

PAW STATEMENT NO. 2

**DIRECT TESTIMONY
OF
ROD P. NEVIRASKAS**

WITH REGARD TO

PENNSYLVANIA AMERICAN WATER

CLARION WASTEWATER OPERATIONS

**REVENUE DEFICIENCY SUMMARY, REVENUES, RATE OF RETURN, CUSTOMER
ASSISTANCE PROGRAM, UTILITY PLANT ACQUISITION ADJUSTMENT, INCOME
TAXES AND PROPOSED RULES AND REGULATIONS**

DOCKET NO. R-2010-2166208

DATE: April 23, 2010

DIRECT TESTIMONY OF ROD P. NEVIRASKAS

I. INTRODUCTION

1 **1. Q. Please state your name and business address.**

2 A. My name is Rod P. Neviraskas and my business address is 800 West Hersheypark Drive,
3 Hershey, Pennsylvania 17033.

4 **2. Q. By whom are you employed and in what capacity?**

5 A. I am employed by Pennsylvania American Water (“PAW”) as Director of Rates and
6 Regulation.

7 **3. Q. Please describe your educational background and business experience.**

8 A. I received a Bachelor’s Degree in Economics from the University of Massachusetts.
9 Since beginning my employment with American Water Works in 1980, I have held various
10 positions of increasing responsibilities in rates and finance. In October 2004, I was named
11 Manager of Rates and Regulation for the AWW Shared Services Center (“SSC”), a financial
12 services organization providing national support to AWW subsidiary operating companies.
13 In 2005 I was promoted to the position of Director of Financial Services at the SSC. In that
14 capacity, I led the SSC Rates and Regulation group in supporting rate case filings for all
15 AWW regulated operating subsidiary companies. Effective January 1, 2009, I assumed my
16 present position as Director of Rates and Regulation for Pennsylvania American Water.

17 **4. Q. Have you previously testified before regulatory agencies?**

18 A. Yes, I have testified on numerous occasions on behalf of company rate filings and
19 financings in the States of Connecticut, Rhode Island, New Jersey, New Hampshire,
20 Maryland, New York, Ohio and the Commonwealths of Massachusetts and Pennsylvania.

II. PURPOSE OF TESTIMONY

1 **5. Q. Are you generally familiar with the books and records of the Company?**

2 A. Yes, I am.

3 **6. Q. What system is followed in keeping the general books of accounts and related records**
4 **of the Company's Clarion Wastewater Operations?**

5 A. The general books of accounts and related records of the Company are kept in conformity
6 with the Uniform System of Accounts for Water Companies.

7 **7. Q. Have you prepared, or caused to be prepared, financial exhibits in support of the**
8 **Company's application to increase rates?**

9 A. Yes, I have. The Company has filed exhibits, which reflect its accounting and financial
10 condition and which support the Company's request for increased rates. In particular, PAW
11 Exhibit No. 1 sets forth the Company's future test year revenue, expense and rate base
12 claims. Applicable work papers are also contained in the Company's filing in the supporting
13 schedules of the filing

14 **8. Q. Are the exhibits as currently filed correct to the best of your knowledge and belief?**

15 A. Yes, they are.

16 **9. Q. What is the source of data for these exhibits?**

17 A. The exhibits were prepared utilizing the general books and records of the Company and
18 other supporting data with an historic test year being established as the twelve months ended
19 December 31, 2009. Since the purpose of rate making is to set rates to be applied in the future,
20 based on test year data, recorded test year data have been adjusted on a pro forma basis, where
21 appropriate, to reflect known and measurable changes in operating conditions which are not

1 fully reflected in the test year results and which will continue to impact operations in the future.

2 The Company is relying principally on data for a future test year ending December 31, 2010.

3 **10. Q. Are there any other items of discussion relevant to this case?**

4 A. PAW is committed to furnishing safe and adequate water and wastewater service to its
5 customers at just and reasonable rates that provide a fair return to its shareholders. As a
6 result of this commitment, which translates into an ongoing need for investment in new and
7 replacement infrastructure, as well as the ability to attract capital, the Company finds it
8 necessary to request a rate adjustment at this time.

9 **11. Q. What are the overall results shown in Exhibit No. No. 1?**

10 A. The total effect of the pro forma adjustments on the operations of the Company results in a
11 required revenue increase of \$969,000. This represents an approximate 84 percent increase
12 over revenue over present rate revenue.

