

**SUPPORTING SCHEDULES
TABLE OF CONTENTS
CLARION WASTEWATER**

DESCRIPTION	PAGE NO
OPERATING REVENUES	
SPECIFIC CUSTOMER ADJUSTMENT	2
CHANGE IN NUMBER OF CUSTOMERS	4
RATE BASE	
FUTURE TEST YEAR ADDITIONS	9
REVENUE AND EXPENSE LAG	11
DEFERRED INCOME TAXES	15
ACQUISITION	19
OPERATING EXPENSES	
SALARY AND WAGES	42
GROUP INSURANCE	68
401K & DEFINED CONTRIBUTION PLAN	71
CHEMICALS	78
POWER	81
LEASED VEHICLES	88
RATE CASE EXPENSE	90
ELIMINATED ITEMS	100
INFLATION	102
WASTE DISPOSAL	106
UNCOLLECTABLE ACCOUNTS	125
TAXES, OTHER THAN INCOME	
PAYROLL	128
GENERAL ASSESSMENT	130
OTHER	
BALANCE SHEET	136
INCOME STATEMENT	138

OPERATING REVENUES

PENNSYLVANIA-AMERICAN WATER COMPANY
 CLARION WASTEWATER OPERATIONS
 OWENS ILLINOIS GLASS
 ACCOUNT: 240078278
 CUSTOMER CLASS: INDUSTRIAL - S133M

In July of 2010, Owens Illinois Glass will close its Clarion plant.
 This adjustment removes usage and revenues from present rates 12/31/10.

WASTEWATER RATES

USAGE ALLOWANCE PER MONTH (100 GALLONS)	RATES EFFECTIVE 10/30/08
29.99	\$20.00
70	0.4580
90	0.4410
120	0.4110
ALL OVER	0.3560

MIN CHARGE USAGE

	ACTUAL USAGE 12/31/08	ACTUAL USAGE 12/31/09	ANNUALIZED USAGE 12/31/09	ACTUAL USAGE 12/31/10
JANUARY		5,397	0	5,235
FEBRUARY		5,425	0	4,712
MARCH		5,130	0	
APRIL		5,110	0	
MAY		4,740	0	
JUNE		4,580	0	
JULY		4,575	0	
AUGUST		5,240	0	
SEPTEMBER		4,505	0	
OCTOBER		4,905	0	
NOVEMBER		4,915	0	
DECEMBER	10,940	5,130	0	
TOTAL	10,940	59,652	0	9,947

	ACTUAL USAGE 12/31/08	ACTUAL USAGE 12/31/09	ANNUALIZED USAGE 12/31/09	ACTUAL USAGE 12/31/10
		\$1,952.05	\$0.00	\$1,894.37
		1,962.01	0.00	1,708.19
		1,856.99	0.00	
		1,849.87	0.00	
		1,718.15	0.00	
		1,661.19	0.00	
		1,659.41	0.00	
		1,896.15	0.00	
		1,634.49	0.00	
		1,776.89	0.00	
		1,780.45	0.00	
	3,937.64	1,856.99	0.00	
TOTAL	3,937.64	21,604.67	0.00	3,602.56

PRESENT RATES 12-31-10 \$0.00
 LESS: PER BOOKS 12-31-09 \$21,604.67
 ADJUSTMENT (\$21,604.67)

WHEELS

The Suzuki Kizashi is road tested and the 1971 Porsche 911E Targa is profiled.

THE DERRICK

© OIL CITY, PA. THURSDAY, JANUARY 28, 2010 (800) 352-1002 www.thederrick.com \$1.00

To call us:
(814) 676-7444

Clarion glass plant to shut down

Owens-Illinois will close its doors in July, affecting 420 workers

By **MATT CARROLL**
Staff writer

The Owens-Illinois glass plant in Clarion, one of the largest employers in Clarion County, will close its doors in July.

Company officials said Wednesday the plant, which employs about 420 people, will permanently cease production effective July 1.

Miguel Escobar, president of

Owens-Illinois North America, said loss of volume and cost considerations drove the decision to close the plant.

"While we regret the impact this has on our Clarion employees, it is imperative that we take such actions to ensure the long-term health of the company," Escobar said.

Employees only learned of the decision to close after a meeting at the plant Wednesday afternoon, ac-

cording to one local worker.

"Everybody is just stunned," said Bill Wilshire, president of the largest of three local unions at the plant. "This is not something we saw coming. I'm in a state of shock."

Wilshire said company officials told local workers "economic conditions and that we have a 105-year-old plant" contributed to the decision to close.

He said Owens-Illinois recently

lost out on a contract with Anheuser-Busch, "and it has hurt the whole company."

Owens-Illinois is the largest manufacturer of glass containers in the world, according to the company's Web site.

The company employs more than 22,000 people with 78 manufacturing facilities in 21 countries. Owens-Illinois has another plant near Brockway.

"In 2009, we re-negotiated many customer and supplier contracts that were set to expire at the end of 2009," Escobar said Wednesday in a release.

"It was critical that the terms of all new contracts meet our financial and strategic goals. We were successful on many fronts, but not all. As a result, we have experienced a volume loss that impacts our North American operations," he said.

See **FACTORY**, Page 5

Job hunting?



Looking for a job? There are more than 29 jobs in our classified section of today's newspaper.

Dinosaur color

Scientists have for the first time confirmed color in a dinosaur. Don't think purple Barney, but reddish-orange Conan O'Brien.



The first, solid proof of pigmentation has been spotted in the fossilized tail feathers of a smallish meat-eating dinosaur found in China and named *Sinosauropteryx*.

Page 2.

'I don't quit,' Obama declares



Says job growth his topmost priority

WASHINGTON (AP) — Declaring "I don't quit," President Barack Obama fought to re-charge his embattled presidency with a State of the Union vow to get jobless millions back to work and stand on the side of Americans angry at Wall Street greed and Washington bickering.

Defiant despite stinging setbacks, he said he would fight on for ambitious overhauls of health care, energy and education.

Page 2: President Barack Obama checks every political box needed to restart his troubled presidency.

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

RESIDENTIAL METERED REVENUES (\$131M)

THIRTEEN MONTH AVERAGE

MONTH	END OF MO CUSTOMERS
Dec-08	1,883
Jan-09	1,880
Feb-09	1,880
Mar-09	1,882
Apr-09	1,882
May-09	1,882
Jun-09	1,859
Jul-09	1,842
Aug-09	1,875
Sep-09	1,889
Oct-09	1,893
Nov-09	1,889
Dec-09	1,884
TOTAL	24,420

THIRTEEN MONTH AVERAGE CUSTOMERS 1,878

CHANGE IN CUSTOMERS 6

AVERAGE ANNUAL CONSUMPTION PER CUSTOMER

TOTAL METERED USAGE FOR 2009 (00 GALLONS)	745,456
TOTAL METERED BILLS FOR 2009	22,387
MONTHLY USAGE PER CUSTOMER	33.30
ANNUAL USAGE PER CUSTOMER	399.58

SERVICE CHARGE REVENUES

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
6	72	\$20.00	\$1,440

CONSUMPTION REVENUES

BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR 6 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK	0	29.99	360	\$0
2ND BLOCK	0.458	3.31	39.72	109
3RD BLOCK	0.441	0.00	238	
CONSUMPTION REVENUES	33.3	399.6	2,397	\$109

TOTAL ADJUSTMENT \$1,549

PENNSYLVANIA-AMERICAN WATER COMPANY - CLARION 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)	745,456
TOTAL METERED BILLS FOR 2009	22,387
MONTHLY USAGE PER CUSTOMER	33.30
ANNUAL USAGE PER CUSTOMER	399.58

SERVICE CHARGE REVENUES

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
1	12	\$20.00	\$240

CONSUMPTION REVENUES

	BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR 1 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK	0	29.99	360	360	\$0
2ND BLOCK	0.458	3.31	39.72	40	\$18
3RD BLOCK	0.441				
CONSUMPTION REVENUES		<u>33.3</u>	<u>399.6</u>	<u>400</u>	<u>\$18</u>
TOTAL ADJUSTMENT					<u><u>\$258</u></u>

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

COMMERCIAL METERED REVENUES (\$132M)

THIRTEEN MONTH AVERAGE

MONTH	END OF MO CUSTOMERS
Dec-08	307
Jan-09	309
Feb-09	313
Mar-09	313
Apr-09	310
May-09	308
Jun-09	306
Jul-09	306
Aug-09	305
Sep-09	305
Oct-09	306
Nov-09	305
Dec-09	305
TOTAL	3,998

THIRTEEN MONTH AVERAGE CUSTOMERS 308

CHANGE IN CUSTOMERS -3

AVERAGE ANNUAL CONSUMPTION PER CUSTOMER

TOTAL METERED USAGE FOR 2009 (00 GALLONS)	876,794
TOTAL METERED BILLS FOR 2009	3,708
MONTHLY USAGE PER CUSTOMER	236.46
ANNUAL USAGE PER CUSTOMER	2837.52

SERVICE CHARGE REVENUES

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
-3	-36	\$20.00	(\$720)

CONSUMPTION REVENUES

BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR -3 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK	0	29.99	360	\$0
2ND BLOCK	0.458	70.00	840	-1,154
3RD BLOCK	0.441	90.00	1080	-1,429
4TH BLOCK	0.411	46.47	557.64	-688
CONSUMPTION REVENUES	236.46	2837.52	-8513	-\$3,271

TOTAL ADJUSTMENT (\$3,991)

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

CUSTOMER GROWTH

NORMAL GROWTH -2

AVERAGE ANNUAL CONSUMPTION PER CUSTOMER

TOTAL METERED USAGE FOR 2009 (00 GALLONS) 876,794
TOTAL METERED BILLS FOR 2009 3,708
MONTHLY USAGE PER CUSTOMER 236.46
ANNUAL USAGE PER CUSTOMER 2837.52

SERVICE CHARGE REVENUES

CHANGE IN CUSTOMERS	ANNUAL BILLS	MONTHLY SERVICE CHARGE	ANNUAL SERVICE CHARGE REVENUES
-2	-24	\$20.00	(\$480)

CONSUMPTION REVENUES

BLOCK RATE	MONTHLY CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION PER CUSTOMER	ANNUAL CONSUMPTION FOR -2 CUSTOMERS	ANNUAL REVENUES
1ST BLOCK 0	29.99	360	-720	\$0
2ND BLOCK 0.458	70.00	840	-1,680	-769
3RD BLOCK 0.441	90.00	1080	-2,160	-953
4TH BLOCK 0.411	46.47	557.64	-1,115	-458
CONSUMPTION REVENUES	236.46	2837.52	-5675	-\$2,180
TOTAL ADJUSTMENT				(\$2,660)

