

**SUPPORTING SCHEDULES  
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CLAYSVILLE WASTEWATER**

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# REVENUES

PENNSYLVANIA-AMERICAN WATER COMPANY - CLAYSVILLE WW OPERATIONS  
CHANGE IN REVENUES DUE TO CHANGE IN CUSTOMERS  
PRESENT RATES DECEMBER 31, 2009

**RESIDENTIAL METERED REVENUES (\$141M)**

**THIRTEEN MONTH AVERAGE**

MONTH	END OF MO CUSTOMERS
Dec-08	429
Jan-09	431
Feb-09	429
Mar-09	430
Apr-09	427
May-09	429
Jun-09	429
Jul-09	429
Aug-09	429
Sep-09	429
Oct-09	428
Nov-09	427
Dec-09	426

TOTAL 5,572

THIRTEEN MONTH AVERAGE CUSTOMERS 429

CHANGE IN CUSTOMERS -3

**AVERAGE ANNUAL CONSUMPTION PER CUSTOMER**

TOTAL METERED USAGE FOR 2009 (00 GALLONS)	166,220
TOTAL METERED BILLS FOR 2009	5,153
MONTHLY USAGE PER CUSTOMER	32.26
<b>ANNUAL USAGE PER CUSTOMER</b>	<b>387.08</b>

**SERVICE CHARGE REVENUES**

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
-3	-36	\$25.50	(\$918)

**CONSUMPTION REVENUES**

BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR -3 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK 0	10	120	-360	\$0
2ND BLOCK 0.575	22.26	267.12	-801	-461
<b>CONSUMPTION REVENUES</b>	<b>32.26</b>	<b>387.12</b>	<b>-1,161</b>	<b>-\$461</b>

TOTAL ADJUSTMENT (\$1,379)

PENNSYLVANIA-AMERICAN WATER COMPANY - CLAYSVILLE WW OPERATIONS  
 CHANGE IN REVENUES DUE TO CHANGE IN CUSTOMERS  
 RESIDENTIAL METERED REVENUES  
 PRESENT RATES DECEMBER 31, 2010

**CUSTOMER GROWTH**

NORMAL GROWTH -3

**AVERAGE ANNUAL CONSUMPTION PER CUSTOMER**

TOTAL METERED USAGE FOR 2009 (00 GALLONS) 166,220  
 TOTAL METERED BILLS FOR 2009 5,153  
 MONTHLY USAGE PER CUSTOMER 32.26  
**ANNUAL USAGE PER CUSTOMER 387.08**

**SERVICE CHARGE REVENUES**

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
-3	-36	\$25.50	(\$918)

**CONSUMPTION REVENUES**

BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR -3 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK 0	10	120	-360	\$0
2ND BLOCK 0.575	22.26	267.12	-801	(\$461)
<b>CONSUMPTION REVENUES</b>	32.26	387.12	-1,161	<b>(\$461)</b>

**TOTAL ADJUSTMENT** (\$1,379)

PENNSYLVANIA-AMERICAN WATER COMPANY - CLAYSVILLE WW OPERATIONS  
CHANGE IN REVENUES DUE TO CHANGE IN CUSTOMERS  
PRESENT RATES DECEMBER 31, 2009

**COMMERCIAL METERED REVENUES**

**THIRTEEN MONTH AVERAGE**

MONTH	END OF MO CUSTOMERS
Dec-08	49
Jan-09	49
Feb-09	48
Mar-09	48
Apr-09	49
May-09	50
Jun-09	49
Jui-09	49
Aug-09	49
Sep-09	49
Oct-09	48
Nov-09	48
Dec-09	48
TOTAL	633

THIRTEEN MONTH AVERAGE CUSTOMERS 49

**CHANGE IN CUSTOMERS** -1

**AVERAGE ANNUAL CONSUMPTION PER CUSTOMER**

TOTAL METERED USAGE FOR 2009 (00 GALLONS)	43,472
TOTAL METERED BILLS FOR 2009	453
MONTHLY USAGE PER CUSTOMER	95.96
<b>ANNUAL USAGE PER CUSTOMER</b>	<b>1151.58</b>

**SERVICE CHARGE REVENUES**

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
-1	-12	\$25.50	(\$306)

**CONSUMPTION REVENUES**

BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR -1 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK	0	10	-120	\$0
2ND BLOCK	0.575	85.96	-1,032	-593
<b>CONSUMPTION REVENUES</b>		95.96	-1152	<b>-\$593</b>

**TOTAL ADJUSTMENT** (\$899)

PENNSYLVANIA-AMERICAN WATER COMPANY - CLAYSVILLE WW OPERATIONS  
CHANGE IN REVENUES DUE TO CHANGE IN CUSTOMERS  
RESIDENTIAL METERED REVENUES  
PRESENT RATES DECEMBER 31, 2010

**CUSTOMER GROWTH**

NORMAL GROWTH -1

**AVERAGE ANNUAL CONSUMPTION PER CUSTOMER**

TOTAL METERED USAGE FOR 2009 (00 GALLONS) 43,472  
TOTAL METERED BILLS FOR 2009 453  
MONTHLY USAGE PER CUSTOMER 95.96  
**ANNUAL USAGE PER CUSTOMER 1151.58**

**SERVICE CHARGE REVENUES**

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
-1	-12	\$25.50	(\$306)

**CONSUMPTION REVENUES**

BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR 1 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK 0	10	120	-120	\$0
2ND BLOCK 0.575	85.96	1031.52	-1,032	-593
<b>CONSUMPTION REVENUES</b>	95.96	1151.52	-1152	<b>-\$593</b>
<b>TOTAL ADJUSTMENT</b>				<b>(\$899)</b>

## **RATE BASE**

## **FUTURE TEST YEAR ADDITIONS**

PENNSYLVANIA-AMERICAN WATER COMPANY - CLAYSVILLE WASTEWATER  
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT  
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2010

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT	COMP DATE
389.10	Sewer System Investigation Study (I&I) Account Subtotal	WO 437622	220,000 \$ 220,000	Dec-10	None	\$ -	
361.10	Manhole - Replacement Manhole - Rehabilitation Manhole - Rehabilitation 1,284' Sewer Main Extension - Developer Funded Account Subtotal	RP-2426-F1 WO 462507 RP-2426-F1 DV-2426-1	16,000 35,517 30,000 179,966 \$ 261,483	Dec-10 Mar-10 Dec-10 Dec-10	Retire Manholes None None None	1,600	Dec-10
363.00	New Services Laterals - General Replace Services Laterals - General Account Subtotal	RP-2426-G1 RP-2426-H1	9,000 18,000 \$ 27,000	Dec-10 Dec-10	None Retire Services	1,800 1,800	Dec-10
371.10	Raw Sewage Pump VFD's - Two Secondary Sludge Pump Replacements - Two Sludge Transfer Pumps & Related Piping Pump Station Electrical Work Account Subtotal	WO 437622 WO456939 RP-2426-Q1 RP-2426-Q1	60,000 35,000 12,000 25,000 \$ 132,000	Dec-10 Dec-10 Jun-10 Dec-10	None Retire Two Secondary Sludge Pumps None None	1,974	Dec-10
380.40	Electronic Chlorine Scale Account Subtotal	RP-2426-Q1	2,200 \$ 2,200	Apr-10	None	\$ -	
394.00	Laboratory Equipment Account Subtotal	RP-2426-Q1	7,000 \$ 7,000	Dec-10	None	\$ -	
396.00	SCADA Equipment - Wastewater Treatment Facility Permanent Flow Monitors Account Subtotal	WO 456939 RP - 2426-L	125,000 20,000 \$ 145,000	Dec-10 Dec-10	None None		
	Grand Total		\$ 794,683			\$ 5,374	

## **REVENUE & EXPENSE LAG**

PENNSYLVANIA-AMERICAN WATER COMPANY

CALCULATION OF REVENUE LAG DAY

		MONTHLY
SERVICE PERIOD	(1)	15.2
BILLING LAG	(2)	4.0
COLLECTION LAG	(3)	31.34
TOTAL		50.5
(1) DAYS PER YEAR (2009)		365
CUSTOMER BILLINGS PER YEAR		12
AVG DAYS PER BILLING PERIOD		30.41667
DIVIDED BY		2
SERVICE PERIOD LAG		15.2

(2) The billing lag represents the time period between when the meter is read and the bill is mailed. Four days is the number established in prior rate proceedings.

(3) The collection lag is calculated by dividing the average accounts receivable balance per day by the average billed revenue per day.

PENNSYLVANIA AMERICAN WATER  
 2009 REVENUE LAG STUDY-COLLECTION LAG  
 METHOD-AVERAGE ACCOUNTS RECEIVABLE BALANCE  
 SOURCE-DAILY BALANCE REPORT

DAY	Jan-08	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	\$34,849,823	\$35,810,199	\$36,109,113	\$35,964,738	\$37,092,755	\$36,209,385	\$36,958,703	\$37,060,775	\$38,414,725	\$38,315,590	\$35,652,639	\$33,903,935
2	\$38,475,820	\$36,130,653	\$36,109,113	\$36,242,627	\$37,092,755	\$36,161,960	\$37,126,481	\$37,060,775	\$37,805,475	\$38,457,570	\$35,652,639	\$35,433,738
3	\$38,475,820	\$37,021,280	\$35,943,497	\$36,914,924	\$37,092,755	\$36,303,168	\$37,126,481	\$37,060,775	\$38,851,497	\$38,457,570	\$36,767,796	\$35,954,718
4	\$38,475,820	\$37,712,855	\$35,984,735	\$36,914,924	\$37,092,755	\$36,849,416	\$37,126,481	\$37,788,603	\$38,851,497	\$38,457,570	\$37,138,901	\$35,954,718
5	\$38,475,820	\$38,103,034	\$36,160,764	\$36,914,924	\$36,128,278	\$37,383,379	\$37,126,481	\$37,788,603	\$38,851,497	\$38,457,570	\$37,138,901	\$36,618,534
6	\$35,899,635	\$38,123,992	\$36,448,670	\$36,914,924	\$36,339,990	\$37,383,379	\$37,126,481	\$37,494,813	\$38,851,497	\$37,737,357	\$37,737,357	\$36,618,534
7	\$35,899,635	\$38,123,992	\$36,448,670	\$36,448,670	\$36,339,990	\$37,383,379	\$34,436,134	\$38,307,650	\$38,851,497	\$37,651,575	\$37,737,357	\$36,422,251
8	\$37,016,887	\$38,123,992	\$36,448,670	\$36,448,670	\$37,161,979	\$37,383,379	\$36,417,045	\$38,307,650	\$38,165,289	\$38,684,215	\$37,737,357	\$36,652,836
9	\$37,786,782	\$38,123,992	\$36,448,670	\$36,665,835	\$37,161,979	\$36,476,256	\$37,026,238	\$38,307,650	\$37,566,292	\$38,684,215	\$37,142,135	\$37,829,667
10	\$37,786,782	\$36,969,257	\$35,581,639	\$37,235,258	\$37,161,979	\$37,031,256	\$37,026,238	\$35,907,097	\$38,191,320	\$38,684,215	\$37,757,028	\$38,838,958
11	\$37,786,782	\$37,828,280	\$35,932,888	\$37,235,258	\$37,161,979	\$38,071,528	\$37,026,238	\$38,461,314	\$38,191,320	\$40,902,847	\$36,446,460	\$38,838,958
12	\$36,610,750	\$38,733,245	\$36,391,692	\$37,235,258	\$36,689,555	\$38,694,414	\$37,026,238	\$35,005,854	\$38,191,320	\$39,144,712	\$36,446,460	\$38,838,958
13	\$37,312,778	\$39,777,668	\$37,258,496	\$36,844,616	\$37,073,801	\$38,694,414	\$37,026,238	\$40,005,854	\$38,191,320	\$39,328,548	\$39,150,661	\$38,838,958
14	\$38,422,862	\$39,777,668	\$37,258,496	\$35,500,532	\$37,990,132	\$38,694,414	\$35,037,660	\$40,931,478	\$38,191,320	\$40,053,569	\$39,150,661	\$39,155,923
15	\$39,332,484	\$39,777,668	\$37,258,496	\$35,987,645	\$38,625,473	\$38,694,414	\$39,128,458	\$40,931,478	\$39,654,101	\$40,053,569	\$39,150,661	\$40,095,442
16	\$40,180,428	\$41,765,828	\$37,258,496	\$36,663,795	\$38,625,473	\$38,654,973	\$39,446,485	\$40,931,478	\$40,656,618	\$40,593,137	\$38,936,042	\$41,465,780
17	\$40,180,428	\$40,324,959	\$37,082,138	\$37,711,554	\$38,625,473	\$39,631,580	\$40,297,234	\$40,960,503	\$41,647,881	\$40,593,137	\$39,382,588	\$42,516,263
18	\$40,180,428	\$40,516,030	\$37,849,238	\$37,711,554	\$38,369,304	\$40,842,522	\$40,297,234	\$41,647,881	\$41,357,103	\$40,593,137	\$40,124,090	\$42,516,263
19	\$42,278,174	\$40,816,194	\$38,777,733	\$37,711,554	\$38,566,553	\$41,568,322	\$40,297,234	\$42,319,542	\$41,357,103	\$40,593,137	\$40,477,899	\$42,656,971
20	\$41,645,892	\$41,121,835	\$39,470,410	\$37,924,454	\$39,909,286	\$41,568,322	\$40,822,998	\$43,231,755	\$41,357,103	\$41,393,688	\$40,477,899	\$42,516,263
21	\$41,865,414	\$41,121,835	\$39,470,410	\$38,180,206	\$39,479,063	\$41,568,322	\$40,297,234	\$42,450,374	\$41,357,103	\$40,627,262	\$40,477,899	\$42,419,944
22	\$42,194,129	\$41,121,835	\$39,470,410	\$38,460,547	\$39,775,681	\$41,568,322	\$41,999,784	\$43,231,755	\$40,982,929	\$41,139,713	\$40,477,899	\$42,656,971
23	\$42,597,037	\$41,121,835	\$38,399,483	\$38,720,134	\$39,775,681	\$40,637,838	\$42,317,831	\$43,231,755	\$41,574,014	\$41,930,437	\$40,477,899	\$42,486,512
24	\$42,597,037	\$39,007,988	\$38,369,601	\$38,720,134	\$39,775,681	\$40,215,115	\$41,873,925	\$42,776,622	\$41,536,642	\$41,930,437	\$39,210,860	\$43,044,533
25	\$42,597,037	\$39,007,988	\$38,292,427	\$38,720,134	\$39,775,681	\$39,414,619	\$41,873,925	\$41,684,260	\$40,799,652	\$41,930,437	\$38,141,535	\$43,044,533
26	\$40,854,661	\$37,476,565	\$38,335,428	\$38,720,134	\$39,031,847	\$38,636,184	\$41,873,925	\$40,519,983	\$40,799,652	\$41,930,437	\$38,141,535	\$43,044,533
27	\$39,884,962	\$36,109,113	\$37,823,105	\$37,546,300	\$39,093,171	\$38,636,184	\$39,484,801	\$39,796,377	\$40,799,652	\$38,835,387	\$38,141,535	\$43,044,533
28	\$38,567,036	\$36,086,975	\$37,823,105	\$36,811,088	\$37,171,075	\$38,636,184	\$38,944,618	\$38,588,877	\$39,430,794	\$38,071,150	\$38,141,535	\$42,295,858
29	\$37,569,876	\$37,823,105	\$36,468,172	\$36,468,172	\$35,473,479	\$38,636,184	\$38,511,654	\$38,588,877	\$37,160,012	\$37,196,736	\$38,141,535	\$40,098,994
30	\$35,810,199	\$35,519,090	\$35,519,090	\$34,922,551	\$35,473,479	\$34,998,308	\$38,361,362	\$38,588,877	\$35,152,874	\$35,645,811	\$33,900,689	\$38,395,417
31	\$35,831,087	\$34,255,423	\$34,255,423	\$35,462,872	\$35,462,872	\$35,462,872	\$37,023,640	\$35,635,608	\$34,797,348	\$34,797,348	\$36,683,433	\$36,683,433

