0.07%
1-Jul-1996	1-Jul-2031	15,700,000	18,250,000	3.20%	584,000	17	438,771	17,378,458	97.55%	2.11%	3.33%	0.10%
30-Sep-1991	15-Mar-2019	17,950,000	17,950,000	4.83%	831,085	17	438,970	17,511,030	97.55%	2.11%	3.33%	0.10%
1-Apr-2011	1-Apr-2011	47,000,000	13,600,000	6.87%	334,320	3	237,814	46,762,186	99.49%	1.60%	6.94%	0.11%
31-Dec-2006	31-Dec-2016	13,800,000	13,800,000	5.520%	761,760		41,739	13,758,261	99.70%	1.62%	5.56%	0.09%
31-Dec-2006	31-Dec-2016	65,900,000	65,900,000	5.620%	3,703,580		199,311	65,700,689	99.70%	7.76%	5.65%	0.44%
31-Dec-2006	31-Dec-2021	100,300,000	100,300,000	5.770%	5,787,310		303,078	99,996,922	99.70%	11.81%	5.80%	0.68%
31-Mar-2007	29-Mar-2022	80,000,000	80,000,000	4.750%	3,600,000		261,178	79,738,822	99.67%	9.42%	4.78%	0.45%
1-Jun-1999	1-Jun-2029	24,030,000	23,845,000	5.05%	1,204,173		1,191,706	22,838,294	95.04%	2.81%	5.39%	0.15%
1-Aug-2004	1-Aug-2034	40,000,000	39,915,000	4.80%	1,915,920		2,232,655	37,767,345	94.42%	4.70%	5.17%	0.24%
23-Sep-2004	1-Sep-2034	19,000,000	19,000,000	4.95%	940,500		1,370,952	17,629,048	92.78%	2.24%	5.44%	0.12%
23-Sep-2004	1-Sep-2034	30,000,000	30,000,000	5.10%	1,500,000		2,634,873	27,365,027	91.22%	3.53%	5.72%	0.20%
10-Dec-2004	1-Dec-2009	80,000,000	80,000,000	3.60%	2,880,000		6,146,968	73,859,092	92.32%	9.42%	5.88%	0.51%
10-Dec-2004	1-Dec-2009	13,165,000	13,165,000	3.60%	473,940		1,163,584	12,001,416	91.16%	1.55%	5.66%	0.09%
Water Facility Restoration Loans												
1-Oct-1991	1-Mar-2009	4,000,000	384,103	4.188%	16,066	4	0	4,000,000	100.00%	0.05%	4.19%	0.00%
1-Jul-1991	1-Mar-2009	3,000,000	284,825	4.188%	11,928	4	0	3,000,000	100.00%	0.03%	4.19%	0.00%
1-Mar-1996	1-Nov-2012	1,955,878	875,648	3.450%	30,210	4	27,563	1,928,315	98.59%	0.10%	3.56%	0.00%
Pennvest Loans												
1-Jun-1998	1-Apr-2011	213,171	57,632	1.00%	576	5	0	213,171	100.00%	0.01%	1.00%	0.00%
1-Aug-2001	1-Mar-2009	6,545,211	3,489,480	1.984%	48,254	8	110,635	6,434,576	98.31%	0.41%	1.50%	0.01%
1-Jun-1998	1-Aug-2009	450,811	84,488	3.25%	2,746	6	0	450,811	100.00%	0.01%	3.25%	0.00%
1-Jun-2000	1-Jun-2018	1,179,442	825,128	2.566%	21,173	7	69,942	1,109,500	94.07%	0.10%	2.99%	0.00%
1-Jun-2000	1-Feb-2019	3,250,000	1,733,167	2.905%	50,349	9	29,069	3,220,931	99.11%	0.20%	2.97%	0.01%
1-Jun-2000	1-Dec-2022	3,748,373	2,909,986	1.387%	40,362	15	6,480	3,739,893	99.77%	0.34%	1.40%	0.00%
1-Oct-2000	1-Oct-2019	1,810,000	1,343,442	2.755%	37,549	10	0	1,810,000	100.00%	0.16%	2.80%	0.00%
1-Oct-2000	1-Feb-2020	3,737,400	2,400,922	1.184%	28,427	12	16,882	3,720,518	99.55%	0.28%	1.21%	0.00%
1-Apr-2000	1-Mar-2022	3,694,410	2,515,467	3.237%	81,426	11	56,803	3,637,607	98.46%	0.30%	3.34%	0.01%
30-Aug-2000	1-Mar-2022	3,760,814	2,707,100	3.237%	87,629	13	25,445	3,735,364	99.32%	0.32%	3.28%	0.01%
30-Aug-2000	1-Sep-2022	4,322,665	3,238,027	1.337%	104,815	14	25,445	4,297,220	99.41%	0.39%	1.44%	0.01%
01-Jun-05	1-Jun-2024	1,451,364	1,080,984	1.000%	14,593	20	13,749	1,437,615	99.05%	0.13%	1.27%	0.00%
1-Dec-2004	1-Nov-2024	2,422,740	2,948,867	1.000%	29,489	21	29,484	2,933,256	98.78%	0.35%	1.07%	0.00%
1-Dec-2004	1-Nov-2024	2,275,184	1,916,187	1.387%	26,578	22	34,130	2,241,054	98.50%	0.23%	1.47%	0.00%
1-Sep-2004	1-Aug-2024	5,985,000	4,373,574	1.387%	60,961	18	7,951	5,987,049	99.87%	0.51%	1.39%	0.01%
1-Nov-2004	1-Oct-2024	3,761,210	2,619,486	1.305%	34,184	19	5,660	3,755,550	99.85%	0.31%	1.31%	0.00%
		\$987,508,673	\$949,613,514		\$49,003,163		\$21,370,095	\$908,238,578		100.00%		6.09%