RATE BASE

FUTURE TEST YEAR ADDITIONS

PENNSYLVANIA-AMERICAN WATER COMPANY - CLARION 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
388.10	Sewer Base Map & GIS Model	448033	\$ 193,075	Apr-10	None		
	SSES (CCTV, S&DT, MH inspect)	IP 24470504	\$ 187,000	Dec-10	None		
	Act 537 Preparation	IP 24470504	\$ 118,793	Dec-10	None		
	Account Subtotal		\$ 498,868				
353.40	Meys Lift Station - Land & Land Rights	456867	\$ 18,000	Mar-10	None		
	Account Subtotal		\$ 18,000				
354.30	Lift Station @ WWTP - Vault/Chamber/Pit	456867	\$ 82,000	Mar-10	None		
	Upgrade Mays Lift Station	IP 24470504	\$ 75,000	Dec-10	None		
	Purchase trailer Mounted Pump for Emergency	IP 24470504	\$ 59,375	Dec-10	None		
	Installation of Emergency Bypass Piping @ Toby LS & Chemicky LS	IP 24470504	\$ 10,000	Dec-10	None		
	Account Subtotal		\$ 226,375				
354.40	WW Control Building - New 2' Service Piping	460628	\$ 14,229	Jan-10	Retire Old Service Piping	\$ 1,423	Jan-10
	WW Control Building - Replace Air Lift in Grit Chamber	IP 24470504	\$ 15,000	Dec-10	Retire Air lift	\$ 1,500	Dec-10
	WW Control Building - Replace Travellit in Sludge Thickener Tank	IP 24470504	\$ 30,000	Dec-10	Retire Travel Lift	\$ 3,000	Dec-10
	WW Control Building - Spare Vacuum Regulator for Chlorination System	IP 24470504	\$ 2,330	Dec-10	None		
	WW Control Building - Replace Sludge Feed Pump	IP 24470504	\$ 15,000	Dec-10	Retire Sludge Feed Pump	\$ 1,500	Dec-10
	WW Control Building - Upgrade Feed Water System	IP 24470504	\$ 22,000	Dec-10	None		
	WW Control Building - Replace Fights, Chains and Barflies in Clarifiers 1 & 2	IP 24470504	\$ 15,000	Dec-10	Retire Fights, Chains and Barflies	\$ 1,500	Dec-10
	Account Subtotal		\$ 113,559			\$ 8,923	
361.10	Manhole - Replacement	RP-2447-F1	\$ 8,000	Dec-10	Retire Manholes	\$ 800	Dec-10
	Manhole - Rehab	IP 24470504	\$ 28,875	Dec-10	None		
	Main - Rehab	IP 24470504	\$ 282,975	Dec-10	None		
	Account Subtotal		\$ 319,850			\$ 800	
363.00	New Services Laterals - General	RP-2447-G1	\$ 54,000	Dec-10	None		
	Replace Services Laterals - General	RP-2447-H1	\$ 24,000	Dec-10	Retire Services	\$ 2,400	Dec-10
	Account Subtotal		\$ 78,000			\$ 2,400	
391.00	Chevrolet 1500 4x4 Reg Cab	RP-2447	\$ 27,500	Dec-10	Retire 1997 Ford	\$ 19,000	
	Chevrolet 2500 4x4 Reg Cab	RP-2447	\$ 35,500	Dec-10			
	Account Subtotal		\$ 63,000			\$ 19,000	
394.00	Replace Laboratory Refrigerator	459679	\$ 817	Jan-10	Retire Refrigerator	\$ 695	Jan-10
	Account Subtotal		\$ 817			\$ 695	
396.00	Various Process Plant Facilities and Equipment	RP-2447-Q1	\$ 10,000	Dec-10	None		
	Install SCADA Equipment for Clarion WW Plant	450567	\$ 27,729	Feb-10	None		
	SCADA Equip for Lift Stations	IP 24470504	\$ 23,100	Dec-10	None		
	Account Subtotal		\$ 60,829			\$ -	
	Grand Total		\$ 1,379,298			\$ 31,818	

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	\$37,385,379	\$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	\$34,423,459	\$36,363,235	\$37,385,379	\$37,126,481	\$37,494,813	\$38,851,497	\$37,864,505	\$37,737,357	\$36,618,534
7	\$35,899,635	\$38,123,992	\$36,448,670	\$34,423,459	\$36,363,235	\$37,385,379	\$34,436,134	\$38,307,650	\$38,851,497	\$37,737,357	\$37,737,357	\$36,422,251
8	\$37,016,887	\$38,123,992	\$36,448,670	\$34,423,459	\$37,161,979	\$37,385,379	\$34,436,134	\$38,307,650	\$38,851,497	\$38,454,565	\$37,737,357	\$36,618,534
9	\$37,786,782	\$38,123,992	\$36,448,670	\$36,655,858	\$37,161,979	\$37,385,379	\$34,436,134	\$38,307,650	\$38,851,497	\$38,684,215	\$37,737,357	\$36,652,896
10	\$37,786,782	\$38,123,992	\$36,448,670	\$36,655,858	\$37,161,979	\$37,385,379	\$34,436,134	\$38,307,650	\$38,851,497	\$38,684,215	\$37,737,357	\$37,829,667
11	\$37,786,782	\$37,828,280	\$35,932,888	\$37,235,258	\$37,161,979	\$37,031,256	\$37,026,238	\$38,307,650	\$37,566,292	\$38,684,215	\$37,142,135	\$38,838,958
12	\$36,610,750	\$38,733,245	\$36,391,692	\$37,235,258	\$37,161,979	\$38,071,528	\$37,026,238	\$35,307,097	\$38,191,320	\$38,684,215	\$37,57,028	\$38,838,958
13	\$37,312,778	\$38,733,245	\$37,258,496	\$35,500,532	\$37,990,132	\$38,694,414	\$37,026,238	\$38,461,314	\$38,191,320	\$40,902,847	\$36,446,460	\$38,838,958
14	\$38,472,862	\$39,777,668	\$37,258,496	\$35,500,532	\$37,990,132	\$38,694,414	\$35,037,660	\$40,003,854	\$38,191,320	\$39,144,712	\$36,446,460	\$38,838,958
15	\$39,332,484	\$39,777,668	\$37,258,496	\$35,500,532	\$37,990,132	\$38,694,414	\$35,037,660	\$40,003,854	\$38,191,320	\$39,328,548	\$39,150,661	\$38,838,958
16	\$40,180,428	\$41,765,828	\$37,258,496	\$35,987,645	\$38,625,473	\$38,694,414	\$38,128,458	\$40,931,478	\$38,822,518	\$40,053,569	\$39,150,661	\$39,155,923
17	\$40,180,428	\$40,324,959	\$37,082,138	\$37,711,554	\$38,369,304	\$38,654,973	\$39,446,485	\$40,931,478	\$39,654,101	\$40,593,137	\$38,936,042	\$41,465,780
18	\$42,278,174	\$40,816,194	\$38,777,733	\$37,711,554	\$38,566,553	\$40,842,522	\$40,297,234	\$41,647,881	\$41,357,103	\$40,593,137	\$39,382,588	\$42,516,263
19	\$41,645,892	\$41,121,835	\$39,470,410	\$37,711,554	\$39,479,003	\$41,568,322	\$40,297,234	\$42,319,542	\$41,357,103	\$40,593,137	\$40,124,090	\$42,516,263
20	\$41,865,414	\$41,121,835	\$39,470,410	\$37,711,554	\$39,479,003	\$41,568,322	\$40,297,234	\$42,319,542	\$41,357,103	\$40,593,137	\$40,477,899	\$42,516,263
21	\$42,194,129	\$41,121,835	\$39,470,410	\$37,711,554	\$39,479,003	\$41,568,322	\$40,297,234	\$42,319,542	\$41,357,103	\$40,593,137	\$40,477,899	\$42,516,263
22	\$42,597,037	\$41,121,835	\$39,470,410	\$37,711,554	\$39,479,003	\$41,568,322	\$40,297,234	\$42,319,542	\$41,357,103	\$40,593,137	\$40,477,899	\$42,516,263
23	\$42,597,037	\$39,802,988	\$38,355,428	\$38,720,134	\$39,775,681	\$40,637,838	\$42,317,831	\$43,231,755	\$40,982,929	\$41,139,713	\$40,477,899	\$42,656,971
24	\$42,597,037	\$39,007,324	\$38,292,427	\$38,720,134	\$39,775,681	\$40,215,115	\$41,873,925	\$42,776,622	\$41,536,642	\$41,930,437	\$39,210,860	\$42,486,512
25	\$40,854,661	\$37,476,565	\$38,335,428	\$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	\$39,884,962	\$36,109,113	\$37,823,105	\$37,546,300	\$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	\$36,086,975	\$36,086,975	\$37,823,105	\$36,811,088	\$37,171,075	\$38,636,184	\$41,873,925	\$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	\$39,484,801	\$38,588,877	\$39,430,794	\$38,071,150	\$38,141,535	\$42,255,858
29	\$37,569,876	\$36,086,975	\$37,823,105	\$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	\$35,810,199	\$35,519,090	\$34,972,551	\$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	\$35,462,872	\$34,972,551	\$35,462,872	\$34,998,308	\$37,021,640	\$35,635,608	\$34,797,348	\$34,797,348	\$33,900,689	\$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 \$1,192,873,372 \$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

<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 CLARION 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		39,955	39,955	209,130	249,085	35%	87,180	322,996	87,180
Tax Depreciation		(79,239)	(79,239)	(843,607)	(922,846)	35%			(322,996)
		(39,284)	(39,284)	(634,477)	(673,761)		87,180	322,996	(235,816)

PENNSYLVANIA AMERICAN WATER DEFERRED TAX - STATE CLARION 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		39,955	39,955	209,130	249,085	9.99%	24,884	27,747	24,884
Tax Depreciation		(79,239)	(79,239)	(198,512)	(277,750)	9.99%			(27,747)
		(39,284)	(39,284)	10,619	(28,666)		24,884	27,747	(2,864)

2008

PENNSYLVANIA AMERICAN WATER DEFERRED TAX - FEDERAL CLARION 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							
Book Depreciation	39,955	39,955	35%	13,984	27,734	13,984	
Tax Depreciation	(79,239)	(79,239)	35%			(27,734)	
	(39,284)	(39,284)		13,984	27,734	(13,749)	

PENNSYLVANIA AMERICAN WATER DEFERRED TAX - STATE CLARION 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							
Book Depreciation	39,955	39,955	9.99%	3,991	7,916	3,991	
Tax Depreciation	(79,239)	(79,239)	9.99%			(7,916)	
	(39,284)	(39,284)		3,991	7,916	(3,924)	

ACQUISITION

CLARION AREA AUTHORITY

**PENNSYLVANIA AMERICAN
CLARION WASTEWATER**

UPIS	9,949,852.08
Accumulated Depreciation	(3,677,640.70)
CIAC/CA	(326,419.53)
Accumulated Depreciation	<u>209,010.80</u>
Net UPIS	6,154,802.65
Costs	4,204,435.90
UPAA	\$ (1,950,366.74)



Seth A. Mendelsohn P 717-531-3362
Corporate Counsel F 717-531-3399
800 West Hersheypark Drive E seth.mendelsohn@amwater.com
Hershey, PA 17033 I www.amwater.com

November 9, 2009

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

Re: Application of Pennsylvania-American Water Company (PAWC) for approval of: 1) the transfer, by sale, of substantially all of the Clarion Area Authority's assets, properties and rights, related to its wastewater system to PAWC; 2) the right of PAWC to begin to offer or furnish wastewater service to the public in all of Clarion Borough and portions of the Townships of Clarion and Monroe, Clarion County; and 3) the right of PAWC to assume certain Clarion Area Authority contracts.
A-230073F0009

Dear Secretary McNulty:

As directed in Paragraph 4 of the Commission's Order entered October 28, 2008, I am filing with the Office of Consumer Advocate, the Bureau of Fixed Utility Services, the Office of Trial Staff and the Office of Small Business Advocate a copy of the Original Cost Study for the acquisition of Clarion Area Authority's wastewater system. A Journal Entry Request form also accompanies the Original Cost Study.

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

Sincerely,

Seth A Mendelsohn

eth

VIA UPS Overnight Delivery

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

JOURNAL ENTRY REQUEST

Batch # (SSC USE): 	Journal # (SSC USE):
Company: <u>24 - Pennsylvania American</u>	Accounting Period: <u>September 2009</u>
Prepared By (Operating Unit): <u>Vince Guinan</u>	Requested By (Operating Unit): _____
Prepared By (SSC)/Date: _____	Approved By (SSC)/Date: _____

Please add rows as necessary to the table below in order to complete your requested journal entry.

Check box for reversing entry

SHORT JOURNAL ENTRY DESCRIPTION:

FA;Book Clarion Acquisition 30 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To distribute the Clarion Waste Water Acquisition into its proper UPIS accounts based on the Original Cost Study.