13 **12. Q. What is the scope of your testimony?**

14 A. My testimony will cover seven areas. First, I will provide a ratemaking summary of the
15 requested increase in rates. Second, I am sponsoring the Company's revenue claim. Third, I
16 am supporting the Company's pro forma capital structure, and cost rates of debt and
17 preferred stock. Fourth, I will discuss the Company's new customer assistance program for
18 wastewater customers. Fifth, I explain why the Company is not proposing to recognize, for
19 rate purposes, the Clarion utility plant acquisition adjustment. Sixth, I will support the
20 Company's development of federal and state income taxes appropriate for use in this
21 proceeding. Finally, I address proposed changes to the Clarion Wastewater Operations' tariff
22 rules and regulations.

1 **III. RATEMAKING SUMMARY**

2 **13. Q. Please summarize and then describe the major elements of the requested rate increase.**

3 A. Current Clarion Wastewater rates are no longer adequate to support the Company's
4 operating costs and the investment necessary to meet the needs and expectations of our
5 customers. The requested rate increase in revenues of \$969,000 was calculated in
6 accordance with previously accepted principles used for ratemaking in Pennsylvania and is
7 based on a requested overall rate of return of 8.85%. The rate request is summarized in
8 briefing sheet format on Schedule RPN-1, which is attached.

9 **14. Q. Please briefly explain what is set forth in Exhibit No. 1.**

10 A. This exhibit presents Clarion's rate base, revenue, expense and tax information on the basis
11 of a historical test year ("HTY") ending December 31, 2009 and a future test year ("FTY")
12 ending December 31, 2010. As in previous rate cases, the requested increase is based upon
13 adjusted FTY data. In Exhibit No. 1, the HTY is identified as "Present Rates at December
14 31, 2009" and the FTY as "Present Rates at December 31, 2010".

15 **15. Q. Please explain your specific areas of responsibility regarding Exhibit No. 1.**

16 A. As noted previously, I am sponsoring the Company's revenues, pro forma capital structure
17 and cost rates of debt and preferred stock, the proposed customer assistance program for
18 wastewater customers, the proposed treatment of the utility plant acquisition adjustment, and
19 the calculations of state and federal income taxes which are included in Exhibit No. 1.

1 **IV. REVENUES**

2 **16. Q. Please explain the development of pro forma revenues as set forth in Exhibit No. 1.**

3 A. The process of developing the Company's revenue claim begins with revenues recorded on
4 the Company's books of account at December 31, 2009, to which various adjustments were
5 made. A summary of the development of pro forma revenues under present and proposed
6 rates is set forth on pages 2 and 3 of Exhibit No. 1, which shows operating revenues by
7 customer classification for the twelve months ending December 31, 2009 and December 31,
8 2010. Page 4 is a summary of the various adjustments made to book operating revenues to
9 arrive at pro forma operating revenues under present rates for the twelve months ending
10 December 31, 2009 and December 31, 2010.

11 **17. Q. Please explain the various adjustments to the Company's book revenues that were**
12 **made to develop pro forma wastewater revenues under present and proposed rates.**

13 A. The following adjustments were made to develop pro forma wastewater sales revenues
14 under present and proposed rates.

15 **Changes in Number of Residential and Commercial Customers.** As shown on page 2 of
16 Exhibit No. 1, adjustments were made to annualize historic test year revenues based on the
17 number of residential and commercial customers at December 31, 2009. These adjustments
18 annualize the revenue effect of additions, losses and reclassifications of residential and
19 commercial customers during the historic test year. In addition, as shown on page 3 of
20 Exhibit No. 1, adjustments were made to increase or decreases future test year revenues to
21 reflect a full year's revenue for the projected increases or decreases in the number of

1 residential and commercial customers during the twelve months ending December 31, 2010.
2 Detailed calculations for these adjustments appear in the supporting schedules of the filing.

3 **Reclassify Revenues.** As shown on page 5 of Exhibit No. 1, an adjustment was made to
4 reclassify the revenue for Strattanville Borough from the municipal bill class to the bulk bill
5 class. Prior to the Company's acquisition of Clarion Area Authority, Strattanville Borough
6 contracted with Clarion Area Authority to use its treatment and disposal facilities for their
7 sanitary sewage.