TOTAL \$1,207,442,305 \$1,086,531,095 \$1,151,803,212 \$1,109,402,115 \$1,170,613,138 \$1,156,635,123 \$1,193,873,372 \$1,227,906,691 \$1,180,623,856 \$1,218,860,658 \$1,142,717,909 \$1,222,804,488

SUM OF A/R BALANCES 14,068,213,961

PLUS: SALES WRITE OFF OF  
 UNCOLLECTIBLES DEDUCTED  
 FROM A/R BALANCE 5,070,738

SUBTOTAL 14,073,284,699

AVERAGE A/R BALANCE PER DAY 38,556,944

AVERAGE BILLED REVENUE PER DAY 1,230,092

AVERAGE LAG 31.34

WATER & WASTEWATER REVENUE EXCLUDING UNBILLED	448,983,526
DAYS IN YEAR (2009)	365
AVERAGE BILLED REVENUE PER DAY	1,230,092

PENNSYLVANIA AMERICAN WATER - NORTHEAST WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

SUPPORT OF EXPENSE DAYS

DOCKET # R-2009-2097323

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<u>DESCRIPTION</u>	<u>LAG DAYS</u>
CHEMICALS	30
GROUP INSURANCE	-13.4
LABOR AND LABOR RELATED	12.5
LEASED EQUIPMENT	2
TRANSPORTATION	29.1
MISCELLANEOUS	25.3
PURCHASED POWER	26.5
WASTE DISPOSAL	26.1

## **DEFERRED TAXES**



2009

PENNSYLVANIA AMERICAN WATER DEFERRED TAX - FEDERAL CLAYSVILLE WASTE WATER		Activity	Balance End Of Year	Activity	Balance End Of Year	Tax Rate	Ending Deferred Tax Asset (Gross)	Ending Deferred Tax Liability	Total Ending Deferred Tax A/(L)
		2008	2008	2009	2009				
Long Term Timing Differences									
Book Depreciation		28,317	28,317	63,822	92,139	35%	32,249	82,303	32,249
Tax Depreciation		(41,656)	(41,656)	(193,495)	(235,151)	35%			(82,303)
		(13,339)	(13,339)	(129,673)	(143,012)		32,249	82,303	(50,054)

PENNSYLVANIA AMERICAN WATER DEFERRED TAX - STATE CLAYSVILLE WASTE WATER		Activity	Balance End Of Year	Activity	Balance End Of Year	Tax Rate	Ending Deferred Tax Asset (Gross)	Ending Deferred Tax Liability	Total Ending Deferred Tax A/(L)
		2008	2008	2009	2009				
Long Term Timing Differences									
Book Depreciation		28,317	28,317	63,822	92,139	9.99%	9,205	8,643	9,205
Tax Depreciation		(27,189)	(27,189)	(59,323)	(86,512)	9.99%			(8,643)
		1,128	1,128	4,499	5,627		9,205	8,643	562

2008

PENNSYLVANIA AMERICAN WATER DEFERRED TAX - FEDERAL CLAYSVILLE WASTE WATER		Activity	Balance End Of Year 2008	Tax Rate	Ending Deferred Tax Asset (Gross)	Ending Deferred Tax Liability	Total Ending Deferred Tax A/(L)
Long Term Timing Differences		2008					
Book Depreciation		28,317	28,317	35%	9,911	14,580	9,911
Tax Depreciation		(41,656)	(41,656)	35%			(14,580)
		(13,339)	(13,339)		9,911	14,580	(4,669)

PENNSYLVANIA AMERICAN WATER DEFERRED TAX - STATE CLAYSVILLE WASTE WATER		Activity	Balance End Of Year 2008	Tax Rate	Ending Deferred Tax Asset (Gross)	Ending Deferred Tax Liability	Total Ending Deferred Tax A/(L)
Long Term Timing Differences		2008					
Book Depreciation		28,317	28,317	9.99%	2,829	2,716	2,829
Tax Depreciation		(27,189)	(27,189)	9.99%			(2,716)
		1,128	1,128		2,829	2,716	113

# ACQUISITION

**CLAYSVILLE DONEGAL JOINT  
MUNICIPAL AUTHORITY**





PENNSYLVANIA  
AMERICAN WATER

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February 12, 2009

James J. McNulty, Secretary  
Commonwealth of Pennsylvania  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Re: Applications of Pennsylvania-American Water Company ("PAWC") for approval of:  
1) the transfer by sale of substantially all the Claysville-Donegal Joint Municipal Authority's assets, properties and rights, related to its water and wastewater systems, to PAWC; and (2) the right of PAWC to begin to offer or furnish water service to the public in the Borough of Claysville and in portions of Donegal Township, East Finley Township and Buffalo Township, Washington County and to offer or furnish wastewater service to the public in all of the Borough of Claysville and portions of Donegal Township, Washington County. A-212285F0145; A-230073F0012; U-2008-2020122; U-2008-2020125

Dear Secretary McNulty:

As directed in the Order entered February 15, 2008 approving the acquisition of the Claysville-Donegal Joint Municipal Authority acquisition (water and wastewater assets) by PAWC, enclosed kindly find the final journal entries. The entries detail the acquisition adjustments related to the water and wastewater systems, the prospective proceeds from the eventual sale of the Jack Cutter property, and the breaching cost of the School Street Dam/Reservoir.

If you have any questions, please do not hesitate to contact me.

Sincerely,

  
Seth A Mendelsohn

eth

Enclosures

VIA UPS Overnight Delivery

cc: Office of Consumer Advocate w/Encls.  
Bureau of Fixed Utility Services w/Encls.  
Office of Trial Staff w/Encls.  
Office of Small Business Advocate w/Encls.

TOTAL CLAYSVILLE WATER / WASTEWATER ACQUISITION

Description	Vendor	Amount	Type	Number	Date
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Morgan Lewis & Bockius LLP-REM	1,027.00	PV	41688847	09/05/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	10,000.00	PS	41696753	09/05/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,485.25	PV	41728792	10/19/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,993.15	PV	41728804	10/19/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Wind Ridge Engineering Co	9,102.76	PV	41728859	10/19/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Dewey & LeBoeuf LLP	873.50	PV	41734347	10/25/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Dewey & LeBoeuf LLP	387.50	PV	41747181	11/07/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,829.97	PV	41748443	11/08/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	5,583.15	PV	41748442	11/08/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,744.50	PV	41755349	11/19/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	6,066.60	PV	41757497	11/20/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Dewey & LeBoeuf LLP	657.50	PV	41768103	12/03/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Dewey & LeBoeuf LLP	2,015.00	PV	41768107	12/03/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	3,928.25	PV	41791851	12/27/07
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Dewey & LeBoeuf LLP	542.50	PV	41815964	01/01/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Dewey & LeBoeuf LLP - ALL USE	1,995.52	PV	41831313	02/11/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,171.25	PV	41838897	02/19/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	(1,330.20)	PD	41847776	02/28/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	3,583.15	PV	41847775	02/28/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	830.07	PV	41855862	03/10/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	2,616.65	PV	41855324	03/10/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Barone Murtha Shonberg & White	3,000.00	PV	41854843	03/10/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	SABRIX NO TAX CHARGED ACR	180.00	ST	30829623	03/11/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,583.15	PV	41873130	03/31/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	438.62	PV	41866937	04/16/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,700.00	PV	41866840	04/16/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	438.62	PV	41866837	04/16/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	2,300.00	PV	41912658	05/15/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	16.04	PV	41913569	05/16/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Department of State-REMIT	40.00	PS	41932892	06/09/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	3,641.32	PV	41938936	06/17/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,333.20	PV	41938933	06/17/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	1,430.25	PV	41970332	07/23/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	5,616.65	PV	41970335	07/23/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	6,054.50	PS	41974296	07/28/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	SABRIX NO TAX CHARGED ACR	363.28	ST	30844958	07/29/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	4,156.00	PS	41975108	07/29/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	SABRIX NO TAX CHARGED ACR	249.36	ST	30845067	07/30/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Clayville Donegal Jnt Mncpl A	105,489.13	PS	41979085	07/31/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	PENNVEST - WIRE	312,044.60	PS	41979018	07/31/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	USDA - WIRE	726,152.64	PS	41979084	07/31/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	National City Bank - WIRE	854,493.63	PS	41979086	07/31/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Commonwealth of PA	1,141.50	PS	41988458	08/12/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Commonwealth of PA	230.50	PS	41988458	08/13/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Commonwealth of PA	20.00	PS	41989082	08/14/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	1,584.25	PV	41990828	08/16/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	7,583.15	PV	41990826	08/16/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Seaman, Linda	140.00	PS	41995276	08/19/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	SABRIX NO TAX CHARGED ACR	8.40	ST	30847998	08/20/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Gannett Fleming Companies	1,052.50	PV	41995998	08/20/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Gannett Fleming Companies	9,150.73	PV	42008703	08/31/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Gannett Fleming Companies	6,904.50	PV	42028952	09/26/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Gannett Fleming Companies	407.50	PV	42045683	10/17/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Gannett Fleming Companies	260.00	PV	42079239	11/25/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	PA Dept of revenue	3,533.99	PS	42092310	12/12/08
CLAYSVILLE-DONEGAL WATER WASTEWATER ACQUISITION	Pizzi & Sewak PC	1,853.00	PV	41748444	11/08/07

\$ 2,144,462.08

TOTAL CLAYSVILLE WATER / WASTEWATER ACQUISITION

PENNSYLVANIA AMERICAN  
 CLAYSVILLE DONEGAL JOINT MUNICIPAL AUTHORITY - WATER & WASTEWATER ACQUISITION  
 SCHOOL STREET DAM BREACHING COSTS

TOTAL CLAYSVILLE WATER / WASTEWATER ACQUISITION

Invoice Date	Invoice No.	Invoice Amount	Vendor	Reason
1/8/2008	050072*8890915	\$7,989.12	Gannett Fleming	School Street Property Environmental Evaluation
10/13/2008	050072*9813	\$2,162.12	Gannett Fleming	School Street Property Environmental Evaluation
11/6/2008	050072*10813980	\$480.00	Gannett Fleming	School Street Property Environmental Evaluation
12/1/2008	11095	\$1,595.44	Hickman Electric	Removal of Electrical Equipment at School Street Property
12/10/2008	11166	\$2,915.00	Hickman Electric	Removal of Electrical Equipment at School Street Property
12/3/2008	1	\$173,345.00	Golden Triangle	Breaching of School Street Dam
11/13/2007	048802*10741	\$9,049.74	Gannett Fleming	Design Work for Breaching of School Street Dam
12/10/2007	048802*11727	\$3,565.80	Gannett Fleming	Design Work for Breaching of School Street Dam
1/16/2008	048802*1278	\$8,201.76	Gannett Fleming	Design Work for Breaching of School Street Dam
3/1/2008	048802*2848	\$1,159.80	Gannett Fleming	Design Work for Breaching of School Street Dam
1/20/2008	048802*1856	\$9,318.00	Gannett Fleming	Design Work for Breaching of School Street Dam
4/10/2008	148629	\$450.00	Washington County	Breaching of School Street Dam

\$220,231.78

\* Additional costs (\$15,000 estimate) associated with seeding of dam may occur during 2009.

PENNSYLVANIA AMERICAN  
 CLAYSVILLE DONEGAL JOINT MUNICIPAL AUTHORITY - WATER & WASTEWATER ACQUISITION - JOURNAL ENTRY  
 CLOSED 7/31/08

<u>Account</u>	<u>Description</u>	<u>Original Cost</u>
240205.101000.303200	Water Asset Addition	273,497.60
240205.101000.304200	Water Asset Addition	3,269.69
240205.101000.304200	Water Asset Addition	174,586.61
240205.101000.304300	Water Asset Addition	26,181.10
240205.101000.304300	Water Asset Addition	206,692.91
240205.101000.304300	Water Asset Addition	234,092.91
240205.101000.305000	Water Asset Addition	33,464.57
240205.101000.305000	Water Asset Addition	46,299.21
240205.121500	Jack Cutter Dam	1,832,283.46
240205.101000.311100	Water Asset Addition	148.87
240205.101000.311100	Water Asset Addition	930.97
240205.101000.311100	Water Asset Addition	4,008.06
240205.101000.320100	Water Asset Addition	3,469.21
240205.101000.320100	Water Asset Addition	78,505.52
240205.101000.320100	Water Asset Addition	29,136.69
240205.101000.320100	Water Asset Addition	3,075.68
240205.101000.320100	Water Asset Addition	9,443.31
240205.101000.320100	Water Asset Addition	6,655.97
240205.101000.320100	Water Asset Addition	1,910.29
240205.101000.320100	Water Asset Addition	5,070.07
240205.101000.320100	Water Asset Addition	29,437.11
240205.101000.330000	Water Asset Addition	484.28
240205.101000.303502	Water Asset Addition	1,114.06
240205.101000.303500	Water Asset Addition	6,811.17
240205.101000.331001	Water Asset Addition	13,718.25
240205.101000.331001	Water Asset Addition	2,148.76
240205.101000.331001	Water Asset Addition	1,473.16
240205.101000.331001	Water Asset Addition	12,073.88
240205.101000.331001	Water Asset Addition	40,287.85
240205.101000.331001	Water Asset Addition	3,506.77
240205.101000.331001	Water Asset Addition	10,469.03
240205.101000.331001	Water Asset Addition	6,282.78
240205.101000.331001	Water Asset Addition	2,519.94
240205.101000.331001	Water Asset Addition	22,910.11
240205.101000.331001	Water Asset Addition	30,785.64
240205.101000.331001	Water Asset Addition	26,141.85
240205.101000.331001	Water Asset Addition	37,100.70
240205.101000.331001	Water Asset Addition	178,498.24
240205.101000.331001	Water Asset Addition	10,120.95
240205.101000.331001	Water Asset Addition	13,182.76
240205.101000.331001	Water Asset Addition	4,584.96
240205.101000.331001	Water Asset Addition	1,084.00
240205.101000.331001	Water Asset Addition	570.00
240205.101000.331001	Water Asset Addition	3,840.00
240205.101000.331001	Water Asset Addition	1,582.00
240205.101000.331001	Water Asset Addition	8,977.50
240205.101000.333000	Water Asset Addition	844.42
240205.101000.333000	Water Asset Addition	11,333.58
240205.101000.333000	Water Asset Addition	9,246.05
240205.101000.333000	Water Asset Addition	79,283.52
240205.101000.333000	Water Asset Addition	27,449.21
240205.101000.333000	Water Asset Addition	14,355.12
240205.101000.333000	Water Asset Addition	52,394.28
240205.101000.333000	Water Asset Addition	128.37
240205.101000.334100	Water Asset Addition	3,754.74
240205.101000.334100	Water Asset Addition	19,322.76
240205.101000.334100	Water Asset Addition	7,830.41