Rodolfo Lodi 10/5/09

Check box and attach additional description, if additional space is needed

DISTRIBUTION:

Business Unit	Object Account	Subsidiary Code	Subledger Code	SL Type	Explanation	Debit Amount	Credit Amount
244705	101000	353200			Land & Land Rights - Collection Plant	606,814.78	
244705	101000	353300			Land & Land Rights - System Pumping P	5.00	
244705	101000	353400			Land & Land Rights - Treat. & Disposal P	1,002.00	
244705	101000	354300			Structures & Impr. - System Pumping Pl	864,214.26	
244705	101000	354400			Structures & Impr. - Treat. & Disposal Pl	410,233.29	
244705	101000	354500			Structures & Impr. - General Plant	4,252.26	
244705	101000	355200			Power Production Equipment	66,482.84	
244705	101000	360000			Collection Sewers - Force	130,363.40	
244705	101000	361100			Collection Sewers - Gravity	4,399,274.52	
244705	101000	363000			Services to Customers	266,499.70	
244705	101000	364000			Flow Measuring Equipment	228,491.88	
244705	101000	371100			Pumping Equipment	525,775.61	
244705	101000	380000			Treatment & Disposal Equipment	2,115,869.01	
244705	101000	382000			Outfall Sewer Lines	201,123.34	
244705	101000	391100			Transportation Equipment	41,500.00	
244705	101000	393000			Tools, Shop & Garage Equipment	72,333.88	
244705	101000	394000			Laboratory Equipment	15,616.31	
244705	271110				Collection Sewers - Gravity		108,594.70
244705	271230				Services to Customers		6,405.30
244705	271160				Treatment & Disposal Equipment		211,419.53
244705	272060				Non-taxable Amortization	204,670.27	
244705	272100				Taxable Amortization	4,340.53	
244705	108105				Depreciation		3,677,640.70
240205	104000						774,566.61
240205	104000		24023792	W			772,818.88
240205	104000		24023819	W			1,555,334.29
240205	104000		24026079	W			525,360.23
240205	104000		24026082	W			576,355.90
244705	114350						1,950,366.74
Totals						10,158,862.88	10,158,862.88

Please indicate the following:

Utility Subsidiary: <u>24 - Pennsylvania American</u>
Submitted by: <u>Vince Guinan</u>

Pennsylvania American Water
 Clarion Area Authority Acquisition Costs

GLDGJ	GLSBL	GLSBLT	GLAA	GLICU	GLDICJ	GLEXA
01/01/08	50077861	W	(758.50)	4090872	01/07/08	SER Legal Accrual 12.07
01/31/08	50077861	W	946.14	4109855	02/06/08	SER Legal Accrual 01.08
02/01/08	50077861	W	(946.14)	4109855	02/06/08	SER Legal Accrual 01.08
02/29/08	50077861	W	3,586.14	4127276	03/06/08	SER Legal Accrual 02.08
03/30/07	50077861	W	135.00	3924129	04/04/07	Accrue Legal Fees
03/01/08	50077861	W	(3,586.14)	4127276	03/06/08	SER Legal Accrual 02.08
03/31/08	50077861	W	1,581.37	4145302	04/07/08	SER Legal Accrual 03.08
04/01/07	50077861	W	(135.00)	3924129	04/04/07	Accrue Legal Fees
04/30/07	50077861	W	26.50	3941676	05/03/07	Accrue Legal Fees 04.07
04/01/08	50077861	W	(1,581.37)	4145302	04/07/08	SER Legal Accrual 03.08
04/30/08	50077861	W	4,635.52	4162542	05/06/08	SER Legal Accrual 04.08
05/01/07	50077861	W	(26.50)	3941676	05/03/07	Accrue Legal Fees 04.07
05/31/07	50077861	W	231.00	3958587	06/05/07	Accrue Legal Fees 05.07
05/01/08	50077861	W	(4,635.52)	4162542	05/06/08	SER Legal Accrual 04.08
05/31/08	50077861	W	7,079.27	4180722	06/05/08	Legal Accrual 05.08
06/01/07	50077861	W	(231.00)	3958587	06/05/07	Accrue Legal Fees 05.07
06/01/08	50077861	W	(7,079.27)	4180722	06/05/08	Legal Accrual 05.08
06/30/08	50077861	W	7,079.27	4198489	07/06/08	SER Legal Accrual 06.08
07/31/07	50077861	W	231.00	3993240	08/02/07	SER Legal Accrual 07.07
07/01/08	50077861	W	(7,079.27)	4198489	07/06/08	SER Legal Accrual 06.08
07/31/08	50077861	W	10,709.27	4218529	08/06/08	Legal Accrual 07.08
08/01/07	50077861	W	(231.00)	3993240	08/02/07	SER Legal Accrual 07.07
08/31/07	50077861	W	641.50	4014382	09/06/07	SER Legal Accrual
08/01/08	50077861	W	(10,709.27)	4218529	08/06/08	Legal Accrual 07.08
08/31/08	50077861	W	12,277.77	4236753	09/05/08	SER Legal Accrual 08.08
09/01/07	50077861	W	(641.50)	4014382	09/06/07	SER Legal Accrual
09/30/07	50077861	W	1,173.00	4033129	10/03/07	SER Legal Accrual 09.07
09/01/08	50077861	W	(12,277.77)	4236753	09/05/08	SER Legal Accrual 08.08
09/30/08	50077861	W	42.82	4253964	10/02/08	Legal Accrual 09.08
10/01/07	50077861	W	(1,173.00)	4033129	10/03/07	SER Legal Accrual 09.07
10/31/07	50077861	W	2,234.00	4053016	11/05/07	Legal Accrual 10.07
10/01/08	50077861	W	(42.82)	4253964	10/02/08	Legal Accrual 09.08
10/31/08	50077861	W	24.88	4275698	11/06/08	SE Region Legal Accrual 10.08
11/01/07	50077861	W	(2,234.00)	4053016	11/05/07	Legal Accrual 10.07
11/30/07	50077861	W	758.50	4070380	12/06/07	SER Legal Accrual 11.07
11/01/08	50077861	W	(24.88)	4275698	11/06/08	SE Region Legal Accrual 10.08
11/30/08	50077861	W	(95.40)	4291740	12/05/08	Southeast Legal Accrual 11.08
11/30/08	50077861	W	95.40	4291740	12/05/08	Southeast Legal Accrual 11.08
12/01/07	50077861	W	(758.50)	4070380	12/06/07	SER Legal Accrual 11.07
12/31/07	50077861	W	758.50	4090872	01/07/08	SER Legal Accrual 12.07
11/30/08	50077861	W	95.40	4291879	12/05/08	Southeast Legal Accrual 11.08
12/01/08	50077861	W	(95.40)	4291879	12/05/08	Southeast Legal Accrual 11.08
02/28/07	50077861	W	4,564.60	3899675	03/02/07	Accrue Legal Fees 02.07
03/01/07	50077861	W	(4,564.60)	3899675	03/02/07	Accrue Legal Fees 02.07
09/08/05	50077861	W	95.40	3561782	09/08/05	CORRECT CLARION ACQ WO CHARGES
09/08/05	50077861	W	501.31	3561782	09/08/05	CORRECT CLARION ACQ WO CHARGES
09/08/05	50077861	W	948.50	3561782	09/08/05	CORRECT CLARION ACQ WO CHARGES
09/08/05	50077861	W	32,117.08	3561782	09/08/05	CORRECT CLARION ACQ WO CHARGES
09/08/05	50077861	W	100,000.00	3561782	09/08/05	CORRECT CLARION ACQ WO CHARGES
12/02/05	50077861	W	12,814.00	3612974	12/02/05	2005 MISC AP ACCRUALS
12/08/05	50077861	W	350.00	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
12/08/05	50077861	W	2,514.02	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
12/08/05	50077861	W	4,147.50	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
12/08/05	50077861	W	8,243.50	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
12/08/05	50077861	W	8,825.00	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
12/08/05	50077861	W	12,802.50	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
12/08/05	50077861	W	14,850.00	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
12/08/05	50077861	W	15,242.39	3617274	12/08/05	RECL CLARIAN ACQUIS COSTS
01/30/06	50077861	W	5,816.50	3643925	01/30/06	Rcfss CWIP Mispost to DDN
03/17/06	50077861	W	(12,814.00)	3671820	03/17/06	Rev Y/E Accrual Acct 234300

04/10/06	50077861	W	36.50	3686348	04/10/06	Rclss Acq Costs-Acct 186711.1
04/10/06	50077861	W	350.00	3686348	04/10/06	Rclss Acq Costs-Acct 186711.1
04/10/06	50077861	W	555.00	3686348	04/10/06	Rclss Acq Costs-Acct 186711.1
04/10/06	50077861	W	700.00	3686348	04/10/06	Rclss Acq Costs-Acct 186711.1
04/10/06	50077861	W	925.00	3686348	04/10/06	Rclss Acq Costs-Acct 186711.1
07/13/06	50077861	W	5,775.00	3741847	07/13/06	Rclss Acq Costs to WO-Move 104
08/08/06	50077861	W	1,520.00	3758541	08/08/06	Rclss Acq Costs WOs and 104000
09/18/06	50077861	W	7,150.00	3784358	09/18/06	Rclss Acq Costs to Crct WO
10/10/06	50077861	W	700.00	3801071	10/10/06	Rclss Acq Costs & Trans 104000
10/10/06	50077861	W	760.00	3801071	10/10/06	Rclss Acq Costs & Trans 104000
10/10/06	50077861	W	3,300.00	3801071	10/10/06	Rclss Acq Costs & Trans 104000
10/10/06	50077861	W	5,975.00	3801071	10/10/06	Rclss Acq Costs & Trans 104000
12/18/06	50077861	W	175.00	3847224	12/18/06	Rclss Acq Cost to WO & 104000
12/18/06	50077861	W	4,229.50	3847224	12/18/06	Rclss Acq Cost to WO & 104000
01/11/07	50077861	W	2,945.44	3865352	01/11/07	Rclss Acq Costs to WO#&104000
04/23/08	50077861	W	350.00	4153877	04/23/08	FA-Recls acq costs to BUs & WO
10/31/08	50077861	W	-	4270499	10/31/08	SABRIX NO TAX CHARGED ACR
10/31/08	50077861	W	-	4270499	10/31/08	SABRIX NO TAX CHARGED ACR
03/23/06	50077861	W	2,450.00	3675628	03/23/06	AUS Consultants/ Weber Fick &
04/03/06	50077861	W	3,586.50	3681973	04/03/06	Leboeuf, Lamb, Greene & Macrae
04/04/06	50077861	W	7,916.95	3682744	04/04/06	Leboeuf, Lamb, Greene & Macrae
04/07/06	50077861	W	6,727.89	3685130	04/07/06	Leboeuf, Lamb, Greene & Macrae
06/22/06	50077861	W	8,800.00	3728739	06/22/06	Pope & Drayer
08/22/06	50077861	W	3,850.00	3767765	08/23/06	Pope & Drayer
09/25/06	50077861	W	825.00	3788515	09/25/06	Pope & Drayer
10/06/06	50077861	W	1,285.80	3798157	10/05/06	Leboeuf, Lamb, Greene & Macrae
10/18/06	50077861	W	25.00	3805682	10/18/06	Leboeuf, Lamb, Greene & Macrae
11/02/06	50077861	W	4,825.75	3816789	11/02/06	Leboeuf, Lamb, Greene & Macrae
11/09/06	50077861	W	5,225.00	3821453	11/09/06	Pope & Drayer
11/09/06	50077861	W	4,825.00	3821453	11/09/06	Pope & Drayer
11/13/06	50077861	W	1,690.00	3822979	11/13/06	Leboeuf, Lamb, Greene & Macrae
12/04/06	50077861	W	865.58	3836678	12/04/06	Leboeuf, Lamb, Greene & Macrae
12/11/06	50077861	W	9,275.00	3841829	12/11/06	Pope & Drayer
01/02/07	50077861	W	8,504.83	3857680	01/02/07	Leboeuf, Lamb, Greene & Macrae
01/22/07	50077861	W	74.11	3870612	01/22/07	Pope & Drayer
02/22/07	50077861	W	7,199.07	3892941	02/22/07	LeBoeuf Lamb Greene & MacRae L.
04/10/07	50077861	W	1,963.42	3927166	04/10/07	LeBoeuf Lamb Greene & MacRae L.
04/10/07	50077861	W	4,564.60	3927181	04/10/07	Leboeuf, Lamb, Greene & Macrae
05/22/07	50077861	W	120.00	3950388	05/22/07	Leboeuf, Lamb, Greene & Macrae
05/24/07	50077861	W	24.00	3951441	05/24/07	Leboeuf, Lamb, Greene & Macrae
08/03/07	50077861	W	1,650.00	3994669	08/03/07	Pope & Drayer
08/07/07	50077861	W	456.00	3996305	08/07/07	Leboeuf, Lamb, Greene & Macrae
08/07/07	50077861	W	231.00	3996316	08/07/07	Leboeuf, Lamb, Greene & Macrae
09/05/07	50077861	W	6,434.66	4012435	09/05/07	Leboeuf, Lamb, Greene & Macrae
10/04/07	50077861	W	2,535.96	4033525	10/04/07	Leboeuf, Lamb, Greene & Macrae
11/05/07	50077861	W	1,301.63	4051810	11/05/07	Dewey & LeBoeuf LLP
12/03/07	50077861	W	7,679.14	4066710	12/03/07	Dewey & LeBoeuf LLP
01/23/08	50077861	W	693.50	4100025	01/23/08	Dewey & LeBoeuf LLP
02/25/08	50077861	W	1,156.14	4118869	02/25/08	Dewey & LeBoeuf LLP - ALL USE
03/27/08	50077861	W	2,661.38	4137388	03/27/08	Dewey & LeBoeuf LLP - ALL USE
04/21/08	50077861	W	1,599.47	4152024	04/21/08	Dewey & LeBoeuf LLP - ALL USE
06/04/08	50077861	W	3,150.75	4178544	06/04/08	Dewey & LeBoeuf LLP - ALL USE
07/14/08	50077861	W	2,608.75	4202421	07/14/08	Dewey & LeBoeuf LLP - ALL USE
08/12/08	50077861	W	330.00	4221352	08/12/08	Dewey & LeBoeuf LLP - ALL USE
08/29/08	50077861	W	3,653.16	4231250	08/29/08	Dewey & LeBoeuf LLP - ALL USE
10/06/08	50077861	W	1,577.62	4256134	10/06/08	Dewey & LeBoeuf LLP - ALL USE
10/13/08	50077861	W	40.00	4260251	10/13/08	Commonwealth of PA-REMIT
10/28/08	50077861	W	42.82	4268187	10/28/08	Dewey & LeBoeuf LLP - ALL USE
10/30/08	50077861	W	860,521.29	4270367	10/30/08	First United National Bank - W
10/30/08	50077861	W	2,954,978.83	4270367	10/30/08	Clarion Area Authority - Wire
10/31/08	50077861	W	24,389.88	4270781	10/31/08	Clarion County Recorder of Dee
10/31/08	50077861	W	100.00	4270781	10/31/08	Pope & Drayer
11/24/08	50077861	W	24.88	4284459	11/24/08	Dewey & LeBoeuf LLP - ALL USE
12/23/08	50077861	W	95.40	4299593	12/23/08	Dewey & LeBoeuf LLP - ALL USE
			<u>4,204,435.90</u>			