8 **Specific Customer Adjustment.** Effective July 1, 2010, Owens Illinois Glass will
9 permanently close its Clarion plant. An adjustment was made to eliminate all usage and the
10 associated revenue. A detailed calculation for the adjustment appears in the supporting
11 schedules of the filing.

12 **18. Q. Please explain any adjustments made to the Company's Other Operating Revenue.**

13 A. Adjustments were made to Other Operating Revenue with respect to late payment charges.

14 These adjustments were made to change late payment charge revenue based on: (1) the
15 annualized effect of changes to wastewater revenues at December 31, 2010; and (2) the
16 annualized effect of the rate increase proposed by this rate filing. These adjustments are
17 shown on page 9 of Exhibit No. 1. The late payment charge is 1 ½ % of delinquent billings.
18 Consequently, as the Company's billed revenue increases due to rate increases, late payment
19 charge revenue increases correspondingly. Therefore, late payment charges as a percentage
20 of total wastewater revenues were calculated based on book data for the historic test year,
21 and that percentage was applied to pro forma revenue at present and proposed rates to
22 calculate the corresponding adjustments to late payment charge revenue. Because the
23 Company is claiming a level of late payment charge revenue based upon a percentage of pro

1 forma wastewater revenues, any change to wastewater revenue under present or proposed
2 rates requires a concomitant adjustment to late payment charge revenue.

3 **19. Q. Were the pro forma revenues under present and proposed rates, as reflected in Exhibit**
4 **No. 1, verified by applying present rates and proposed rates to an analysis of**
5 **customers' bills?**

6 A. Yes, pro forma revenues were verified by a bill analysis.

7 **20. Q. Does Exhibit No. 1 set forth the number of customers served by the Company by**
8 **customer class?**

9 A. Yes, it does. Page 10 shows the actual number of customers served at December 31, 2008
10 and December 31, 2009 and the projected number of customers to be served at December
11 21, 2010.

12 **21. Q. How does the Company propose to increase base rates to recover the proposed revenue**
13 **increase?**

14 A. The proposed rates consist of a service charge or customer charge for each classification
15 plus a single volumetric charge applicable to all bill classes. These rates were designed to
16 recover the Company's proposed revenue increase, and to develop a rate design that will
17 eventually lead to rate consolidation of all PAW's wastewater customers utilizing a single
18 block rate.

19 **V. RATE OF RETURN**

20 **22. Q. Please describe the Company's proposed capital structure in this case.**

21 A. The capital structure is based on PAW's projected debt, preferred stock and common equity
22 rates at December 31, 2010, exclusive of the Pennsylvania Economic Development

1 Financing Authority loan that was utilized to finance the construction of the Coatesville
2 Treatment facility. The resulting capital structure, as shown on page 2 of Exhibit RPN-2,
3 produces for ratemaking purposes a weighted cost/overall return of 8.85% using a proposed
4 return on equity of 11.50% (see testimony of Paul R. Moul).

5 **23. Q. How did the Company determine the cost rates for each component of the capital**
6 **structure?**

7 A. For PAW as a whole, excluding the project-specific Coatesville PEDFA funding, the cost
8 rate of the long-term debt (6.16%) and preferred stock (8.11%) were developed based on a
9 weighting of the individual issuances, their respective interest rates, issuance cost and terms
10 at December 31, 2010, as set forth on pages 4 and 5 of the attached Exhibit RPN-2. The
11 cost of common equity supported by Mr. Moul is 11.75%. However, for the purpose of this
12 proceeding, the Company has selected an 11.50% cost of equity in calculating its requested
13 overall rate of return in order to minimize the impact of the proposed increase on customer
14 rates, resulting in an overall recommended return on rate base of 8.85%.

15 VI. CUSTOMER ASSISTANCE PROGRAM

16 **24. Q. Are you proposing the implementation of a customer assistance program for the**
17 **Company's Clarion wastewater customers?**

18 A. Yes. In the last Coatesville wastewater rate case, the Company agreed to propose, in its next
19 general base rate filing, a customer assistance program for its Coatesville wastewater
20 customers who may require financial assistance to meet their bill paying obligations. The
21 Company is pleased to report that it is proposing to establish a low income customer
22 assistance program not only for its Coatesville customers but for all of PAW's wastewater

1 customers, with the exception of the remaining customers being charged under an
2 availability rate.