- (1) The effective cost for each issue is the yield to maturity using as inputs the average term of issue, coupon rate and net proceeds ratio.
- (2) There is a sinking fund provision for this issue of \$4,900,000 annually on March 31, beginning in 2003 and continuing through March 31, 2008.
- (3) There is a sinking fund provision for this issue of \$3,400,000 annually on March 31, beginning in 2003 and continuing through March 31, 2007.
- (4) Acquired by PAWC in May of 1998 from the former Fairview Water Company
- (5) Acquired by PAWC in May of 1998 from the former NJ, Peconic Division
- (6) Clanton Township Pennvest Loan. Interest rate increases to 2.566% in 2003.
- (7) Peconic Regionalization Pennvest Loan. Interest 1.00% from 1998 to 2003 and 1.384 from 2004 to 2018.
- (8) Independence Twp Municipal Authority and Cedar Grove Water Assoc. Interest: 1.453% from 1999 thru 2004 and 2.905% from 2005 thru 2019.
- (9) Clark Summit Regionalization (Abington). Interest: 1.408% from 1999 to 2004 and 2.795% from 2005 to 2019.
- (10) Strattamville Pennvest Loan. Interest: 1.619% from 2002 to 2007 and 3.237% starting March 2007.
- (11) Peconic County Place. Interest: 1.004% from 2000 to 2005 and 1.184% from 2006 to 2020.
- (12) Franklin Township. Interest: 1.619% from 2002 to 2007 and 3.237% starting April 2007.
- (13) Jackson Township. Interest: 1.619% from 2001 to 2006 and 3.237 starting Oct 2007.
- (14) Eldersville, Jefferson, and Crosscreek. Interest: 1.387% for first 70 months and 2.774% (12/2007) for remainder.
- (15) Interest rate is variable and will change on a monthly basis.
- (16) Ellwood/Butler Interconnect. Interest rate: 1.387% for first 74 months and 2.774% (08/2009) for remainder
- (17) Maitland & Union Twp. Interest rate: 1.305% for first 62 months and 2.432% (10/2009) for remainder
- (18) Sandy Ridge. Interest rate: 1.387% for first 70 months and 2.774% (07/2009) for remainder
- (19) Sligo/Shipperville. Interest rate: 1.000% for first 73 months and 1.158% (11/2009) for remainder
- (20) Sligo/Shipperville. Interest rate: 1.385% for first 86 months and 2.763% for remainder
- (21)
- (22)