240205.101000.334100	Water Asset Addition	646.17
240205.101000.334100	Water Asset Addition	421.53
240205.101000.335000	Water Asset Addition	6,259.09
240205.101000.335000	Water Asset Addition	777.27
240205.101000.335000	Water Asset Addition	6,825.00
240205.101000.335000	Water Asset Addition	18,347.73
240205.101000.341100	Water Asset Addition	27,900.00
240205.101000.343000	Water Asset Addition	29,150.00
240205.101000.344000	Water Asset Addition	35,500.00
240205.101000.347000	Water Asset Addition	5,263.61
240205.108105	Water Asset Addition	3,500.00
240205.108105	Water Accumulated Depreciation 12/31/07	(99,087.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(341,462.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(61,467.00)
240205.122250	Jack Cutter Dam Accumulated Depreciation 12/31/07	(559,396.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(2,834.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(135,796.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(314.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(5,007.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(198,347.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(72,539.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(27,207.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(23,315.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(15,473.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(23,430.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(4,342.00)
240205.108105	Water Accumulated Depreciation 12/31/07	(2,888.00)
240205.108105	Water Accumulated Depreciation 01/01/08 - 07/31/08	(22,614.09)
240205.122250	Jack Cutter Dam 01/01/08 - 07/31/08	(11,970.92)
242605.101000.353400	Wastewater Asset Addition	41,440.51
242605.101000.353200	Wastewater Asset Addition	120,569.00
242605.101000.354300	Wastewater Asset Addition	525,208.35
242605.101000.354300	Wastewater Asset Addition	55,959.06
242605.101000.354300	Wastewater Asset Addition	12,307.56
242605.101000.354300	Wastewater Asset Addition	112,250.30
242605.101000.354300	Wastewater Asset Addition	5,440.16
242605.101000.354300	Wastewater Asset Addition	12,639.69
242605.101000.360000	Wastewater Asset Addition	69,097.86
242605.101000.361100	Wastewater Asset Addition	1,026,885.69
242605.101000.361100	Wastewater Asset Addition	227,520.02
242605.101000.361200	Wastewater Asset Addition	78,339.73
242605.101000.361200	Wastewater Asset Addition	72,253.92
242605.101000.361200	Wastewater Asset Addition	26,735.24
242605.101000.361200	Wastewater Asset Addition	26,128.96
242605.101000.363000	Wastewater Asset Addition	137,246.04
242605.101000.363000	Wastewater Asset Addition	20,346.34
242605.101000.363000	Wastewater Asset Addition	4,349.82
242605.101000.363000	Wastewater Asset Addition	39,860.85
242605.101000.363000	Wastewater Asset Addition	6,099.96
242605.101000.363000	Wastewater Asset Addition	1,490.40
242605.101000.371100	Wastewater Asset Addition	1,973.74
242605.101000.371100	Wastewater Asset Addition	20,883.45
242605.101000.380000	Wastewater Asset Addition	473,266.12
242605.101000.380000	Wastewater Asset Addition	39,710.45
242605.101000.380000	Wastewater Asset Addition	35,027.61
242605.101000.380000	Wastewater Asset Addition	11,800.75
242605.101000.380000	Wastewater Asset Addition	93,282.09
242605.101000.380000	Wastewater Asset Addition	1,371.62
242605.101000.391100	Wastewater Asset Addition	9,155.00
242605.101000.391100	Wastewater Asset Addition	23,700.00
242605.101000.395000	Wastewater Asset Addition	7,525.00
242605.101000.395000	Wastewater Asset Addition	72,650.00

242605.108105	Wastewater Accumulated Depreciation 12/31/07	(264,127.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(102,139.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(16,031.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(503,103.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(44,116.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(85,879.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(10,971.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(370,685.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(28,992.00)
242605.108105	Wastewater Accumulated Depreciation 12/31/07	(63,416.00)
242605.108106	Wastewater Accumulated Depreciation 01/01/08 - 07/31/08	(39,016.93)
240205.104000	Utility Plant Purchases	(2,144,462.08)
240205.104000	Utility Plant Purchases (School St Dam - Breaching Costs)	(220,231.78)
240205.114350	UPAA - Jack Cutter Dam	(1,116,265.45)
240205.114350	UPAA - Water	(51,229.85)
240205.114350	UPAA - Wastewater	(547,322.50)

PENNSYLVANIA-AMERICAN WATER COMPANY  
Hershey, Pennsylvania

ORIGINAL COST AND  
RELATED ACCRUED DEPRECIATION  
OF THE  
CLAYSVILLE DONEGAL JOINT MUNICIPAL AUTHORITY  
WASTEWATER SYSTEM  
AS OF DECEMBER 31, 2007

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION  
Harrisburg, Pennsylvania

**PENNSYLVANIA-AMERICAN WATER COMPANY  
ACQUISITION OF THE CLAYSVILLE/DONEGAL JOINT MUNICIPAL AUTHORITY WASTEWATER SYSTEM**

**SUMMARY OF ORIGINAL COST AND ACCRUED DEPRECIATION  
OF WASTEWATER UTILITY PLANT AS OF DECEMBER 31, 2007**

<u>ACCOUNT</u> (1)	<u>DESCRIPTION</u> (2)	<u>ORIGINAL COST</u> (3)	<u>ACCRUED DEPRECIATION</u> (4)
353.00	LAND	41,440.51	-
353.20	RIGHTS OF WAY - PUMPING	120,569.00	-
354.00	STRUCTURES AND IMPROVEMENTS		
	TREATMENT PLANT	525,208.35	264,127
	OTHER STRUCTURES	198,596.77	102,139
		<u>723,805.12</u>	<u>366,266</u>
360.20	FORCE MAINS	69,097.86	16,031
361.00	MAINS - GRAVITY	1,332,745.43	503,103
361.20	MANHOLES	125,118.12	44,116
363.00	SERVICES	209,393.41	85,879
371.00	PUMPING EQUIPMENT	22,857.19	10,971
380.00	TREATMENT EQUIPMENT	654,458.64	370,685
392.00	TRANSPORTATION EQUIPMENT	32,855.00	28,992
395.00	POWER OPERATED EQUIPMENT	80,175.00	63,416
	<b>TOTAL WASTEWATER PLANT</b>	<u><u>3,412,515.28</u></u>	<u><u>1,489,459</u></u>



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

February 15, 2008

A-212285 F0145  
A-230073 F0012  
U-2008-2020122  
U-2008-2020125

VELMA REDMOND ESQUIRE  
PENNSYLVANIA AMERICAN WATER CO  
800 WEST HERSHEY PARK DRIVE  
HERSHEY PA 17033

Applications of Pennsylvania-American Water Company (PAWC) for approval of: 1) the transfer by sale of substantially all the Claysville-Donnegal Joint Municipal Authority's assets, properties and rights, related to its water and wastewater systems, to PAWC; and (2) the right of PAWC to begin to offer or furnish water service to the public in the Borough of Claysville and in portions of Donegal Township, East Finley Township and Buffalo Township, Washington County and to offer or furnish wastewater service to the public in all of the Borough of Claysville and portions of Donegal Township, Washington County.

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on February 14, 2008 adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty  
Secretary

Encls  
Cert. Mail  
MH

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265**

Public Meeting held February 14, 2008

**Commissioners Present:**

Wendell F. Holland, Chairman  
James H. Cawley, Vice Chairman  
Tyrone J. Christy  
Kim Pizzingrilli

Applications of Pennsylvania-American Water Company (PAWC) for approval of: 1) the transfer by sale of substantially all the Claysville-Donegal Joint Municipal Authority's assets, properties and rights, related to its water and wastewater systems, to PAWC; and 2) the right of PAWC to begin to offer or furnish water service to the public in the Borough of Claysville and in portions of Donegal Township, East Finley Township and Buffalo Township, Washington County and to offer or furnish wastewater service to the public in all of the Borough of Claysville and portions of Donegal Township, Washington County.

Docket Nos:  
A-212285F0145,  
A-230073F0012,  
U-2008-2020122 &  
U-2008-2020125

**ORDER**

**BY THE COMMISSION:**

By the applications filed on May 29, 2007, Pennsylvania-American Water Company, (PAWC or Applicant), 800 West Hersheypark Drive, Hershey, PA 17033, seeks a Certificate of Public Convenience pursuant to Section 507, of the Public Utility Code, 66 Pa. C.S. § 507, evidencing Commission approval of the right of Pennsylvania-

American Water Company to enter into a municipal contract to acquire substantially all of the Claysville-Donegal Joint Municipal Authority's assets, properties and rights, related to its water (U-2008-2020122) and wastewater systems (U-2008-2020125) and Certificates of Public Convenience pursuant to Section 1102(a)(1) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1), evidencing Commission approval to offer or furnish water service to the public in the Borough of Claysville and in portions of Donegal Township, East Finley Township and Buffalo Township, Washington County (A-212285F0145), and to offer or furnish wastewater service to the public in all of Claysville Borough and portions of Donegal Township, Washington County (A-230073F0012).

Proofs of service and publication were submitted by the Applicant; on August 13, 2007, the Borough of Claysville Council (Borough) filed a Petition to Intervene. On September 20, 2007, the applications were reassigned to the Office of Administrative Law Judge (OALJ) due to the issues contained in the Petition and the subsequent responses of the parties. By an order dated December 3, 2007, Administrative Law Judge (ALJ) Corbett granted the Borough's Praecipe to Withdraw and Discontinue and transferred the applications back to the Bureau of Fixed Utility Services for continued review.

PAWC is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of providing water and wastewater service to the public. Water and wastewater service is furnished by PAWC in a service territory encompassing more than 373 communities across the Commonwealth with a combined population of over 2,000,000. On December 31, 2006, PAWC furnished water service to 626,107 customers and to 14,406 wastewater customers.

Claysville-Donegal Joint Municipal Authority (CDJMA or Authority),

P.O. Box 457, 314 Main Street, Claysville, PA 15323, is a municipal authority organized under the Pennsylvania Municipal Authorities Act, on June 23, 1958. The Authority owns and operates a water system in Claysville Borough, and in portions of Donegal Township, East Finley Township and Buffalo Township, Washington County. It also owns and operates a wastewater system in Claysville Borough and portions of Donegal Township. On December 31, 2006, CDJMA furnished water service to 573 customers and to 537 wastewater customers.

On December 6, 2006, PAWC and CDJMA entered into a purchase agreement for the transfer of ownership of substantially all of the property and rights pertaining to the Authority's water and wastewater systems, to PAWC. A summary of the details regarding each utility follows.

#### Water system

The existing water system provides metered service to 499 residential, 63 commercial, 1 industrial and 10 municipal customers. Water is drawn from two reservoirs, the 10 million gallon School Street Dam/Reservoir and the 50 million gallon Jack Clutter Dam/Reservoir. The water is processed through a treatment plant and pumped to a 250,000 gallon storage tank, from which the treated water enters into the gravity fed distribution system. The distribution system was constructed in the 1920s and consists of a variety of pipe sizes and types from 2" PVC to 8" ductile iron. The transfer of ownership includes all of these items.

PAWC will not use the water sources or the water treatment plant. Historically, the system has had issues with water quality due to the elevated levels of trihalomethanes and haloacetic acid. Instead, PAWC intends to extend a supply main from its existing water system located at the McGuffey High School in neighboring Buffalo Township, westward along Route 40, to Claysville. 14,500 feet of 12" ductile

iron cement lined pipe and a pressure reducing station will be needed to make the connection between the systems. PAWC listed the cost of the main extension and the necessary improvements to the water system as follows: the installation of a pressure reducing station, 14,500 feet of main and the installation of remote read meters - \$1,249,738; installation of Supervisory Control and Data Acquisition (SCADA) equipment at the existing storage tank and booster station - \$27,500; installation of a booster station and 500 feet of main to eliminate individual booster pumps - \$108,350; and the installation of chlorination facilities at PAWC's Franklin Farms Booster Station (in order to improve the chlorine residual) - \$41,250, for a total cost of \$1,426,838.

After completion of the interconnection, PAWC will be responsible for the removal of the existing water treatment plant, which will no longer be needed. Also, while the transfer initially includes ownership of the two dams/reservoirs, PAWC is obligated to breach the 10 million gallon School Street Dam/Reservoir. This dam is to be breached due to its proximity and risk to an elementary school. A dam inspection report indicated that the spillway is inadequate and that it will not pass a threshold of 50% of the Probable Maximum Flood. PAWC indicated the projected cost to breach the dam is \$125,000 and will be booked as an acquisition cost.

The 50 million gallon Jack Clutter Dam/Reservoir and property is also included in the purchase agreement. A provision of the purchase agreement indicates that, while this tract is also included in the purchase agreement, PAWC is obligated to make arrangements for the sale of this property to a third party prior to closing, with PAWC receiving the proceeds. PAWC indicated it is completing a plot plan of the property (approximately 28 acres in size) and is in the process of appraising the dam and property.

The assigned purchase price for the entire water system is \$1,250,000. PAWC indicated it is undertaking an original cost study and will establish the depreciated original cost based on the results. In the meantime, the tentative journal entries to record the transfer of the water system are the following:

Utility Plant	\$5,794,000
Accumulated depreciation	\$1,890,000
Short Term Debt	\$1,250,000
Acquisition Adjustment	\$2,654,000

The Jack Clutter Dam/Reservoir is included in the Utility Plant value of \$5,794,000. While the current value of this asset is still to be determined, PAWC stated that it intends to include this asset on its books, at closing, as a Utility Plant Acquisition Adjustment based on its fair market value less the cost of the eventual sale.

#### Wastewater system

The existing wastewater system provides service to 463 residential, 62 commercial, 2 industrial and 10 municipal customers in the Borough and Donegal Township. The wastewater system consists of a biologically based treatment plant, conventional gravity collection system, one pump station and associated force main. The pump station and force main are used solely to serve a Pennsylvania Department of Transportation – Welcome Center located near the Claysville Exit of Interstate 70. The treatment plant utilizes primary sedimentation, rotating biological contactors and a secondary sedimentation treatment process. The plant is permitted for a hydraulic capacity of 160,000 gallons per day.

PAWC indicated that the system experiences a higher than normal level of inflow/infiltration (I & I). The Authority currently operates the system with a metered by-pass that allows excess wastewater to by-pass the treatment plant and go directly into the receiving stream during wet weather events. PAWC indicated that it believes the by-pass is in violation of current regulatory standards and law. The system has a substantial history of non-compliance; a report for the years 2002 through 2006 listed many ammonia nitrogen effluent violations as well as plant overflows. PAWC provided a list of the needed repairs/upgrades as follows: an I & I study - \$83,000, sanitary sewer repair and replacement - \$173,875, manhole and service replacement - \$62,100, comminutor replacement - \$30,000, office/lab renovations - \$50,000, installation of raw water VFD's - \$40,000, process control and monitoring upgrades - \$80,000, replacement of grating - \$10,000, RBC media replacement - \$60,000, flow equalization controls - \$35,000, and repair of secondary sludge pumps - \$20,000, for a total cost of \$643,975.

The National Pollution Discharge Elimination System (NPDES) Permit, which authorizes the Authority to operate the wastewater system, expired on November 22, 2007. The Authority applied to the Pennsylvania Department of Environmental Protection (DEP) for a renewal of the Permit and DEP issued a renewal on December 11, 2007; the Permit will be transferred to PAWC after the transfer of ownership. DEP is aware of the pending transfer of ownership and is currently negotiating a Consent Order & Agreement (CO & A) with PAWC regarding the future operation of the treatment system. In particular, PAWC will be required to undertake a Corrective Action Plan to attain and maintain compliance with NPDES Permit and Clean Streams Law regarding the unauthorized discharge of untreated sewage from the treatment system and the limiting of effluent discharges, among other things, total suspended solids, carbonaceous biochemical oxygen demand and ammonium nitrogen.

The assigned purchase price for the entire wastewater system is \$750,000. PAWC indicated it is updating the original cost study for the purpose of establishing the depreciated original cost of the system. The tentative journal entries to record the transfer of the wastewater system are the following:

Utility Plant	\$4,808,000
Accumulated depreciation	\$2,049,000
Short term debt	\$ 750,000
Acquisition Adjustment	\$2,009,000

CDJMA's Statement of Net Assets at December 31, 2005, was submitted as Exhibit B to the applications. The Statement lists the original cost values for the two utilities as approximately \$10,602,000 with a net of depreciation value of approximately \$6,663,000. It was indicated that CDJMA charged tap-in/connection fees, however the fees were treated as operating income and were not applied as offsets to the original cost values. CDJMA's plant values coincide with PAWC's tentative journal entries as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Utility Plant	\$5,794,000	\$4,808,000	\$10,602,000
Accum. Depc.	-1,890,000	-2,049,000	-3,939,000
Short Term Debt	<u>-1,250,000</u>	<u>- 750,000</u>	<u>-2,000,000</u>
Acq. Adjust.	2,654,000	2,009,000	4,663,000

PAWC is paying \$2,000,000 for the two utilities while tentatively realizing a \$4,663,000 acquisition adjustment. PAWC indicated that there may be adjustments to the original cost and accrued depreciation values following completion of the original cost studies.