3 **25. Q. How will the program for wastewater customers be structured?**

4 A. The program will be structured and administered in the same manner as the current program
5 for water customers. The program has two components; a grant program and a service fee
6 discount. The program will be administered by Dollar Energy and funded by PAW, and the
7 eligibility criteria will be the same as the Company's successful water program.

8 **26. Q. Please describe the customer assistance program funding.**

9 A. PAW presently funds the water program in the amount of \$250,000 per year. Extrapolating
10 that amount to the wastewater program based on the number of customers produces an
11 equivalent funding level of approximately \$6,900. The Company will initially fund the
12 wastewater program with an annual contribution of \$10,000.

13 **VII. UTILITY PLANT ACQUISITION ADJUSTMENT**

14 **27. Q. With the understanding that PAW has never filed a wastewater rate case for Clarion
15 Wastewater system, are there any utility plant acquisitions issues to be addressed?**

16 A. PAW has recorded on its books for Clarion a negative acquisition adjustment of \$1,950,367.
17 Clarion was acquired in 2008 by PAW. It was regarded as a troubled system and, in fact
18 was operating under the terms of a DEP consent order. The system required significant
19 improvements by PAW to bring it into complacence with DEP regulations. It is the
20 Company's position that the poor condition of the acquired assets fully justify not
21 amortizing "above the line" the difference between the purchase price and the higher
22 depreciated original cost.

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VIII. INCOME TAXES

28. Q. How were the Company's proposed income tax expense allowances developed?

A. The derivation of state and federal income taxes at proposed rate levels is shown on pages 39 and 40 of Exhibit No. 1. As shown in those calculations, the tax effects of accelerated depreciation were normalized for federal income tax purposes and flowed-through in calculating state income taxes. Deferred taxes were calculated for the FTY and deducted from rate base as reflected on Page 11 of Exhibit No. 1.

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IX. PROPOSED RULES AND REGULATIONS

29. Q. Is the Company proposing changes to its tariff for the Clarion wastewater operations in this case?

A. Yes, it is. The Company is submitting a new tariff that has been substantially revised to more closely align with the Model Tariff for wastewater service that the Commission has developed, makes available on its website and recommends for use by jurisdictional wastewater utilities. The rules and regulations set forth in the new tariff are substantially the same as those the Company adopted for its Coatesville Wastewater Operations ("CWW"), which were also based on the Commission's Model Tariff and were approved by the Commission in CWW's last base rate case at Docket No. R-2008-2032689.

30. Q. Does this conclude your testimony?

A. Yes it does.

**Pennsylvania American Water
Clarion Wastewater Operations
Summary of Rate Increase Request**

<u>Filing Date:</u>	April 23, 2010
<u>Historic Test Year:</u>	12 Months Ended December 31, 2009
<u>Future Test Year:</u>	12 Months Ended December 31, 2010
<u>Increase Requested:</u>	\$969,000
<u>Percentage Increase:</u>	84% in overall revenues
<u>Effective Date:</u>	January 22, 2011 (based on full suspension)
<u>Rate of Return:</u>	8.85% on rate base; 11.5% ROE

<u>Type of Capital</u>	<u>Proportion of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Debt	49.21%	6.16%	3.03%
Preferred Stock	.72%	8.11%	.06%
Common Stock	<u>50.07%</u>	11.50%	<u>5.76%</u>
Total	<u>100%</u>		<u>8.85%</u>

Pennsylvania American Water Company
 Capital Structure @ 12/31/09
 Total Company
 Excluding Coatesville WW PEDFA - Specific Project Financing

	Historic 12/31,2009	Ratios	Cost Rate	Weighted Cost Rate
Long term debt	\$ 951,447,759	49.82%	6.25%	3.11%
Preferred Stock	14,171,700	0.74%	8.11%	0.06%
Common Equity	944,413,846	49.44%	11.50%	5.69%
Total Permanent Capital	<u>\$ 1,910,033,305</u>	<u>100.00%</u>		<u>8.86%</u>
Long term debt	\$ 951,447,759			
PEDFA	47,000,000			
General Ledger	<u>998,447,759</u>			

Pennsylvania American Water Company
 Capital Structure @ 12/31/10
 Total Company
 Excluding Coatesville WW PEDFA - Specific Project Financing