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

**Acquisition of the
Clarion Area Authority**

Original Cost of Sewer Utility Plant,
Depreciation Reserve Calculations,
and Replacement Cost New Less Depreciation
at October 30, 2008

By

Scott D. Fogelsanger
Principal

AUS CONSULTANTS
275 Grandview Avenue, Suite 100
Camp Hill, PA 17112

September 2009

Pennsylvania-American Water Company

Valuation of the Clarion Area Authority

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 30, 2008
Based Upon Whole Life Depreciation

Acct. No.	Description	Original Cost at 10/30/08	ASL/lowa Curve	Calculated Depreciation Reserve	Depreciated Original Cost at 10/30/08
<u>Non-Depreciable Plant:</u>					
353.2	Land & Land Rights - Collection Plant	\$606,814.78		\$0.00	\$606,814.78
353.3	Land & Land Rights - System Pumping Plant	5.00		0.00	5.00
353.4	Land & Land Rights - Treat. & Disposal Plant	1,002.00		0.00	1,002.00
	Total Non-Depreciable Plant	\$607,821.78		\$0.00	\$607,821.78
<u>Depreciable Plant:</u>					
354.3	Structures & Impr. - System Pumping Plant	\$864,214.26	40-R3	\$380,773.83	\$483,440.43
354.4	Structures & Impr. - Treat. & Disposal Plant	410,233.29	65-R3	161,781.88	248,451.41
354.7	Structures & Impr. - General Plant	4,252.26	50-R3	3,806.84	445.42
355	Power Production Equipment	66,482.84	25-R3	37,851.20	28,631.64
360	Collection Sewers - Force	130,363.40	65-R3	31,414.76	98,948.64
361	Collection Sewers - Gravity	4,399,274.52	65-R3	1,349,172.41	3,050,102.11
363	Services to Customers	266,499.70	40-R3	121,595.22	144,904.48
364	Flow Measuring Equipment	228,491.88	20-R2	39,219.80	189,272.08
371	Pumping Equipment	525,775.61	25-R3	307,110.87	218,664.74
380	Treatment & Disposal Equipment	2,115,869.01	40-R3	1,123,851.47	992,017.54
382	Outfall Sewer Lines	201,123.34	50-R3	9,875.90	191,247.44
391	Transportation Equipment	41,500.00	6-R3	41,500.00	0.00
393	Tools, Shop & Garage Equipment	72,333.88	15-R3	56,101.92	16,231.96
394	Laboratory Equipment	15,616.31	10-R3	13,584.60	2,031.71
	Total Depreciable Plant	\$9,342,030.30		\$3,677,640.70	\$5,664,389.60
	Total Plant in Service	\$9,949,852.08		\$3,677,640.70	\$6,272,211.38
<u>Deduct: Contributions in Aid of Construction:</u>					
361	Collection Sewers - Gravity	\$108,594.70	65-R3	\$32,345.84	\$76,248.86
363	Services to Customers	6,405.30	40-R3	4,340.53	2,064.77
380	Treatment & Disposal Equipment	211,419.53	40-R3	172,324.43	39,095.10
	Total Contributions in Aid of Construction	\$326,419.53		\$209,010.80	\$117,408.73
	Total Plant in Service (Net)	\$9,623,432.55		\$3,468,629.90	\$6,154,802.65

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

Public Meeting held October 23, 2008

Commissioners Present:

James H. Cawley, Chairman
Tyrone J. Christy, Vice Chairman
Robert F. Powelson, Statement Attached
Kim Pizzingrilli
Wayne E. Gardner

Application of Pennsylvania-American Water Company (PAWC) for approval of: 1) the transfer, by sale, of substantially all of the Clarion Area Authority's assets, properties and rights, related to its wastewater system to PAWC; 2) the right of PAWC to begin to offer or furnish wastewater service to the public in all of Clarion Borough and portions of the Townships of Clarion and Monroe, Clarion County; and 3) the right of PAWC to assume certain Clarion Area Authority contracts.

Docket Number:
A-230073F0009

ORDER

BY THE COMMISSION:

By the application filed on February 1, 2005, 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 Clarion Area Authority's (CAA or Authority) assets, properties and rights, related to, or used in connection with its wastewater system 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, render, furnish and supply wastewater service to the public in Clarion Borough and in portions of the Townships of Clarion and Monroe, Clarion County; also, the right of PAWC to assume certain Authority contracts.

Proofs of service and publication were submitted by the Applicant. On March 14, 2005, the Office of Consumer Advocate (OCA) filed a Notice of Intervention and Public Statement regarding PAWC's proposal, included in the application, to implement a Collection System Improvement Charge (CSIC). A settlement was reached between PAWC and OCA and on April 28, 2005, PAWC filed an amendment to the application, thereby removing the proposed CSIC language; OCA then withdrew its intervention. No other protests were filed and no hearings were held.

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. In its most recent filings, PAWC has indicated that it furnishes water service to more than 629,000 customers and 15,000 wastewater customers in a service territory encompassing more than 373 communities across the Commonwealth.

The Clarion Area Authority, 14 N. Fifth Avenue, Clarion, PA 16214, is a municipal authority organized under the Pennsylvania Municipality Authorities Act. The Authority owns and operates a public sanitary wastewater system in the Borough of Clarion and portions of Clarion and Monroe Townships, Clarion County. The Applicant indicated that the Authority provided wastewater service to 2,155 customers on December 31, 2004. Exhibit M, attached to the

application, is a map illustrating the Authority's service territory according to its Act 537 Plan.

On November 19, 2004, PAWC entered into a purchase agreement (Agreement) to acquire substantially all of the Authority's assets, properties and rights, related to, or used in connection with its wastewater system. A copy of the Agreement was included as Exhibit F to the application.

The Authority's wastewater facility is a publicly owned treatment system consisting of a treatment plant, collection system and five pumping stations. Wastewater is received from the Borough of Clarion and portions of Clarion and Monroe Townships, as well as from a pumping station owned by Strattonville Borough. The treatment plant currently has an operating capacity of 1.75 million gallons per day. After treatment, the effluent is discharged into Trout Run which eventually flows into the Clarion River.

Beginning in 1938, the Department of Environmental Protection (DEP) or its predecessor, the Department of Environmental Resources issued several NPDES (National Pollution Discharge Elimination System) permits to the Authority for the operation and maintenance of the system as a sanitary system only. By 1979, DEP determined the system was hydraulically and organically overloaded and, in response, a study was performed that determined there were serious inflow problems within the collection system. In 1983, the Authority and DEP entered into a Consent Order and Agreement (CO&A) to resolve the situation and the Authority expanded the treatment plant as part of a corrective action.

By the mid 1990's the system was again hydraulically overloaded and it was determined, once again, that the problem stemmed from the inflow of stormwater into the collection system. Also, the effluent pipe from the treatment

plant had been severed, causing the discharge location to change from that permitted by DEP. In June 2000, DEP and the Authority entered into another CO&A (June 2000 CO&A) to bring the facilities into operational compliance. In 2005, DEP determined that the Authority had not sufficiently satisfied several requirements of the June 2000 CO&A. DEP also determined the Authority was discharging inadequately treated wastewater from unpermitted locations into Trout Run and the Clarion River, which resulted in fish kills. DEP fined the Authority for the violations.

The NPDES permit, issued to the Authority by DEP at that time, had an expiration date of June 26, 2005. Due to the Authority's non-compliance with the June 2000 CO&A, DEP did not reissue the permit, however the Authority continued to operate the system. In March 2006, a new CO&A (March 2006 CO&A) was negotiated between DEP and the Authority. In particular, the new document established specific time lines for the Authority to complete several tests including submission of the results, an inflow evaluation report, a stormwater removal plan and schedule, the restoration of the effluent discharge to its permitted location and the installation of automated gates to control the inflow of wastewater into the treatment plant, as well as the installation of various monitoring/measuring devices. Additional connections to the system were banned at that time.

On April 1, 2006, DEP reissued the NPDES permit to the Authority. Since then, the effluent discharge has been reconstructed, a pump station has been reconstructed, dissolved oxygen monitors have been installed, automated gates constructed, flow meters installed and a video inspection of the collection system has been performed.

The initial purchase agreement between PAWC and the Authority listed a purchase price of \$2.7 million for the wastewater system. The price was to reflect the original cost of the utility plant of \$4,048,000, less accumulated depreciation of \$1,348,000. The Agreement generally included all of the operational assets and rights of the system; the storm water facilities were specifically excluded.

PAWC indicated it intends to use the following tentative journal entries for the basic purchase price.

	<u>Debit</u>	<u>Credit</u>
Utility plant (Orig. Cost)	\$4,048,000	
Accumulated depreciation		\$1,348,000
Short term debt		\$2,700,000

In the initial Agreement, a clause was included which also provided for the reimbursement of capital expenditures and improvements made by the Authority prior to closing. Specifically, there was a capped amount of \$100,000 for improvements to the Toby Street Pump Station. Since the completion of this transaction has been extended for several years, several amendments have been added to the initial Agreement. In addition to extending the dates of closing, the amendments have also provided for reimbursement of additional capital expenditures and improvements and for the purchase of rights-of-way.

In addition to the Toby Street Pump Station, the amendments have provided for reimbursement of eligible capital expenditures and improvements related to the Authority's March 2006 CO&A. These items include the following; Trout Run Outfall Reconstruction, Dissolved Oxygen Monitors, Automatic Slide Gates, Flow Meters, I&I Engineering and Corrective Action Plan Investigation and Engineering. At the fourth and last amendment to the Agreement, dated

September 25, 2008, the total amount allowed for reimbursement for the listed items was \$675,000.

In addition, the Authority needed to finalize the acquisition of all unresolved rights-of-way. Because the cost of obtaining the rights-of-way was quite substantial, an additional reimbursement allowance of \$500,000 was included in the fourth amendment, in order to share some of the cost with PAWC. The initial purchase price plus the reimbursements currently totals \$3,975,000.

The Authority has charged tap-in fees which it booked as operating income rather than as contributions-in-aid-of-construction and an offset to the original cost of the plant. Also, the cost of extending the collection system into Monroe Township was financed by means of a grant from the U.S. Department of Housing & Urban Development (HUD), under the Housing & Community Development Act of 1974. It was indicated the value of the grant is not distinguished in the Authority's records and the total value of the collected tap-in fees is not known. PAWC has indicated that it has requested copies of the HUD grant documents from the Authority. The value of contributions-in-aid-of-construction (tap-in fees/HUD grants) shall be determined and appropriately applied.

PAWC also indicated that, after closing, it will undertake an original cost study to determine the original cost and accumulated depreciation of the Authority's utility plant in service. After the study is completed and the depreciated original cost and book value is finalized, PAWC will amend its pro forma balance sheet.

The initial purchase agreement indicated that PAWC would adopt the Authority's service rates which are in effect at closing, however the Authority

was required to increase its service rates by at least ten percent over the existing rates. Under the Authority's rates, at the time the Agreement was executed, a monthly usage of 5,000 gallons cost \$21.85. The third amendment to the Agreement, issued on March 23, 2006, required that the service rates be increased by twenty three percent. The Authority has increased its service rates several times during the intervening period. The most recent rate increase became effective on July 1, 2008, and for a usage of 5,000 gallons per month, the monthly cost is now \$29.16 – a 33.5% increase over the initial rates. The July 1, 2008, rates are those which PAWC proposes to adopt.