In regard to its final journal entries PAWC stated, "To the extent that the purchase price is less than the depreciated original cost that can be included in the Company's ratebase, the Company's treatment of such difference for regulatory accounting purposes will follow its treatment for ratemaking purposes, as required by Statement of Financial Accounting Standards No. 71. Section 1327(e) of the Public Utility Code provides that, when the purchase price for acquired water or wastewater utility property is less than the property's depreciated original cost "that difference, absent matters of a substantial public interest, [shall] be amortized as an addition to income over a reasonable period of time or be passed through to the ratepayers by such other methodology as the Commission may direct."

PAWC went on to state that it believes; "because the Authority's assets constitute troubled and non-viable water and wastewater systems, which will require substantial capital investment for improvements to improve or maintain adequate service to customers, "matters of a substantial public interest" are present and fully justify not amortizing "above-the-line" the difference between the purchase price and a higher depreciated original cost or otherwise passing such difference through to customers. *Pa. P.U.C. v. York Water Company*, Docket Nos. R-922168; R-922168C001 (November 18, 1992) (The poor condition of the acquired assets and need for improvements constitute "matters of a substantial public interest" under Section 1327(e) for not amortizing a negative acquisition adjustment above-the-line for ratemaking.)"

PAWC also stated; "Unless the Commission determines otherwise in a subsequent base rate case in which the Company claims the acquired assets in its rate base, the Company intends to amortize "below-the-line" the negative, if any, acquisition adjustment (difference, between its purchase price and a higher depreciated original cost for the Authority's water and wastewater assets)."

Approval of the subject applications does not constitute Commission approval of the Applicant's accounting procedure. Rather, PAWC will be required to prove the justness and reasonableness of its journal entries in its subsequent base rate case.

As indicated earlier, on August 13, 2007, the Borough filed a Petition to Intervene in both of these applications, indicating that it had not received notice of the period within which to object to the acquisition and also raised several issues for examination. On August 29, 2007, PAWC filed preliminary objections to the Borough's Petition, along with an answer with new matter. The Borough responded to PAWC's preliminary objections on September 11, 2007 and replied to the new matter on September 18, 2007. On September 20, 2007, the applications were reassigned to the OALJ and on November 29, 2007, the Borough filed a Praeceptum to Withdraw and Discontinue. By an Order dated December 3, 2007, ALJ Corbett determined that since PAWC did not object to the Borough's withdrawal request, it was appropriate to grant leave to the Borough to withdraw its Petition to Intervene.

The Borough's Praeceptum to Withdraw and Discontinue was submitted as a result of a meeting between PAWC, the Borough and Donegal Township in a public session on September 28, 2007. The issues that were raised in the Borough's Petition to Intervene were discussed and a Memorandum of Understanding was created to document the issues and their resolution. The twelve numbered paragraphs, in the Memorandum,

concern a variety of issues ranging from; the possible termination of the purchase agreement, the conditions which must be satisfied prior to closing, extension of the closing date, the completion of repairs/improvements, sale of the Jack Clutter property, the transfer of ownership of the Authority office to the Borough, the sharing and accuracy of information and the distribution of liquid assets following closing. Since the Borough submitted the only petition/protest and has withdrawn it, the subject applications are free for Commission review and evaluation.

A map and description of the requested water service territory were submitted as Exhibits L and M of the water system application (A-212285F0145) while a map and description of the requested wastewater service territory were provided as Exhibits M and N of the wastewater system application (A-230073F0012).

Stipulations in the purchase agreement require that CDJMA adjust its water service rates, prior to closing, in order to match PAWC's current Rate Zone 1 rates. CDJMA's current rates were placed into effect on February 1, 2006. The Authority's metered rate structure includes; a \$28.00 minimum monthly charge for the first 1,000 gallons, \$5.25 for each additional 1,000 gallons – up to 11,000 gallons and \$4.00 per 1,000 gallons thereafter. PAWC's Rate Zone 1 rates, which became effective on November 30, 2007, include a monthly service charge of \$12.00 and a usage charge of \$6.809 per 1,000 gallons. Under the Authority's current rates, a customer using 5,000 gallons per month would be billed \$49.00; at PAWC's rates, the charge would be \$46.05.

The purchase agreement also stipulates that PAWC adopt CDJMA's wastewater rates, in effect at closing. The Authority's metered rate structure includes; a \$25.50 minimum monthly charge for the first 1,000 gallons and \$5.75 for each additional 1,000 gallons thereafter. PAWC submitted, as Exhibit K, a proposed tariff sheet containing this same rate structure. A complete tariff containing the proposed rates, rules

and regulations for this service territory and labeled as, "Tariff Wastewater – PA P.U.C. No. 6, was included as Exhibit L to the wastewater application (A-230073F0012). A customer using 5,000 gallons per month would be billed \$48.50.

An additional requirement of the agreement is that PAWC offer continued employment to two of CDJMA's certified plant operators. PAWC identified the two individuals who will be hired to be responsible for the operation of the acquired water and wastewater systems.

On November 16, 2006, an addendum was added to the purchase agreement stating that the consummation of the purchase agreement is dependent upon the Authority being completely debt free after receipt of the \$2,000,000 purchase price and the use of the available funds held by the Authority. If the Authority does not have sufficient funds to cover any and all of its debts and obligations, it retains the sole right to cancel the purchase agreement. The Memorandum of Understanding implies there will be sufficient funds with cash reserves remaining after the payment of the debts and obligations.

In recognition of the circumstances identified in the subject applications, the record provides substantial evidence of affirmative public benefit sufficient to warrant approval of the proposed transaction under *City of York v. Pennsylvania Public Utility Commission*, 295 A.2d 825 (Pa. 1972).

And, based upon the fact that Pennsylvania-American Water Company will expand its service territory to customers in compliance with Commission regulations, that the economies of scale of an expanded customer base have a beneficial effect on existing customers and that PAWC will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that the granting of PAWC's applications for approval of the acquisition of the Claysville-Donegal Joint Municipal

Authority's water and wastewater systems and for the extensions of the service territories is necessary or proper for the service, accommodation, convenience or safety of the public; **THEREFORE,**

**IT IS ORDERED:**

1. That the applications of Pennsylvania-American Water Company, at Docket Nos. A-212285F0145, A-230073F0012, U-2008-2020122 and U-2008-2020125 are hereby approved.

2. That a Certificate of Public Convenience be issued pursuant to Section 507, of the Public Utility Code, 66 Pa. C.S. § 507, evidencing Commission approval of the right of Pennsylvania-American Water Company to enter into a municipal contract to acquire substantially all of the Claysville-Donnegal Joint Municipal Authority's assets, properties and rights, related to its water system (U-2008-2020122).

3. That a Certificate of Public Convenience be issued pursuant to Section 507, of the Public Utility Code, 66 Pa. C.S. § 507, evidencing Commission approval of the right of Pennsylvania-American Water Company to enter into a municipal contract to acquire substantially all of the Claysville-Donnegal Joint Municipal Authority's assets, properties and rights, related to its wastewater system (U-2008-2020125).

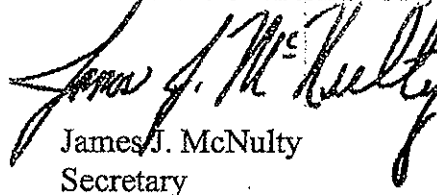
8. That Pennsylvania-American Water Company may place into effect, in this additional service territory, their currently effective Rate Zone 1 water service rates, beginning at the date of closing.

9. That Pennsylvania-American Water Company may place into effect, in this additional service territory, the rates, rules and regulations as contained in Tariff Wastewater-PA P.U.C. No. 6, labeled as Exhibit L to the application, beginning at the date of closing.

10. That a copy of this Order be served upon Pennsylvania-American Water Company, Claysville-Donegal Joint Municipal Authority, the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate and the Department of Environmental Protection-Southwest Regional Office and its Bureau of Regulatory Counsel.

11. That the folders docketed at A-212285F0145, A-230073F0012, U-2008-2020122 and U-2008-2020125 be marked closed by the Commission Secretary's Bureau.

BY THE COMMISSION,

  
James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: February 14, 2008

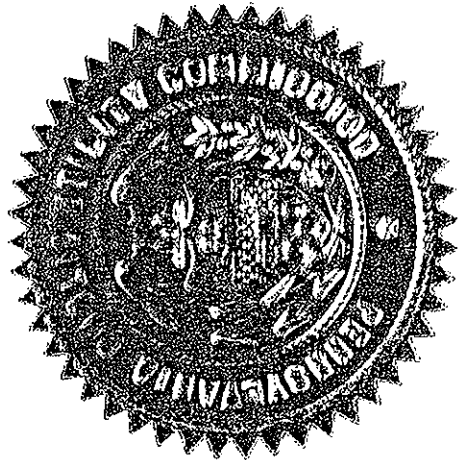
ORDER ENTERED: FEB 15 2008

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: A-230073 F0012

Application of Pennsylvania-American Water Company for the approval of the right to offer, render or furnish wastewater service to the public in all of Claysville Borough and portions of Donegal Township, Washington County.

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **CERTIFICATE OF PUBLIC CONVENIENCE** evidencing the Commission's approval.



In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its secretary at its office in the city of Harrisburg this 14<sup>TH</sup> day of February 2008.

A handwritten signature in dark ink, appearing to read "James J. McCully".

Secretary

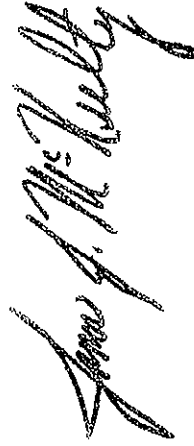
PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: U-2008-2020125

Application of Pennsylvania-American Water Company for the approval of the right to enter into a municipal contract to acquire substantially all of the Claysville-Donegal Joint Municipal Authority's assets, properties and rights, related to its wastewater system.

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **CERTIFICATE OF PUBLIC CONVENIENCE** evidencing the Commission's approval.

In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its secretary at its office in the city of Harrisburg this 14<sup>TH</sup> day of February 2008.



Secretary



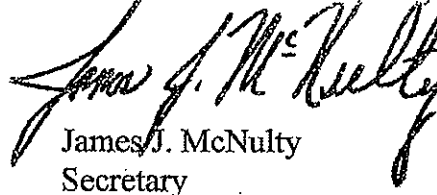
8. That Pennsylvania-American Water Company may place into effect, in this additional service territory, their currently effective Rate Zone 1 water service rates, beginning at the date of closing.

9. That Pennsylvania-American Water Company may place into effect, in this additional service territory, the rates, rules and regulations as contained in Tariff Wastewater-PA P.U.C. No. 6, labeled as Exhibit L to the application, beginning at the date of closing.

10. That a copy of this Order be served upon Pennsylvania-American Water Company, Claysville-Donnegal Joint Municipal Authority, the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate and the Department of Environmental Protection-Southwest Regional Office and its Bureau of Regulatory Counsel.

11. That the folders docketed at A-212285F0145, A-230073F0012, U-2008-2020122 and U-2008-2020125 be marked closed by the Commission Secretary's Bureau.

BY THE COMMISSION,

  
James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: February 14, 2008

ORDER ENTERED: FEB 15 2008

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

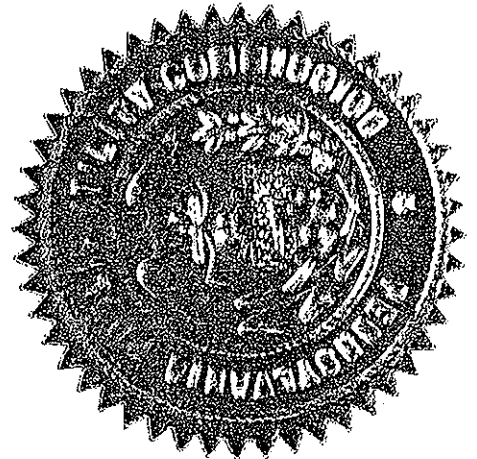
IN THE MATTER OF THE APPLICATION OF: A-212285 F0145

Application of Pennsylvania-American Water Company for the approval of the right to offer, render or furnish water service to the public in the Borough of Claysville and in portions of Donegal Township, East Finley Township and Buffalo Township, Washington County.

45

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **CERTIFICATE OF PUBLIC CONVENIENCE** evidencing the Commission's approval.

In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its secretary at its office in the city of Harrisburg this 14<sup>TH</sup> day of February 2008.



*James J. McRuddy*  
Secretary

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF: U-2008-2020122

Application of Pennsylvania-American Water Company for the approval of the right to enter into a municipal contract to acquire substantially all of the Claysville-Donegal Joint Municipal Authority's assets, properties and rights, related to its water system.

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **CERTIFICATE OF PUBLIC CONVENIENCE** evidencing the Commission's approval.



In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its secretary at its office in the city of Harrisburg this 14<sup>TH</sup> day of February 2008.

A handwritten signature in black ink, appearing to read "James G. McCully".

Secretary

## **OPERATING EXPENSES**

# **SALARY AND WAGES**

Pennsylvania American Water Company  
 Claysville WW 2426  
 Test Year: 12/31/09

Non-Exempt	Job Title	TEST YEAR HOURLY RATE	TEST YEAR WAGES		TEST YEAR WAGES		REGULAR HOURS		1.5x HOURS		2X HOURS		Total HOURS
			WAGES	CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M		
	Lead Plant Operator	22.20	\$	46,977.48		2076.00	120.00	37.50	2233.50				
	Plant Operator	19.02	\$	42,549.71		2072.00	84.50	26	2182.50				
	PT - Plant Operator	18.25	\$	3,494.93		191.50			191.50				
	Plant Operator	16.27	\$	5,945.80		365.50			365.50				
			\$	98,967.92		4,339.50	204.50	63.50	4,973.00				

Exempt

Supervisor Production	31.75	\$	3,174.50		100.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
Total		\$	102,142.42									
O & M		\$	102,142.42									
Per Books		\$	102,751.00									
Accruals		\$	608.58									

Pennsylvania American Water Company  
 Claysville WW 2426  
 Proforma: as of 01/01/11

Job Title	PROFORMA HOURLY RATE	PROFORMA WAGES		PROFORMA WAGES		REGULAR HOURS		1.5x HOURS		2x HOURS		Total HOURS
		CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M	CAP	O&M	
Lead Plant Operator	23.38	\$ -	\$ 54,779.34			2088.00	120.00			37.50		2245.50
Plant Operator	20.11	\$ -	\$ 45,584.34			2088.00	84.50			26		2198.50
PT - Plant Operator	18.80	\$ -	\$ 7,200.40			383.00						383.00
		\$ -	\$ 107,564.08	494.00	4559.00	0.00	204.50	0.00	63.50	0.00		4827.00

Total \$ 107,564.08  
 Capitalization % 0.00%

Pennsylvania American Water Company  
 Test Year and Proposed Wages Claysville 2426  
 Actual Year: December 31, 2009

B/U	Hourly	Hire Date	Job Title	Location	12/31/2009 Test Year Rate	Annual Salary	Rate 1/1/2010	Annual 2010	Rate 1/1/2011	Annual 2011	DCP %
	242601	07/31/08	Lead Plant Operator	CLAYWW - Treatment	22.20	46,353.60	22.70	47,397.60	23.38	48,817.44	5.25
	242601	07/31/08	Plant Operator	CLAYWW - Treatment	19.02	39,713.76	19.52	40,757.76	20.11	41,989.68	5.25
	242601	07/27/09	PT Plant Operator	CLAYWW - Treatment	18.25	6,989.75	18.25	6,989.75	18.80	7,200.40	5.25

NOTE: Non-Union Hourly Rates for 01/01/2011 were calculated by increasing the actual 01/01/2010 rate by 3%.