Exhibit RPN-2
 Page 2 of 5

	Historic 12/31.2009	Ratios	Cost Rate	Weighted Cost Rate
Long term debt	\$ 966,055,512	49.21%	6.16%	3.03%
Preferred Stock	14,171,700	0.72%	8.11%	0.06%
Common Equity	982,987,846	50.07%	11.50%	5.76%
Total Permanent Capital	\$ 1,963,215,058	100.00%		8.85%

Notes:

Equity Infusion \$ 16,000,000 Dec-10

New 2010 LTD

LTD (PENNVEST)	207,987	Apr-10
LTD (PENNVEST)	12,150,000	Apr-10
LTD (PENNVEST)	2,125,000	Apr-10
LTD (PENNVEST)	2,125,000	Jul-10
LTD (PENNVEST)	2,170,000	Jul-10
LTD (PENNVEST)	2,819,283	Apr-10
	<u>21,597,270</u>	
	38,574,000	

PA AMERICAN WATER - TOTAL COMPANY EXCLUDING WASTEWATER SPECIFIC FINANCING
SCHEDULE OF DEBT AT DECEMBER 31, 2009

Exhibit RPN-2
Page 3 of 5

DATE OF ISSUE	DATE OF MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING	COUPON RATE	ANNUAL INTEREST	ISSUANCE EXPENSE	NET PROCEEDS	NET PROCEEDS Ratio	PERCENT TO TOTAL	EFFECTIVE COST RATE	WEIGHTED COST RATE
Bonds and Notes											
1-Nov-1993	1-Nov-2023	36,000,000	38,000,000	6.700%	2,576,400	174,945	37,825,054	99.54%	3.99%	6.81%	0.27%
1-Sep-1996	1-Sep-2026	150,000,000	150,000,000	7.800%	11,703,000	2,069,648	147,930,352	98.62%	13.77%	7.82%	1.25%
24-Aug-1989	1-Aug-2019	15,500,000	15,500,000	9.700%	1,505,050	165,469	15,334,531	98.93%	1.63%	9.82%	0.16%
15-Feb-1991	15-Jan-2021	20,000,000	20,000,000	9.690%	1,938,000	116,061	19,883,939	99.42%	2.10%	9.75%	0.20%
15-Aug-1995	1-Nov-2025	10,000,000	10,000,000	8.150%	882,000	88,352	9,911,648	99.12%	1.05%	8.20%	0.09%
1-Nov-1997	1-Nov-2017	33,000,000	33,000,000	7.880%	3,236,400	60,119	9,939,881	99.40%	1.05%	8.30%	0.09%
1-Jul-1998	1-Jul-2018	16,700,000	16,700,000	6.750%	1,127,250	551,693	32,448,317	98.33%	3.47%	7.24%	0.25%
1-Sep-1988	1-Sep-2018	18,250,000	18,250,000	6.000%	1,095,000	1,335,312	15,364,688	92.00%	1.76%	7.39%	0.13%
30-Sep-1991	15-Mar-2019	17,950,000	17,950,000	6.100%	1,094,950	906,630	17,343,370	95.03%	1.92%	6.37%	0.12%
1-Apr-2001	29-Mar-2011	47,000,000	6,800,000	6.870%	467,160	957,808	16,992,182	94.66%	1.89%	6.52%	0.12%
31-Dec-2006	21-Dec-2016	13,800,000	13,800,000	5.520%	761,760	320,648	46,679,352	98.32%	0.71%	6.87%	0.05%
31-Dec-2006	21-Dec-2018	65,900,000	65,900,000	5.620%	3,703,580	45,774	13,754,226	99.67%	1.45%	5.56%	0.08%
31-Dec-2006	21-Dec-2021	100,300,000	100,300,000	5.770%	5,787,310	332,680	98,987,310	98.67%	10.54%	5.80%	0.61%
31-Mar-2007	28-Mar-2022	80,000,000	80,000,000	4.750%	3,600,000	261,178	79,738,822	99.67%	8.41%	4.76%	0.40%
15-May-2008	15-May-2018	81,000,000	81,000,000	6.250%	5,062,500	295,994	80,706,006	99.64%	8.51%	6.30%	0.54%
1-Jun-1999	1-Jun-2029	24,030,000	23,455,000	5.900%	1,184,478	1,191,706	22,838,294	95.04%	2.47%	5.39%	0.13%
