

PENNSYLVANIA-AMERICAN WATER COMPANY

Hershey, Pennsylvania

DEPRECIATION STUDY
OF CLAYSVILLE WASTEWATER OPERATIONS

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO UTILITY PLANT AT DECEMBER 31, 2009

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, INC.

Harrisburg, Pennsylvania

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RESULTS OF STUDY

PENNSYLVANIA-AMERICAN WATER COMPANY
DEPRECIATION STUDY OF CLAYSVILLE WASTEWATER OPERATIONS
RESULTS OF STUDY

SUMMARY OF RESULTS

The results of the depreciation study of the Claysville Wastewater Operations as of December 31, 2009, are summarized in Table 1, which sets forth the book reserve and the calculated annual depreciation related to net original cost. An explanation of the methods used in the study is set forth in a companion report titled "Depreciation Study of Claysville Wastewater Operations - Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2010."

DETAILED TABULATIONS OF DEPRECIATION CALCULATIONS

The supporting data for the depreciation calculations are presented in account sequence in the section beginning on page 6. The original cost, calculated accrued depreciation, allocated book reserve, future accruals, remaining life and annual accrual are shown for each vintage of each account or subaccount.

PENNSYLVANIA AMERICAN WATER COMPANY
CLAYSVILLE WASTEWATER OPERATIONS

TABLE 1. ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

DEPRECIABLE GROUP (1)	SURVIVOR CURVE (2)	NET ORIGINAL COST AT DECEMBER 31, 2009 (3)	BOOK RESERVE (4)	FUTURE ACCRUALS (5)	ANNUAL ACCRUAL AMOUNT (6)	COMPOSITE REMAINING LIFE (7)	ANNUAL ACCRUAL RATE, PERCENT (8)
DEPRECIABLE PLANT							
354.20	STRUCTURES AND IMPROVEMENTS - COLLECTION	21,250.58	266	20,985	628	33.4	2.96
354.30	STRUCTURES AND IMPROVEMENTS - SPP	41,752.22	6,168	35,584	1,680	21.2	4.02
354.40	STRUCTURES AND IMPROVEMENTS - TDP	693,417.71	378,760	314,658	22,686	13.9	3.27
354.70	STRUCTURES AND IMPROVEMENTS - GENERAL	72,711.64	7,630	65,082	3,160	20.6	4.35
360.10	COLLECTION SEWERS - FORCE MAINS	69,097.86	18,242	50,856	1,192	42.7	1.73
361.10	COLLECTION SEWERS - GRAVITY MAINS	1,310,805.18	534,645	776,161	22,340	34.7	1.70
361.20	MANHOLES	123,058.37	60,673	62,385	2,739	22.8	2.23
363.00	SERVICES	216,505.45	93,281	123,224	8,059	15.3	3.72
371.00	PUMPING EQUIPMENT	3,345.36	1,554	1,792	87	20.6	2.60
380.00	TREATMENT EQUIPMENT	827,421.53	375,162	452,259	21,776	20.8	2.63
391.00	TRANSPORTATION EQUIPMENT	32,855.00	32,831	24	8	3.0	0.02
394.00	LABORATORY EQUIPMENT	14,290.84	417	13,874	1,028	13.5	7.19
395.00	POWER OPERATED EQUIPMENT	101,058.45	83,500	17,558	7,506	2.3	7.43
	TOTAL DEPRECIABLE PLANT	3,527,570.19	1,593,129	1,934,442	92,889	20.8	2.63
NONDEPRECIABLE PLANT							
353.20	LAND AND LAND RIGHTS - COLLECTION	120,569.00					
353.40	LAND AND LAND RIGHTS - TDP	41,440.51					
	TOTAL NONDEPRECIABLE PLANT	162,009.51					
	TOTAL WASTEWATER COMPANY	3,689,579.70					

* Life Span Procedure used. Curve shown is Interim Survivor Curve.

DETAILED DEPRECIATION CALCULATIONS

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NET UTILITY PLANT IN SERVICE

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.20 STRUCTURES AND IMPROVEMENTS - COLLECTION

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-R3						
NET SALVAGE PERCENT.. 0						
2009	21,250.58	315	266	20,985	33.40	628
	21,250.58	315	266	20,985		628
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					33.4	2.96

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.30 STRUCTURES AND IMPROVEMENTS - SPP

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 30-S1.5						
NET SALVAGE PERCENT.. 0						
1993	12,079.85	6,718	5,665	6,415	13.17	487
2009	29,672.37	596	503	29,169	24.44	1,193
	41,752.22	7,314	6,168	35,584		1,680
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					21.2	4.02

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.40 STRUCTURES AND IMPROVEMENTS - TDP

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
INTERIM SURVIVOR CURVE.. IOWA 65-R3						
PROBABLE RETIREMENT YEAR.. 6-2024						
NET SALVAGE PERCENT.. 0						
1984	693,417.71	449,127	378,760	314,658	13.87	22,686
	693,417.71	449,127	378,760	314,658		22,686
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					13.9	3.27

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.70 STRUCTURES AND IMPROVEMENTS - GENERAL

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 35-S0						
NET SALVAGE PERCENT.. 0						
1984	12,307.56	7,658	6,459	5,849	15.48	378
2009	60,404.08	1,389	1,171	59,233	21.29	2,782
	72,711.64	9,047	7,630	65,082		3,160
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					20.6	4.35

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 360.10 COLLECTION SEWERS - FORCE MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 65-S2.5						
NET SALVAGE PERCENT.. 0						
1993	69,097.86	19,271	18,242	50,856	42.67	1,192
	69,097.86	19,271	18,242	50,856		1,192
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					42.7	1.73

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 361.10 COLLECTION SEWERS - GRAVITY MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 65-S1.5						
NET SALVAGE PERCENT.. 0						
1984	1,254,405.70	534,251	521,391	733,015	34.38	21,321
1993	78,339.73	22,750	22,202	56,138	40.32	1,392
9999	21,940.25-	9,169-	8,948-	12,992-		373-
	1,310,805.18	547,832	534,645	776,161		22,340
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					34.7	1.70

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 361.20 MANHOLES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R1.5						
NET SALVAGE PERCENT.. 0						
1984	72,253.92	39,060	38,120	34,134	21.67	1,575
1985	26,735.24	14,017	13,680	13,055	22.23	587
1993	26,128.96	10,133	9,889	16,240	26.05	623
9999	2,059.75-	1,041-	1,016-	1,044-		46-
	123,058.37	62,169	60,673	62,385		2,739
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					22.8	2.23

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 363.00 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-S2.5						
NET SALVAGE PERCENT.. 0						
1984	161,942.20	102,833	72,545	89,397	14.66	6,098
1985	47,451.21	29,296	20,667	26,784	15.18	1,764
2009	7,112.04	98	69	7,043	35.73	197
	216,505.45	132,227	93,281	123,224		8,059
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					15.3	3.72

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 371.00 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-S0						
NET SALVAGE PERCENT.. 0						
1984	1,371.62	790	745	627	18.75	33
1993	1,973.74	857	809	1,165	21.52	54
	3,345.36	1,647	1,554	1,792		87
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					20.6	2.60

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 380.00 TREATMENT EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-S1						
NET SALVAGE PERCENT.. 0						
1984	631,601.29	381,740	372,126	259,475	16.69	15,547
2009	195,820.24	3,114	3,036	192,784	30.95	6,229
	827,421.53	384,854	375,162	452,259		21,776
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					20.8	2.63

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 391.00 TRANSPORTATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 14-S4						
NET SALVAGE PERCENT.. 0						
1982	9,155.00	9,155	9,155			
1998	23,700.00	18,860	23,676	24	2.95	8
	32,855.00	28,015	32,831	24		8
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					3.0	0.02

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 394.00 LABORATORY EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
2008	14,290.84	1,429	417	13,874	13.50	1,028
	14,290.84	1,429	417	13,874		1,028
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					13.5	7.19

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 395.00 POWER OPERATED EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2009

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 15-L4						
NET SALVAGE PERCENT.. 0						
1986	7,525.00	7,144	6,730	795	1.25	636
1993	93,533.45	81,486	76,770	16,763	2.44	6,870
	101,058.45	88,630	83,500	17,558		7,506
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					2.3	7.43

PENNSYLVANIA-AMERICAN WATER COMPANY

Hershey, Pennsylvania

DEPRECIATION STUDY
OF CLAYSVILLE WASTEWATER OPERATIONS

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO UTILITY PLANT AT DECEMBER 31, 2010

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION

Harrisburg, Pennsylvania



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April 20, 2010

Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033

Attention Mr. John R. Cox
Manager of Rates and Regulation

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Gentlemen:

Pursuant to your request, we have determined the annual depreciation accruals applicable to utility plant. The results of our study at December 31, 2010, are presented in the attached report. The results of our study at December 31, 2009, are presented in our report, "Depreciation Study of Claysville Wastewater Operations - Calculated Annual Depreciation Accruals Related to Utility Plant at December 31, 2009." The same methods, procedures and estimates are used in both studies.

The attached report sets forth a description of the methods and procedures upon which the studies were based, the estimates of survivor curves, and the calculated annual depreciation at December 31, 2010.

Respectfully submitted,

GANNETT FLEMING, INC.

JOHN J. SPANOS
Vice President
Valuation and Rate Division

JJS:krm

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PART I. METHODS USED IN STUDY

PENNSYLVANIA-AMERICAN WATER COMPANY

DEPRECIATION STUDY OF CLAYSVILLE WASTEWATER OPERATIONS

PART I. METHODS USED IN STUDY

INTRODUCTION

The report presents the methods used in and the results of the depreciation study conducted for Pennsylvania-American Water Company's Claysville Wastewater Operations related to utility plant in service at December 31, 2010. Part I, Methods Used in Study, contains statements with respect to the basis of the study, the estimation of survivor curves, the book reserve and the method of calculating annual depreciation. Part II, Results of Study, contains the statistics related to the life studies in graphic and tabular form and the summary and detailed tabulations of annual depreciation.

BASIS OF THE STUDY

The purpose of the depreciation study was to determine the annual depreciation accruals applicable to the cost of utility plant in service at December 31, 2010. For most accounts, the straight line remaining life method using attained ages, the book depreciation reserve and estimated survivor curves, was the basis for the calculation of annual depreciation. For certain accounts, the annual and accrued amortization amounts were based on the age of the property and the selected amortization period.

The survivor curve estimates were based on judgment which incorporated (1) analyses of historical data related to the property; (2) consideration of the character, use and location of the property; (3) probable future events and management plans; and (4) a general knowledge of wastewater property lives. The use of Iowa type survivor curves

is a generally-accepted method of estimating average service life when the actual lives of individual property units are dispersed. When the majority of the units within a property group were expected to experience a common retirement date, the life span procedure was used. Interim survivor curves were used with life span groups to represent retirements expected to occur before the estimated final retirement date for the group.

ESTIMATION OF SURVIVOR CURVES

Statistical Analyses of Data. The method of life analysis used in the study consisted of compiling the past history of the depreciable accounts or groups, analyzing historical trends through the use of recognized techniques, and forecasting the trend of survivors for each depreciable group based on an interpretation of past trends and future plans. The estimates of average service life and dispersion result from consideration of both the historical and forecasted trends.

The aged data analyzed for the purpose of estimating survivor curves were compiled from the property records of the Company. These data included plant additions, retirements, sales, transfers, and adjustments recorded through 2009.

The actuarial retirement rate method was used for the analysis of the retirement activity related to the depreciable properties of this company. The method is explained in several recognized published texts, including "Statistical Analyses of Industrial Property Retirements"¹ and "Engineering Valuation and Depreciation."²

Each retirement rate analysis resulted in a life table which, when plotted, formed an original survivor curve. Each original survivor curve as plotted from the life table represents

¹Winfrey, Robley. Statistical Analyses of Industrial Property Retirements. Iowa State College, Engineering Experiment Station, Bulletin 125. 1935.

²Anson Marston, Robley Winfrey, and Jean C. Hempstead. Engineering Valuation and Depreciation, 2nd Edition. New York, McGraw-Hill Book Company. 1953.

the average survivor pattern experienced by the several vintage groups during the experience band studied. Inasmuch as this survivor pattern does not necessarily describe the life characteristics of the property group, interpretation of these original curves is required in order to use them as a valid consideration in the process of service life estimation. Standard type curves, generally the Iowa type curves, were used to aid these interpretations.

Judgments. The survivor curve estimates were based on judgment which considered factors including statistical analyses of retirements, Company policies and outlook as determined during discussions with management, and survivor curve estimates from previous studies of the Company, as well as other water and wastewater companies. For depreciable groups which consist of numerous similar items of property, the distribution of the lives of the units in the group was judged on the basis of an average survival pattern for the entire group. The judgments for a life span group were made by estimating the life of the major facility in the group and assigning lives to the related items of property which terminate at the probable retirement date of the major facility.

The life span estimate for the treatment plant in Account 354.4 was based on the type of construction, attained age and specific plans of management. The age of this group is approximately equal to or greater than the estimate typically made for the property group. The interim survivor curve, 65-R3, was estimated for the plant based on prior studies and judgment.

The average survivor curves estimated for depreciable groups with numerous similar items were based on statistical analyses, Company policies, and previous estimates made for this and other companies. For some of the mass plant accounts and subaccounts for which survivor curves were estimated, the statistical analysis resulted in good indications

of the survivor patterns experienced. The survivor curves are set forth beginning on page II-9.

The amortization periods selected for general plant Accounts 389.1, 394 and 396 are discussed in the section, "Amortization of General Plant Accounts."

BOOK RESERVE

The book reserve as of December 31, 2010, is the result of a bringforward of the book reserves established by the Commission for Claysville Wastewater Operations since acquisition in July 2008.