The Authority also provides bulk treatment service to the Municipal Authority of Strattanville Borough (Strattanville) through an agreement executed in June 1986. Strattanville constructed and owns its own collection system which abuts and adjoins the Authority's system. Using a pumping station, owned by Strattanville, wastewater is pumped into the Authority's collection system for treatment. In December 2005, Strattanville enacted a resolution indicating its consent to the reassignment of the agreement with the Authority to PAWC at the time of closing. PAWC has indicated it will negotiate a new municipal agreement with Strattanville after closing.

A part of PAWC's application was a request for approval to assume certain Authority contracts, including a Service Agreement between the Authority and the Township of Monroe (Monroe) dated September 6, 1977, as well as the Authority's contract with Strattanville described above. PAWC later determined that the Service Agreement between Monroe and the Authority had been terminated and was no longer in effect. PAWC issued an amendment to the application in order to remove consideration of the Monroe agreement so that only the Strattanville agreement remains.

In Paragraphs 20 and 30 of the application, PAWC indicated its intent to implement a Collection System Improvement Charge. On March 14, 2005, the Office of Consumer Advocate (OCA) filed a Notice of Intervention and Public Statement regarding the issue. A settlement was reached between PAWC and OCA and on April 28, 2005, PAWC filed an amendment to the application, stating, "Because the Commission's authority to authorize the implementation of a CSIC is currently under appeal in the Pennsylvania appellate courts in the matter of *Popowsky v. Pennsylvania Public Utility Commission*, No. 2497 C.D. 2003, Pennsylvania American Water wishes to remove the CSIC issue from this Application." On May 5, 2006, OCA withdrew its intervention. Commonwealth Court has since ruled against the use of the CSIC surcharge for wastewater rate making purposes.

While the subject application was filed by PAWC on February 1, 2005, completion of the transaction has been delayed for several reasons. Those issues include; 1) the negotiation of a Consent Order and Agreement between PAWC, DEP and the tributary municipalities, Monroe Township, Clarion Township and Clarion Borough; 2) the need for the outfall pipe to be reconstructed at the permitted discharge point; and 3) negotiation between Monroe Township and Clarion Borough regarding disbursement of the proceeds of the sale.

A new CO&A has been drafted by DEP and modified several times. This document is to replace the March 2006 CO&A between DEP and the Authority and be executed by DEP, PAWC, the Borough of Clarion, Clarion Township and Monroe Township, at the time of closing. This document addresses Control and Procedure Plans, I&I issues and the hydraulically overloaded condition of the system. This CO&A also spells out the Planning and Plan Implementation Obligations of PAWC and the Municipalities. Each Municipality

is to prepare and submit to DEP a report of the municipality's current and future wastewater needs, to be served by the subject facilities, and submitted in compliance with a timeline schedule detailed in the CO&A.

Following DEP approval of the reports, PAWC on behalf of the Municipalities, is to prepare a complete Official Plan Update Revision to the Municipalities' Official Plans that provides adequate conveyance and treatment for the current and future wastewater needs and provides for the elimination of all sanitary wastewater overflows and any other unpermitted discharges from the wastewater facilities. The CO&A also addresses the acceptance, processing or treatment of sludge/septage waste at the facilities, the collection of flow proportionate influent and effluent samples, effluent composite samples for Total Suspended Solids, the submission of Wasteload Management Reports, the prohibition of new service connections and a schedule of the civil penalties for violations.

Indemnification agreements will be executed, at closing, between PAWC and each of the Municipalities. These agreements will provide protection from liability to the other parties in the event that any of the signatories to the CO&A should default in the satisfactory fulfillment of its obligations. Also, PAWC has submitted, to DEP, completed applications for the transfer of all the necessary permits from the Authority to PAWC. The NPDES permit and several other Sewage Permits, Water Quality Management Permits and the Water Obstruction and Encroachment Permit will be transferred to PAWC upon execution of the CO&A, by DEP.

The second issue, which has held-up the transaction, was the replacement of the outfall/effluent pipe. The repair/replacement has been completed by the Authority. The third issue was in regard to the distribution of

the proceeds from the sale. The Authority will pay \$200,000 from the proceeds to Monroe Township with the remaining amount going to Clarion Borough. This distribution was determined through negotiations between Monroe Township and Clarion Borough.

Repairs are currently being made to one of the four clarifier units. At the beginning of the year, it was discovered that the mechanical components of the unit were worn out and the Authority has contracted for the repairs. It is anticipated that the repairs will be finished and the unit will be operable by the end of October 2008.

DEP has set deadlines for the completion of repairs to prevent the continuing wastewater overflows from the treatment plant. The Authority arranged for a survey of the collection system and an engineering firm is in the process of developing plans and specifications in order to issue bid proposals for the repair work necessary to stop stormwater inflows and the infiltration which causes the system to overflow. PAWC indicated it has formulated a Capital 5 Year Plan to finance the repairs to the collection system or the construction of alternatives to address the issues.

Video inspections have been performed on the customers' laterals in order to locate unauthorized connections including floor and foundation drains, rain gutters, storm water connections, sump pump connections as well as clogged, leaky, broken and collapsed lines. The customers who are identified as having the unauthorized or faulty connections may be required to pay for the cost of disconnecting any unauthorized connections or to fix the leaks or clogs.

The Purchase Agreement also contains a requirement that PAWC engineer, design and construct, at its expense, a wastewater line extension along

PA Route 322 to the Clarion-Limestone school complex in Clarion Township. This extension is to be constructed at such time as the Municipal Act 537 Plans are updated and indicate that wastewater service is needed for additional residential and commercial customers in that area.

In summary, this application has remained open for a considerable amount of time. The Commission's evaluation of this application, as amended, was delayed until DEP was satisfied with the completion of the required repairs and studies, the Municipalities were all in accord and the level of reimbursement for additional expenses was determined. Following completion of the above and the finalization of the CO&A in September 2008, between DEP and PAWC, the application, as amended, reached a stage at which the Commission has been able to complete its evaluation.

Therefore, in recognition of the circumstances identified in the subject application, 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).

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 Pennsylvania-American Water Company's application for approval of the acquisition of the Clarion Area Authority's wastewater system is necessary or proper for the service, accommodation, convenience or safety of the public; **THEREFORE,**

IT IS ORDERED:

1. That the application, as amended, of Pennsylvania-American Water Company, at Docket No. A-230073F0009 is 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 (including the four amendments) to acquire substantially all of the Clarion Area Authority's assets, properties and rights, related to its wastewater system.
3. That upon receipt of a notice of closing, a Certificate of Public Convenience be issued pursuant to Sections 1102(a)(1) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1) evidencing Commission approval to offer or furnish wastewater service to the public in the Borough of Clarion and portions of Clarion and Monroe Townships, Clarion County, as illustrated in Exhibit M of the application.
4. That upon finalization or within four months prior to the next general rate increase filing, Pennsylvania-American Water Company shall provide copies of the original cost studies for the utility system and the final journal entries. The value of contributions-in-aid-of-construction (tap-in fees/HUD grants) shall be determined and appropriately applied. Copies shall be provided to the Office of Consumer Advocate, the Bureau of Fixed Utility Services, the Office of Trial Staff and the Office of Small Business Advocate.
5. That approval of the subject application does not constitute any determinations for ratemaking purposes.

6. That Pennsylvania-American Water Company shall file a tariff supplement, for the subject service territory, adopting the Clarion Area Authority service rates which became effective on July 1, 2008. The tariff supplement shall become effective on the date of closing.

7. That a copy of this Order be served upon Pennsylvania-American Water Company, Clarion Area Authority, the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate and the Department of Environmental Protection-Northwest Regional Office and its Bureau of Regulatory Counsel.

8. That upon receipt of a notice of closing and the issuance of a Certificate of Public Convenience, as indicated in Ordering Paragraph No. 3, the folder docketed at A-230073F0009, shall be marked closed.

BY THE COMMISSION,

James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: October 23, 2008

ORDER ENTERED: October 28, 2008

OPERATING EXPENSES

SALARY AND WAGES

Pennsylvania American Water Company
 Clarion 2447
 Test Year: 12/31/09

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		O&M	CAP	O&M	CAP	O&M		
Lead Plant Operator	24.41	\$		\$	52,418.89		2162.00		32.50			2194.50
Wastewater Operator	18.35	\$		\$	43,463.41		2112.00		199.00			2311.00
Wastewater Operator	20.04	\$		\$	49,986.15		2227.00		200.50			2427.50
		\$	-	\$	145,868.45	-	6,501.00	-	432.00	-	-	6,933.00

Exempt

Supvr Production	30.29	\$		\$	53,852.87		1778.00					1778.00
		\$	-	\$	53,852.87	0.00	1778.00	0.00	0.00	0.00	0.00	1778.00

Total	\$	199,721.32
O & M	\$	199,721.32
AIP	\$	5,385.00
Per Books	\$	205,916.00
Accruals	\$	809.68

Pennsylvania American Water Company
 Clarion 2447
 Proforma: as of 01/01/11

Non-Exempt	Job Title	PROFORMA HOURLY RATE	PROFORMA WAGES		PROFORMA WAGES		REGULAR HOURS		1.5x HOURS		2x HOURS		Total HOURS
			CAP	O&M	O&M	CAP	O&M	CAP	O&M	CAP	O&M		
	Lead Plant Operator	25.66	-	\$ 54,829.01	2088.00	32.50							2120.50
	Wastewater Operator	19.42	-	\$ 46,345.83	2088.00	199.00							2287.00
	Wastewater Operator	21.16	-	\$ 50,545.95	2088.00	200.50							2288.50
			-	\$ 151,720.79	6264.00	432.00							6696.00
Exempt	Supvr Production	32.16		\$ 67,150.08	2088.00								2088

Total \$ 218,870.87
 Capitalization % 0.00%

Pennsylvania American Water Company
 Test Year and Proposed Wages Clarion 2447
 Actual Year: December 31, 2009

B/U	Hire Date	Job Title	Location	12/31/2009 Test Year Rate	Annual Salary	Rate 1/1/2010	Annual 2010	% Increase	Rate 1/1/2011	Annual 2011	DCP %
Hourly	10/31/08	Lead Plant Operator	CLARWW - Treatment	24.41	50,968.08	24.91	52,012.08	3%	25.66	53,578.08	5.25
	10/31/08	Wastewater Operator	CLARWW - Treatment	18.35	38,314.80	18.85	39,358.80	3%	19.42	40,548.96	5.25
	10/31/08	Wastewater Operator	CLARWW - Treatment	20.04	41,843.52	20.54	42,887.52	3%	21.16	44,182.08	5.25
Salary								% Increase			
	244708	10/28/2009	Supvr Production	30.29	63,241.34	31.23	65,201.98	3%	32.16	67,150.08	5.25

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

ANNUAL INCENTIVE PLAN

Pennsylvania American Water Company
 AIP Payouts - Clarion WW 2447
 Proforma - 12/31/10

Job Title	2010	2009	2008	Average AIP Payout	2010 Salary	Clarion WW AIP %	Proforam AIP
Supvr Production	8,110	N/A	N/A	NA	67,150.08	10%	\$ 6,715.01



AMERICAN WATER

2009 Annual Incentive Plan Highlights Brochure

February 2009

Table of Contents

THE 2009 AMERICAN WATER ANNUAL INCENTIVE PLAN	1
Your Performance — Your Award	1
Eligibility	2
Why Change?	3
DETERMINING AIP AWARDS.....	4
Step 1: Establish initial award pool based on overall corporate performance	4
Step 2: Allocate overall corporate funding to organizational groups/ functional areas, and adjust specific organizational group/functional area funding to reflect results	6
Step 3: Determine individual AIP award based on (a) individual performance, and (b) available organizational group/functional area funding; awards are paid from applicable organizational group/functional area award pool	7
WHAT THE 2009 AIP MEANS FOR YOU.....	8
Performance Ratings	8
Award Payout Examples	9
Receiving Your AIP Award.....	11
FREQUENTLY ASKED QUESTIONS.....	12

THE 2009 AMERICAN WATER ANNUAL INCENTIVE PLAN

Your Performance — Your Award

At American Water, your performance counts. We rely on our employees' knowledge and skills to help the Company achieve its business objectives.