1-Aug-2004	1-Aug-2004	40,000,000	39,190,000	4.800%	1,881,120	2,216,014	37,783,986	94.46%	4.12%	5.17%	0.21%
23-Sep-2004	1-Sep-2034	19,000,000	19,000,000	4.950%	940,500	1,355,440	17,644,560	92.87%	2.00%	5.43%	0.11%
23-Sep-2004	1-Sep-2034	30,000,000	30,000,000	5.100%	1,530,000	2,566,355	27,433,645	91.45%	3.15%	5.70%	0.18%
1-Dec-2009	1-Dec-2039	80,000,000	80,000,000	5.500%	4,400,000	1,308,969	78,693,331	96.37%	8.41%	5.61%	0.47%
1-Dec-2009	1-Dec-2039	13,165,000	13,165,000	5.900%	724,075	347,489	12,817,511	97.36%	1.38%	5.68%	0.08%
1-Apr-2009	1-Apr-2039	33,000,000	33,000,000	6.200%	2,046,000	425,844	32,574,156	98.71%	3.47%	6.30%	0.22%
Water Facility Restoration Loans											
1-Mar-1996	1-Nov-2012	1,955,878	537,246	3.450%	18,535	27,563	1,928,315	98.59%	0.06%	3.56%	0.00%
Pennvest Loans											
1-Jun-1998	1-Apr-2011	263,442	23,250	1.000%	233	0	263,442	100.00%	0.00%	1.00%	0.00%
1-Aug-2001	1-May-2018	6,686,389	2,657,912	1.384%	39,554	110,635	6,545,764	98.34%	0.30%	1.50%	0.00%
1-Jan-2000	1-Jan-2018	1,391,436	677,967	2.566%	17,397	69,942	1,321,494	94.97%	0.07%	2.93%	0.00%
1-Jul-2000	1-Feb-2019	2,926,847	1,462,552	2.905%	42,487	29,069	2,897,778	99.01%	0.15%	2.97%	0.00%
1-Jan-2003	1-Dec-2022	3,945,656	2,588,215	2.774%	71,797	8,480	3,937,176	99.79%	0.27%	2.79%	0.01%
1-Oct-2000	1-Oct-2019	1,728,997	1,146,375	2.795%	32,041	0	1,728,997	100.00%	0.12%	2.80%	0.00%
1-Oct-2001	1-Feb-2020	3,470,505	2,029,604	1.184%	24,031	17,155	3,453,350	99.51%	0.21%	1.21%	0.00%
1-Apr-2000	1-Mar-2022	3,366,155	2,228,332	3.237%	72,131	56,803	3,306,352	98.31%	0.23%	3.35%	0.01%
1-Apr-2000	1-Mar-2022	3,623,800	2,998,091	3.237%	77,626	3,598,370	3,598,370	99.30%	0.25%	3.28%	0.01%
30-Aug-2000	1-Sep-2022	4,322,665	2,884,040	3.237%	93,356	25,445	4,297,220	99.41%	0.30%	3.27%	0.01%
1-Aug-2004	1-Jul-2024	1,559,205	665,901	2.774%	26,794	13,749	1,545,456	99.12%	0.10%	2.83%	0.00%
1-Jun-2005	1-Jun-2025	5,721,348	4,198,767	1.000%	41,988	29,484	5,691,864	99.48%	0.44%	1.03%	0.00%
1-Jun-2006	1-Dec-2026	5,386,606	3,977,295	1.385%	55,086	34,130	5,352,476	98.37%	0.42%	1.42%	0.01%
1-Sep-2004	1-Aug-2024	5,240,631	3,608,599	2.774%	108,425	7,951	5,232,680	99.85%	0.41%	2.78%	0.01%
1-Nov-2004	1-Oct-2024	3,089,441	2,339,505	2.432%	56,897	5,660	3,093,781	99.82%	0.23%	2.44%	0.01%
1-Oct-2009	1-Sep-2029	2,241,702	2,214,108	1.274%	28,208	0	2,241,702	100.00%	0.23%	1.27%	0.00%
		\$1,013,495,713	\$951,447,759		\$58,165,119	\$17,769,912	\$985,725,801	100.00%			6.25%

General Ledger
General Ledger LTD
Current Portion
PEDFA - Coatesville WW
992,058,242
6,389,517
(47,000,000)
951,447,759