The book reserve activity subsequent to the 2008 acquisition date consists of accruals, retirements, cost of removal, salvage and other debits and credits recorded to the book reserve through December 31, 2009. The projected book reserve as of December 31, 2010, is a bringforward of the December 31, 2009 book reserve based on projected accruals, retirements, cost of removal, salvage and other credits.

CALCULATION OF DEPRECIATION

The annual depreciation accruals as of December 31, 2010, are based on the straight line remaining life method and the equal life group procedure. For the purpose of calculating the remaining life accruals as of December 31, 2010, the book reserve is allocated among vintages in proportion to the calculated accrued depreciation as of December 31, 2010.

Group Depreciation Procedures. A group procedure for depreciation is appropriate when considering more than a single item of property. Normally, the items within a group do not have identical service lives, but have lives that are dispersed over a range of time.

In the average service life procedure, the rate of annual depreciation is based on the average life or average remaining life of the group, and this rate is applied to the

surviving balances of the group's cost. A characteristic of this procedure is that the cost of plant retired prior to average life is not fully recouped at the time of retirement, whereas the cost of plant retired subsequent to average life is more than fully recouped. Over the entire life cycle, the portion of cost not recouped prior to average life is balanced by the cost recouped subsequent to average life.

In the equal life group procedure, the property group is subdivided according to service life. That is, each equal life group includes that portion of the property which experiences the life of that specific group. The relative size of each equal life group is determined from the property's life dispersion curve. This procedure eliminates the need to base depreciation on average lives, inasmuch as each group is equivalent to a unit having a single life. The full costs of short-lived units are accrued during their lives, leaving no deferral of accruals required to be added to the annual costs associated with long-lived units. The calculated depreciation for the property group is the summation of the calculated depreciation based on the service life of each equal life group.

Remaining Life Annual Accruals. For the purpose of calculating remaining life accrual rates as of December 31, 2010, the estimated book depreciation reserve for each plant account is allocated among vintages in proportion to the calculated accrued depreciation for the account. Explanations of remaining life accruals and calculated accrued depreciation based on the equal life group procedure follow. The detailed calculations are set forth in the Results of Study section of the report.

Equal Life Group Procedure. In the equal life group procedure, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the composite remaining life for the surviving original cost of that

vintage. The composite remaining life is derived by compositing the individual equal life group remaining lives in accordance with the following equation:

$$\text{Composite Remaining Life} = \frac{\sum \left(\frac{\text{Book Cost}}{\text{Life}} \times \text{Remaining Life} \right)}{\sum \frac{\text{Book Cost}}{\text{Life}}}$$

The book costs and lives of the several equal life groups which are summed in the foregoing equation are defined by the estimated survivor curve.

Inasmuch as book cost divided by life equals the whole life annual accrual, the foregoing equation reduces to the following form:

$$\text{Composite Remaining Life} = \frac{\sum \text{Whole Life Future Accruals}}{\sum \text{Whole Life Annual Accruals}}$$

or

$$\text{Composite Remaining Life} = \frac{\sum \text{Book Cost} - \text{Calc. Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

The annual accrual rate for each account is equal to the sum of the remaining life annual accruals for all vintages divided by the account's total original cost. The account's "composite remaining life" is calculated by dividing the sum of the future book accruals for all vintages by the sum of the remaining life annual accruals for all vintages.

The calculated accrued depreciation in the equal life group procedure also represents that portion of depreciable cost which will not be allocated to expense through future accruals. However, the calculation is based at the equal life group level rather than the vintage group level, and does not require the use of averages. The equal life group accrued depreciation ratio is calculated as follows:

$$\text{Ratio} = 1 - \frac{\text{Remaining Life}}{\text{Service Life}}$$

Inasmuch as service life minus remaining life equals age, when averages are not employed, the foregoing equation reduces to:

$$\text{Ratio} = \frac{\text{Age}}{\text{Service Life}}$$

AMORTIZATION OF GENERAL PLANT ACCOUNTS

In order to use a more efficient and cost effective accounting process for equipment recorded in general plant Accounts 389.1, 394 and 396; amounts capitalized in these accounts are amortized rather than depreciated. Amortization as defined in the Uniform System of Accounts is the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

The primary reasons for the amortization of certain general plant accounts is that the effort required to unitize additions, periodically inventory equipment and determine amounts to be retired for equipment recorded in these accounts is disproportionate to the original cost of the equipment when compared to other wastewater plant accounts.

Accounting for such equipment using an amortization concept consists of capitalization of amounts to these accounts based on the same criteria as used previously under depreciation accounting, amortization of the asset over a fixed period, retirement of the equipment at the end of the amortization period and recognition of any net salvage related to disposition of equipment in these accounts as a gain or loss. For equipment in these accounts that was placed in service prior to implementation of amortization

accounting, the net book value by vintage amortized over the remaining amortization period specified for each account and the original cost will be retired at the end of this period.

The amortization periods selected for each account or subaccount are based on a review of the existing depreciation rates for the accounts, typical service lives used for each type of equipment and a consideration of the period during which it is anticipated that most of the benefit of the equipment will be realized. The amortization periods are as follows:

<u>Account Number</u>	<u>Description</u>	<u>Amortization Period, Years</u>
389.1	Other Plant and Miscellaneous Equipment - Intangible	20
394	Laboratory Equipment	15
396	Communication Equipment	15

NET SALVAGE

Experienced net salvage is incorporated in the results of the study as it was reported on the Company's books and records for the period August 1, 2008 through December 31, 2009, and estimated for the period January 1, 2010 through December 31, 2010. The calculation of the amortization is shown in Table 4 on II-8. The amounts of salvage and removal cost by account for each year are set forth in the section beginning on page II-59

Net salvage is presented in this manner to determine the amount of net salvage to be amortized to the cost of service for ratemaking purposes. In order to be consistent with this manner of recognizing net salvage, no adjustments for net salvage were made to the annual depreciation calculated for the individual accounts.

II-1

PART II. RESULTS OF STUDY

PART II. RESULTS OF STUDY

DESCRIPTION OF SUMMARY TABULATIONS

The results of the depreciation study are summarized in Table 1 which sets forth, by depreciable group, the estimated survivor curve, calculated annual accruals and book 2010 the book reserve as of December 31, 2009. Table 3 sets forth the calculation of estimated depreciation accruals for the twelve months ended December 31, 2010. Table 4 presents the amortization of experienced and estimated net salvage, by account, based on the five-year period, 2006-2010.

DESCRIPTION OF DETAILED TABULATIONS

Supporting statistical data for the estimates of average service lives and survivor curves, the annual depreciation calculations, and salvage and cost of removal for the years 2006-2010 are presented in three sections.

The section beginning on page II-8 sets forth, for each depreciable group analyzed by the retirement rate method, a chart depicting the original and estimated survivor curves followed by a tabular presentation of the original life table plotted on the chart. The supporting data for the original cost depreciation calculations are presented in the section beginning on page II-42. The tabulations of experienced and estimated net salvage, by year and account for the five-year period 2006-2010, are presented in the section beginning on page II-59.

In the first section, the survivor curves estimated for the depreciable groups are shown as dark smooth curves on the charts. Each smooth survivor curve is denoted by a numeral followed by the type curve designation. The numeral used is the average life derived from the entire curve from 100 percent to zero percent surviving. In cases where

derived from the entire curve from 100 percent to zero percent surviving. In cases where only a segment of the estimated curve is used in the depreciation calculation, the numeral used for identification purposes is not a designation of the average life of the group. The titles of the charts indicate the group, the symbol used to plot the points of the original life table, and the experience and placement bands of the life tables which were plotted. The experience band indicates the range of years for which the retirements were used to develop the stub survivor curve. The placements indicate, for the related experience band, the range of years of installations which appear in the experience.

The tables of the calculated annual depreciation related to net original cost are presented in account sequence in the second section and indicate the estimated average survivor curves used in the calculations. The tables set forth, for each installation year, the original cost, calculated accrued depreciation, allocated book reserve, remaining life expectancy, and the calculated annual accrual.

Detailed tabulations setting forth the cost of removal, gross salvage and net salvage amounts, by account and year, are presented in the third section. The net salvage amounts, by account and year, are carried forward to Table 4, which presents the five-year amortization of net salvage.

PENNSYLVANIA AMERICAN WATER COMPANY
CLAYSVILLE WASTEWATER OPERATIONS

TABLE 1. ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

DEPRECIABLE GROUP (1)	SURVIVOR CURVE (2)	NET ORIGINAL COST AT DECEMBER 31, 2010 (3)	BOOK RESERVE (4)	FUTURE ACCRUALS (5)	ANNUAL ACCRUAL AMOUNT (6)	COMPOSITE REMAINING LIFE (7)	ANNUAL ACCRUAL RATE, PERCENT (8)
DEPRECIABLE PLANT							
354.20	STRUCTURES AND IMPROVEMENTS - COLLECTION	21,250.58	895	20,356	615	33.1	2.89
354.30	STRUCTURES AND IMPROVEMENTS - SPP	41,752.22	1,650	40,102	2,101	19.1	5.03
354.40	STRUCTURES AND IMPROVEMENTS - TDP	693,417.71	401,435	291,983	22,426	13.0	3.23
354.70	STRUCTURES AND IMPROVEMENTS - GENERAL	72,711.64	10,793	61,919	2,987	20.7	4.11
360.10	COLLECTION SEWERS - FORCE MAINS	69,097.86	19,437	49,661	1,182	42.0	1.71
361.10	COLLECTION SEWERS - GRAVITY MAINS	1,332,745.43	557,115	775,631	21,078	36.8	1.58
361.20	MANHOLES	205,035.12	59,853	145,182	6,108	23.8	2.98
363.00	SERVICES	94,714	94,714	146,991	8,968	16.4	3.71
371.00	PUMPING EQUIPMENT	241,705.45	446	132,925	5,476	24.3	4.11
380.00	TREATMENT EQUIPMENT	133,371.36	364,914	464,707	23,252	20.0	2.80
389.10	OTHER PLANT AND MISC. EQUIPMENT - INTANGIBLE	829,621.53	0	220,000	11,282	19.5	5.13
391.00	TRANSPORTATION EQUIPMENT	32,855.00	32,838	17	7	2.4	0.02
394.00	LABORATORY EQUIPMENT	21,290.84	1,696	19,595	1,492	13.1	7.01
395.00	POWER OPERATED EQUIPMENT	101,058.45	91,009	10,049	4,401	2.3	4.35
398.00	COMMUNICATION EQUIPMENT	145,000.00	0	145,000	10,000	14.5	6.90
TOTAL DEPRECIABLE PLANT		4,160,913.19	1,636,795	2,524,118	121,375	20.8	2.92
NONDEPRECIABLE PLANT							
353.20	LAND AND LAND RIGHTS - COLLECTION	120,569.00					
353.40	LAND AND LAND RIGHTS - TDP	41,440.51					
TOTAL NONDEPRECIABLE PLANT		162,009.51			9,463		
AMORTIZATION OF NET SALVAGE							
TOTAL WASTEWATER COMPANY		4,322,922.70	1,636,795	2,524,118	130,838		

* Life Span Procedure used. Curve shown is Interim Survivor Curve.

PENNSYLVANIA AMERICAN WATER COMPANY
CLAYSVILLE WASTEWATER OPERATIONS

TABLE 2. BRING FORWARD TO DECEMBER 31, 2010 OF BOOK RESERVE AS OF DECEMBER 31, 2009

DEPRECIABLE GROUP (1)	BOOK RESERVE	DEPRECIATION	PROJECTED	PROJECTED	PROJECTED	PROJECTED	BOOK RESERVE
	AS OF DECEMBER 31, 2009 (2)	ACCRUALS (3)	RETIREMENTS (4)	GROSS SALVAGE (5)	COST OF REMOVAL (6)	=	AS OF DECEMBER 31, 2010 (7)
DEPRECIABLE PLANT							
354.20	STRUCTURES AND IMPROVEMENTS - COLLECTION	286	629				895
354.30	STRUCTURES AND IMPROVEMENTS - SPP	6,168	1,678				1,650
354.40	STRUCTURES AND IMPROVEMENTS - TDP	378,760	22,675		6,197		401,435
354.70	STRUCTURES AND IMPROVEMENTS - GENERAL	7,630	3,163				10,793
360.10	COLLECTION SEWERS - FORCE MAINS	18,242	1,195				19,437
361.10	COLLECTION SEWERS - GRAVITY MAINS	534,645	22,470				557,115
381.20	MANHOLES	60,673	3,658	1,600		2,878	59,853
383.00	SERVICES	93,281	8,523	1,800		5,289	94,714
371.00	PUMPING EQUIPMENT	1,554	1,777	1,974		912	446
380.00	TREATMENT EQUIPMENT	375,162	21,790		32,038		364,914
389.10	OTHER PLANT AND MISC. EQUIPMENT - INTANGIBLE	0	0				0
391.00	TRANSPORTATION EQUIPMENT	32,831	7				32,838
394.00	LABORATORY EQUIPMENT	417	1,279				1,696
395.00	POWER OPERATED EQUIPMENT	83,500	7,509				91,009
396.00	COMMUNICATION EQUIPMENT	0	0				0
TOTAL DEPRECIABLE PLANT		1,593,129	96,354	5,374	0	47,314	1,636,795