The American Water 2009 Annual Incentive Plan (AIP) is designed to give eligible exempt employees an annual opportunity to earn a cash award that recognizes and rewards their contributions to the Company's success. We have made significant changes to the AIP design to reinforce the link between Company and individual performance and award payouts. This means that Company and individual performance are both taken into account to determine cash awards under the plan. Starting with the 2009 AIP:

- We are adopting a **new approach to AIP funding** that directly ties the amount of available cash for AIP payouts to Company performance against specific metrics. Additionally, AIP funding for all eligible, exempt employees — regardless of role — will depend on the Company's achieving its financial and non-financial goals.
- Your **individual performance will play a greater role in determining the amount of your payout**. Employees who exceed their performance targets could receive significantly higher payouts. Conversely, employees who underperform and do not meet their performance targets could receive lower payouts or no payout at all. In short, *your* performance directly impacts the amount of *your* award.

The 2009 AIP is designed to challenge and motivate you to perform at your highest level, and promote the creation of shareholder value. Read this brochure to learn about how the 2009 plan works and what it means for you and your AIP award going forward.

The 2009 AIP	
What's Changing	What's Staying the Same
<ul style="list-style-type: none"> ■ Awards are more closely aligned with the Company's ability to fund the award and with individual performance. ■ AIP award pool funding is based on overall corporate performance against specific financial and non-financial goals (represented by the Corporate Multiplier), then allocated across organizational groups/functional areas — at senior management's discretion — depending on organizational group/functional area results. <ul style="list-style-type: none"> ■ AIP funding for all employees — regardless of your role or position in the Company — depends on the Company achieving its financial as well as non-financial goals. ■ Financial metrics updated to reflect Diluted Earnings per Share. ■ Individual award payouts will be based on individual performance against specific goals (represented by the Individual Performance Factor) and paid from available organizational group/functional area funding. ■ For 2009, the Individual Performance Factor range has been changed from 0%-120% to 0%-200%. Individual payouts will be capped at 200% of AIP target award. 	<ul style="list-style-type: none"> ■ Award opportunity (Target Award) is still expressed as a percentage of base salary. (See Attachment B). <ul style="list-style-type: none"> ■ Actual payout may be lower or higher than target depending on Company and individual performance against specific goals. ■ Individual performance is assessed by your manager and measured against your pre-determined performance goals. ■ Your AIP will be distributed as a cash award in March. <ul style="list-style-type: none"> ■ You must be actively employed with American Water on the date awards are made to receive your 2009 AIP payout. ■ If you are disabled, retire, experience a layoff or die, you or your beneficiary may be eligible to receive an award prorated to reflect your service during the plan year.

Eligibility

- You are eligible for an AIP award opportunity if you are a full-time exempt employee of American Water. Eligible exempt employees who join American Water on or before September 30, 2009 are also eligible to participate in the AIP on a prorated basis. Employees transferred from nonexempt to exempt status on or after September 30th are not eligible in the transfer year.

- You must be an active employee with American Water on the date the payout is made in order to receive the award. In certain circumstances, such as disability, retirement, layoff or death, an award may be made — prorated to reflect your service during the plan year.
- If you are promoted during the plan year to a position with a *higher* AIP target level, or if you are reclassified to a position with a *lower* AIP target level, your award payout will be based on your new target level as of December 14, 2009.
- If your performance or Company performance falls below “Adequate” or “Too Soon to Rate,” you will not receive a payout.

Why Change?

Since the value (as reflected in our share price and our return to shareholders) and success of our business depend on the achievement of annual Company and individual performance goals, American Water recognizes the need to differentiate and reward the performance of employees who enable us to reach these goals. The 2009 AIP is designed to ensure that award payouts are directly tied to measurable contributions — both Company and individual — to American Water's success.

DETERMINING AIP AWARDS

AIP award payouts depend on individual performance; they also depend on overall corporate performance and organizational group/functional area results (which determine award pool funding).

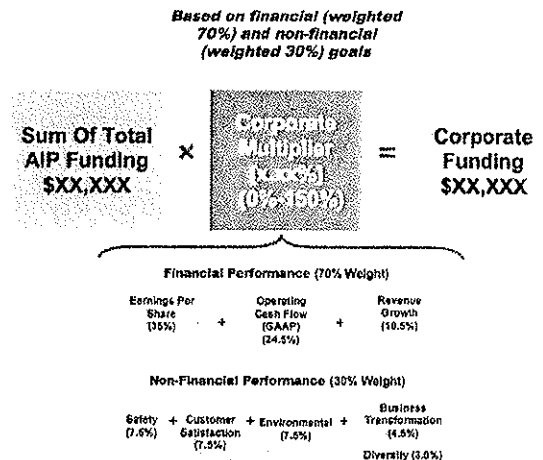
AIP awards will be determined according to the following three-step process:

- Step 1: Establish initial award pool based on overall corporate performance**
- Step 2: Allocate overall corporate funding to organizational groups/functional areas, and adjust specific organizational group/functional area funding to reflect results**
- Step 3: Determine AIP award based on individual performance; awards are paid from available organizational group/functional area funding**

Step 1: Establish initial award pool based on overall corporate performance

Each year, American Water establishes funding for the AIP award pool. Starting in 2009, the funding will be directly tied to Company performance and represented by the **Corporate Multiplier**. The

Corporate Multiplier can range from 0% to 150% depending on how well the Company performed against the financial and non-financial goals described below. Note that a pre-determined **threshold** for Company performance - **2009 Diluted Earnings Per Share (EPS) must be at least 90.9% of target** - must be met in order for funding and any award to be provided under the AIP.



■ **Financial Metrics (Weighted 70%) (See Attachment A)**

- *Diluted Earnings Per Share (35%)* is a widely tracked measure of financial performance/profitability, and is calculated as follows:

$$\begin{array}{r}
 \text{Net Income to Common Stockholders} \\
 + \\
 \text{Average Outstanding Shares (including dilutive securities such as} \\
 \text{stock options)} \\
 = \\
 \text{Diluted Earnings per Share}
 \end{array}$$

- *Operating Cash Flow (GAAP) (24.5%)* reflects the amount of cash generated from our operations and is used as an additional measure of profitability. Operating cash flow is calculated as follows:

$$\begin{array}{r}
 \text{Net Income} \\
 + \\
 \text{Depreciation and Amortization} \\
 - \\
 \text{Deferred Expenses} \\
 +/- \\
 \text{Changes in Payables and Receivables} \\
 = \\
 \text{Operating Cash Flow}
 \end{array}$$

- *Revenue Growth (10.5%)* is a measure of how quickly our business is growing and reflects the percentage of planned increase in revenues achieved.

■ **Non-Financial Metrics (Weighted 30%)***

- Safety (7.5%)
- Environmental (7.5%)
- Customer Satisfaction (7.5%)
- Business Transformation (4.5%)
- Diversity (3.0%)

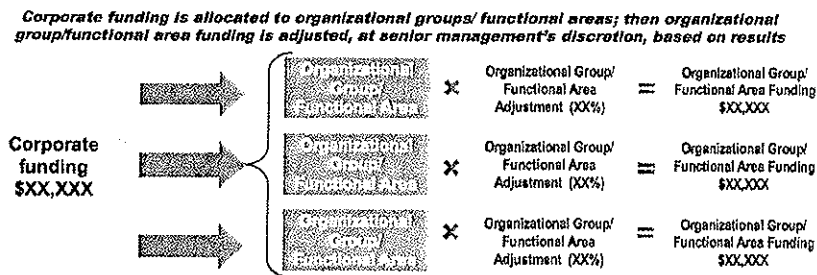
**These outcomes are based on a combination of surveys, end-of-year results, data and other annual reports (see Attachment A at the back of this brochure).*

Please note that AIP funding for all employees (regardless of role or position) will depend on how well the Company achieves its financial goals as well as non-financial goals.

The financial and non-financial metrics are added together to determine the Corporate Multiplier. So, even if certain metrics are not achieved, the funding may be reduced, but not eliminated altogether. However, if the Company’s financial performance does not meet the threshold, the Corporate Multiplier will be reduced to zero, which would eliminate your award payout (as indicated in the examples on page 10). The Corporate Multiplier (and thus funding for payouts) may be adjusted to take into account “uncontrollable events” including — but not limited to — severe weather conditions that significantly impact financial results (i.e., hurricanes), impairment charges, dissolution or acquisition of businesses or costs related to public offerings.

Step 2: Allocate overall corporate funding to organizational groups/ functional areas, and adjust specific organizational group/functional area funding to reflect results

Once the overall corporate funding is determined as described under Step 1, senior management will allocate the Corporate funding to American Water’s organizational groups and functional areas. The funding for each organizational group/functional area may be increased or decreased, at senior management’s discretion, to reflect specific organizational group/functional area results.



Step 3: Determine individual AIP award based on (a) individual performance, and (b) available organizational group/functional area funding; awards are paid from applicable organizational group/functional area award pool

Your **AIP target award** (i.e., your award opportunity) is based on your role or position with the Company and is expressed as a percentage of your base salary. Your actual award payout may be higher or lower than target depending on whether individual and Company performance goals have been met, and your organizational group's/functional area's results. Contact your manager for information on your individual AIP Target Award.

Your Individual performance factor is based on: (a) your performance against specific targets, and (b) the amount of organizational group/functional area funding available

$$\begin{array}{r}
 \$XX,XXX \\
 \text{Individual AIP} \\
 \text{Target (\% of} \\
 \text{Base Salary)}
 \end{array}
 \times
 \begin{array}{r}
 \text{Individual} \\
 \text{Performance} \\
 \text{Factor} \\
 [x.xx\%] \\
 (0\%-200\%)
 \end{array}
 =
 \begin{array}{r}
 \$XX,XXX \\
 \text{Individual} \\
 \text{Award}
 \end{array}
 \leftarrow \dots \begin{array}{l}
 \text{Award paid from} \\
 \text{applicable} \\
 \text{organizational} \\
 \text{group/functional} \\
 \text{area award pool}
 \end{array}$$

The sum of individual awards for a specific organizational group/functional area must equal the funding allocated to that organizational group/functional area.

The **Individual Performance Factor** represents how well you achieve your annual individual performance goals. Your Individual Performance Factor can range from 0% to 200%, depending on your performance for the plan year and the amount of organizational group/functional area funding available. This performance factor will then be multiplied by your Target Award to determine your 2009 AIP award payout. Individual payouts will be capped at 200% of AIP target award.

Individual AIP awards are then paid from the applicable organizational group/functional area award funding. The sum of all individual awards within a given organizational group/functional area may not exceed its allocated pool of dollars.

WHAT THE 2009 AIP MEANS FOR YOU

Performance Ratings

Most people are motivated to do their best; therefore the better you perform, the greater your potential award will be under the Plan. It is your responsibility to maximize your award opportunity by achieving or exceeding your goals.

Each year, you and your manager identify four to six high priority and challenging performance targets, which represent where you can directly impact the Company's success. These performance targets and their weightings should be specific, measurable and aligned with the Company's performance targets. During your year-end performance review, you and your manager will discuss how well you performed against the established targets, and rate your performance using one of the following performance ratings:

2009 Performance Rating Scale	
Rating	Description
Exceptional	Contributions are widely recognized as extraordinary. Results far exceed all defined expectations, producing important and substantial impact on the Company, Division, Operating Company, Line of Business or Function.
Significant	Contributions are widely recognized as distinguished. Results exceed all or most expectations, producing a tangible and material impact on the Company, Division, Operating Company, Line of Business or Function.
Commendable	Contributions are widely recognized as meaningful. Results meet, and in some cases exceed expectations, producing a positive and desirable impact on the Company, Division, Operating Company, Line of Business or Function.
Adequate	Contributions are widely recognized as limited. Results meet and in some cases fall slightly short of expectations, producing inconsistent and marginal impact on the Company, Division, Operating Company, Line of Business or Function.
Unacceptable	Contributions are widely recognized as unsatisfactory. Results fall considerably short of expectations, producing negligible or no impact on the Company, Division, Operating Company, Line of Business or Function.
Too Soon to Rate	Contributions cannot be measured at this time because more time is needed to see a result.

Later, during the AIP process, your manager will use your rating to determine your Individual Performance Factor. Depending on how you performed during the year, you could potentially earn a higher payout than in previous years — or you could earn a lower payout or no payout at all (as the examples on the following page demonstrate). In other words, the new AIP design gives you more power than ever before to impact the size of your award. It also means that you are more accountable than ever before for meeting your goals.