## **GROUP INSURANCE**

**HORIZON BLUECROSS/BLUESHIELD**  
**GROUP INSURANCE PREMIUM STATEMENT**  
(Rates effective January 1, 2010)

COMPANY: Pennsylvania American Water Co.  
MONTH OF: January 2010

Insurance/Employees:		Rate	Premium
<b>ACTIVE EMPLOYEES</b>			
<b>LIVES</b>	<b>LIFE INSURANCE:</b>		
453	37,647,000	1 Life - Basic (Non Bargaining)	\$0.153 per \$1,000 \$5,769.99
654	37,835,600	2 Life - Basic (Bargaining)	\$0.153 per \$1,000 5,766.65
654	6,540,000	3 A, D, & D. (\$10,000 cov. per employee)	\$0.020 per \$1,000 130.80
453	37,647,000	4 A, D, & D. (Non Bargaining)	\$0.020 per \$1,000 752.94
28	2,449,010	5 Life - Voluntary Under 30	\$0.063 per \$1,000 154.29
32	3,418,236	6 Life - Voluntary 30-34	\$0.084 per \$1,000 287.13
47	5,914,587	7 Life - Voluntary 35-39	\$0.105 per \$1,000 621.03
58	7,123,616	8 Life - Voluntary 40-44	\$0.126 per \$1,000 897.58
80	9,902,619	9 Life - Voluntary 45-49	\$0.200 per \$1,000 1,980.50
73	9,180,273	10 Life - Voluntary 50-54	\$0.336 per \$1,000 3,084.57
43	5,363,480	11 Life - Voluntary 55-59	\$0.620 per \$1,000 3,325.36
17	1,264,311	12 Life - Voluntary 60-64	\$0.788 per \$1,000 996.28
1	115,000	13 Life - Voluntary 65-69	\$1.439 per \$1,000 165.49
0	0	14 Life - Voluntary 70 and over	\$2.321 per \$1,000 0.00
302	6040000	15 Life - Dependent Spouse	\$5.000 per Spouse 1,510.00
224	3850000	16 Life - Dependent Children	\$1.200 per Family 268.80
0	0	17 Life - Supplemental	\$0.288 per \$1,000 0.00
34	898,000	18 Life - Optional	\$0.288 per \$1,000 297.40

DISABILITY:			
253382.87	19 Long Term Disability (non union only)	\$0.400 per \$100	10,135.45
1,107	20 Short-Term Managed Disability	\$2.66 per EMPLOYEE	2,944.62
0	21 A & S-Coverage for New Jersey only	\$0.802 per \$10	0.00

MEDICAL, DENTAL & PRESCRIPTION COVERAGE:			
171	22 Employees w/Single Coverage(Union)	\$419.00	71,649.00
	23 Employee and Spouse Coverage(Union)	\$0.00	0.00
	24 Employee and Children(Union)	\$0.00	0.00
449	25 Employee and Family(Union)	\$1,198.00	537,902.00
3	26 Employees with Single Dental coverage only(Union)	\$23.00	69.00
	27 Employee and Spouse Coverage Dental(Union)	\$0.00	0.00
	28 Employee and Children - Dental(Union)	\$0.00	0.00
4	29 Employee and Family Dental(Union)	\$70.00	280.00
89	30 Employees w/Single Coverage(Non-Union)	\$419.00	41,481.00
107	31 Employee and Spouse Coverage(Non-Union)	\$960.00	102,720.00
26	32 Employee and Children(Non-Union)	\$888.00	23,088.00
181	33 Employee and Family(Non-Union)	\$1,433.00	259,373.00
0	34 Employees with Single Dental Coverage only(Non-Union)	\$21.00	0.00
1	35 Employee and Spouse Coverage Dental(Non-Union)	\$45.00	45.00
0	36 Employee and Children - Dental(Non-Union)	\$55.00	0.00
1	37 Employee and Family Dental(Non-Union)	\$87.00	87.00

Actives' subtotal: \$1,075,795.08

**CONTINUATION OF COVERAGE**

MEDICAL, DENTAL & PRESCRIPTION COVERAGE:			
2	42 Single-Union	\$419.00	838.00
0	43 Family (2 or more individuals)-Union	\$1,198.00	0.00
	28 Under age 65 dependent (1) of a deceased retiree	\$0.00	0.00
	28 Under age 65 dependents (>1) of a deceased retiree	\$0.00	0.00
	30 *Medicare supplement, in Comprehensive Plan	\$0.00	0.00
2	44 Single Dental coverage only-Union	\$23.00	46.00
0	45 Family with Dependent Dental coverage only-Union	\$70.00	0.00
2	46 Employee-Non-Union	\$419.00	838.00
0	47 Employee/Spouse (2 or more individuals)-Non-Union	\$960.00	0.00
0	48 Employee/Children-Non-Union	\$888.00	0.00
0	49 Employee/Family-Non-Union	\$1,433.00	0.00
1	50 Employee-Non-Union(Dental Only)	\$21.00	21.00
0	51 Employee/Spouse Non-Union(Dental Only)	\$45.00	0.00
0	52 Employee/Children-Non-Union(Dental Only)	\$55.00	0.00
0	53 Employee/Family-Non-Union(Dental Only)	\$87.00	0.00

Continuation of Coverage Subtotal: \$1,743.00

Total Premiums for Current Month: \$1,077,538.08

Total Employees Covered	1,107
Monthly Cost per Employee	\$ 973.39
Number of Employees Claysville Wastewater Operations	2
GI Cost Claysville Operations	\$ 1,946.77
Less Employee Contribution	\$ 216.02
Monthly Cost Claysville Operations	\$ 1,730.75
Annualized Cost	\$ 20,769.00
Less 0.0% not Charged to Operating Income	\$ -
Pro Forma Expense	<span style="border: 1px solid black; padding: 2px;">\$ 20,769.00</span>

Pennsylvania American Water Company  
 Claysville WW Operations  
 Proforma Employee Contributions

ProForma	Employee	Plan	Coverage	Employee Contribution Per Paycheck (26)	Annualized Employee Contribution	Per Month
	1	Prem PPO/NU	BW EMP&CHILD	\$ 67.85	\$ 1,764.10	\$ 147.01
	2	Prem PPO/NU	BW EMPONLY	\$ 31.85	\$ 828.10	\$ 69.01
					\$ 2,592.20	\$ 216.02

**401K & DEFINED CONTRIBUTION  
PLAN (DCP)**

Pennsylvania American Water Company  
 Claysville WW Operations  
 Payroll Study - Defined Contribution Plan & 401K  
 Proforma 01/01/11

Defined Contribution Plan

Job Title	Proforma Rate	Proforma Reg Hours	Proforma Scheduled OT Hours	Proforma Base Wages	H/S	Defined Contribution Plan %	Proforma DCP Expense
Lead Plant Operator	23.38	2088	0	48,817.44	H	5.25%	\$ 2,562.92
Plant Operator	20.11	2088	0	41,989.68	H	5.25%	\$ 2,204.46
PT - Plant Operator	18.80	383	0	7,200.40	H	5.25%	\$ 378.02
Proforma Cost							\$ 5,145.40
Less: 0.0% Capitalized							0
Adjusted Proforma Cost							\$ 5,145.40
Per Books							\$ 4,741.00
Adjustment							\$ 404

401K

Job Title	Proforma Wages - Includ OT	Rate	401K Employee Contribution %	Company 401K Match % First 3%	Company 401K Match Next 2%	Proforma 401K Expense
Lead Plant Operator	54,779.34	0.00				-
Plant Operator	45,584.34	0.00				-
PT - Plant Operator	7,200.40	0.00				-
Proforma Cost						\$ -
Less: 0.0% Capitalized						0
Adjusted Proforma Cost						\$ -
Per Books						\$ 79.00
Adjustment						\$ (79)
Combined Adjusted Proforma						\$ 5,145.40
Combined Per Book						\$ 4,820.00
Adjustment						\$ 325



AMERICAN WATER

## AMERICAN WATER

### SUMMARY OF FULL TIME NON-UNION BENEFITS EFFECTIVE JANUARY 1, 2010 FOR EMPLOYEES HIRED ON OR AFTER 1/1/06 AND EMPLOYEES TRANSFERRED FROM NON-REGULATED COMPANIES TO REGULATED COMPANIES ON OR AFTER 1/1/06 BENEFITS AT A GLANCE

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Standard Plan</u>	Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/10. Benefits Eligibility: 3/1/10)	Plan typically pays 80% of covered expenses after coinsurance and deductible. Annual deductible Single/Family: \$1,000/\$3,000 Out of pocket: \$3,500/\$10,500 Lifetime Maximum: unlimited Plan provides for preventive care services and encourages use of cost effective network providers; therefore, <b>plan pays less for out of network services.</b>	Single \$60 Employee & Spouse \$140 Employee & Child(ren) \$129 Family \$148
<b>Preferred Provider Organization (PPO) Medical Plan</b> <u>Premium Plan</u>	Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/10. Benefits Eligibility: 3/1/10)	Plan typically pays 100% of covered expenses after co-payment. No annual deductible Out of pocket \$1,000/\$3,000 Lifetime Maximum: unlimited Plan provides for preventive care services and encourages use of cost effective network providers; therefore, <b>plan pays less for out of network services.</b>	Single \$69 Employee & Spouse \$159 Employee & Child(ren) \$147 Family \$178
<b>Exclusive Provider Organization (EPO)</b>	Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/10. Benefits Eligibility: 3/1/10)	The EPO Plan includes comprehensive benefits, where you pay a copay and then the plan covers 100%. This means, at the time of service, you pay a set, flat amount. <b><u>There are no out-of-network benefits under this plan.</u></b> No Annual Deductible Lifetime Maximum: unlimited	Single \$69 Employee & Spouse \$158 Employee & Child(ren) \$146 Family \$182
<b>EyeMed Vision Plan</b> This plan is bundled with the dental plan.	Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/10. Benefits Eligibility: 3/1/10)	The Plan covers exams at 100% after \$15 copay Frames – In Network: 100% after \$50 copay Standard plastic lenses – In Network: covered after \$35 copay single lenses; all others \$50 copay Contact Lenses: In Network: Covered up to \$100 (if medically necessary to wear contacts instead of glasses, then 100% of U&C. Out-of-Network benefits are available. Plan pays less for these benefits. Frequency for frames, lenses, contacts and exams: Once every 24 months	Included in the Medical Plan
<b>Prescription Drug Plan</b>	Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/10. Benefits Eligibility: 3/1/10)	Two ways to buy: <b>Retail (for acute medication):</b> 10% - Generic Drugs 20% - Preferred Brand Name Drugs 20% - Non-Preferred Brand Name Drugs <b>Mail Order (for maintenance or chronic conditions):</b> Generic - \$14. Preferred Brand - \$30 Non-Preferred Brand - \$70	Included in the Horizon Medical Plans



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

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
<b>Short Term Disability</b>	Benefits will start the first of the following month after one full month of service has been completed. (i.e. Start Date: 1/21/10. Benefits Eligibility: 3/1/10)	You are eligible for 2 weeks of sick leave at full pay each year. If you are still disabled after 2 weeks, you will receive 75% of your base pay for an additional 24 weeks through the STD benefit.	None
<b>Long Term Disability</b>	Qualifying Period: Six months	<ul style="list-style-type: none"> <li>- Provides 60% of base monthly income (not to exceed \$15,000) replacement if employee becomes disabled due to illness or accident</li> <li>- Offsets for other income benefits such as social security disability, income from any employer or any employment &amp; disability, retirement, pension or annuity benefits from any group insurance or pension plan (including American Water), membership or association with any group association, union or other organization.</li> </ul>	None
<b>401(k)</b>	<p>Employees are eligible to participate as soon as possible after date of hire.</p> <p>Record Keeper/Trustee - Merrill Lynch</p>	<ul style="list-style-type: none"> <li>- A retirement and savings plan that allows you to save on a pre-tax basis.</li> <li>- Company matches 100% for every dollar you contribute during each pay period up to the first 3% of your total pay, and a 50% matching contribution on the next 2% of your total income you contribute during each pay period.</li> <li>- Company matching contributions will be invested in the same funds as you direct your employee contributions.</li> <li>- You may contribute up to 20% of your eligible compensation not exceeding IRS limits.</li> <li>- All contributions, earnings and dividends accumulate tax-free until you withdraw, usually at age 59 1/2 or when you retire.</li> <li>- Company matching contributions vest immediately.</li> <li>- There are eleven investment options.</li> <li>- If you need money before you retire, there are special provisions for loans or hardship withdrawals.</li> <li>- If you are age 50 or older, you will be able to make an additional "catch-up" contribution of \$5,500 to the plan in 2010. This means that if you are age 50 or older in 2010, you may be able to contribute up to \$22,000 (the \$16,500 IRS limit plus the \$5,500 catch-up contribution) to the Plan on a pre-tax basis in 2010. Matching contributions are not made on catch-up contributions. You may elect a pre-tax "catch-up" deferral rate of 1-20% of your eligible compensation up to the \$5,500 limit.</li> </ul>	<p>Voluntary Contribution up to 20% of your eligible compensation not to exceed IRS limit of \$16,500 in 2010</p> <p>Catch Up Contributions Voluntary contribution up to \$5,500 in 2010</p>

Benefits	When You Are Eligible	What You Receive	Monthly Cost To Employee
401 (k) (continued)		<ul style="list-style-type: none"> <li>- For your contribution to be classified as "catch-up" contributions, you must have either a contribution equal to the plan maximum limit of 20% or actual pre-tax contributions of \$16,500 for 2010. At the end of the year, if your pre-tax contributions do not meet these requirements, the "catch-up" contributions (to the extent necessary) will automatically be re-characterized as regular pre-tax contributions in the Plan. If contributions are reclassified, they are not subject to receive a company match.</li> </ul>	
<b>Defined Contribution Account</b> (This is part of the above 401(k) Plan)	Immediately  Record Keeper/Trustee – Merrill Lynch	American Water will contribute 5.25% of your base pay into your account following each pay period. Just like the 401(k) plan, you manage the investment options of your account. You will be able to select the investment option that best meets your investment goals. You are fully vested in your account balance after one year of service. These contributions will be made as a separate segment within your 401(k) Savings Plan. Different provisions apply to this segment of your 401(k) Plan (i.e. no loans/hardships).	Contribution not to exceed IRS limit of \$12,862.50 in 2010
<b>Employee Stock Purchase Plan (ESPP)</b>	Employees are eligible to participate as soon as possible after date of hire.  Recordkeeper – E*TRADE	<ul style="list-style-type: none"> <li>- Ability to purchase shares of American Water Common Stock at a 10% discount off the New York Stock Exchange price.</li> <li>- You can contribute up to 10% of your base wages during each pay period on an after-tax basis via payroll deduction.</li> <li>- Enrollment is quarterly.</li> <li>- Vesting is immediate.</li> <li>- Shares are purchased quarterly.</li> <li>- The discount on the purchase price of the shares is taxable at the time of purchase through payroll.</li> <li>- Six-month holding period required before shares can be sold or transferred from your E*TRADE ESPP account.</li> <li>- Quarterly dividends are paid in cash to your E*TRADE brokerage account.</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary contributions up to 10% of your eligible compensation not to exceed \$25,000 per year.</li> </ul> For additional information, refer to your ESPP Brochure, ESPP Prospectus and New Hire Guide.
<b>Vacation</b>	Based on policy.		None
<b>Holidays</b>	Based on policy.		None
<b>Educational Assistance</b>	Employees may take advantage of this benefit for eligible courses in which they enroll after their date of hire.	<ul style="list-style-type: none"> <li>- Financial Assistance of 100% for tuition, registration and required fees.</li> <li>- Books, equipment, travel, parking, late registration and insurance are the responsibility of the employee (Graduate level course work may be taxable income).</li> </ul> <b>Limits include:</b> <ul style="list-style-type: none"> <li>- \$5,250.00 per year</li> <li>- Up to six credit hours per semester or six actual class hours if credits are not awarded</li> <li>- Proof of grade of C or better must be submitted at the completion of each course. Failure to submit transcript will exclude employee from future participation in the Plan.</li> </ul>	None