PA AMERICAN WATER
SCHEDULE OF DEBT ESTIMATED AT DECEMBER 31, 2008

DATE OF ISSUE	DATE OF MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING	COUPON RATE	ANNUAL INTEREST	NOTE #	ISSUANCE EXPENSE	NET PROCEEDS	NET PROCEEDS Ratio	PERCENT TO TOTAL	EFFECTIVE COST RATE	WEIGHTED COST RATE
Bonds and Notes												
1-Nov-1993	1-Nov-2033	38,000,000	38,000,000	6.75%	2,576,400		174,946	37,825,054	99.54%	3.82%	6.81%	0.26%
1-Sep-1996	1-Sep-2026	150,000,000	150,000,000	7.80%	11,700,000		2,069,648	147,930,352	98.62%	15.08%	7.92%	1.19%
24-Aug-1989	1-Aug-2019	15,500,000	15,500,000	9.71%	1,505,050		165,469	15,334,531	98.83%	1.56%	9.82%	0.15%
15-Jun-1991	15-Jun-2021	20,000,000	20,000,000	8.99%	1,988,000		116,061	19,863,939	99.42%	2.01%	9.75%	0.20%
1-Nov-1991	1-Nov-2021	10,000,000	10,000,000	9.82%	882,000		88,352	9,911,648	99.12%	1.01%	8.50%	0.09%
15-Aug-1995	1-Aug-2025	10,000,000	10,000,000	8.15%	815,000		60,119	9,939,881	99.40%	1.01%	8.20%	0.08%
1-Nov-1997	1-Nov-2017	33,000,000	33,000,000	7.08%	2,336,400		551,683	32,448,317	98.33%	3.32%	7.24%	0.24%
1-Jul-1996	1-Jul-2001	16,700,000	16,700,000	4.30%	718,100	17	885,428	15,814,572	94.82%	1.69%	4.60%	0.08%
1-Sep-1988	1-Sep-2018	18,250,000	18,250,000	3.20%	584,000	17	432,771	17,817,229	97.63%	1.84%	3.33%	0.06%
30-Sep-1991	15-Mar-2019	17,950,000	17,950,000	4.63%	831,985	17	438,970	17,511,030	97.55%	1.80%	4.79%	0.09%
1-Apr-2001	1-Apr-2011	47,000,000	10,200,000	6.87%	700,740	3	237,814	46,762,186	99.49%	1.03%	6.94%	0.07%
31-Dec-2006	31-Dec-2016	13,800,000	13,800,000	5.320%	41,739			13,758,261	99.70%	1.39%	5.68%	0.06%
31-Dec-2006	31-Dec-2018	65,900,000	65,900,000	5.620%	3,703,580		199,311	65,700,689	99.70%	6.63%	0.37%	0.37%
31-Dec-2006	31-Dec-2021	100,300,000	100,300,000	5.770%	5,787,310		303,078	99,996,922	99.70%	10.09%	5.80%	0.59%
31-Mar-2007	29-Mar-2022	80,000,000	80,000,000	4.750%	3,800,000		261,178	79,738,822	99.67%	8.04%	4.78%	0.38%
1-Jun-1989	1-Jun-2029	24,030,000	23,845,000	5.05%	1,204,173		1,191,706	22,653,294	95.04%	2.40%	5.39%	0.13%
1-Aug-2004	1-Aug-2034	19,000,000	19,000,000	4.80%	1,915,920		2,232,655	17,767,345	94.42%	4.01%	5.17%	0.21%
23-Sep-2004	1-Sep-2034	19,000,000	19,000,000	4.95%	1,940,500		2,370,932	17,629,048	92.78%	1.91%	5.44%	0.10%
23-Sep-2004	1-Sep-2034	30,000,000	30,000,000	5.10%	1,530,000		2,634,973	27,365,027	91.22%	3.02%	5.72%	0.17%
10-Dec-2004	1-Dec-2009	80,000,000	80,000,000	3.60%	2,860,000		6,140,908	73,859,092	92.32%	8.04%	5.38%	0.43%