PENNSYLVANIA AMERICAN WATER COMPANY
CLAYSVILLE WASTEWATER OPERATIONS

TABLE 3. CALCULATION OF DEPRECIATION ACCRUALS FOR
THE TWELVE MONTHS ENDED DECEMBER 31, 2010

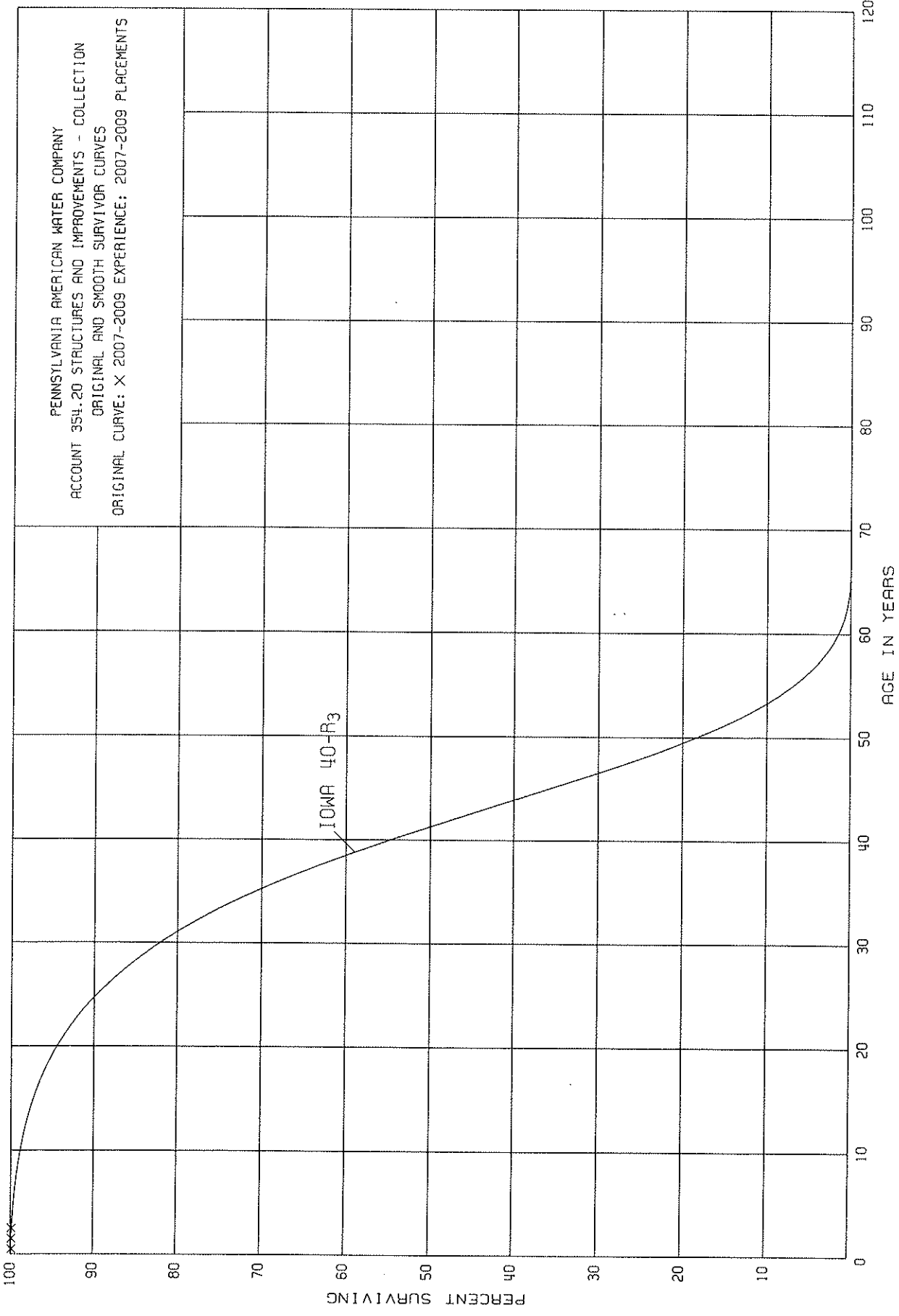
DEPRECIABLE GROUP	NET ORIGINAL COST AT DECEMBER 31, 2009	NET ORIGINAL COST AT DECEMBER 31, 2010	COMPOSITE ACCURAL RATE	ANNUAL ACCURAL AMOUNT	
(1)	(2)	(3)	(4)	(5)	
DEPRECIABLE PLANT					
354.20	STRUCTURES AND IMPROVEMENTS - COLLECTION	21,250.58	21,250.58	2.96	629.02
354.30	STRUCTURES AND IMPROVEMENTS - SPP	41,752.22	41,752.22	4.02	1,678.44
354.40	STRUCTURES AND IMPROVEMENTS - TDP	693,417.71	693,417.71	3.27	22,674.76
354.70	STRUCTURES AND IMPROVEMENTS - GENERAL	72,711.64	72,711.64	4.35	3,162.96
360.10	COLLECTION SEWERS - FORCE MAINS	69,097.86	69,097.86	1.73	1,195.39
361.10	COLLECTION SEWERS - GRAVITY MAINS	1,310,805.18	1,332,745.43	1.70	22,470.18
361.20	MANHOLES	123,058.37	205,035.12	2.23	3,658.24
363.00	SERVICES	216,505.45	241,705.45	3.72	8,522.72
371.00	PUMPING EQUIPMENT	3,345.36	133,371.36	2.60	1,777.32
380.00	TREATMENT EQUIPMENT	827,421.53	829,621.53	2.63	21,790.12
389.10	OTHER PLANT AND MISC. EQUIPMENT - INTANGIBLE	0.00	220,000.00	0.00	0.00
391.00	TRANSPORTATION EQUIPMENT	32,855.00	32,855.00	0.02	6.57
394.00	LABORATORY EQUIPMENT	14,290.84	21,290.84	7.19	1,279.16
395.00	POWER OPERATED EQUIPMENT	101,058.45	101,058.45	7.43	7,508.64
396.00	COMMUNICATION EQUIPMENT	0.00	145,000.00	0.00	0.00
TOTAL DEPRECIABLE PLANT		3,527,570.19	4,160,913.19		96,353.52
NONDEPRECIABLE PLANT					
353.20	LAND AND LAND RIGHTS - COLLECTION	120,569.00	120,569.00		
353.40	LAND AND LAND RIGHTS - TDP	41,440.51	41,440.51		
TOTAL NONDEPRECIABLE PLANT		162,009.51	162,009.51		
TOTAL WASTEWATER COMPANY		3,689,579.70	4,322,922.70		

PENNSYLVANIA AMERICAN WATER COMPANY
CLAYSVILLE WASTEWATER OPERATIONS

TABLE 4. AMORTIZATION OF EXPERIENCED AND ESTIMATED NET SALVAGE

Account (1)	2006		2007		2008		2009		2010		Net Salvage (12)*	Salvage Accrual (13)=(12)/5
	Gross Salvage (2)	Cost of Removal (3)	Gross Salvage (4)	Cost of Removal (5)	Gross Salvage (6)	Cost of Removal (7)	Gross Salvage (8)	Cost of Removal (9)	Gross Salvage (10)	Cost of Removal (11)		
354.30												
361.20												(1,239.36)
363.00												(575.64)
371.00												(1,057.88)
380.00												(182.34)
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47,314.00	(47,314.00)	(9,462.80)

* Column (12) equals the summation of Columns (2) through (11).

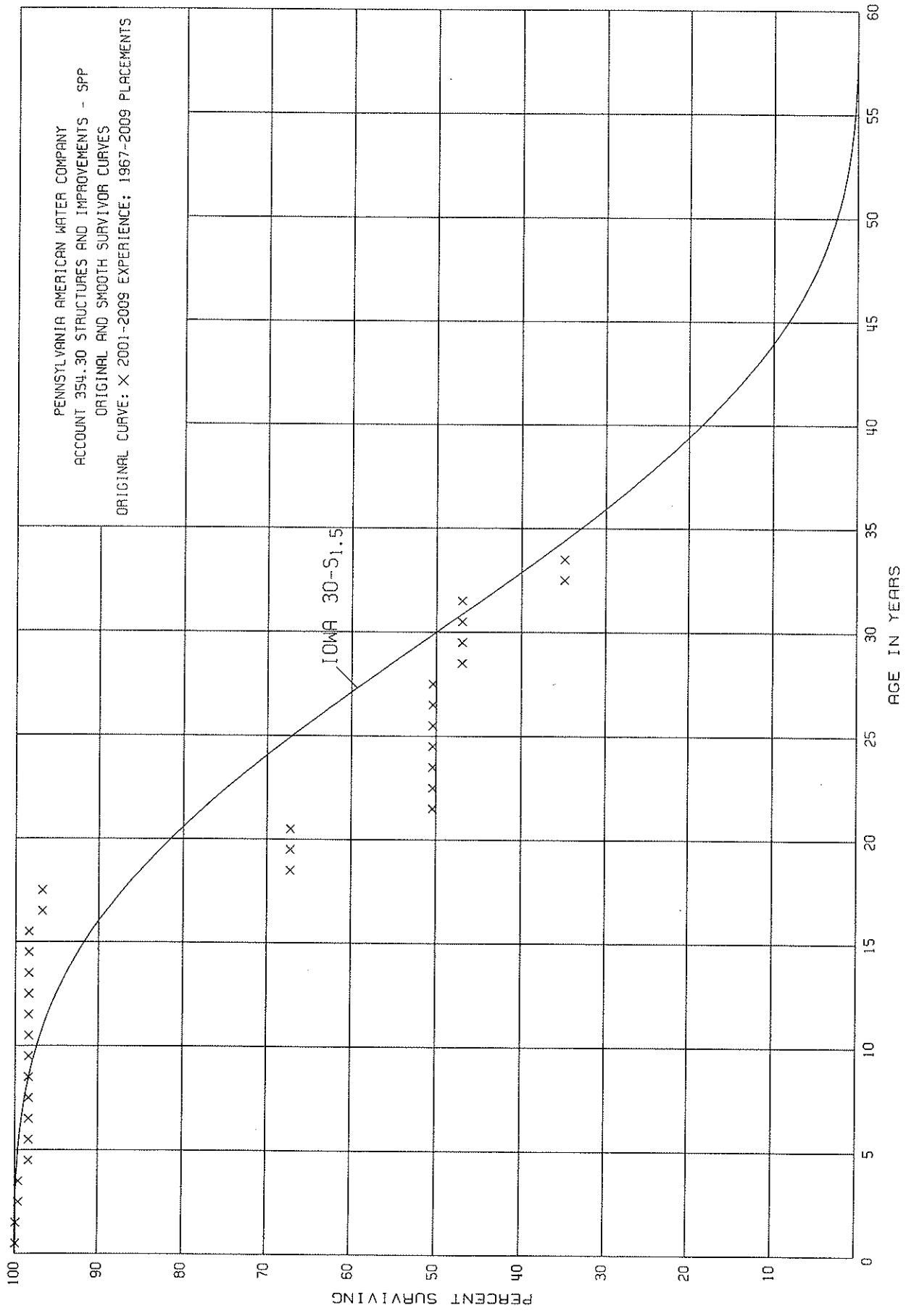


PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 354.20 STRUCTURES AND IMPROVEMENTS - COLLECTION

ORIGINAL LIFE TABLE

PLACEMENT BAND 2007-2009			EXPERIENCE BAND 2007-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	169,885		0.0000	1.0000	100.00
0.5	138,723		0.0000	1.0000	100.00
1.5	20,659		0.0000	1.0000	100.00
2.5					100.00



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 354.30 STRUCTURES AND IMPROVEMENTS - SPP

ORIGINAL LIFE TABLE

PLACEMENT BAND 1967-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	5,411,273		0.0000	1.0000	100.00
0.5	1,824,695		0.0000	1.0000	100.00
1.5	1,774,451	6,642	0.0037	0.9963	100.00
2.5	1,329,484		0.0000	1.0000	99.63
3.5	392,976	5,000	0.0127	0.9873	99.63
4.5	332,622		0.0000	1.0000	98.36
5.5	265,975		0.0000	1.0000	98.36
6.5	221,369		0.0000	1.0000	98.36
7.5	221,369		0.0000	1.0000	98.36
8.5	42,369		0.0000	1.0000	98.36
9.5	35,333		0.0000	1.0000	98.36
10.5	24,176		0.0000	1.0000	98.36
11.5	24,176		0.0000	1.0000	98.36
12.5	64,092		0.0000	1.0000	98.36
13.5	109,290		0.0000	1.0000	98.36
14.5	145,290		0.0000	1.0000	98.36
15.5	365,846	6,000	0.0164	0.9836	98.36
16.5	347,766		0.0000	1.0000	96.75
17.5	57,464	17,548	0.3054	0.6946	96.75
18.5	101,975		0.0000	1.0000	67.20
19.5	101,975		0.0000	1.0000	67.20
20.5	62,059	15,515	0.2500	0.7500	67.20
21.5	523,832	480	0.0009	0.9991	50.40
22.5	523,352		0.0000	1.0000	50.35
23.5	57,210		0.0000	1.0000	50.35
24.5	57,210		0.0000	1.0000	50.35
25.5	96,374		0.0000	1.0000	50.35
26.5	50,310		0.0000	1.0000	50.35
27.5	55,750	3,680	0.0660	0.9340	50.35
28.5	57,843		0.0000	1.0000	47.03
29.5	52,403		0.0000	1.0000	47.03
30.5	52,403		0.0000	1.0000	47.03
31.5	41,256	10,682	0.2589	0.7411	47.03
32.5	30,575		0.0000	1.0000	34.85
33.5					34.85
34.5					
35.5					
36.5					
37.5					
38.5					