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

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

Revised: 11/17/09

# CHEMICALS



PENNSYLVANIA AMERICAN  
CHEMICAL PRICING

Supplier Number	Supplier Name	Business Unit/Location	Part Description	Part Number	Shipments Quantity	Shipments Units	Product Code	Product Code Descrip	2010 Price	Blanket PO #
Effective 1-1-2010 Effective 9-1-2009 Effective 1-1-2010	Expires 12-31-2010 Expires 12-31-2010 Expires 3-31-2010	Pennsylvania American Water	Chlorine,100%-150LB Hyperlon 1090	220A-150LB 380G-55GA	6 cylinders 5 drums	150 lb 55 gallon	BC72 BC47	Liquid Chlorine Polymer Sodium Bicarbonate	\$ 0.4200 \$ 0.2880	15133835 15133741
22000798	Sal	242601-Claysville-WW-Treatment	Sodium Bicarbonate 100% 50LB	490A-50LB	20 bags	50LB Bags	BC89	Sodium Bicarbonate	\$ 0.2450	15133742
22000798	Sal	242601-Claysville-WW-Treatment	Sodium Bisulfite,38%-55GA	500A-55GA	5 drums	55 gallon	BC62	Sodium Bisulfite	\$ 0.2300	

## **PURCHASED POWER**

Pennsylvania-American Claysville Wastewater Power Expense  
 Test Year - Jan 2009 to Dec 2009

Base Year Costs:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
ALLEGHENY POWER	\$2,906	\$2,582	\$2,261	\$2,239	\$2,166	\$1,992	\$2,168	\$1,829	\$2,028	\$1,980	\$2,431	\$1,858	\$26,439
Total Base Year Costs	2,906	2,582	2,261	2,239	2,166	1,992	2,168	1,829	2,028	1,980	2,431	1,858	26,439

Proforma Adjustments to Base Year:

Adjusted Base Year Costs	2,906	2,582	2,261	2,239	2,166	1,992	2,168	1,829	2,028	1,980	2,431	1,858	26,439
<u>Pro Forma Test Year Adjustments:</u>													
Rate increase effective January 2010	11%	320	284	249	238	219	238	201	223	218	267	204	2,907
Proforma Power Expense	\$3,226	\$2,866	\$2,510	\$2,485	\$2,404	\$2,211	\$2,406	\$2,030	\$2,251	\$2,198	\$2,698	\$2,062	29,346
Base Year Power Expense per books													\$26,570
Total Base Year Power Costs													<u>\$26,570</u>
Proforma Adjustment													<u>2,776</u>

PA - Claysville Wastewater 2009 Actual Power Bills

Facility	Provider	Account Number	January	February	March	April	May	June	July	August	September	October	November	December	Grand Total
PAAWC - Claysville WW Treatment Plant	ALLEGHENY POWER	15415014252502	2,693.67	2,410.66	2,120.02	2,108.52	2,008.12	1,883.42	2,028.72	1,755.92	1,926.89	1,878.46	2,300.50	1,732.55	\$ 24,847
PAAWC - Welcome Center Lift Station	ALLEGHENY POWER	15415014270002	212.09	171.09	140.88	130.88	157.49	108.99	138.83	73.43	101.13	101.85	130.41	125.14	\$ 1,592
<b>Total</b>			<b>\$ 2,906</b>	<b>\$ 2,582</b>	<b>\$ 2,261</b>	<b>\$ 2,239</b>	<b>\$ 2,166</b>	<b>\$ 1,992</b>	<b>\$ 2,168</b>	<b>\$ 1,829</b>	<b>\$ 2,028</b>	<b>\$ 1,980</b>	<b>\$ 2,431</b>	<b>\$ 1,858</b>	<b>\$ 26,439</b>

## **RATE CASE EXPENSE**

Pennsylvania American Water Company  
Rate Case Expense - Estimate

	Gannett Fleming			Moul & Associates		Morgan Lewis *		Total	2 Yr Normalization	Per Book	Adjustment
	Depreciation	Cost of Service Allocation	Rate Design	Post - Filing Services	Cost of Equity	Post - Filing Services	Legal				
Coatesville	6,750	25,000	3,000	17,669	3,500	3,500	330,000	13,737	403,156	176,990	24,588
Northeast	6,750		2,000	4,449	3,500	3,500	120,000	12,769	152,968	0	76,484
Claysville	6,750		1,000	3,941	3,500	3,500	40,000	6,362	65,053	0	32,527
Clarion	6,750		1,000	3,941	3,500	3,500	60,000	7,277	85,968	0	42,984
	27,000	25,000	7,000	30,000	14,000	14,000	550,000	40,145	707,145	176,990	176,583

The Company developed its claim for legal fees based on the cost of previous wastewater filings and conferring with outside legal counsel.

Pennsylvania American Water Company  
 Rate Case Expense - Estimate

Misc	Total	Coatesville	Northeast	Claysville	Clarion
Printing / Mailing	\$ 7,145	3,237	2,269	362	1,277
Service Company	\$ 15,000	5,500	5,500	2,000	2,000
Transcripts	\$ 10,000	3,000	3,000	2,000	2,000
Miscellaneous	\$ 8,000	2,000	2,000	2,000	2,000
<b>Total</b>	<b>\$ 40,145</b>	<b>\$ 13,737</b>	<b>\$ 12,769</b>	<b>\$ 6,362</b>	<b>\$ 7,277</b>

Estimated Postage Per Piece \$ 0.36

Printing				Print Amount		Postage Amount		Total
				\$		\$		\$
	Coatesville	6,250	45%	\$ 987		\$ 2,250		\$ 3,237
	Northeast							
	Lehman Pike	3,300	24%		527			
	Winona	150	1%		22			
	Blue Mt	900	7%		154	703	1,566	2,269
	Claysville	700	5%		110		252	362
	Clarion	2,450	18%		395		882	1,277
		<u>13,750</u>	<u>100%</u>	<u>\$ 2,195</u>		<u>\$ 4,950</u>		<u>\$ 7,145</u>



GANNETT FLEMING, INC.  
 P.O. Box 67100  
 Harrisburg, PA 17106-7100  
 Location:  
 207 Senate Avenue  
 Camp Hill, PA 17011  
 Office: (717) 763-7211  
 Fax: (717) 763-4590  
 www.gannettfleming.com

January 12, 2010

Via E-MAIL AND 1<sup>ST</sup> CLASS MAIL

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

Dear John:

Pennsylvania American 2010 Wastewater Rate Case

Thank you for the opportunity to conduct depreciation, cost of service allocation and rate design studies for Pennsylvania American Water Company's 2010 Wastewater Rate Case. The studies will be based on the pro forma financial and operating data for the future test year ending December 31, 2010.

The estimated cost to prepare each study and direct testimony, up to the time of the April 2010 filing, is provided below. We propose to conduct a combined depreciation study with accrual rates applicable to each division. A cost of service study will be conducted only for Coatesville. Rate design will consider cost of service results as well as discussions with Company management. 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>Depreciation</u>	<u>Cost of Service Allocation</u>	<u>Rate Design</u>	<u>Estimated Post-Filing Services</u>
1. Coatesville	\$ -	\$25,000	\$3,000	\$ -
2. Northeast	-	-	2,000	-
3. Claysville	-	-	1,000	-
4. Clarion	-	-	1,000	-
Total	\$27,000	\$25,000	\$7,000	\$30,000

Mr. John Cox  
Hershey, PA 17033-2400

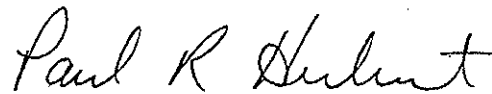
- 2 -

January 12, 2010

Please advise me via email at [pherbert@cfnet.com](mailto:pherbert@cfnet.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

PRH/krm

Attachment

GANNETT FLEMING, INC.  
VALUATION AND RATE DIVISION

BILLING RATES

EFFECTIVE JANUARY 2, 2010

<u>Personnel</u>	<u>Hourly Rate</u>
SUPERVISORY STAFF	
P. R. Herbert, President	\$210.00
J. J. Spanos, Vice President	195.00
C. R. Clarke, Director, Western U.S. Services	195.00
L. E. Kennedy, Director, Canadian Services	195.00
H. Walker, III, Manager, Financial Studies	185.00
J. F. Wiedmayer, Jr., Project Manager, Depreciation	150.00
STAFF	
Analysts and Engineers	130.00
Associate Analysts and Engineers	115.00
Assistant Analysts and Engineers	105.00
Senior Technicians	90.00
Technicians	85.00
Support Staff	80.00

**P. Moul & Associates**  
251 Hopkins Road  
Haddonfield, NJ 08033  
Telephone: 856-428-7515 • Facsimile: 856-428-0026

March 12, 2010

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

Dear Mr. Cox:

In response to your request, I am pleased to submit this proposal to provide you with cost of equity testimony for your Pennsylvania-American Water Company – Coatesville Wastewater Division and the combined wastewater operations in Clayville, Clarion, Lehman Pike, Winona Lakes, and Blue Mountain. 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 \$14,000 on a cost not to exceed basis. I have excluded from this quote the time and expense associated with meetings outside my office which may be necessary during the preparation of my testimony. 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. Time is usually required for responding to interrogatories, analyzing the testimony of the opposing parties, preparation of rebuttal testimony, attending hearings for cross-examination, and assisting your rate case counsel. It is difficult to quantify precisely the amount of time necessary for specific activities following the submission of the direct testimony. As such, these post-filing activities will be billed at the following hourly rates:

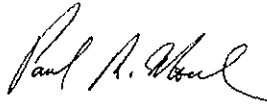
	<u>Hourly rate</u>
Paul Moul	\$245
Clerical	64

Mr. John Cox  
Pennsylvania-American Water Company  
Page 2 of 2  
March 12, 2010

Out-of-pocket expenses (telephone, duplication, delivery, and travel costs) will be billed separately. 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 \$14,000. Therefore, for rate case planning purposes, you could use \$28,000 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,

A handwritten signature in cursive script, appearing to read "Paul R. Moul".

Paul R. Moul

/mt  
Enclosure



**Date:** 3-30-10

**Quotation For:** Pennsylvania American Water - SSC  
Shared Services Center  
Cherry Hill NJ 08034  
Attn: Joi Corrado

Phone: 717-691-2116  
Fax: 717-531-3223

**Project Name:** Legal Sized letters - self mailing

**Part 1:** Letters - 6 different  
**Paper:** 70# Accent Opaq Tx  
**Ink:** Digital Black **Coverage:** Medium **Bleeds:** None  
**Flat Size:** 8.5 x 14 **Final Size:** 3.5 x 8.5  
**Bindery:** trim - fold half and half again  
**Quantity 1:** 13750

**Part 3:** Fulfillment - Coatesville  
**Paper:**  
**Ink: / Coverage: Bleeds:**  
**Flat Size: Final Size:**  
**Bindery:** Process Data & inkjet mailer - will drop York Post Office - Postage is additional, see approximate postage below  
**Quantity 1:** 6250

**Part 4:** Fulfillment - Lehman Pike  
**Paper:**  
**Ink: / Coverage: Bleeds:**  
**Flat Size: Final Size:**  
**Bindery:** Process Data & inkjet mailer - will drop York Post Office - Postage is additional, see approximate postage below  
**Quantity 1:** 3300

**Part 5:** Fulfillment - Winona  
**Paper:**  
**Ink: / Coverage: Bleeds:**  
**Flat Size: Final Size:**  
**Bindery:** Process Data & inkjet mailer - will drop York Post Office - Postage is additional, see approximate postage below  
**Quantity 1:** 150

**Part 6:** Fulfillment - Blue Mountain  
**Paper:**  
**Ink: / Coverage: Bleeds:**  
**Flat Size: Final Size:**  
**Bindery:** Process Data & inkjet mailer - will drop York Post Office - Postage is additional, see approximate postage below  
**Quantity 1:** 900

**Part 7:** Fulfillment - Claysville  
**Paper:**  
**Ink: / Coverage: Bleeds:**  
**Flat Size: Final Size:**  
**Bindery:** Process Data & inkjet mailer - will drop York Post Office - Postage is additional, see approximate postage below  
**Quantity 1:** 700



Proposal	E12907
Part	12907-1
3/30/10	1:48 PM
Page: 2	

**Date:** 3-30-10  
**Quotation For:** Pennsylvania American Water - SSC  
 Shared Services Center  
 Cherry Hill NJ 08034  
 Attn: Joi Corrado  
**Phone:** 717-691-2116  
**Fax:** 717-531-3223

**Project Name:** Legal Sized letters - self mailing

**Part 8:** Fulfillment - Clarion  
**Paper:**  
**Ink:** / **Coverage:** **Bleeds:**  
**Flat Size:** **Final Size:**  
**Bindery:** Process Data & inkjet mailer - will drop York Post Office - Postage is additional, see approximate postage below  
**Quantity 1:** 2450

**Composition & Art:** PREP: Electronic files supplied,  
 PROOFS: PDF Proof to: joi.corrado@amwater.com,

**Proofs:**

**Shipping Packaging:** Shipping via to York Post Office - Caskey truck included balance if any ships additional is

**Notes:** Approximate postage is \$.36/piece

Pricing	Print	Mail	Print & Mail
Quantity 1	\$ 1,130	\$ 1,065	\$ 2,195
Quantity 2			
Quantity 3			

**Submitted By**  
Tony Rife

This quote is valid for 30 Days.  
 Thanks for your inquiry.

Total Quantity 13,750  
 Postage per piece \$.36  
 Est. Price of postage \$4950

# INFLATION

**PENNSYLVANIA-AMERICAN WATER COMPANY - CLAYSVILLE WW OPERATIONS**

**INFLATION CALCULATION 2010**

TOTAL PER BOOK EXPENSES 304,464

LESS: ADJUSTED EXPENSES

LABOR	102,751
GROUP INSURANCE	20,947
40K & DEFINED CONTRIBUTION	4,820
CHEMICALS	13,592
POWER	26,570
WASTE DISPOSAL	30,387
ELIMINATED ITEMS	52,698
UNCOLLECTABLES	6,040

257,805

46,659

FORECASTED GDP 1.50%

PRO FORMA AJUSTMENT 700

GDP Price Index (Blue Chip Financial Forecasts)

First Quarter 2010	1.50%
Second Quarter 2010	1.40%
Third Quarter 2010	1.50%
Fourth Quarter 2010	1.60%
Total 2010	6.00%
Four Quarter Divisor	4
Average 2010	<u>1.50%</u>

ASPEN PUBLISHERS

# BLUE CHIP FINANCIAL FORECASTS

Top Analysts Forecasts Of  
U.S. And Foreign Interest Rates,  
Currency Values And The  
Factors That Influence Them.