10-Dec-2004	1-Dec-2009	13,185,000	13,185,000	3.60%	473,940		1,163,584	12,001,416	91.16%	1.32%	5.66%	0.07%
1-May-2008	30-Apr-2018	100,000,000	100,000,000	6.300%	6,300,000	Est	300,000	99,700,000	99.70%	10.06%	6.34%	0.64%
31-Dec-2008	30-Dec-2018	56,700,000	56,700,000	6.300%	3,572,100	Est	170,100	56,529,900	99.70%	5.70%	6.34%	0.36%
							\$58,105,100	\$21,672,658		100.00%		6.12%
							\$594,482,482	\$1,035,236,005				
Water Facility Restoration Loans												
1-Oct-1991	1-Mar-2009	4,000,000	78,430	4.188%	3,285	4	0	4,000,000	100.00%	0.01%	4.19%	0.00%
1-Jul-1991	1-Mar-2009	3,000,000	56,242	4.188%	2,439	4	0	3,000,000	100.00%	0.01%	4.19%	0.00%
1-Mar-1996	1-Nov-2012	1,955,878	705,362	3.450%	24,473	4	27,563	1,928,315	98.59%	0.07%	3.56%	0.00%
Pennvest Loans												
1-Jun-1998	1-Apr-2011	213,171	57,134	1.00%	571	5	0	213,171	100.00%	0.01%	1.00%	0.00%
1-Aug-2001	1-May-2018	6,545,211	2,991,846	1.384%	41,407	8	110,635	6,434,576	98.31%	0.30%	1.50%	0.00%
1-Jun-1998	1-Aug-2009	490,811	34,346	3.25%	1,116	6	0	490,811	100.00%	0.00%	3.25%	0.00%
1-Jun-2000	1-Jun-2018	1,179,442	752,480	2.566%	19,309	7	68,942	1,108,500	94.07%	0.08%	2.95%	0.00%
1-Jun-2000	1-Feb-2019	3,250,000	1,571,509	2.905%	45,852	9	29,069	3,220,931	99.11%	0.16%	2.97%	0.00%
1-Jun-2000	1-Dec-2022	3,748,373	2,723,981	1.387%	37,782	15	8,480	3,739,893	99.77%	0.27%	1.40%	0.00%
1-Oct-2000	1-Oct-2019	1,810,000	1,246,284	2.795%	34,854	10	0	1,810,000	100.00%	0.13%	2.80%	0.00%
1-Oct-2000	1-Feb-2020	3,737,400	2,216,362	1.184%	26,242	12	16,882	3,720,518	99.55%	0.22%	1.21%	0.00%
1-Apr-2000	1-Mar-2022	3,684,410	2,374,220	3.237%	76,854	11	56,903	3,637,607	98.46%	0.24%	3.34%	0.01%
30-Aug-2000	1-Mar-2022	3,760,814	2,621,713	3.237%	84,865	13	25,430	3,735,384	99.32%	0.26%	3.28%	0.01%
30-Aug-2000	1-Sep-2022	4,322,665	3,063,896	3.237%	99,178	14	25,445	4,287,220	99.41%	0.10%	3.27%	0.01%
1-Jun-2004	1-Jun-2024	1,451,364	955,407	1.387%	13,251	20	13,745	1,437,615	99.05%	0.31%	1.44%	0.00%
01-Jun-05	1-Nov-2024	2,422,740	2,586,509	1.000%	25,885	21	29,684	2,393,256	98.78%	0.26%	1.07%	0.00%
1-Dec-2004	1-Nov-2024	2,275,184	1,587,649	1.387%	22,159	22	34,130	2,241,054	98.50%	0.16%	1.47%	0.00%
1-Sep-2004	1-Aug-2024	5,995,000	4,138,682	1.387%	57,404	18	7,951	5,987,049	99.87%	0.42%	1.39%	0.01%
1-Nov-2004	1-Oct-2024	3,761,210	2,479,420	1.305%	32,356	19	5,660	3,755,550	99.85%	0.25%	1.31%	0.00%
							\$58,105,100	\$21,672,658		100.00%		6.12%

(1) The effective cost for each issue is the yield to maturity using as inputs the average term of issue, coupon rate and net proceeds ratio.