Award Payout Examples

Let's calculate possible award payouts for a sample AIP participant, under four possible scenarios:

AIP Participant Assumptions				
Salary Level	L07			
Annual Base Salary	\$90,000			
Individual AIP Target	\$13,500 (15% of Base Salary)			
Total of all AIP Targets	\$20,000,000			
Total AIP for Organizational Group	\$2,000,000			
	Performance			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
■ Company	Above Target	Target	Threshold	Below Threshold
— Financial Performance Factor	1.39	0.94	0.50	0.00
— Non-Financial Performance Factor	0.77	1.12	0.50	0.00
■ Individual	Adequate	Significant	Adequate	Commendable
— Individual Performance Factor	0.80	1.50	0.40	1.00

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
STEP 1: Establish corporate funding based on overall corporate performance				
Total of AIP Targets (A)	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Financial Performance Factor (i) (70% weight)	$1.39 \times 0.70 = 0.97$	$0.94 \times 0.70 = 0.66$	$0.50 \times 0.70 = 0.35$	$0.00 \times 0.70 = 0.00$
Non-Financial Performance Factor (ii) (30% weight)	$0.77 \times 0.30 = 0.23$	$1.12 \times 0.30 = 0.34$	$0.50 \times 0.30 = 0.15$	$0.00 \times 0.30 = 0.00$
i + ii = Corporate Multiplier (B)	1.20	1.00	0.50	0.00
A × B = Corporate Funding	$\$20,000,000 \times 1.20 = \$24,000,000$	$\$20,000,000 \times 1.00 = \$20,000,000$	$\$20,000,000 \times 0.50 = \$10,000,000$	$\$20,000,000 \times 0.00 = \0
STEP 2: Allocate overall corporate funding to organizational groups/functional areas; adjust specific organizational group/functional area funding to reflect results				
Organizational Group Pool (C) (Allocated from corporate funding)	\$2,400,000	\$2,000,000	\$1,000,000	\$0
Organizational Group Adjustment (D)	1.00 (Target)	.80 (Below Target)	1.20 (Above Target)	1.00 (Target)
C × D = Organizational Group Pool (adjusted based on results)	$\$2,400,000 \times 1.00 = \$2,400,000$	$\$2,000,000 \times 0.80 = \$1,600,000$	$\$1,000,000 \times 1.20 = \$1,200,000$	$\$0 \times 1.00 = \0
STEP 3: Determine individual award based on individual performance and available organizational group/functional area funding; awards are paid from applicable organizational group/functional area award pool				
Individual AIP Target (E)	\$13,500	\$13,500	\$13,500	\$13,500
Individual Performance Factor (F) (Range of 0 – 2.00)	0.80 (Adequate)	1.50 (Significant)	0.40 (Adequate)	1.00 (Commendable)
E × F = Individual Award	$13,500 \times 0.80 = \$10,800$ (80% of AIP target)	$13,500 \times 1.50 = \$20,250$ (150% of AIP target)	$13,500 \times 0.40 = \$5,400$ (40% of AIP target)	$13,500 \times 1.00 = \$13,500$ however, payout will be \$0 since award pool = \$0

As you can see, both Company and individual performance can significantly impact your final payout. Also, remember that the sum of individual awards for a specific organizational group/functional area must equal the funding allocated to that organizational group/functional area.

Please discuss the new AIP process with your manager to ensure you clearly understand how the new formula works and how your performance impacts your potential award payout.

Receiving Your AIP Award

Awards will be paid in cash by March 15 of the year following the year in which they are earned. If you're eligible for an award payout, please keep in mind that:

- The payout will be based on your salary as of December 14, 2009 and subject to all federal, state and local income tax withholdings.
- The American Water Board, or its Designee, reserves the right to determine whether awards are payable to any individual or group of individuals; the Board may withhold all award payouts in certain circumstances.

Remember, it's your performance — and your award: The contributions you make to American Water's success throughout the year ultimately impact the size of your payout. Be sure to carefully review this brochure; then speak with your manager about the new AIP and about what you can do to improve your performance and share the financial rewards of American Water's success.

FREQUENTLY ASKED QUESTIONS

Question	Answer
Why is American Water making changes to the AIP?	American Water changed the AIP to allow us to differentiate and reward the performance of employees who contribute to the achievement of the Company's goals. The 2009 AIP directly ties award payouts to measurable contributions (Company and individual) to American Water's success.
Who is eligible for the AIP?	All full-time exempt employees are eligible to participate. If you join American Water on or before September 30, 2009, you are also eligible to participate in the plan on a prorated basis.
What do I have to do to receive an AIP award?	<p>If you are eligible for an AIP award opportunity, any payout you receive will depend largely on your performance, as well as on Company performance (including financial and non-financial), which determines funding.</p> <p>If your performance is rated "Adequate" or higher, you may receive an award payout — but only if threshold Company performance metrics have been met. If your performance or Company performance falls below "Adequate" or "Too Soon to Rate," you will not receive a payout. To maximize your award opportunity, it's important to meet with your manager to establish meaningful performance goals, then work hard throughout the year to achieve those goals.</p>
How is my AIP target award opportunity determined? How can I find out what it is?	Your AIP target award opportunity is based on your role and expressed as a percentage of your base salary. Please see your manager to learn more about your target award opportunity for 2009.
How will my AIP award payout be calculated? How does this differ from the 2008 award calculation?	<p>The size of the pool which funds your award is determined based on overall corporate performance, adjusted to reflect specific organizational group/functional area results. AIP funding for all employees, regardless of role or position, will depend on the Company achieving its non-financial as well as financial goals. Once individual awards are calculated, they are paid from the applicable organizational group/functional area funding.</p> <p>Under the 2008 AIP, financial, non-financial and individual results were weighted and the results were <i>added</i> together to determine the final payout. Also, non-financial goals did not</p>

Question	Answer
	<p>apply to all employees in all roles and positions.</p> <p>All AIP payouts are subject to approval by the American Water Board.</p>
<p>What is the minimum and maximum that could be paid under the plan (as a percent of target)?</p>	<p>AIP award payouts could range from zero, to a maximum of two times the participant's target award (i.e., Individual Performance Factor of 200%). Payouts are capped at 200% of AIP target award.</p>
<p>Will I receive an award payout if I meet my individual performance goals but the Company <i>does not</i> achieve minimum (threshold) performance?</p>	<p>No. Award payouts will be made only if both the Company and the individual have met the minimum (or threshold) performance goals for the year.</p>
<p>What happens if I leave American Water before I receive my award payout?</p>	<p>To receive the award payout to which you are entitled, you must be actively employed with American Water on the date the payment is to be made. If you are disabled, retire, experience a layoff or die during the plan year, you or your beneficiary may be eligible to receive an award, prorated to reflect your service during the year.</p>
<p>Do the AIP changes for 2009 affect my 2008 award?</p>	<p>No. The changes to the AIP for 2009 will be reflected in your March 2010 award payout.</p>
<p>What happens if I change job positions within American Water during the plan year?</p>	<p>If you are promoted during the plan year to a position with a <i>higher</i> AIP target level, or if you are reclassified to a position with a <i>lower</i> AIP target level, your award payout will be based on your salary and target level percentage as of December 14, 2009.</p>

This brochure provides an overview of the 2009 American Water Annual Incentive Plan. The American Water Board or its Designee, whose decisions will be final and binding, will determine interpretations of the Plan. The Company reserves the right to amend, modify, or discontinue the Plan during the plan year or at any time in the future. Participation in the Plan does not convey any commitment to ongoing employment. If there are any differences between the information contained here and the Plan Document, the Plan Documents will govern.

2009 AIP FINANCIAL PAYOUT CURVE**Diluted Earnings Per Share (EPS), Operating Cash Flow, Revenue Growth**

<u>% Target Achieved</u>	<u>% Payout</u>
115%	150%
112%	140%
109%	130%
106%	120%
103%	110%
100%	100%
98.2%	90%
96.4%	80%
94.5%	70%
92.7%	60%
90.9%	50%
<90.9%	0%

2009 AIP NON-FINANCIAL MEASURES

Environmental Compliance

For determining environmental compliance, AW will count Notices of Violation (NOV) for which the Company is responsible as described in the Environmental Non-Compliance Reporting Practice. For 2009 AW will continue to use the NOV target of 21.

NOVs	Award
11	150%
13	140%
15	130%
17	120%
19	110%
21	100%
23	90%
25	80%
27	70%
29	60%
30	50%
>30	0%

Safety Performance

Safety performance will be determined using the total OSHA Recordable Incident Rate (ORIR) for American Water. ORIR measures all injuries and illnesses requiring treatment beyond first aid for every 200,000 hours worked. For 2009 the target has been set at 5.5 which is 5% below the Bureau of Labor Statistics (BLS) Water Utility Average ORIR of 5.8.

ORIR	Award
4.5	150%
4.7	140%
4.9	130%
5.1	120%
5.3	110%
5.5	100%
5.7	90%
5.9	80%
6.1	70%
6.3	60%
6.5	50%
>6.5	0%

2009 AIP NON-FINANCIAL MEASURES

Service Quality

This metric is measured by the Service Quality Survey (SQS) which is conducted throughout the year for customers having had recent contact with an AW Customer Service Representative (CSR) or Field Service Representative (FSR). The score is based on SQS Q29: "Overall, how satisfied were you with the outcome of your service contact?" taking the top two response categories (extremely satisfied or very satisfied) of a 5 point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied). The AW target for 2009 is 85% which is 2% higher than the 2008 target.

SQS %	Award
90	150%
89	140%
88	130%
87	120%
86	110%
85	100%
84	90%
83	80%
82	70%
81	60%
80	50%
< 80	0%

Customer Satisfaction

This metric measures overall customer satisfaction through an annual survey containing the following question, "Overall, how satisfied have you been with (Company Name) in general during the past twelve months", which has a five-point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied), response percentages in the top three categories are indicative of overall customer satisfaction levels and a 90% target has been set.

CSS%	Award
95	150%
94	140%
93	130%
92	120%
91	110%
90	100%
89	90%
88	80%
87	70%
86	60%
85	50%
<85	0%

2009 AIP NON-FINANCIAL MEASURES

Business Transformation

- Approval and sign-off by each process area's Advisory Council. Each Council includes at least two state presidents, process owners, and significant internal customers.
- Also, approval and sign-off required by Business Transformation Steering Committee that includes President of AW Regulated Operations, President of AW Services Company, SVP & Chief Financial Officer, and SVP Human Resources.

Diversity

- Complete diversity awareness training for all ML-4 and above
- 25% of selection pool for L-5 positions will be diversity candidates
- 50% of strategic sourcing events will include a pre-qualified diverse supplier/contractor

2009 ANNUAL INCENTIVE PLAN TARGETS

EXEMPT POSITIONS	
Grade	AIP %
L5 – L6	20%
L7	15%
L8-L9	10%
L10 – L12	5%

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
ACTIVE EMPLOYEES			
LIVES	LIFE INSURANCE:		
453	37,647.000	1 Life - Basic (Non Bargaining)	\$0.153 per \$1,000 \$5,759.99
654	37,835.600	2 Life - Basic (Bargaining)	\$0.153 per \$1,000 5,788.85
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
29	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	9,902.519	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	3950000	16 Life - Dependent Children	\$1.200 per Family 268.80
0	0	17 Life - Supplemental	\$0.298 per \$1,000 0.00
34	968.000	18 Life - Optional	\$0.298 per \$1,000 297.40

DISABILITY:			
253982.97	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	\$0.302 per \$10	0.00

MEDICAL, DENTAL & PRESCRIPTION COVERAGE:			
171	22 Employees w/Single Coverage(Union)	\$418.00	71,648.00
	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
99	30 Employees w/Single Coverage(Non-Union)	\$418.00	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
	29 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 Clarion Wastewater Operations	4
GI Cost Clarion Operations	\$ 3,893.54
Less Employee Contribution	\$ 654.96
Monthly Cost Clarion Wastewater Operations	\$ 3,238.58
Annualized Cost	\$ 38,862.94
Less 0.00% not Charged to Operating Income	\$ -
Pro Forma Expense	<u>\$ 38,862.94</u>

Pennsylvania American Water Company
 Clarion WW Operations
 Proforma Employee Contributions

<u>Employee</u>	<u>Plan</u>	<u>Coverage</u>	Employee Contribution Per Paycheck (26)	Annualized Employee Contribution	Per Month
1	Prem PPO/NU	BW EMP&FAMILY	\$ 82.15	\$ 2,135.90	\$ 177.99
2	Prem PPO/NU	BW EMP&SPOUSE	73.38	1,907.88	158.99
3	Prem PPO/NU	BW EMP&SPOUSE	73.38	1,907.88	158.99
4	Prem PPO/NU	BW EMP&SPOUSE	73.38	1,907.88	158.99
				<hr/>	
			\$	7,859.54	\$ 654.96