PA AMERICAN WATER - TOTAL COMPANY EXCLUDING WASTEWATER SPECIFIC FINANCING
SCHEDULE OF DEBT AT DECEMBER 31, 2010

DATE OF ISSUE	DATE OF MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING	COUPON RATE	ANNUAL INTEREST	ISSUANCE EXPENSE	NET PROCEEDS	NET PROCEEDS Ratio	PERCENT TO TOTAL	EFFECTIVE COST RATE	WEIGHTED COST RATE	
Bonds and Notes												
1-Nov-1953	1-Nov-2033	38,000,000	38,000,000	6.780%	2,576,400	174,946	37,825,054	99.54%	3.93%	6.81%	0.27%	
1-Sep-1956	1-Sep-2026	150,000,000	150,000,000	7.800%	11,700,000	2,069,548	147,930,352	98.62%	15.53%	7.92%	1.23%	
24-Aug-1989	1-Aug-2019	15,500,000	15,500,000	9.710%	1,505,050	165,469	15,334,531	98.93%	1.60%	9.82%	0.16%	
15-Feb-1991	1-Jan-2021	20,000,000	20,000,000	9.690%	1,938,000	116,061	19,883,939	99.42%	2.07%	9.75%	0.20%	
1-Nov-1991	1-Nov-2031	10,000,000	10,000,000	8.820%	882,000	88,352	9,911,648	99.12%	1.04%	8.90%	0.09%	
15-Aug-1995	1-Aug-2025	10,000,000	10,000,000	8.150%	815,000	60,119	9,939,881	99.40%	1.04%	8.20%	0.08%	
1-Nov-1997	1-Nov-2017	33,000,000	33,000,000	7.080%	2,368,400	551,683	32,446,317	98.33%	3.42%	7.24%	0.25%	
1-Jul-1996	1-Jul-2031	16,700,000	16,700,000	6.750%	1,127,250	1,335,312	15,364,688	92.00%	1.73%	7.39%	0.13%	
1-Sep-1998	1-Sep-2018	18,250,000	18,250,000	6.000%	1,095,000	906,630	17,343,370	95.03%	1.89%	6.37%	0.12%	
30-Sep-1991	15-Mar-2019	17,950,000	17,950,000	6.100%	1,094,950	957,808	16,992,192	94.66%	1.85%	6.52%	0.12%	
1-Apr-2001	29-Mar-2011	47,000,000	3,400,000	6.870%	233,580	320,948	46,679,352	99.32%	0.35%	6.97%	0.02%	
31-Dec-2006	21-Dec-2016	13,800,000	13,800,000	5.520%	761,760	45,774	13,754,226	99.67%	1.43%	5.96%	0.08%	
31-Dec-2006	21-Dec-2018	65,900,000	65,900,000	5.620%	3,703,580	218,587	65,681,413	99.67%	6.82%	5.66%	0.39%	
31-Dec-2006	21-Dec-2021	100,300,000	100,300,000	5.770%	5,787,310	332,690	99,967,310	99.67%	10.38%	5.80%	0.60%	
31-Mar-2007	29-Mar-2022	80,000,000	80,000,000	4.750%	261,178	79,738,822	79,738,822	99.67%	8.28%	4.78%	0.40%	
15-May-2008	15-May-2018	81,000,000	81,000,000	6.250%	5,082,500	293,994	80,706,006	99.64%	8.38%	6.30%	0.53%	
1-Jun-1999	1-Jun-2029	23,485,000	23,485,000	5.050%	1,184,478	1,191,706	22,838,294	95.04%	2.43%	5.39%	0.13%	
1-Aug-2004	1-Aug-2034	40,000,000	38,590,000	4.800%	1,852,320	2,216,014	37,883,986	94.46%	3.99%	5.17%	0.21%	
23-Sep-2004	1-Sep-2034	19,000,000	19,000,000	4.950%	940,500	1,355,440	17,644,560	92.87%	1.97%	5.43%	0.11%	
23-Sep-2004	1-Sep-2034	30,000,000	30,000,000	5.100%	1,530,000	2,566,355	27,433,645	91.45%	3.11%	5.70%	0.18%	
1-Dec-2009	1-Dec-2039	80,000,000	80,000,000	5.500%	4,400,000	1,308,669	78,693,331	98.37%	8.28%	5.61%	0.46%	
1-Dec-2009	1-Dec-2039	13,165,000	13,165,000	5.500%	724,075	347,489	12,817,511	97.36%	1.36%	5.68%	0.08%	