Vol. 29, No. 1  
January 1, 2010

 Wolters Kluwer  
Law & Business

### Consensus Forecasts Of U.S. Interest Rates And Key Assumptions<sup>1</sup>

Interest Rates	History								Consensus Forecasts-Quarterly Avg.						
	Average For Week End				Average For Month				Latest Q*	1Q	2Q	3Q	4Q	1Q	2Q
	Dec.25	Dec.18	Dec.11	Dec.4	Nov.	Oct.	Sep.	4Q 2009	2010	2010	2010	2010	2011	2011	
Federal Funds Rate	0.12	0.12	0.12	0.12	0.12	0.12	0.15	0.12	0.2	0.2	0.4	0.8	1.3	1.6	
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.2	3.3	3.5	3.9	4.3	4.7	
LIBOR, 3-mo.	0.25	0.25	0.26	0.26	0.27	0.28	0.30	0.27	0.4	0.5	0.7	1.1	1.5	1.9	
Commercial Paper, 1-mo.	0.12	0.13	0.14	0.13	0.13	0.12	0.14	0.13	0.2	0.3	0.6	1.0	1.5	1.8	
Treasury bill, 3-mo.	0.06	0.04	0.03	0.06	0.05	0.07	0.12	0.06	0.1	0.3	0.5	0.9	1.3	1.7	
Treasury bill, 6-mo.	0.17	0.16	0.15	0.16	0.15	0.16	0.21	0.16	0.3	0.4	0.7	1.1	1.6	1.9	
Treasury bill, 1 yr.	0.38	0.37	0.32	0.29	0.31	0.37	0.40	0.34	0.4	0.6	1.0	1.4	1.8	2.1	
Treasury note, 2 yr.	0.86	0.84	0.78	0.73	0.80	0.95	0.96	0.85	1.0	1.2	1.5	1.9	2.3	2.5	
Treasury note, 5 yr.	2.37	2.31	2.18	2.10	2.23	2.33	2.37	2.27	2.4	2.6	2.9	3.1	3.4	3.5	
Treasury note, 10 yr.	3.63	3.56	3.47	3.34	3.40	3.39	3.40	3.43	3.6	3.8	4.0	4.2	4.3	4.5	
Treasury note, 30 yr.	4.51	4.48	4.44	4.29	4.31	4.19	4.19	4.31	4.5	4.6	4.8	4.9	5.1	5.2	
Corporate Aaa bond	5.25	5.26	5.25	5.11	5.19	5.15	5.13	5.19	5.3	5.4	5.5	5.7	5.8	5.9	
Corporate Baa bond	6.33	6.33	6.37	6.29	6.32	6.29	6.31	6.31	6.5	6.6	6.7	6.8	6.9	7.0	
State & Local bonds	4.17	4.18	4.19	4.24	4.37	4.20	4.24	4.26	4.5	4.6	4.7	4.8	4.9	5.1	
Home mortgage rate	4.98	4.94	4.81	4.71	4.88	4.95	5.06	4.90	5.1	5.3	5.5	5.7	5.8	6.0	

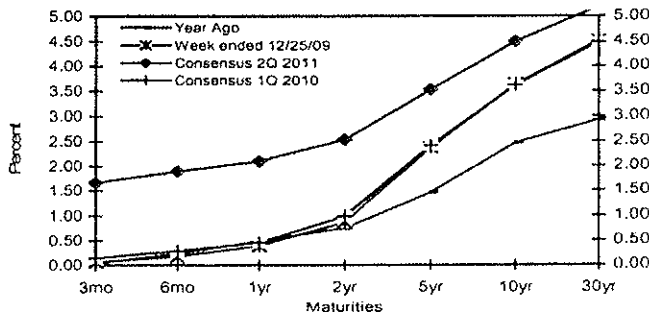
  

Key Assumptions	History								Consensus Forecasts-Quarterly					
	1Q				2Q				3Q				4Q*	
	2008	2008	2008	2008	2009	2009	2009	2009	2009	2010	2010	2010	2010	2011
Major Currency Index	72.0	70.9	73.5	81.3	82.7	79.4	75.4	73.4	74.1	73.9	74.1	74.3	74.9	75.1
Real GDP	-0.7	1.5	-2.7	-5.4	-6.4	-0.7	2.2	3.5	2.9	2.9	3.0	3.0	3.0	3.0
GDP Price Index	1.9	1.8	4.0	0.1	1.9	0.0	0.4	1.5	1.5	1.4	1.5	1.6	1.8	1.8
Consumer Price Index	4.5	4.5	6.2	-8.3	-2.4	1.3	3.6	2.9	1.8	1.6	2.0	1.9	2.0	2.1

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). <sup>1</sup>Interest rate data for 4Q 2009 based on historical data through the week ended December 25<sup>th</sup>. <sup>2</sup>Data for 4Q 2009 Major Currency Index also is based on data through week ended December 25<sup>th</sup>. Figures for 4Q 2009 Real GDP, GDP Chained Price Index and Consumer Price Index are consensus forecasts based on a special question asked of the panelists this month (see page 14)

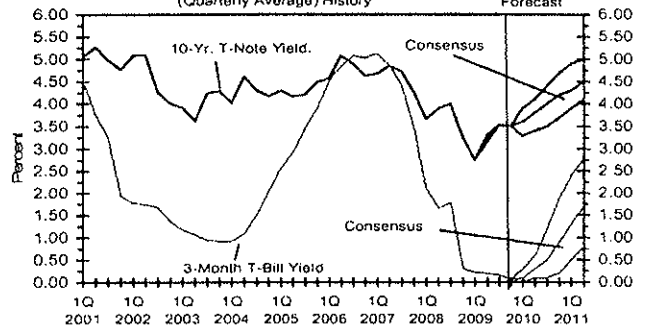
#### U.S. Treasury Yield Curve

Week ended December 25, 2009 and Year Ago vs. 1Q 2010 and 2Q 2011 Consensus Forecasts



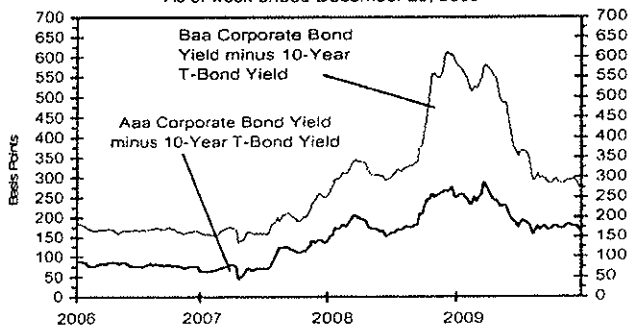
#### U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



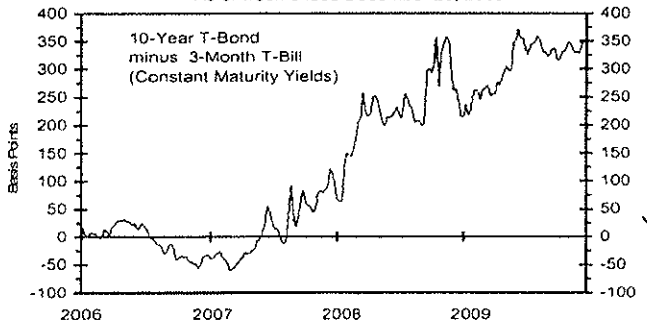
#### Corporate Bond Spreads

As of week ended December 25, 2009



#### U.S. Treasury Yield Curve

As of week ended December 25, 2009



## **ELIMINATED ITEMS**

**ELIMINATED ITEMS**

**CLAYSVILLE**

		JDE AMOUNT		AMOUNT
FINES / PENALTIES		625	Eliminated	(625)
FINES / PENALTIES		3,000	Eliminated	(3,000)
PV 42263939 CHARGED TO O & M IN ERROR		13,361	Eliminated	(13,361)
PV 42260102 CHARGED TO O & M IN ERROR		9,586	Eliminated	(9,586)
PV 42337062 CHARGED TO O & M IN ERROR		5,815	Eliminated	(5,815)
PV 42347879 CHARGED TO O & M IN ERROR		7,384	Eliminated	(7,384)
NORMALIZE MAINTENANCE COSTS	CC5703	571	Normalize over 3 yrs	(381)
NORMALIZE MAINTENANCE COSTS	CC5703	539	Normalize over 3 yrs	(359)
NORMALIZE MAINTENANCE COSTS	CC5703	80	Normalize over 3 yrs	(53)
NORMALIZE MAINTENANCE COSTS	CC5839	1,894	Normalize over 3 yrs	(1,263)
NORMALIZE MAINTENANCE COSTS	PV 42198364	445	Normalize over 3 yrs	(297)
NORMALIZE MAINTENANCE COSTS	CC 5859	956	Normalize over 3 yrs	(637)
NORMALIZE MAINTENANCE COSTS	PV 42234649	2,360	Normalize over 3 yrs	(1,573)
NORMALIZE MAINTENANCE COSTS	PV 42295114	1,400	Normalize over 3 yrs	(933)
NORMALIZE MAINTENANCE COSTS	PV 42300605	2,360	Normalize over 3 yrs	(1,573)
NORMALIZE MAINTENANCE COSTS	PV 42319292	765	Normalize over 3 yrs	(510)
NORMALIZE LAB SUPPLIES COSTS	ACCT 575545	13,039	Normalize over 2 yrs	(6,520)
REMOVE PV 42328340 COPIER CHARGES	PV42328340	389	Eliminated	(389)
REMOVE PV 42351680 COPIER CHARGES	PV42351680	389	Eliminated	(389)
REMOVE PV 42372442 COPIER CHARGES	PV42372442	212	Eliminated	(212)
REMOVE PV 42400621 COPIER CHARGES	PV42400621	21	Eliminated	(21)
NORMALIZE CANON COPIER COSTS	Contract	2,183	Annualized	2,183
<b>TOTAL</b>				<b>(52,698)</b>

# WASTE DISPOSAL



**AMENDMENT No. 1  
TO  
AGREEMENT BETWEEN Pennsylvania American Water AND Shipman Sanitary  
Services, Inc, DATED August 01, 2008**

This Amendment No.1 to the Agreement (“Amendment”) is entered into this 12 day of DECEMBER, 2009 (“Effective Date”) by and between Shipman Sanitary Services, Inc. (“Contractor”) and Pennsylvania American Water (“Client”).

**RECITALS**

A. Contractor and Client entered into an Agreement dated as of August 01, 2008 (the “Original Agreement”);

B. Contractor and Client desire to set forth in this Amendment certain modifications to the Original Agreement; and,

C. In all other respects, the Original Agreement shall control the relationship between the parties and all references to the “Agreement” in the Original Agreement and this Amendment shall mean the Original Agreement as amended hereby.

NOW, THEREFORE, in consideration of the Recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Section 3—Term.** The parties agree that the term “from August 1, 2008 through December 31, 2009” in the first sentence of Section 1 of Amendment 1 shall be deleted and replaced with “from January 01, 2010 through December 31, 2012.”
2. **Section 4.1 – Payment Terms.** As of the Effective Date of this Amendment, the parties agree that the term “within 30 days” shall be deleted in its entirety and replaced with “within 45 days”.
3. **Attachment B - Pricing.** As of the Effective Date of this Amendment, the parties agree that Attachment B will be deleted in its entirety and replaced with Attachment B-1, which is attached hereto
4. **Other Provisions.** All other terms and conditions of the Original Agreement and its exhibits and amendments, shall remain in full force and effect to the extent not modified by this Amendment.

IN WITNESS WHEREOF, Contractor and Client have signed this Amendment in duplicate. One counterpart each has been delivered to both Contractor and Client.

**Shipman Sanitary Services Inc.**

By: [Signature]

Title: 12-9-09 V/P

Date: \_\_\_\_\_

**Pennsylvania American Water**

By: [Signature]

Title: SR. DIRECTOR, PRODUCTION

Date: 12-15-09

EXHIBIT B- 1 - PRICING

Plant	Site Contact	Cost/Gallon		
		2010	2011	2012
Claysville WWTP	Greg Tokar 412-884-5101 or 412-384-5115 x10	\$0.09/ gal	\$0.0925/ gal	\$0.095/ gal

The above Cost/Gallon price will apply to all sludge pumping services.

# **UNCOLLECTABLES**

**3 Year Average Calculation of Net Charge-Off Percentage  
Adjusted for Availability CO & Sales**

		<b>Net Charge-Offs Wastewater</b>
		Claysville
		2509
Year	210	
2007		0.00
2008		299.53
2009		5,494.35
<b>3 Year Ave</b>	<b>Net Charge-Offs</b>	<b>1,931.29</b>

		<b>Billed Wastewater Sales</b>
2007		-
2008		120,527.70
2009		313,646.72
<b>3 Year Ave</b>	<b>Billed Wastewater Sales</b>	<b>144,724.81</b>

2007		NA	0.002485155
2008			0.017517639
2009			0.013344591
<b>3 Year Ave</b>	<b>Ratio</b>		<b>0.013344591</b>

\* used 2009 as basis

## **TAXES OTHER THAN INCOME**

# **PAYROLL TAXES**

Pennsylvania American Water Company  
 Claysville WW Operations  
 CALCULATION OF PAYROLL TAXES  
 PROFORMA 12/31/10

**PROFORMA**

Tax Bases	FICA	Total Salary and Wages & AIP	\$	107,564.08
		Less: Excess Social Security Wages		-
				107,564.08
	FUTA	\$7000 PER EMPLOYEE	3(H) 3(F)	21,000.00
	SUTA	\$8000 PER EMPLOYEE	3(H) 3(F)	24,000.00
TAX	FICA	6.20%		6,668.97
	MEDICARE	1.45%		1,559.68
	FUTA	0.80%		168.00
	SUTA	2.554%		613.06
SUBTOTAL				<u>9,010.00</u>
LESS:	0.00% CHARGED TO OPERATIONS			<u>-</u>
AMOUNT CHARGED TO OPERATIONS EXPENSE				9,010.00
LESS: PER BOOKS				8,164.00
ADJUSTMENT				<u>\$ 846</u>

	Salary	Hourly	AIP	Total
Future +6		107,564		107,564

Futa limit \$7000 .8%  
 Suta limit \$8000 2.5544%

FICA  
 Social Security 6.2% \$106,800 limit  
 Medicare 1.45% no limit

# **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 SW  
 800 W HERSHEY PARK DR  
 HERSHEY, PA 17033

INVOICE DATE	INVOICE NUMBER
9/9/2009	09- 230073

FISCAL YEAR
JULY 1, 2009 - JUNE 30, 2010

CERTIFIED MAIL NUMBER
71879822765000418739

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

Pennsylvania Public Utility Commission	\$ 30,191.00
Pennsylvania Office of Consumer Advocate	\$ 8,773.00
Pennsylvania Small Business Advocate	\$ 837.00
<b>PAY THIS AMOUNT WITHIN 30 DAYS</b> ▶	<b>\$ 39,801.00</b>

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

RETURN THIS PORTION WITH YOUR REMITTANCE

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

INVOICE DATE	INVOICE NUMBER
9/9/2009	09- 230073
FISCAL YEAR	
JULY 1, 2009 - JUNE 30, 2010	
CERTIFIED MAIL NUMBER	
71879822765000418739	

Pennsylvania Public Utility Commission	\$ 30,191.00
Pennsylvania Office of Consumer Advocate	\$ 8,773.00
Pennsylvania Small Business Advocate	\$ 837.00
<b>PAY THIS AMOUNT WITHIN 30 DAYS</b> ▶	<b>\$ 39,801.00</b>

09000023007311 090909100030191002000087730030000083700 000039801008

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Run Date: 8/18/2008

**Allocation of Public Utility Groups for the Total Assessment of Estimated Commission Expenditures for Fiscal Year July 1, 2009 to June 30, 2010**

**Schedule A**

<u>Group</u>	<u>Total Commission Expenditures Assessable on Each Group for Calendar Year</u>	<u>Percentage Distribution</u>	<u>Total Assessment for Fiscal Year Allocated to Each Group (Total X Percent)</u>
Electric	\$15,508,266.13	34.5125%	\$17,049,175.00
Gas	10,144,904.37	22.5767%	11,152,889.80
Pipeline	46,521.39	0.1035%	51,129.00
Steam Heat	230,512.68	0.5130%	253,422.00
Telephone	7,715,298.45	17.1698%	8,481,881.20
Water & Wastewater	3,794,552.05	8.4445%	4,171,583.00
Motor Carrier Passenger	2,176,906.62	4.8445%	2,393,183.00
Motor Carrier Property	3,543,564.96	7.8859%	3,895,634.60
Railroad	1,774,753.35	3.9496%	1,951,102.40
<b>Totals</b>	<b>\$44,935,280.00</b>	<b>100.0000%</b>	<b>\$49,400,000.00</b>

**Schedule B**

<u>Group</u>	<u>Estimated Total Commission Expenditures for Fiscal Year July 1, 2009 to June 30, 2010 Assessable on Each Group</u>	<u>Gross Intrastate Operating Revenues of Each Group for Calendar Year 2008</u>	<u>General Assessment Factor for Each Group (Column A Divided by Column B)</u>
	<b>(A)</b>	<b>(B)</b>	<b>(C)</b>
Electric	\$17,049,175.00	\$12,713,596,315	0.001341019062
Gas	11,152,889.80	\$5,176,193,219	0.002154650982
Pipeline	51,129.00	\$57,107,653	0.000895309075
Steam Heat	253,422.00	\$133,074,350	0.001904363989
Telephone	8,481,881.20	\$3,488,937,723	0.002431078418
Water & Sewage	4,171,583.00	\$873,085,015	0.004777980298 ←
Motor Carrier Passenger	2,393,183.00	\$263,786,573	0.009072421590
Motor Carrier Property	3,895,634.60	\$2,652,098,284	0.001468887719
Railroad	1,951,102.40	\$213,435,503	0.009141414491
<b>Totals</b>	<b>\$49,400,000.00</b>	<b>\$25,571,314,635</b>	