PENNSYLVANIA AMERICAN WATER COMPANY

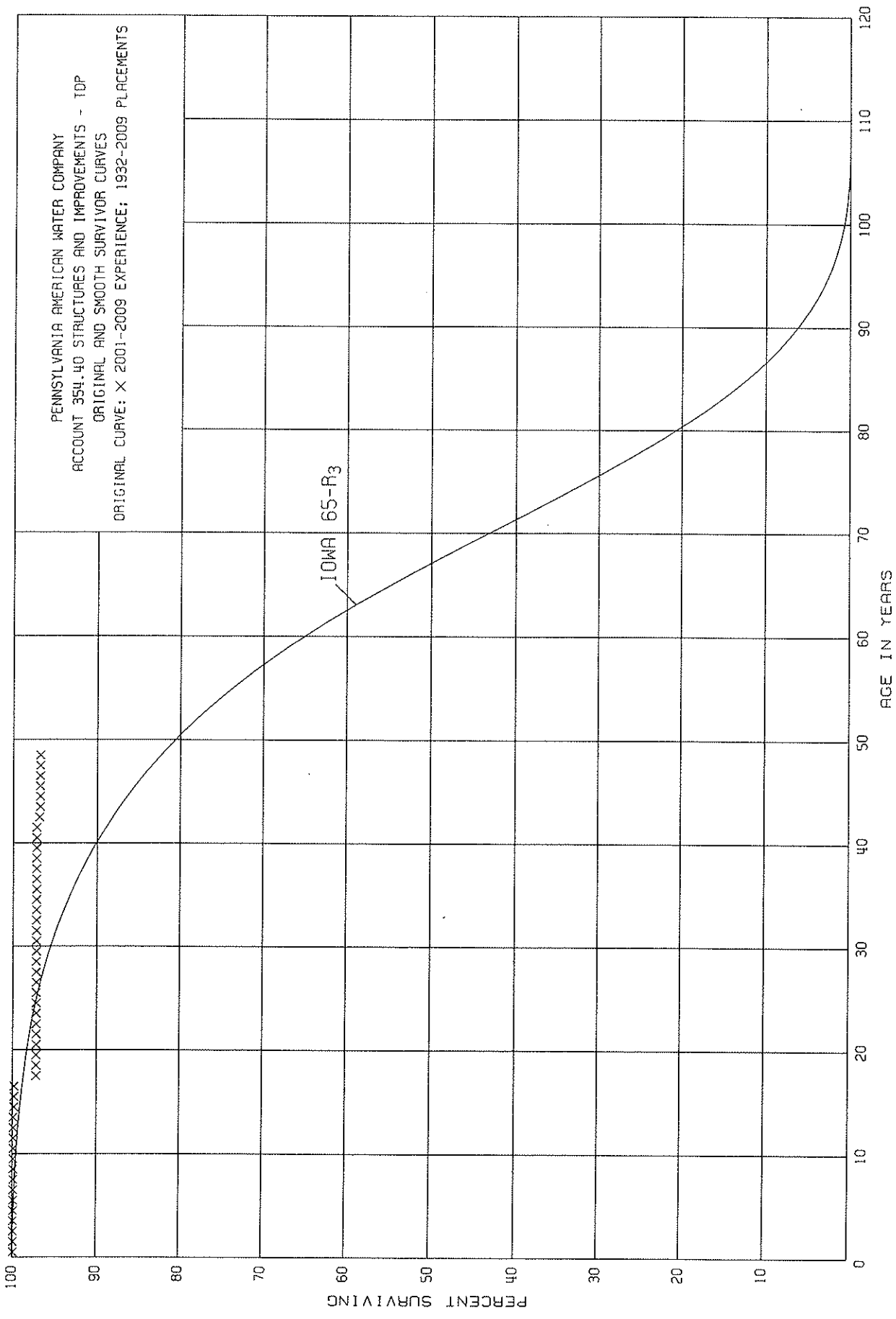
ACCOUNT 354.30 STRUCTURES AND IMPROVEMENTS - SPP

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1967-2009

EXPERIENCE BAND 2001-2009

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5					
40.5	13,500		0.0000		
41.5	13,500		0.0000		
42.5					



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 354.40 STRUCTURES AND IMPROVEMENTS - TDP

ORIGINAL LIFE TABLE

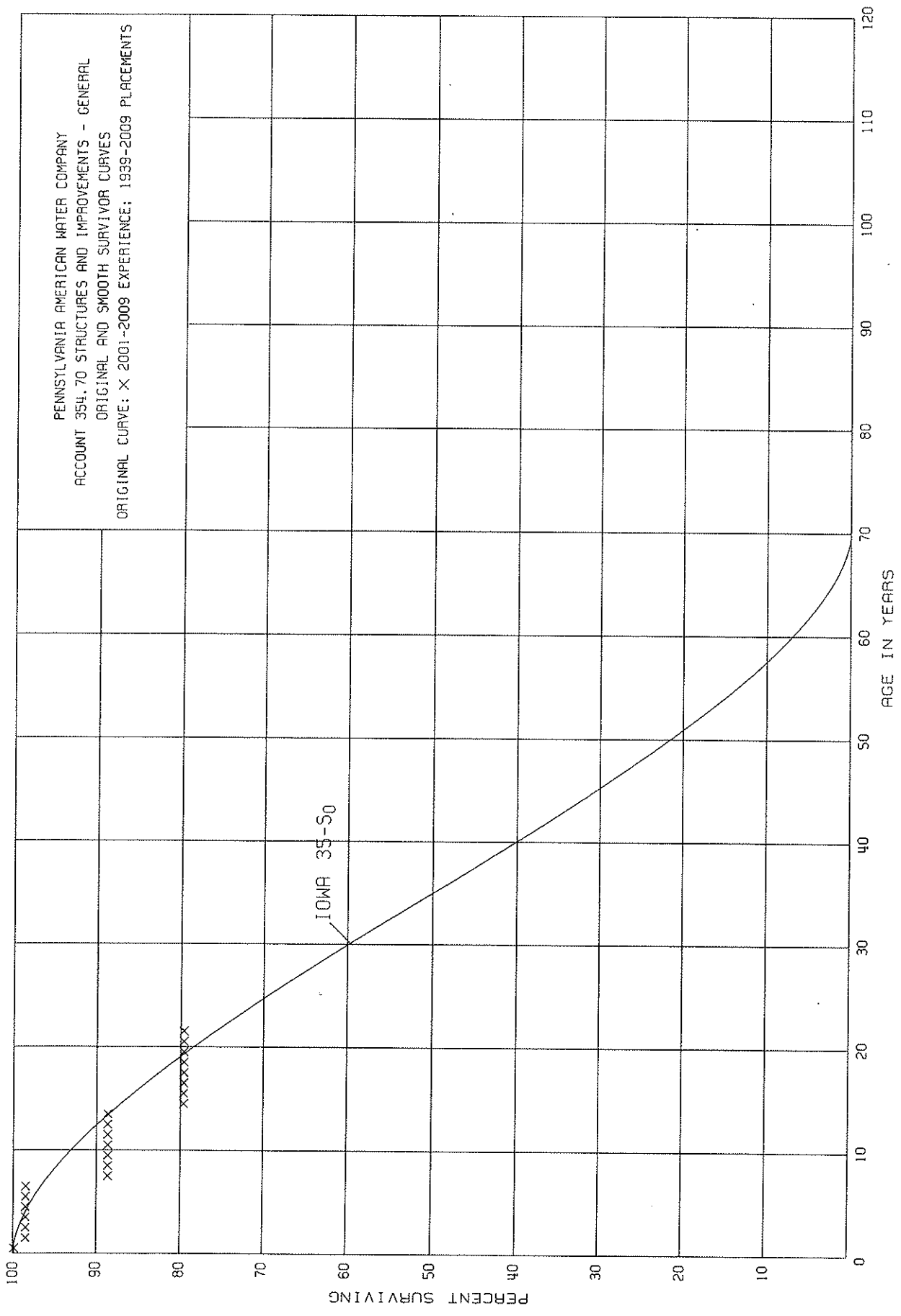
PLACEMENT BAND 1932-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	24,775,112		0.0000	1.0000	100.00
0.5	3,510,948		0.0000	1.0000	100.00
1.5	810,943		0.0000	1.0000	100.00
2.5	1,483,732		0.0000	1.0000	100.00
3.5	1,168,289		0.0000	1.0000	100.00
4.5	1,405,961		0.0000	1.0000	100.00
5.5	1,096,298		0.0000	1.0000	100.00
6.5	1,270,045		0.0000	1.0000	100.00
7.5	1,152,945		0.0000	1.0000	100.00
8.5	869,279		0.0000	1.0000	100.00
9.5	1,014,897		0.0000	1.0000	100.00
10.5	1,026,019		0.0000	1.0000	100.00
11.5	667,863		0.0000	1.0000	100.00
12.5	2,814,617		0.0000	1.0000	100.00
13.5	4,456,351	7,046	0.0016	0.9984	100.00
14.5	4,385,822		0.0000	1.0000	99.84
15.5	4,291,899		0.0000	1.0000	99.84
16.5	3,992,434	107,291	0.0269	0.9731	99.84
17.5	3,862,902		0.0000	1.0000	97.15
18.5	3,732,311		0.0000	1.0000	97.15
19.5	3,816,478		0.0000	1.0000	97.15
20.5	2,931,156		0.0000	1.0000	97.15
21.5	1,240,136		0.0000	1.0000	97.15
22.5	1,109,861		0.0000	1.0000	97.15
23.5	782,378		0.0000	1.0000	97.15
24.5	782,378		0.0000	1.0000	97.15
25.5	89,120		0.0000	1.0000	97.15
26.5	89,120		0.0000	1.0000	97.15
27.5	4,415		0.0000	1.0000	97.15
28.5	4,415		0.0000	1.0000	97.15
29.5	1,958		0.0000	1.0000	97.15
30.5	100,570		0.0000	1.0000	97.15
31.5	100,570		0.0000	1.0000	97.15
32.5	91,889		0.0000	1.0000	97.15
33.5	140,329		0.0000	1.0000	97.15
34.5	178,810		0.0000	1.0000	97.15
35.5	178,445		0.0000	1.0000	97.15
36.5	139,964		0.0000	1.0000	97.15
37.5	139,964		0.0000	1.0000	97.15
38.5	51,076		0.0000	1.0000	97.15

PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 354.40 STRUCTURES AND IMPROVEMENTS - TDP

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1932-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	713,529		0.0000	1.0000	97.15
40.5	791,989		0.0000	1.0000	97.15
41.5	767,689	2,200	0.0029	0.9971	97.15
42.5	665,159	602	0.0009	0.9991	96.87
43.5	663,123		0.0000	1.0000	96.78
44.5	663,123		0.0000	1.0000	96.78
45.5	663,123		0.0000	1.0000	96.78
46.5	662,080	230	0.0003	0.9997	96.78
47.5	411,759		0.0000	1.0000	96.75
48.5					96.75
49.5					
50.5	31,500		0.0000		
51.5	31,500		0.0000		
52.5	31,500		0.0000		
53.5	31,500		0.0000		
54.5	31,500		0.0000		
55.5	31,500		0.0000		
56.5	31,500		0.0000		
57.5	31,500		0.0000		
58.5					
59.5					
60.5					
61.5					
62.5					
63.5					
64.5					
65.5					
66.5					
67.5					
68.5	39,928		0.0000		
69.5	39,928		0.0000		
70.5	39,928		0.0000		
71.5	39,928		0.0000		
72.5	39,928		0.0000		
73.5	39,928		0.0000		
74.5	39,928		0.0000		
75.5	39,928		0.0000		
76.5	602		0.0000		
77.5					



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 354.70 STRUCTURES AND IMPROVEMENTS - GENERAL

ORIGINAL LIFE TABLE

PLACEMENT BAND 1939-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	109,556		0.0000	1.0000	100.00
0.5	25,979	400	0.0154	0.9846	100.00
1.5	17,673		0.0000	1.0000	98.46
2.5	1,479		0.0000	1.0000	98.46
3.5	1,479		0.0000	1.0000	98.46
4.5	2,639		0.0000	1.0000	98.46
5.5	4,149		0.0000	1.0000	98.46
6.5	4,149	413	0.0995	0.9005	98.46
7.5	161,515		0.0000	1.0000	88.66
8.5	161,515		0.0000	1.0000	88.66
9.5	161,515		0.0000	1.0000	88.66
10.5	161,515		0.0000	1.0000	88.66
11.5	161,515		0.0000	1.0000	88.66
12.5	160,355		0.0000	1.0000	88.66
13.5	176,469	18,073	0.1024	0.8976	88.66
14.5	156,886		0.0000	1.0000	79.58
15.5	156,886		0.0000	1.0000	79.58
16.5	16,114		0.0000	1.0000	79.58
17.5	16,114		0.0000	1.0000	79.58
18.5	16,114		0.0000	1.0000	79.58
19.5	16,114		0.0000	1.0000	79.58
20.5	16,114		0.0000	1.0000	79.58
21.5					79.58
22.5	12,308		0.0000		
23.5	12,308		0.0000		
24.5	12,308		0.0000		
25.5					
26.5					
27.5					
28.5					
29.5					
30.5					
31.5					
32.5					
33.5					
34.5					
35.5	450		0.0000		
36.5	450		0.0000		
37.5					
38.5					