(2) There is a sinking fund provision for this issue of \$3,400,000 annually on March 31, beginning in 2007

(3) Acquired by PAWC in May of 1998 from the former Fairview Water Company

(4) Acquired by PAWC in May of 1998 from the former NUI, Peconic Division

(5) Clanton Township Pennvest Loan. Interest rate increases to 2.566% in 2003.

(6) Peconic Regionalization Pennvest Loan. Interest 1.00% from 1998 to 2003 and 1.384% from 2004 to 2018.

(7) Independence Twp Municipal Authority and Cedar Grove Water Assoc. Interest 1.493% from 1999 thru 2004 and 2.905% from 2005 thru 2019.

(8) Clark Summit Regionalization (Abington). Interest 1.405% from 1999 thru 2004 and 2.795% from 2005 to 2019.

(9) Strattonville Pennvest Loan. Interest 1.619% from 2002 to 2007 and 3.237% starting March 2007.

(10) Peconic County Place. Interest 1.00% from 2000 to 2005 and 1.184% from 2006 to 2020.

(11) Franklin Township. Interest 1.619% from 2002 to 2007 and 3.237% starting April 2007.

(12) Jackson Township. Interest 1.619% from 2001 to 2006 and 3.237% starting Oct 2007.

(13) Ellettsville, Jefferson, and Crosscreek. Interest 1.387% for first 70 months and 2.774% (12/2007) for remainder.

(14) Interest rate is variable and will change on a monthly basis.

(15) Elwood/Butler Interconnect. Interest rate 1.387% for first 74 months and 2.774% (08/2009) for remainder

(16) Mahoning & Union Twp. Interest rate 1.305% for first 82 months and 2.432% (10/2009) for remainder

(17) Farmington Twp. Interest rate 1.387% for first 70 months and 2.774% (07/2009) for remainder

(18) Sandy Ridge. Interest rate 1.000% for first 73 months and 1.156% (11/2009) for remainder

(19) Silgo/Shippensburg. Interest rate 1.385% for first 86 months and 2.763% for remainder

SCHEDULE OF PREFERRED STOCK AT DECEMBER 2007 & ESTIMATED AT DECEMBER 31, 2008

SERIES	DATE OF ISSUE	AVG TERM (YRS)	PRINCIPAL AMOUNT ISSUED	AMOUNT OUTSTANDING	EXPENSE	NET PROCEEDS	PERCENT TO TOTAL	(2)	
								EFFECTIVE COST RATE	WEIGHTED COST RATE
4.50%	2-Dec-40	(3)	2,000,000	1,720,200	-	2,000,000	12.14%	4.50%	0.55%
9.75%	23-Apr-71	19.5	300,000	178,000	5,473	294,527	1.26%	9.96%	0.13%
9.35%	23-Apr-71	22.5	425,000	273,500	7,275	417,725	1.93%	9.53%	0.18%
8.49%	21-Nov-91	25.5	12,000,000	12,000,000	82,714	11,917,286	84.68%	8.56%	7.25%
			14,725,000	14,171,700	95,462	14,629,538	100.00%		8.11%

Notes:

- (1) Determined by taking into account the effect of the annual sinking fund requirements which are met by the retirement of stock which reduce the term of each issue
- (2) The effective cost for each issue is the yield to maturity using as inputs the average term of issue, stated dividend rate, and net proceeds ratio.
- (3) Series without sinking fund requirements are outstanding in perpetuity. For those series, the effective cost rate is the stated dividend rate divided by the net proceeds ratio.