**OFFICE OF CONSUMER ADVOCATE**

Run Date: 8/18/2009

**Allocation of Public Utility Groups for the Total Assessment of Estimated Office Expenditures for Fiscal Year July 1, 2009 to June 30, 2010**

**Schedule A**

<b>Group</b>	<b>Total Office Expenditures of Each Group for Calendar Year 2008</b>	<b>Percentage Distribution</b>	<b>Total Assessment for Fiscal Year Allocated to Each Group. (Total X Percent)</b>
Electric	\$1,711,197.00	35.5286%	\$1,665,090.12
Gas	\$1,370,136.00	28.4473%	\$1,333,218.75
Steam Heat	\$28,981.00	0.6017%	\$28,200.13
Telephone	\$460,343.00	9.5578%	\$447,939.41
Water & Waste Water	\$1,245,737.00	25.8645%	\$1,212,171.59
<b>Totals</b>	<b>\$4,816,394.00</b>	<b>100.00%</b>	<b>\$4,686,620.00</b>

**Schedule B**

<b>Group</b>	<b>Estimated Total Office Expenditures for Fiscal Year July 1, 2009 to June 30, 2010 Assessable on Each Group</b>	<b>Gross Intrastate Operating Revenues of Each Group for Calendar Year 2008</b>	<b>General Assessment Factor for Each Group (Column (A) Divided by Column (B))</b>
	<b>(A)</b>	<b>(B)</b>	<b>(C)</b>
Electric	\$1,665,090.12	\$12,713,596,315.00	0.000130969246
Gas	\$1,333,218.75	\$5,176,193,219.00	0.000257567423
Steam Heat	\$28,200.13	\$133,074,350.00	0.000211912589
Telephone	\$447,939.41	\$3,488,937,723.00	0.000128388480
Water & Waste Water	\$1,212,171.59	\$873,085,015.00	0.001388377500 ←
<b>Totals</b>	<b>\$4,686,620.00</b>	<b>\$22,384,886,622.00</b>	

**OFFICE OF SMALL BUSINESS ADVOCATE**

Run Date:8/18/2009

**Allocation of Public Utility Groups for the Total Assessment of Estimated Office Expenditures for Fiscal Year July 1, 2009 to June 30, 2010**

**Schedule A**

<b>Group</b>	<b>Total Office Expenditures of Each Group for Calendar Year 2008</b>	<b>Percentage Distribution</b>	<b>Total Assessment for Fiscal Year Allocated to Each Group (Total X Percent)</b>
Electric	\$369,148.92	43.000%	\$382,700.00
Gas	\$248,960.90	29.000%	\$258,100.00
Steam Heat	\$8,584.86	1.000%	\$8,900.00
Telephone	\$120,188.02	14.000%	\$124,600.00
Water & Waste Water	\$111,603.16	13.000%	\$115,700.00
<b>Totals</b>	<b>\$858,485.86</b>	<b>100.00000%</b>	<b>\$890,000.00</b>

**Schedule B**

<b>Group</b>	<b>Estimated Total Office Expenditures for Fiscal Year July 1, 2009 to June 30, 2010 Assessable on Each Group (A)</b>	<b>Gross Intrastate Operating Revenues of Each Group for Calendar Year 2008 (B)</b>	<b>General Assessment Factor for Each Group (column (A) Divided by Column (B)) (C)</b>
Electric	\$382,700.00	\$12,713,596,315.00	0.000030101632
Gas	\$258,100.00	\$5,176,193,219.00	0.000049862899
Steam Heat	\$8,900.00	\$133,074,350.00	0.000066879906
Telephone	\$124,600.00	\$3,488,937,723.00	0.000035712876
Water & Waste Water	\$115,700.00	\$873,085,015.00	0.000132518596 ←
<b>Totals</b>	<b>\$890,000.00</b>	<b>\$22,384,886,622.00</b>	

**OTHER**

Pennsylvania-American Water Company  
Balance Sheet  
Total Company

	12/31/2008	12/31/2009	Change
<b>ASSETS</b>			
1 Utility Plant	\$ 2,821,942,687	\$ 3,014,928,941	192,986,254
2 Construction work in progress	39,932,994	36,926,001	(3,006,993)
3 Accumulated depreciation	(643,429,667)	(695,666,316)	(52,236,649)
4 Utility plant acquisition adjustment	17,004,724	16,609,520	(395,204)
5 Other utility plant adjustments	-	-	-
6 Sub-total Utility Plant	<u>\$ 2,235,450,738</u>	<u>\$ 2,372,798,146</u>	137,347,408
7 Non-Utility property	\$ 1,483,868	\$ 320,820	(1,163,048)
8 Other investments	\$ 39,685,812	\$ 38,642,612	(1,043,200)
<b>Current Assets</b>			
10 Cash and cash equivalents	\$ 975,487	\$ 23,499,836	22,524,349
11 Temporary investments	-	-	-
12 Customer accounts receivable	35,304,479	37,448,330	2,143,851
13 Allowance for uncollectible accounts	(4,703,142)	(7,177,309)	(2,474,167)
14 Unbilled revenues	25,381,384	27,766,156	2,384,772
15 FIT refund due from assoc. companies	-	-	-
16 Miscellaneous receivables	2,518,347	2,259,497	(258,850)
17 Materials and supplies	4,239,339	4,846,015	606,676
19 Other	5,911,762	5,992,760	80,998
20 Sub-total	<u>\$ 69,627,656</u>	<u>\$ 94,635,285</u>	25,007,629
22 Deferred debits			
23 Debt and preferred stock	\$ 11,761,367	\$ 13,837,134	2,075,767
24 Expense of rate proceeding	1,032,881	864,790	(168,091)
25 Prelim survey & invest charges	-	-	-
26 Reg Asset-income tax recovery	113,429,006	115,402,480	1,973,474
27 Other	46,532,472	71,418,819	24,886,347
29 Sub-total	<u>\$ 172,755,726</u>	<u>\$ 201,523,223</u>	28,767,497
30 Total Assets	<u>\$ 2,519,003,800</u>	<u>\$ 2,707,920,086</u>	188,916,286
<b>32 CAPITAL AND LIABILITIES</b>			
33 Common Stock	\$ 21,506,887	\$ 21,506,887	-
34 Paid in capital	553,814,160	607,873,322	54,059,162
35 Retained Earnings	292,852,296	315,033,636	22,181,340
36 Unearned Compensation	-	-	-
37 Reacquired C/S	-	-	-
38 Total common equity	<u>\$ 868,173,343</u>	<u>\$ 944,413,845</u>	76,240,502
39 Preferred stock	\$ 1,720,200	\$ 1,720,200	-
40 Long term debt	929,577,465	1,004,509,742	74,932,277
41 Total capitalization	<u>\$ 1,799,471,008</u>	<u>\$ 1,950,643,787</u>	151,172,779
<b>42 Current liabilities</b>			
43 Bank debt	\$ 84,577,892	\$ 7,496,277	(77,081,615)
44 Current portion of LTD	6,430,614	6,389,517	(41,097)
45 Accounts Payable	20,935,172	29,422,753	8,487,581
46 Taxes accrued	751,473	(4,828,029)	(5,579,502)
47 Interest accrued	11,209,368	13,708,190	2,498,822
48 Customer deposits	-	-	-
49 Dividends declared	-	-	-
51 Other	36,423,290	27,959,380	(8,463,910)
52 Sub-total	<u>\$ 160,327,809</u>	<u>\$ 80,148,088</u>	(80,179,721)
<b>54 Deferred credits</b>			
55 Customer adv. for construction	\$ 83,047,835	\$ 88,314,143	5,266,308
56 Deferred income taxes	343,603,182	453,290,140	109,686,958
57 Deferred investment tax credits	7,007,716	6,774,124	(233,592)
58 Reg.liab-inc.tax.refund thru rates	6,665,495	6,436,955	(228,540)
59 Other	16,642,656	17,893,787	1,251,131
60 Sub-total	<u>\$ 456,966,884</u>	<u>\$ 572,709,149</u>	115,742,265
62 Contributions in aid of construction	\$ 102,238,099	\$ 104,419,062	2,180,963
Total capital and liabilities	<u>\$ 2,519,003,800</u>	<u>\$ 2,707,920,086</u>	188,916,286
Balance Check	-	-	-

Pennsylvania-American Water Company  
Balance Sheet  
Claysville WW 2426

	12/31/2008	12/31/2009
<b>ASSETS</b>		
1 Utility Plant	\$ 3,442,039	\$ 3,713,580
2 Construction work in progress	161,625	243,254
3 Accumulated depreciation	(1,556,793)	(1,593,139)
4 Utility plant acquisition adjustment		(547,323)
5 Other utility plant adjustments		
6 Sub-total Utility Plant	<u>\$ 2,046,871</u>	<u>\$ 1,816,372</u>
7 Non-Utility property		
8 Other investments		
<b>Current Assets</b>		
10 Cash and cash equivalents		
11 Temporary investments	-	
12 Customer accounts receivable		
13 Allowance for uncollectible accounts		
14 Unbilled revenues		
15 FIT refund due from assoc. companies		
16 Miscellaneous receivables		
17 Materials and supplies	771	1,773
19 Other		
20 Sub-total	<u>\$ 771</u>	<u>\$ 1,773</u>
22 Deferred debits		
23 Debt and preferred stock		
24 Expense of rate proceeding		
25 Prelim survey & invest charges		
26 Reg Asset-income tax recovery		
27 Other	34,496	47,314
29 Sub-total	<u>\$ 34,496</u>	<u>\$ 47,314</u>
30 Total Assets	<u>\$ 2,082,138</u>	<u>\$ 1,865,459</u>
<b>32 CAPITAL AND LIABILITIES</b>		
33 Common Stock		
34 Paid in capital		
35 Retained Earnings	\$ (8,991)	\$ (63,237)
36 Unearned Compensation		
37 Reacquired C/S	-	
38 Total common equity	<u>\$ (8,991)</u>	<u>\$ (63,237)</u>
39 Preferred stock		
40 Long term debt		
41 Total capitalization	<u>\$ (8,991)</u>	<u>\$ (63,237)</u>
42 Current liabilities		
43 Bank debt		
44 Current portion of LTD		
45 Accounts Payable	\$ 45,485	\$ 18,340
46 Taxes accrued		
47 Interest accrued		
48 Customer deposits		
49 Dividends declared		
51 Other	5,344	8,874
52 Sub-total	<u>\$ 50,829</u>	<u>\$ 27,214</u>
54 Deferred credits		
55 Customer adv. for construction		\$ 24,000
56 Deferred income taxes	4,556	49,492
57 Deferred investment tax credits		
58 Reg.liab-inc.tax.refund thru rates		
59 Other		
60 Sub-total	<u>\$ 4,556</u>	<u>\$ 73,492</u>
62 Contributions in aid of construction		\$ (10)
Total capital and liabilities	<u>\$ 46,394</u>	<u>\$ 37,459</u>
<b>Adjustments</b>		
Allocate Materials & Supplies	771	1,773
Allocate Deferred Taxes	4,556	49,492

**PENNSYLVANIA AMERICAN WATER COMPANY  
CLAYSVILLE WASTEWATER OPERATIONS - 2426**

DESCRIPTION	PER BOOKS	PER BOOKS
	12/31/2008	12/31/2009
OPERATING REVENUE	120,527	313,647
WASTEWATER SALES REVENUE		
461.10 RESIDENTIAL	82,603	209,944
461.20 COMMERCIAL	34,263	88,951
461.30 INDUSTRIAL		
461.40 PUBLIC AUTHORITY	3,314	13,122
462.10 PUBLIC FIRE		
462.20 PRIVATE FIRE		
466.00 BULK SALES		
TOTAL WATER SALES	120,180	312,017
OTHER WATER REVENUES		
469.00 OTHER REVENUE INTERCO		
470.00 PENALTIES	347	1,630
471.00 MISCELLANEOUS SERVICE REVENUES		
472.00 RENTS FROM WATER PROPERTY		
474.00 OTHER WASTEWATER REVENUES		
TOTAL OTHER WATER REVENUES	347	1,630
400.00 OPERATING REVENUES	120,527	313,647
EXPENSES		
601.00 SALARY AND WAGES	42,689	102,751
603.80 SALARY -OFF/ DIR AG		
604.00 EMPLOYEE PENSION AND BENEFITS	10,351	25,767
610.00 PURCHASED WATER		
615.00 PURCHASED POWER	9,920	26,570
616.00 PURCHASED FUEL	829	
618.00 CHEMICALS	7,439	13,592
620.00 MATERIALS AND SUPPLIES	0	70
631.00 CONTRACT SERVICES - ENGINEERING		
632.00 CONTRACT SERVICES - ACCOUNTING		
633.00 CONTRACT SERVICES - LEGAL		
634.00 CONTRACT SERVICES - MANAGEMENT		
635.00 CONTRACT SERVICES - TEST	443	
636.00 CONTRACT SERVICES OTHER	461	5,527
641.00 RENTAL OF BUILDING		
642.00 RENTAL OF EQUIPMENT		
650.00 TRANSPORTATION		
656.00 INSURANCE - VEHICLES		
657.00 INSURANCE		
658.00 WORKERS COMPENSATION		
659.00 INSURANCE		
660.00 ADVERTISING		
666.00 REGULATORY EXPENSE - RATE CASE		
667.00 REGULATORY EXPENSE - OTHER		
670.00 BAD DEBT	3,154	6,040
675.00 MISCELLANEOUS MAINTENANCE EXPENSE	33,401	124,147

401.00	OPERATING EXPENSES	108,687	304,464
403.00	DEPRECIATION EXPENSE	28,317	63,822
406.00	AMORTIZATION UTIL PLANT ACQ ADJ		
407.10	AMORTIZATION LIMITED TERM PLANT		
407.30	AMORTIZATION OTHER UTIL PLANT		
407.40	AMORT REGULATORY ASSET		
408.10	TAXES OTHER THAN INCOME - REGULATORY ASSESSMENT	750	1,427
408.11	PROPERTY TAXES		
408.12	PAYROLL TAXES	4,270	8,164
408.13	TAXES OTHER THAN INCOME - OTHER		
409.10	INCOME TAXES - FIT OPER		
409.11	INCOME TAXES - SIT OPER		
410.10	DEFERRED TAX - FIT		
410.11	DEFERRED TAX - SIT		
412.11	ITC RESTORED		
	TOTAL OPERATING EXPENSE	142,024	377,877
	TOTAL UTILITY OPERATING INCOME	(21,497)	(64,230)
NON OPERATING INCOME			
415.00	M & J REVENUES		
416.00	M & J EXPENSES		
419.00	INTEREST & DIVIDEND INCOME		
420.00	AFUDC	508	1,901
NON OPERATING DEDUCTIONS			
409.20	INCOME TAXES OTHER INC/DED		
408.20	TAXES OTHER THAN INCOME - OTHER INC/DED		
426.00	MISC NON-UTILITY EXPENSE		
	TOTAL OTHER INCOME	508	1,901
INTEREST EXPENSE			
427.20	INTEREST EXPENSE - SHORT TERM DEBT	0	0
427.30	INTEREST EXPENSE - LTD	0	0
427.50	INTEREST EXPENSE - OTHER	0	0
428.00	AMORTIZED DEBT EXPENSE	0	0
437.00	DIVIDEND DECLARED - PEF STOCK	0	0
	TOTAL INTEREST EXPENSE	0	0
	NET INCOME	(20,989)	(62,329)

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

	2008	2009	
604.80	ALLOCATE GROUP INSURANCE PREMIUM	8,442	19,707
670.70	ALLOCATE UNCOLLECTIBLES	3,154	6,040
675.0	TRANSFER GROUNDSKEEPING EXPENSE		(26,455)
408.11	TRANSFER PROPERTY TAXES		
408.10	ALLOCATE GENERAL ASSESSMENT	750	1,427
406.00	TRANSFER UPAA AMORT FROM CORP		
470.00	PENALTIES	347	1,630
	CHANGE TO NET INCOME	(11,999)	911

Income Taxes are calculated on a company wide basis and not reflected in the numbers above