PENNSYLVANIA AMERICAN WATER COMPANY

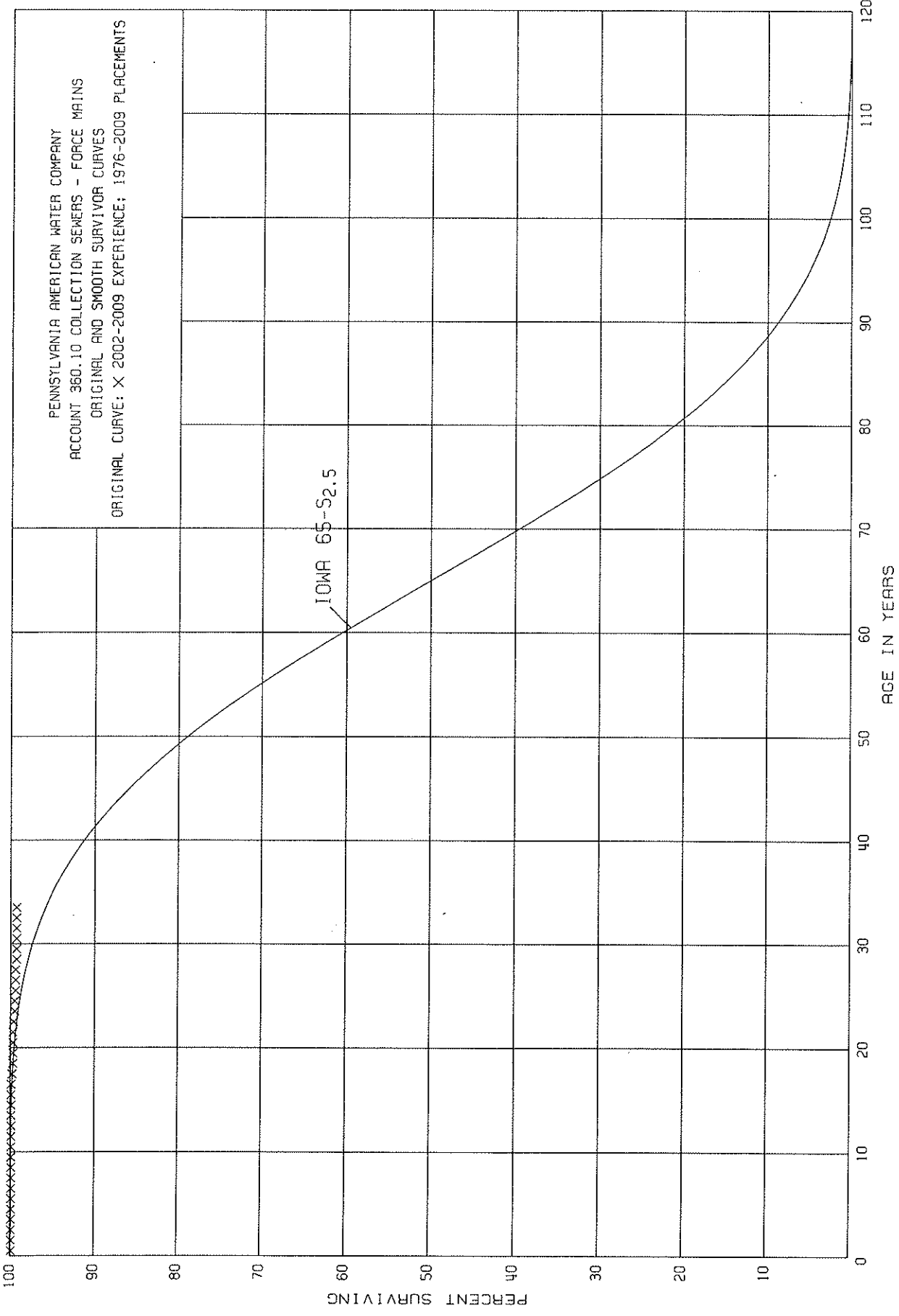
ACCOUNT 354.70 STRUCTURES AND IMPROVEMENTS - GENERAL

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1939-2009

EXPERIENCE BAND 2001-2009

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5					
40.5					
41.5					
42.5					
43.5					
44.5					
45.5					
46.5					
47.5					
48.5					
49.5					
50.5					
51.5					
52.5					
53.5					
54.5					
55.5					
56.5					
57.5					
58.5					
59.5					
60.5					
61.5					
62.5					
63.5					
64.5					
65.5					
66.5					
67.5					
68.5	3,802			0.0000	
69.5	3,802			0.0000	
70.5					



PENNSYLVANIA AMERICAN WATER COMPANY

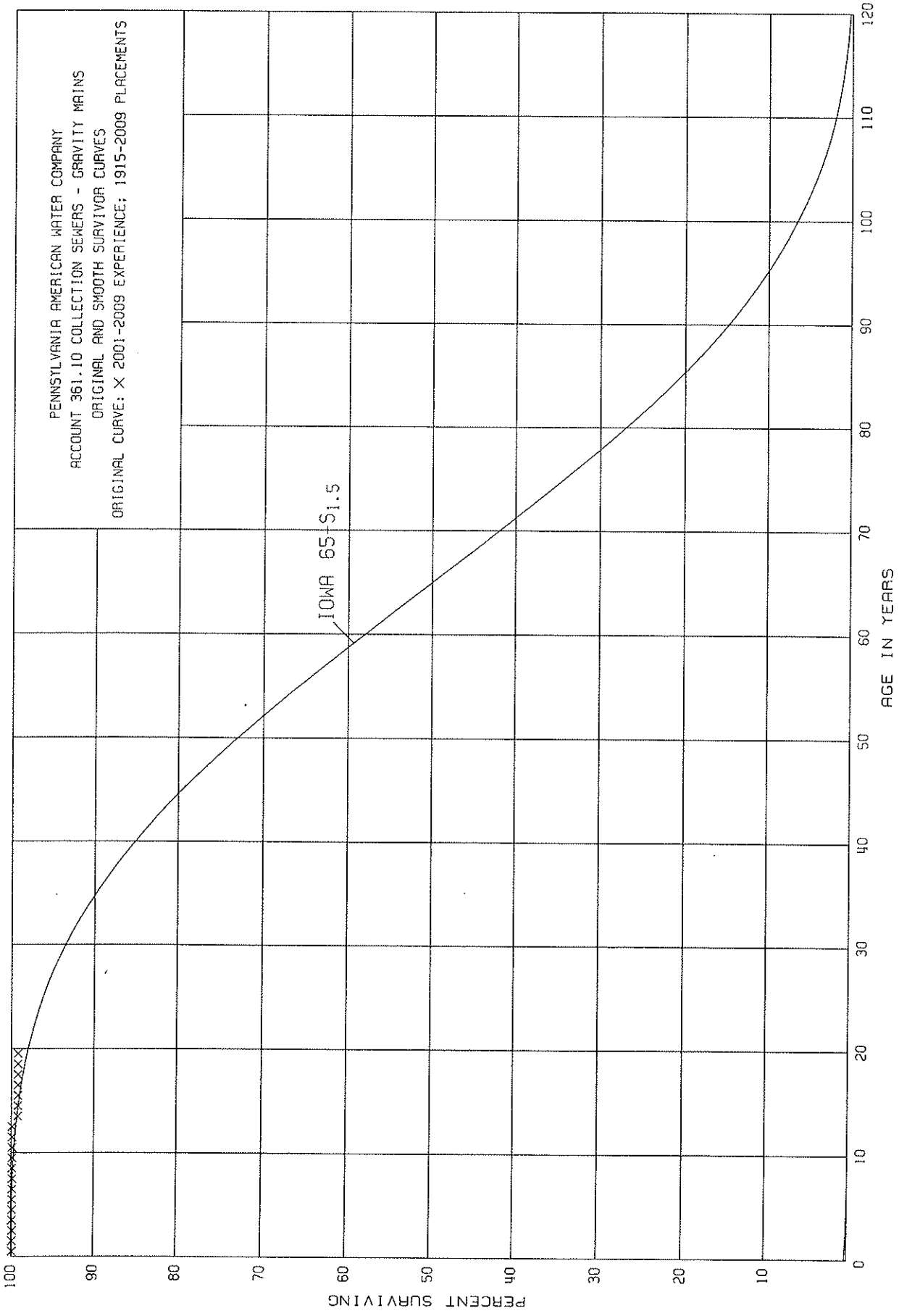
ACCOUNT 360.10 COLLECTION SEWERS - FORCE MAINS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1976-2009

EXPERIENCE BAND 2002-2009

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	4,238,374		0.0000	1.0000	100.00
0.5	4,231,198		0.0000	1.0000	100.00
1.5	5,123,327		0.0000	1.0000	100.00
2.5	4,462,506		0.0000	1.0000	100.00
3.5	3,146,949	187	0.0001	0.9999	100.00
4.5	4,219,909		0.0000	1.0000	99.99
5.5	2,196,316		0.0000	1.0000	99.99
6.5	1,914,076	1,434	0.0007	0.9993	99.99
7.5	1,560,497	451	0.0003	0.9997	99.92
8.5	745,791		0.0000	1.0000	99.89
9.5	369,692		0.0000	1.0000	99.89
10.5	615,133		0.0000	1.0000	99.89
11.5	395,502		0.0000	1.0000	99.89
12.5	617,014		0.0000	1.0000	99.89
13.5	745,830		0.0000	1.0000	99.89
14.5	931,615		0.0000	1.0000	99.89
15.5	658,389		0.0000	1.0000	99.89
16.5	735,589	377	0.0005	0.9995	99.89
17.5	735,212	769	0.0010	0.9990	99.84
18.5	813,791	687	0.0008	0.9992	99.74
19.5	862,266		0.0000	1.0000	99.66
20.5	817,297		0.0000	1.0000	99.66
21.5	881,946	553	0.0006	0.9994	99.66
22.5	769,358	505	0.0007	0.9993	99.60
23.5	945,607	590	0.0006	0.9994	99.53
24.5	658,304	644	0.0010	0.9990	99.47
25.5	911,699		0.0000	1.0000	99.37
26.5	757,444		0.0000	1.0000	99.37
27.5	708,282	254	0.0004	0.9996	99.37
28.5	730,844		0.0000	1.0000	99.33
29.5	655,738		0.0000	1.0000	99.33
30.5	581,989		0.0000	1.0000	99.33
31.5	311,633		0.0000	1.0000	99.33
32.5	311,633	153	0.0005	0.9995	99.33
33.5					99.28



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 361.10 COLLECTION SEWERS - GRAVITY MAINS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1915-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	15,200,699		0.0000	1.0000	100.00
0.5	13,391,063		0.0000	1.0000	100.00
1.5	7,261,338		0.0000	1.0000	100.00
2.5	4,359,576		0.0000	1.0000	100.00
3.5	8,452,185		0.0000	1.0000	100.00
4.5	5,665,781		0.0000	1.0000	100.00
5.5	5,521,754		0.0000	1.0000	100.00
6.5	5,563,470		0.0000	1.0000	100.00
7.5	5,857,389		0.0000	1.0000	100.00
8.5	5,296,758		0.0000	1.0000	100.00
9.5	5,037,963		0.0000	1.0000	100.00
10.5	5,083,172		0.0000	1.0000	100.00
11.5	4,680,568		0.0000	1.0000	100.00
12.5	553,960	4,460	0.0081	0.9919	100.00
13.5	597,461		0.0000	1.0000	99.19
14.5	862,559		0.0000	1.0000	99.19
15.5	755,555		0.0000	1.0000	99.19
16.5	215,711		0.0000	1.0000	99.19
17.5	188,013		0.0000	1.0000	99.19
18.5	188,013		0.0000	1.0000	99.19
19.5					99.19
20.5					
21.5	628,794		0.0000		
22.5	2,392,882		0.0000		
23.5	1,764,088		0.0000		
24.5	1,254,406		0.0000		
25.5	65,104		0.0000		
26.5	65,104		0.0000		
27.5	65,104		0.0000		
28.5	65,104		0.0000		
29.5	65,104		0.0000		
30.5	155,215		0.0000		
31.5	155,215		0.0000		
32.5	65,104		0.0000		
33.5	134,573		0.0000		
34.5	69,469		0.0000		
35.5					
36.5					
37.5					
38.5	92,525		0.0000		

PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 361.10 COLLECTION SEWERS - GRAVITY MAINS

ORIGINAL LIFE TABLE, CONT.

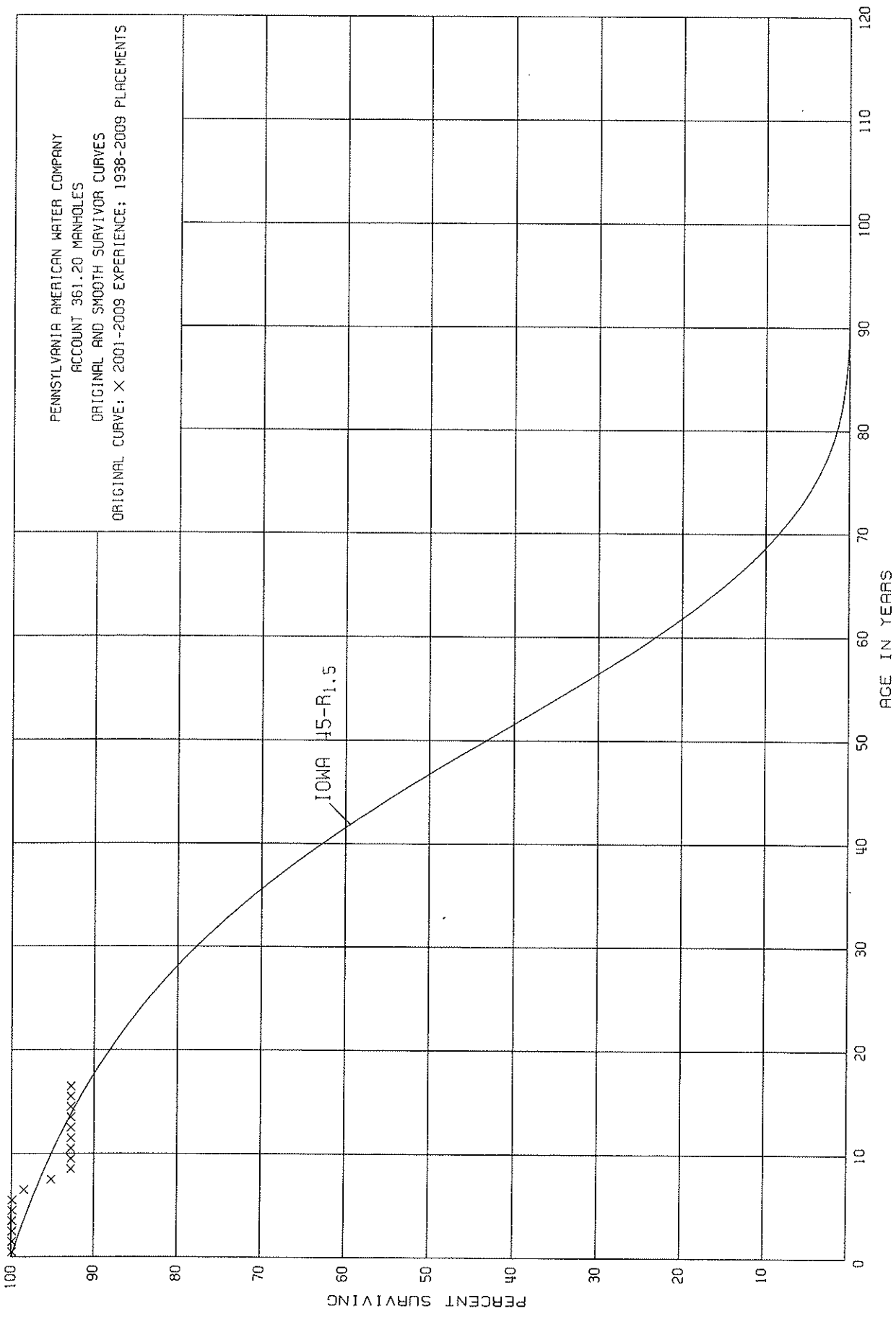
PLACEMENT BAND 1915-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	127,457		0.0000		
40.5	34,932		0.0000		
41.5					
42.5	267,747		0.0000		
43.5	267,747		0.0000		
44.5					
45.5					
46.5					
47.5					
48.5					
49.5					
50.5					
51.5					
52.5	38,593		0.0000		
53.5	38,593		0.0000		
54.5					
55.5	46,710		0.0000		
56.5	46,710		0.0000		
57.5	46,710		0.0000		
58.5	46,710		0.0000		
59.5	46,710		0.0000		
60.5	46,710		0.0000		
61.5	46,710	8	0.0002		
62.5	46,703	61	0.0013		
63.5	46,642	289	0.0062		
64.5					
65.5	48,385		0.0000		
66.5	48,385		0.0000		
67.5	48,385		0.0000		
68.5	244,336		0.0000		
69.5	244,336		0.0000		
70.5	489,097		0.0000		
71.5	489,097	22	0.0000		
72.5	489,076		0.0000		
73.5	489,076		0.0000		
74.5	440,713	3,156	0.0072		
75.5	437,557	32,767	0.0749		
76.5	404,790	1,310	0.0032		
77.5	403,480	8,017	0.0199		
78.5	395,463	162,959	0.4121		

PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 361.10 COLLECTION SEWERS - GRAVITY MAINS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1915-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5					
80.5	356,189		0.0000		
81.5	356,189		0.0000		
82.5	356,189		0.0000		
83.5	356,189		0.0000		
84.5	356,189		0.0000		
85.5	477,032		0.0000		
86.5	477,032	13,485	0.0283		
87.5	463,547	153,014	0.3301		
88.5	310,533	7	0.0000		
89.5	120,843		0.0000		
90.5	120,843	7,301	0.0604		
91.5	113,542		0.0000		
92.5	113,542	1,273	0.0112		
93.5	112,269	4,366	0.0389		
94.5					



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 361.20 MANHOLES

ORIGINAL LIFE TABLE

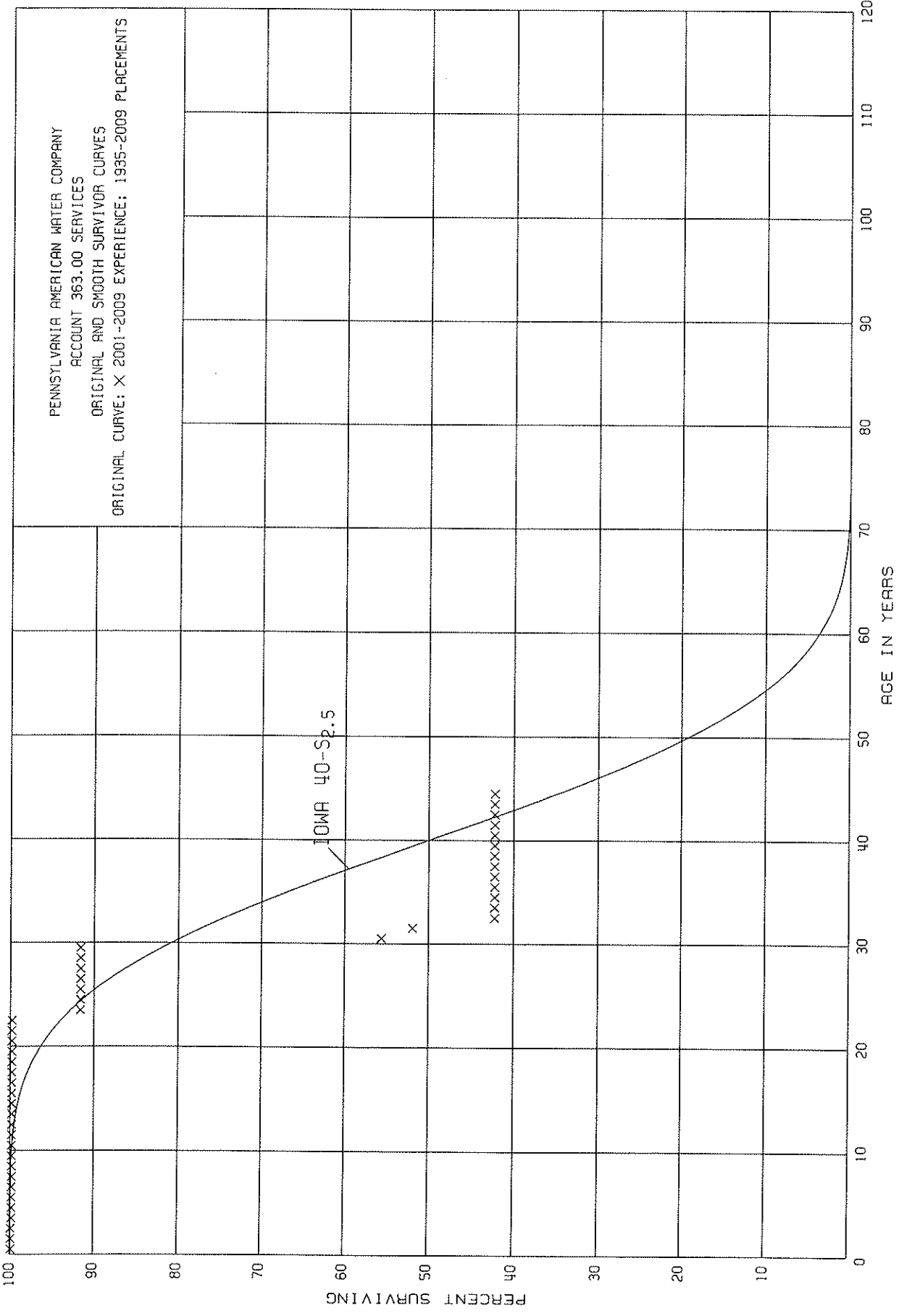
PLACEMENT BAND 1938-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	596,511		0.0000	1.0000	100.00
0.5	504,350		0.0000	1.0000	100.00
1.5	387,333		0.0000	1.0000	100.00
2.5	452,369		0.0000	1.0000	100.00
3.5	628,473	911	0.0014	0.9986	100.00
4.5	704,021		0.0000	1.0000	99.86
5.5	486,988	6,667	0.0137	0.9863	99.86
6.5	426,656	14,231	0.0334	0.9666	98.49
7.5	270,396	6,961	0.0257	0.9743	95.20
8.5	173,630		0.0000	1.0000	92.75
9.5	65,590		0.0000	1.0000	92.75
10.5	88,319		0.0000	1.0000	92.75
11.5	50,854		0.0000	1.0000	92.75
12.5	28,125		0.0000	1.0000	92.75
13.5	52,203		0.0000	1.0000	92.75
14.5	84,346		0.0000	1.0000	92.75
15.5	58,272		0.0000	1.0000	92.75
16.5					92.75
17.5					
18.5					
19.5					
20.5					
21.5	133,977		0.0000		
22.5	361,292		0.0000		
23.5	254,051		0.0000		
24.5	72,254		0.0000		
25.5					
26.5					
27.5					
28.5					
29.5					
30.5	18,683		0.0000		
31.5	18,683		0.0000		
32.5					
33.5	17,998		0.0000		
34.5	17,998		0.0000		
35.5					
36.5					
37.5					
38.5	21,473		0.0000		

PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 361.20 MANHOLES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1938-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	56,861		0.0000		
40.5	35,388		0.0000		
41.5					
42.5	50,344		0.0000		
43.5	50,344		0.0000		
44.5					
45.5					
46.5					
47.5					
48.5					
49.5					
50.5					
51.5					
52.5	6,601		0.0000		
53.5	6,601		0.0000		
54.5					
55.5					
56.5					
57.5					
58.5					
59.5					
60.5					
61.5					
62.5					
63.5					
64.5					
65.5					
66.5					
67.5	22,989		0.0000		
68.5	66,622	22,989	0.3451		
69.5	43,633		0.0000		
70.5					



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 363.00 SERVICES

ORIGINAL LIFE TABLE

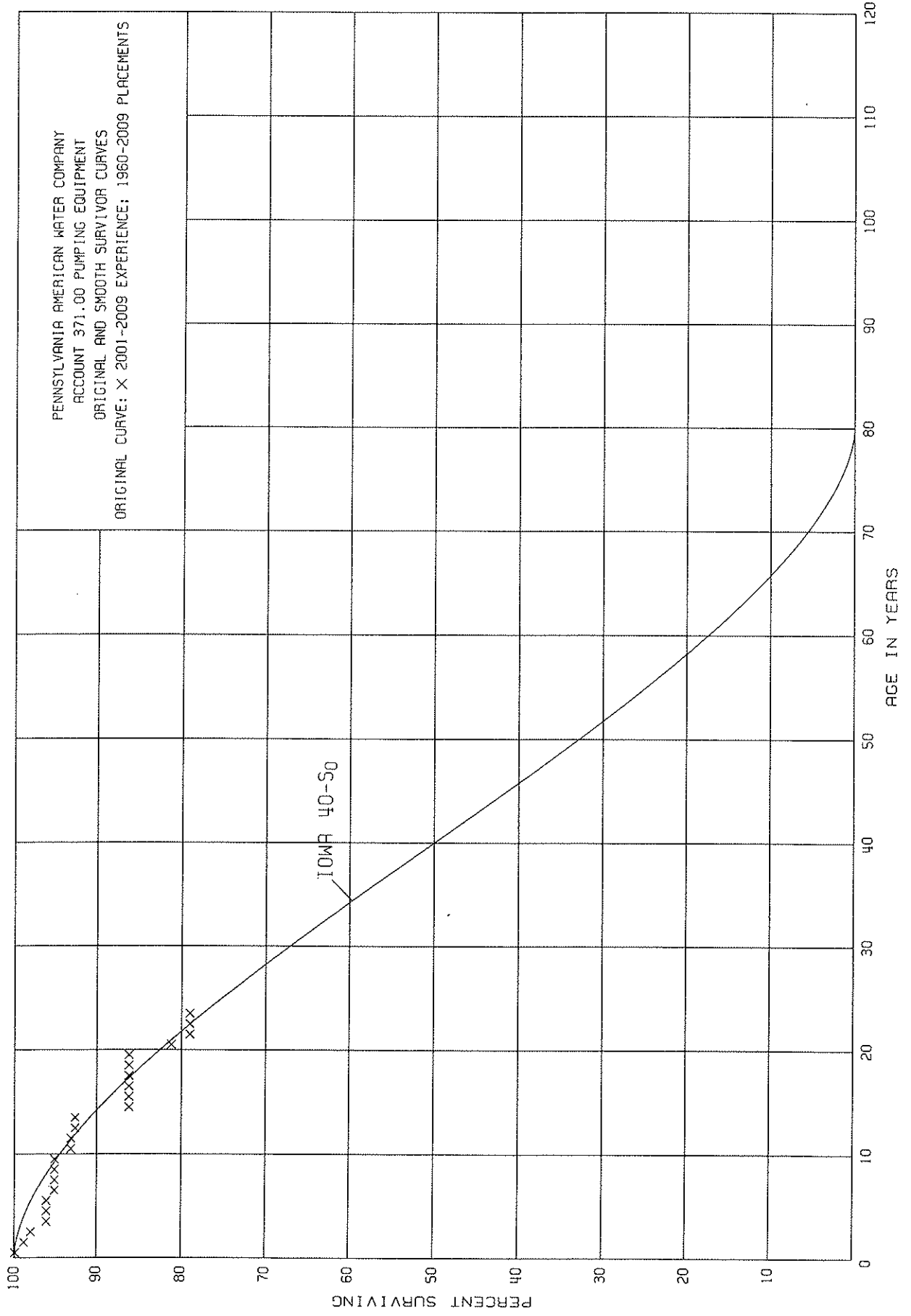
PLACEMENT BAND 1935-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	2,758,845		0.0000	1.0000	100.00
0.5	2,749,360		0.0000	1.0000	100.00
1.5	2,564,208		0.0000	1.0000	100.00
2.5	2,401,819	5,668	0.0024	0.9976	100.00
3.5	2,160,556		0.0000	1.0000	99.76
4.5	2,166,161		0.0000	1.0000	99.76
5.5	1,373,628		0.0000	1.0000	99.76
6.5	1,290,842		0.0000	1.0000	99.76
7.5	1,185,119		0.0000	1.0000	99.76
8.5	1,170,142		0.0000	1.0000	99.76
9.5	863,394		0.0000	1.0000	99.76
10.5	815,136		0.0000	1.0000	99.76
11.5	629,778		0.0000	1.0000	99.76
12.5	292,804		0.0000	1.0000	99.76
13.5	265,683		0.0000	1.0000	99.76
14.5	334,463		0.0000	1.0000	99.76
15.5	287,737		0.0000	1.0000	99.76
16.5	314,187		0.0000	1.0000	99.76
17.5	315,744		0.0000	1.0000	99.76
18.5	313,706		0.0000	1.0000	99.76
19.5	293,474		0.0000	1.0000	99.76
20.5	843,824		0.0000	1.0000	99.76
21.5	906,408		0.0000	1.0000	99.76
22.5	1,077,300	87,997	0.0817	0.9183	99.76
23.5	1,048,619		0.0000	1.0000	91.61
24.5	992,707		0.0000	1.0000	91.61
25.5	851,950		0.0000	1.0000	91.61
26.5	825,331		0.0000	1.0000	91.61
27.5	808,152		0.0000	1.0000	91.61
28.5	816,992		0.0000	1.0000	91.61
29.5	228,975	89,635	0.3915	0.6085	91.61
30.5	285,994	19,598	0.0685	0.9315	55.74
31.5	266,396	50,126	0.1882	0.8118	51.92
32.5	188,975		0.0000	1.0000	42.15
33.5	174,676		0.0000	1.0000	42.15
34.5	174,676		0.0000	1.0000	42.15
35.5	277,085		0.0000	1.0000	42.15
36.5	277,085		0.0000	1.0000	42.15
37.5	110,064		0.0000	1.0000	42.15
38.5	118,911		0.0000	1.0000	42.15

PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 363.00 SERVICES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1935-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	131,280		0.0000	1.0000	42.15
40.5	122,432		0.0000	1.0000	42.15
41.5	110,064		0.0000	1.0000	42.15
42.5	20,490		0.0000	1.0000	42.15
43.5	20,490		0.0000	1.0000	42.15
44.5					42.15
45.5					
46.5					
47.5					
48.5					
49.5					
50.5					
51.5					
52.5	2,102		0.0000		
53.5	2,102		0.0000		
54.5					
55.5	4,595		0.0000		
56.5	4,595		0.0000		
57.5	4,595		0.0000		
58.5	4,595		0.0000		
59.5	4,595		0.0000		
60.5	4,595		0.0000		
61.5	4,595	4,595	1.0000		
62.5					
63.5					
64.5					
65.5	3,236		0.0000		
66.5	3,236		0.0000		
67.5	3,236		0.0000		
68.5	13,303		0.0000		
69.5	13,303	819	0.0616		
70.5	2,417		0.0000		
71.5	2,417	709	0.2933		
72.5	1,708	1,251	0.7324		
73.5	457	442	0.9672		
74.5					



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 371.00 PUMPING EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1960-2009

EXPERIENCE BAND 2001-2009

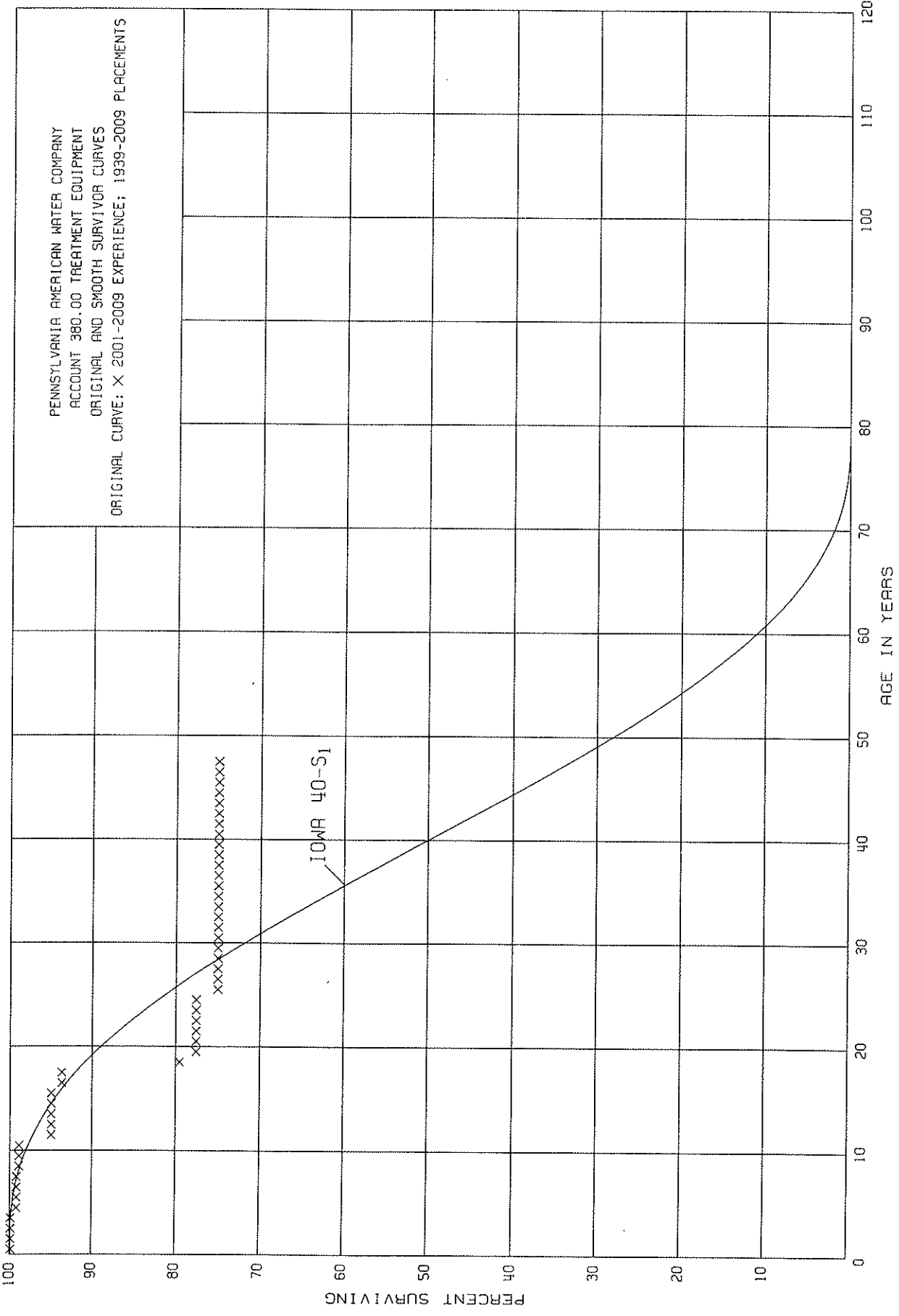
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,012,648		0.0000	1.0000	100.00
0.5	431,494	5,063	0.0117	0.9883	100.00
1.5	447,542	3,796	0.0085	0.9915	98.83
2.5	453,004	8,570	0.0189	0.9811	97.99
3.5	401,703		0.0000	1.0000	96.14
4.5	259,763		0.0000	1.0000	96.14
5.5	95,076	1,071	0.0113	0.9887	96.14
6.5	123,102		0.0000	1.0000	95.05
7.5	123,102		0.0000	1.0000	95.05
8.5	66,155		0.0000	1.0000	95.05
9.5	14,709	300	0.0204	0.9796	95.05
10.5	35,122		0.0000	1.0000	93.11
11.5	61,305	313	0.0051	0.9949	93.11
12.5	40,279		0.0000	1.0000	92.64
13.5	201,207	14,096	0.0701	0.9299	92.64
14.5	187,111		0.0000	1.0000	86.15
15.5	297,341		0.0000	1.0000	86.15
16.5	255,017		0.0000	1.0000	86.15
17.5	116,688		0.0000	1.0000	86.15
18.5	116,688		0.0000	1.0000	86.15
19.5	116,688	6,716	0.0576	0.9424	86.15
20.5	109,972	2,936	0.0267	0.9733	81.19
21.5	252,804		0.0000	1.0000	79.02
22.5	252,804		0.0000	1.0000	79.02
23.5					79.02
24.5					
25.5					
26.5					
27.5					
28.5					
29.5					
30.5	49,639		0.0000		
31.5	49,639		0.0000		
32.5	49,639		0.0000		
33.5	56,647		0.0000		
34.5	56,647		0.0000		
35.5	111,604		0.0000		
36.5	111,604	7,008	0.0628		
37.5	104,596		0.0000		
38.5	54,957		0.0000		

PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 371.00 PUMPING EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1960-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	64,070	2,867	0.0447		
40.5	83,470		0.0000		
41.5	83,470		0.0000		
42.5	77,470	6,122	0.0790		
43.5	22,842		0.0000		
44.5	22,842		0.0000		
45.5	22,842		0.0000		
46.5	22,842		0.0000		
47.5	16,267		0.0000		
48.5					



PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 380.00 TREATMENT EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1939-2009

EXPERIENCE BAND 2001-2009

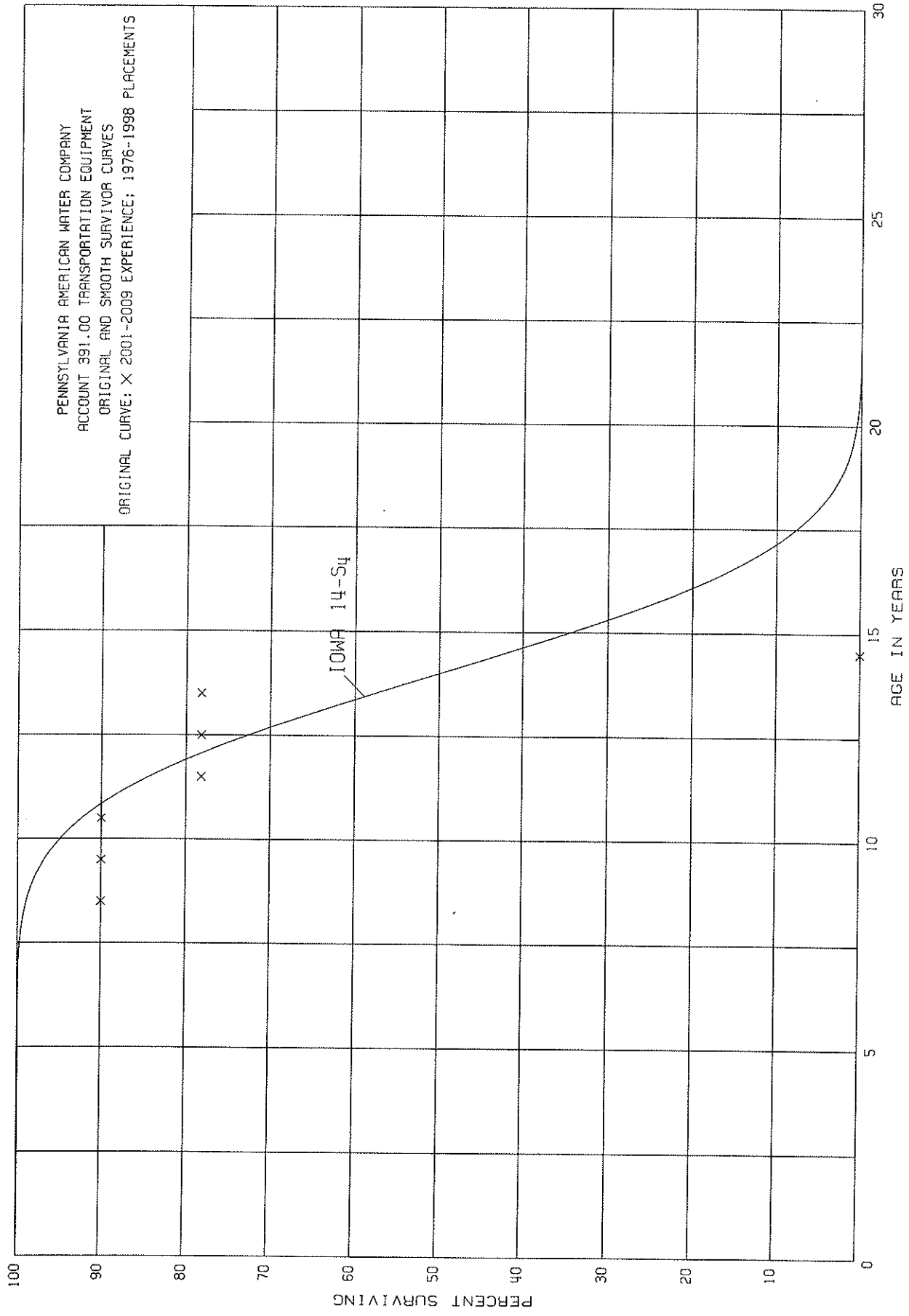
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	8,592,382		0.0000	1.0000	100.00
0.5	458,079		0.0000	1.0000	100.00
1.5	324,985		0.0000	1.0000	100.00
2.5	383,856		0.0000	1.0000	100.00
3.5	404,038	3,140	0.0078	0.9922	100.00
4.5	521,297		0.0000	1.0000	99.22
5.5	318,836		0.0000	1.0000	99.22
6.5	318,836		0.0000	1.0000	99.22
7.5	312,951	1,130	0.0036	0.9964	99.22
8.5	164,482		0.0000	1.0000	98.86
9.5	167,387		0.0000	1.0000	98.86
10.5	90,530	3,500	0.0387	0.9613	98.86
11.5	403,261		0.0000	1.0000	95.03
12.5	1,272,538		0.0000	1.0000	95.03
13.5	1,789,629		0.0000	1.0000	95.03
14.5	1,777,272		0.0000	1.0000	95.03
15.5	1,721,954	23,602	0.0137	0.9863	95.03
16.5	1,397,200		0.0000	1.0000	93.73
17.5	1,399,200	213,101	0.1523	0.8477	93.73
18.5	1,163,924	27,914	0.0240	0.9760	79.45
19.5	1,131,105		0.0000	1.0000	77.54
20.5	520,753		0.0000	1.0000	77.54
21.5	1,706,073		0.0000	1.0000	77.54
22.5	2,395,912		0.0000	1.0000	77.54
23.5	887,851		0.0000	1.0000	77.54
24.5	654,459	21,486	0.0328	0.9672	77.54
25.5	290		0.0000	1.0000	75.00
26.5	290		0.0000	1.0000	75.00
27.5	722		0.0000	1.0000	75.00
28.5	722		0.0000	1.0000	75.00
29.5	722		0.0000	1.0000	75.00
30.5	20,160		0.0000	1.0000	75.00
31.5	20,160		0.0000	1.0000	75.00
32.5	19,749		0.0000	1.0000	75.00
33.5	19,459		0.0000	1.0000	75.00
34.5	36,701		0.0000	1.0000	75.00
35.5	36,269		0.0000	1.0000	75.00
36.5	19,027		0.0000	1.0000	75.00
37.5	19,027		0.0000	1.0000	75.00
38.5	143,654		0.0000	1.0000	75.00