1-Apr-2009	1-Apr-2039	33,000,000	33,000,000	6.200%	2,046,000	425,844	32,574,156	98.71%	3.42%	6.30%	0.22%	
							1,928,315	98.59%	0.04%	3.56%	0.00%	
Water Facility Restoration Loans												
							0	100.00%	0.00%	1.00%	0.00%	
1-Jun-1998	1-Apr-2011	263,442	5,799	1.000%	58	110,635	263,442	98.34%	0.26%	1.50%	0.00%	
1-Aug-2001	1-May-2018	6,656,399	2,535,516	1.384%	35,092	69,942	6,545,764	94.97%	0.06%	2.93%	0.00%	
1-Jan-2000	1-Jan-2018	1,391,436	601,509	2.566%	15,435	29,068	2,897,778	98.01%	0.14%	2.97%	0.00%	
1-Jul-2000	1-Feb-2019	2,926,847	1,321,239	2.905%	38,382	6,480	3,937,176	95.79%	0.23%	2.79%	0.01%	
1-Jan-2003	1-Dec-2022	3,945,656	2,420,518	2.774%	67,145	0	1,728,997	100.00%	0.11%	2.80%	0.00%	
1-Oct-2000	1-Oct-2019	1,728,997	1,043,638	2.795%	29,170	17,155	3,465,350	99.51%	0.19%	1.21%	0.00%	
1-Oct-2001	1-Feb-2020	3,470,505	1,840,623	1.184%	21,793	56,803	3,308,352	98.31%	0.22%	3.35%	0.01%	
1-Apr-2000	1-Mar-2022	3,366,155	2,077,651	3.237%	67,254	25,430	3,598,370	99.30%	0.23%	3.28%	0.01%	
1-Apr-2000	1-Mar-2022	3,623,800	2,235,931	3.237%	70,377	25,445	4,297,220	99.41%	0.26%	3.27%	0.01%	
30-Aug-2000	1-Sep-2022	4,322,665	2,686,277	3.237%	87,343	13,749	1,545,456	99.12%	0.09%	2.83%	0.00%	
1-Aug-2004	1-Jul-2024	1,559,205	911,399	2.774%	25,282	13,749	1,545,456	99.12%	0.09%	2.83%	0.00%	
1-Jun-2005	1-Nov-2024	5,721,348	3,936,440	1.156%	46,505	5,691,864	5,691,864	99.48%	0.41%	1.19%	0.00%	
1-Jan-2006	1-Dec-2025	3,461,606	3,461,279	1.385%	47,939	34,130	5,352,476	99.37%	0.36%	1.42%	0.01%	
1-Sep-2004	1-Aug-2024	5,240,631	3,689,575	2.774%	102,349	7,951	5,232,680	99.85%	0.38%	2.78%	0.01%	
1-Nov-2004	1-Oct-2024	3,089,441	2,206,898	2.432%	53,672	5,960	3,093,781	99.62%	0.23%	2.44%	0.01%	
1-Oct-2009	1-Sep-2029	2,241,702	2,310,839	1.274%	29,440	0	2,241,702	100.00%	0.24%	1.27%	0.00%	
1-Apr-2010	31-Mar-2035	12,150,000	12,150,000	1.559%	189,419	0	12,150,000	100.00%	1.26%	1.56%	0.02%	
1-Apr-2010	31-Mar-2035	2,125,000	2,125,000	1.799%	38,229	0	2,125,000	100.00%	0.22%	1.80%	0.00%	
1-Jul-2010	30-Jun-2035	2,125,000	2,125,000	1.598%	33,979	0	2,125,000	100.00%	0.22%	1.60%	0.00%	
1-Jul-2010	30-Jun-2035	2,170,000	2,170,000	2.376%	51,559	0	2,170,000	100.00%	0.22%	2.38%	0.01%	
1-Apr-2010	31-Mar-2040	2,819,283	2,819,283	1.000%	28,193	0	2,819,283	100.00%	0.29%	1.00%	0.00%	
							\$1,017,115,084		100.00%		6.16%	
							\$17,769,912					
							\$58,188,157					
							\$966,055,512					

Pennvest Loans

**PENNSYLVANIA AMERICAN WATER
SCHEDULE OF PREFERRED STOCK AT DECEMBER 2009 & 2010**

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

Notes:

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