PENNSYLVANIA AMERICAN WATER COMPANY

ACCOUNT 380.00 TREATMENT EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

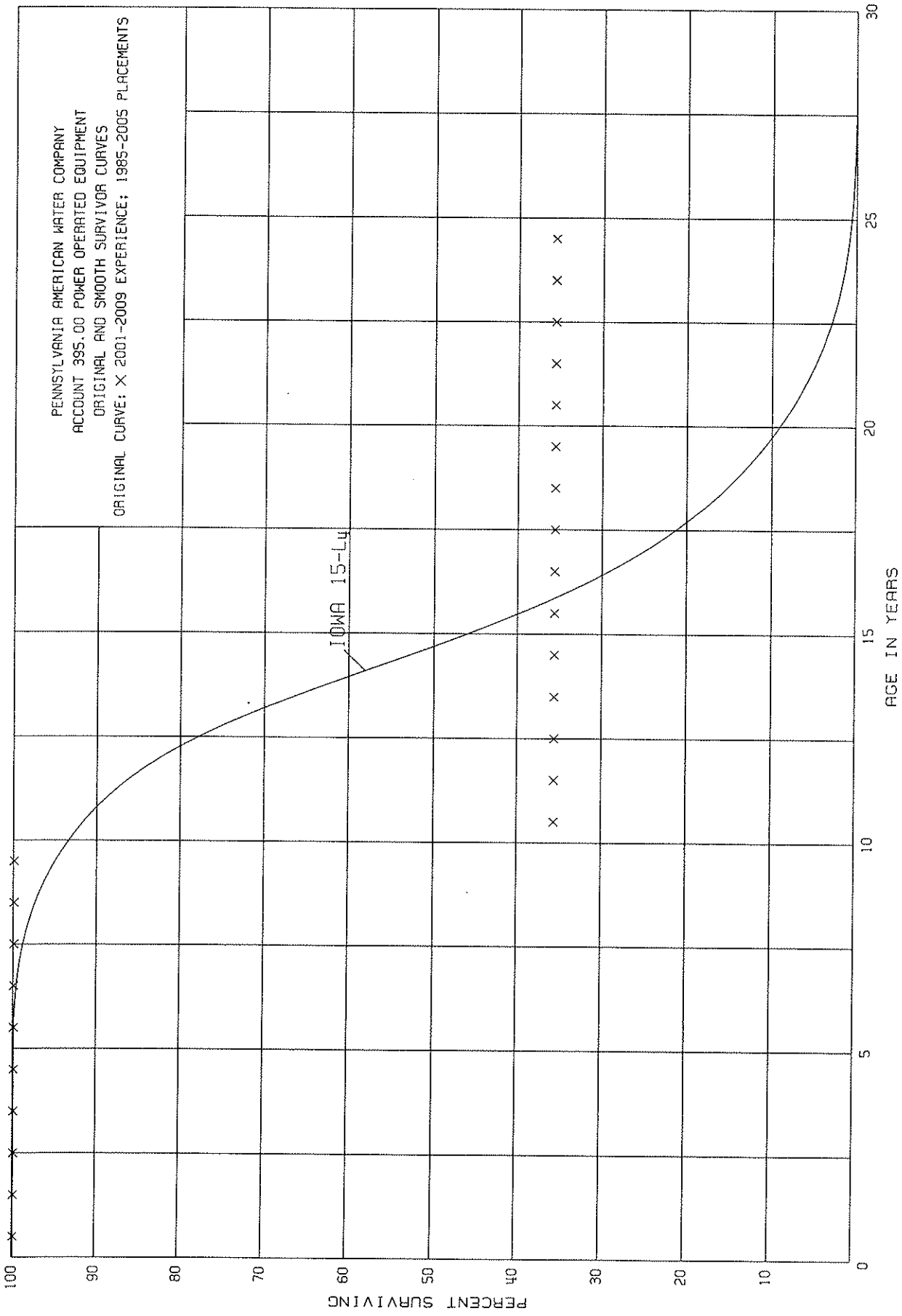
PLACEMENT BAND 1939-2009			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	165,801		0.0000	1.0000	75.00
40.5	407,195		0.0000	1.0000	75.00
41.5	407,195		0.0000	1.0000	75.00
42.5	165,801		0.0000	1.0000	75.00
43.5	165,801		0.0000	1.0000	75.00
44.5	165,801		0.0000	1.0000	75.00
45.5	165,801		0.0000	1.0000	75.00
46.5	22,147		0.0000	1.0000	75.00
47.5					75.00
48.5					
49.5					
50.5					
51.5					
52.5					
53.5					
54.5					
55.5					
56.5					
57.5					
58.5					
59.5					
60.5					
61.5					
62.5					
63.5					
64.5					
65.5					
66.5					
67.5					
68.5	1,894		0.0000		
69.5	1,894		0.0000		
70.5					



PENNSYLVANIA AMERICAN WATER COMPANY
ACCOUNT 391.00 TRANSPORTATION EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1976-1998			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0					
0.5					
1.5					
2.5					
3.5					
4.5					
5.5					
6.5					
7.5					
8.5	23,700		0.0000	1.0000	90.00
9.5	23,700		0.0000	1.0000	90.00
10.5	114,700	15,000	0.1308	0.8692	90.00
11.5	76,000		0.0000	1.0000	78.23
12.5	79,500		0.0000	1.0000	78.23
13.5	79,500	79,500	1.0000	0.0000	78.23
14.5					0.00
15.5					
16.5					
17.5					
18.5					
19.5					
20.5					
21.5					
22.5					
23.5					
24.5	14,155		0.0000		
25.5	14,155		0.0000		
26.5	14,155		0.0000		
27.5	5,000	5,000	1.0000		
28.5					



PENNSYLVANIA AMERICAN WATER COMPANY
ACCOUNT 395.00 POWER OPERATED EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1985-2005			EXPERIENCE BAND 2001-2009		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	55,927		0.0000	1.0000	100.00
0.5	55,927		0.0000	1.0000	100.00
1.5	55,927		0.0000	1.0000	100.00
2.5	55,927		0.0000	1.0000	100.00
3.5	55,927		0.0000	1.0000	100.00
4.5	43,665		0.0000	1.0000	100.00
5.5	43,665		0.0000	1.0000	100.00
6.5	43,665		0.0000	1.0000	100.00
7.5	53,664		0.0000	1.0000	100.00
8.5	53,664		0.0000	1.0000	100.00
9.5	66,446	42,790	0.6440	0.3560	100.00
10.5	23,656		0.0000	1.0000	35.60
11.5	23,656		0.0000	1.0000	35.60
12.5	23,656		0.0000	1.0000	35.60
13.5	95,431		0.0000	1.0000	35.60
14.5	95,431		0.0000	1.0000	35.60
15.5	95,927		0.0000	1.0000	35.60
16.5	13,278		0.0000	1.0000	35.60
17.5	13,278		0.0000	1.0000	35.60
18.5	496		0.0000	1.0000	35.60
19.5	496		0.0000	1.0000	35.60
20.5	8,021		0.0000	1.0000	35.60
21.5	8,021		0.0000	1.0000	35.60
22.5	8,021		0.0000	1.0000	35.60
23.5	496		0.0000	1.0000	35.60
24.5					35.60

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NET UTILITY PLANT IN SERVICE

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.20 STRUCTURES AND IMPROVEMENTS - COLLECTION

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-R3						
NET SALVAGE PERCENT.. 0						
2009	21,250.58	922	895	20,356	33.10	615
	21,250.58	922	895	20,356		615
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					33.1	2.89

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.30 STRUCTURES AND IMPROVEMENTS - SPP

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 30-S1.5						
NET SALVAGE PERCENT.. 0						
1993	12,079.85	7,018	1,316	10,764	12.62	853
2009	29,672.37	1,780	334	29,338	23.50	1,248
	41,752.22	8,798	1,650	40,102		2,101
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					19.1	5.03

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.40 STRUCTURES AND IMPROVEMENTS - TDP

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
INTERIM SURVIVOR CURVE.. IOWA 65-R3						
PROBABLE RETIREMENT YEAR.. 6-2024						
NET SALVAGE PERCENT.. 0						
1984	693,417.71	464,937	401,435	291,983	13.02	22,426
	693,417.71	464,937	401,435	291,983		22,426
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					13.0	3.23

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 354.70 STRUCTURES AND IMPROVEMENTS - GENERAL

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 35-S0						
NET SALVAGE PERCENT.. 0						
1984	12,307.56	7,828	7,173	5,135	15.17	338
2009	60,404.08	3,950	3,620	56,784	21.44	2,649
	72,711.64	11,778	10,793	61,919		2,987
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					20.7	4.11

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 360.10 COLLECTION SEWERS - FORCE MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 65-S2.5						
NET SALVAGE PERCENT.. 0						
1993	69,097.86	20,315	19,437	49,661	42.02	1,182
	69,097.86	20,315	19,437	49,661		1,182
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					42.0	1.71

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 361.10 COLLECTION SEWERS - GRAVITY MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 65-S1.5						
NET SALVAGE PERCENT.. 0						
1984	1,254,405.70	551,813	604,088	650,318	33.74	19,274
1993	78,339.73	24,129	26,415	51,925	39.32	1,321
2010	179,966.00	1,674	1,833	178,133	53.55	3,326
9999	179,966.00-	68,711-	75,221-	104,745-		2,843-
	1,332,745.43	508,905	557,115	775,631		21,078
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					36.8	1.58

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 361.20 MANHOLES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R1.5						
NET SALVAGE PERCENT.. 0						
1984	71,239.15	39,459	35,875	35,364	21.34	1,657
1985	26,380.30	14,261	12,965	13,415	21.67	619
1993	25,898.67	10,515	9,560	16,339	25.60	638
2010	81,517.00	1,598	1,453	80,064	25.07	3,194
	205,035.12	65,833	59,853	145,182		6,108
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					23.8	2.98

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 363.00 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-S2.5						
NET SALVAGE PERCENT.. 0						
1984	160,510.31	105,070	73,370	87,140	13.98	6,233
1985	47,083.10	29,898	20,878	26,205	14.66	1,788
2009	7,112.04	294	205	6,907	34.73	199
2010	27,000.00	373	261	26,739	35.73	748
	241,705.45	135,635	94,714	146,991		8,968
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					16.4	3.71

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 371.00 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-S0						
NET SALVAGE PERCENT.. 0						
1993	1,371.36	619	84	1,287	21.26	61
2010	132,000.00	2,666	362	131,638	24.31	5,415
	133,371.36	3,285	446	132,925		5,476
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					24.3	4.11

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 380.00 TREATMENT EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-S1						
NET SALVAGE PERCENT.. 0						
1984	631,601.29	391,656	356,400	275,201	16.24	16,946
2009	195,820.24	9,321	8,482	187,338	30.04	6,236
2010	2,200.00	35	32	2,168	30.95	70
	829,621.53	401,012	364,914	464,707		23,252
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					20.0	2.80

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 389.10 OTHER PLANT AND MISC. EQUIPMENT - INTANGIBLE

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 20-SQUARE						
NET SALVAGE PERCENT.. 0						
2010	220,000.00	5,500		220,000	19.50	11,282
	220,000.00	5,500		220,000		11,282
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					19.5	5.13

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 391.00 TRANSPORTATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 14-S4						
NET SALVAGE PERCENT.. 0						
1982	9,155.00	9,155	9,155			
1998	23,700.00	19,849	23,683	17	2.43	7
	32,855.00	29,004	32,838	17		7
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					2.4	0.02

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 394.00 LABORATORY EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
2008	14,290.84	2,382	1,545	12,746	12.50	1,020
2010	7,000.00	233	151	6,849	14.50	472
	21,290.84	2,615	1,696	19,595		1,492
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					13.1	7.01

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 395.00 POWER OPERATED EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 15-L4						
NET SALVAGE PERCENT.. 0						
1986	7,525.00	7,209	7,314	211	1.07	197
1993	93,533.45	82,497	83,695	9,838	2.34	4,204
	101,058.45	89,706	91,009	10,049		4,401
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					2.3	4.35

PENNSYLVANIA AMERICAN WATER COMPANY
 CLAYSVILLE WASTEWATER OPERATIONS

ACCOUNT 396.00 COMMUNICATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
 RELATED TO ORIGINAL COST AT DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
2010	145,000.00	4,829		145,000	14.50	10,000
	145,000.00	4,829		145,000		10,000
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					14.5	6.90

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EXPERIENCED AND ESTIMATED NET SALVAGE

PENNSYLVANIA AMERICAN WATER COMPANY

CLAYSVILLE WASTEWATER OPERATIONS

SUMMARY OF REGULAR RETIREMENTS, SALVAGE AND COST OF REMOVAL
BY ACCOUNT FOR 2010

	<u>Account</u> (1)	<u>Regular</u> <u>Retirements</u> (2)	<u>Salvage</u> (3)	<u>Cost of</u> <u>Removal</u> (4)
354.3	Structures and Improvements - SPP	\$ -	\$ -	\$ 6,196.80
361.2	Manholes	1,600.00	-	2,878.20
363	Services	1,800.00	-	5,289.38
371	Pumping Equipment	1,974.00	-	911.72
380	Treatment Equipment	-	-	32,037.90
	Total	\$ <u>5,374.00</u>	\$ <u>-</u>	\$ <u>47,314.00</u>