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

Pennsylvania American Water Company
 Clarion 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	25.66	2088	0	53,578.08	H	5.25%	\$ 2,812.85
Wastewater Operator	19.42	2088	0	40,548.96	H	5.25%	\$ 2,128.82
Wastewater Operator	21.16	2088	0	44,182.08	H	5.25%	\$ 2,319.56
Supvr Production	32.16	2088	0	67,150.08	S	5.25%	\$ 3,525.38
Proforma Cost							\$ 10,786.61
Less: 0.0% Capitalized							0
Adjusted Proforma Cost							\$ 10,786.61
Per Books							\$ 9,824.00
Adjustment							\$ 963

401K

Job Title	Proforma		Company			Proforma 401K Expense
	Wages - Includ OT	Rate	401K Employee Contribution %	401K Match % First 3%	Company 401K Match Next 2%	
Lead Plant Operator	\$ 54,829.01	25.66	18%	100%	50%	2,193.16
Wastewater Operator	46,345.83	19.42	3%	100%	50%	1,390.37
Wastewater Operator	50,545.95	21.16	3%	100%	50%	1,516.38
Supvr Production	73,865.09	32.16	4%	100%	50%	2,585.28
Proforma Cost						\$ 7,685.19
Less: 0.0% Capitalized						\$ -
Adjusted Proforma Cost						\$ 7,685.19
Per Books						\$ 6,370.00
Adjustment						\$ 1,315
Combined Adjusted Proforma						\$ 18,471.80
Combined Per Book						\$ 16,194.00
Adjustment						\$ 2,277.80



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
Preferred Provider Organization (PPO) Medical Plan Standard 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)	Plan typically pays 80% of covered expenses after coinsurance and deductible. Annual deductible Single/Family: \$1,000/\$3,000 Out of pocket: \$3,500/\$10,500 Lifetime Maximum: unlimited Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single \$60 Employee & Spouse \$140 Employee & Child(ren) \$129 Family \$148
Preferred Provider Organization (PPO) Medical Plan Premium 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)	Plan typically pays 100% of covered expenses after co-payment. No annual deductible Out of pocket \$1,000/\$3,000 Lifetime Maximum: unlimited Plan provides for preventive care services and encourages use of cost effective network providers; therefore, plan pays less for out of network services.	Single \$69 Employee & Spouse \$159 Employee & Child(ren) \$147 Family \$178
Exclusive Provider Organization (EPO)	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. <u>There are no out-of-network benefits under this plan.</u> No Annual Deductible Lifetime Maximum: unlimited	Single \$69 Employee & Spouse \$158 Employee & Child(ren) \$146 Family \$182
EyeMed Vision Plan 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
Prescription Drug 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)	Two ways to buy: Retail (for acute medication): 10% - Generic Drugs 20% - Preferred Brand Name Drugs 20% - Non-Preferred Brand Name Drugs Mail Order (for maintenance or chronic conditions): Generic - \$14. Preferred Brand - \$30 Non-Preferred Brand - \$70	Included in the Horizon Medical Plans

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee								
Wellness and Discount Program	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)	Just present your Horizon BCBSNJ ID card at these select businesses or mention that you are a Horizon BCBSNJ member when calling. For more information and easy online ordering, visit www.horizonblue.com/nationalaccounts <ul style="list-style-type: none"> • Discounts on chiropractic, acupuncture, massage therapy, nutrition counseling and vitamins through our Horizon Alternative Therapies Program. • Discounts on eye examinations, lenses, eyeglass frames and laser vision correction services at participating Cole Vision-affiliated outlets (located in the optical departments in such stores as Sears, JCPenney, Target and Pearle Vision Centers, as well as in many independent optometrist and ophthalmologist offices) and at Davis Vision providers. • Discounts on health club memberships, bicycle and in-line skating helmets, vacation packages and more. 	Included in the Horizon Medical Plans								
Dental & Vision Only	You have the opportunity not to elect medical for you and your dependents. Please note: You must have equivalent medical coverage under another medical plan if you elect the medical opt-out option.	Premium Dental PPO & EyeMed Vision Plans	<table border="0"> <tr> <td>Single</td> <td>\$3</td> </tr> <tr> <td>Employee & Spouse</td> <td>\$8</td> </tr> <tr> <td>Employee & Child(ren)</td> <td>\$9</td> </tr> <tr> <td>Family</td> <td>\$14</td> </tr> </table>	Single	\$3	Employee & Spouse	\$8	Employee & Child(ren)	\$9	Family	\$14
Single	\$3										
Employee & Spouse	\$8										
Employee & Child(ren)	\$9										
Family	\$14										
Dental Plan Dental Standard PPO Plan which is included with the Standard PPO Medical 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)	Annual deductible: Individual - \$100 Family - \$200 Preventive Care: 80% of covered expenses after deductible (x-rays, cleanings and exam). Other covered services at 50% after deductible for major and basic services. Maximum calendar year benefit is \$1,000 Orthodontia: Not covered	Included as part of the Medical Plans								
Dental Plan Premium PPO Plan which is included with the Premium PPO and EPO Medical Plans.	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)	Annual deductible: Individual - \$50 Family - \$100 Preventive Care: 100% of covered expenses with no deductible (x-rays, cleanings and exam). Basic and major services are 80% after deductible. Maximum calendar year benefit is \$1,000 Orthodontia: - \$1,500.00 lifetime maximum. - Pays 50% of covered expenses after deductible - Covers employees and eligible dependents	Included as part of the Medical Plans								

Benefit	When You Are Eligible	What You Receive	Monthly Cost To Employee
Flexible Spending Accounts (Pre-Tax Savings Accounts)	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)	Health Care Savings Account: Set aside to pay for health services not covered by health plan such as: - Deductibles - Co-payments - Hearing aids - Routine physicals - Psychiatric treatment Annual amount that may be contributed: Minimum: \$120; Maximum: \$3,000 Use it or lose it Dependent Care Spending Account: Set aside to pay for dependent care expenses for working parent such as: - Wages paid to babysitter or companion (expenses not covered if care is provided by someone claimed as a dependent) - Nursery school/day care center costs - Wages paid to a housekeeper for providing care for an eligible dependent (dependent child under 13) or any dependent who is physically or mentally incapable of self care - Annual amount that may be contributed is \$5,000 (\$2,500 if married and file separately) Use it or lose it	Voluntary Contribution
Group Term Life Insurance	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)	Basic life insurance equal to 1 1/2 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000) Accident Death & Dismemberment: equal to 1 1/2 times your base salary rounded up to next highest \$1,000 (Maximum Benefit is \$200,000) Travel Accident Insurance while on company business: - Salary over \$40,000: \$500,000 - Salary under \$40,000: \$400,000 - Spouse: \$250,000	None
Voluntary Term Life Insurance	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: - VL of 1 x base pay - VL of 2 x base pay - VL of 3 x base pay	Monthly Contribution based on age.
Voluntary Dependent Term Life Insurance	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
Employee Assistance Plan (EAP)	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
Short Term Disability	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
Long Term Disability	Qualifying Period: Six months	<ul style="list-style-type: none"> - Provides 60% of base monthly income (not to exceed \$15,000) replacement if employee becomes disabled due to illness or accident - Offsets for other income benefits such as social security disability, income from any employer or any employment & 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. 	None
401(k)	<p>Employees are eligible to participate as soon as possible after date of hire.</p> <p>Record Keeper/Trustee - Merrill Lynch</p>	<ul style="list-style-type: none"> - A retirement and savings plan that allows you to save on a pre-tax basis. - 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. - Company matching contributions will be invested in the same funds as you direct your employee contributions. - You may contribute up to 20% of your eligible compensation not exceeding IRS limits. - All contributions, earnings and dividends accumulate tax-free until you withdraw, usually at age 59 1/2 or when you retire. - Company matching contributions vest immediately. - There are eleven investment options. - If you need money before you retire, there are special provisions for loans or hardship withdrawals. - 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. 	<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"> - 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. 	
Defined Contribution Account (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
Employee Stock Purchase Plan (ESPP)	Employees are eligible to participate as soon as possible after date of hire. Recordkeeper – E*TRADE	<ul style="list-style-type: none"> - Ability to purchase shares of American Water Common Stock at a 10% discount off the New York Stock Exchange price. - You can contribute up to 10% of your base wages during each pay period on an after-tax basis via payroll deduction. - Enrollment is quarterly. - Vesting is immediate. - Shares are purchased quarterly. - The discount on the purchase price of the shares is taxable at the time of purchase through payroll. - Six-month holding period required before shares can be sold or transferred from your E*TRADE ESPP account. - Quarterly dividends are paid in cash to your E*TRADE brokerage account. 	<ul style="list-style-type: none"> - Voluntary contributions up to 10% of your eligible compensation not to exceed \$25,000 per year. For additional information, refer to your ESPP Brochure, ESPP Prospectus and New Hire Guide.
Vacation	Based on policy.		None
Holidays	Based on policy.		None
Educational Assistance	Employees may take advantage of this benefit for eligible courses in which they enroll after their date of hire.	<ul style="list-style-type: none"> - Financial Assistance of 100% for tuition, registration and required fees. - Books, equipment, travel, parking, late registration and insurance are the responsibility of the employee (Graduate level course work may be taxable income). Limits include: <ul style="list-style-type: none"> - \$5,250.00 per year - Up to six credit hours per semester or six actual class hours if credits are not awarded - Proof of grade of C or better must be submitted at the completion of each course. Failure to submit transcript will exclude employee from future participation in the Plan. 	None

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

Effective 1-1-2010	Expires 12-31-2010	Supplier Name	Business Unit/Location	Part Description	Part Number	Shipment Quantity	Shipment Units	Product Code	Product Code Descrip	2010 Price	Supplier Prices Required in Pounds	Supplier Prices Are Delivered
Effective 9-1-2009 <td>Expires 12-31-2010 <td>Sal <td>Pennsylvania American Water <td>Chlorine;100%-2000LB <td>220A-2000LB <td>1 cylinder <td>Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td></td></td></td></td></td></td></td>	Expires 12-31-2010 <td>Sal <td>Pennsylvania American Water <td>Chlorine;100%-2000LB <td>220A-2000LB <td>1 cylinder <td>Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td></td></td></td></td></td></td>	Sal <td>Pennsylvania American Water <td>Chlorine;100%-2000LB <td>220A-2000LB <td>1 cylinder <td>Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td></td></td></td></td></td>	Pennsylvania American Water <td>Chlorine;100%-2000LB <td>220A-2000LB <td>1 cylinder <td>Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td></td></td></td></td>	Chlorine;100%-2000LB <td>220A-2000LB <td>1 cylinder <td>Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td></td></td></td>	220A-2000LB <td>1 cylinder <td>Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td></td></td>	1 cylinder <td>Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td></td>	Ton Cylinder <td>BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td></td>	BC72 <td>Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td></td>	Liquid Chlorine <td>\$ 0.2700 <td></td> <td></td> </td>	\$ 0.2700 <td></td> <td></td>		
Effective 1-1-2010 <td>Expires 3-31-2010 <td>Pollutech <td> <td>Polymer,Sludge,POLLUTECH - 50LB <td>430B-50LB <td>10 Bags <td>50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td></td></td></td></td></td></td></td>	Expires 3-31-2010 <td>Pollutech <td> <td>Polymer,Sludge,POLLUTECH - 50LB <td>430B-50LB <td>10 Bags <td>50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td></td></td></td></td></td></td>	Pollutech <td> <td>Polymer,Sludge,POLLUTECH - 50LB <td>430B-50LB <td>10 Bags <td>50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td></td></td></td></td></td>	<td>Polymer,Sludge,POLLUTECH - 50LB <td>430B-50LB <td>10 Bags <td>50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td></td></td></td></td>	Polymer,Sludge,POLLUTECH - 50LB <td>430B-50LB <td>10 Bags <td>50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td></td></td></td>	430B-50LB <td>10 Bags <td>50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td></td></td>	10 Bags <td>50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td></td>	50 LB Bags <td>BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td></td>	BC49 <td>Polymer <td>\$ 2.5700 <td></td> <td></td> </td></td>	Polymer <td>\$ 2.5700 <td></td> <td></td> </td>	\$ 2.5700 <td></td> <td></td>		
		Univar <td> <td>Pot.Permanganate,100%-55LB <td>460A-55LB <td>As Needed <td>AS <td>BC26 <td>Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td></td></td></td></td></td></td></td>	<td>Pot.Permanganate,100%-55LB <td>460A-55LB <td>As Needed <td>AS <td>BC26 <td>Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td></td></td></td></td></td></td>	Pot.Permanganate,100%-55LB <td>460A-55LB <td>As Needed <td>AS <td>BC26 <td>Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td></td></td></td></td></td>	460A-55LB <td>As Needed <td>AS <td>BC26 <td>Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td></td></td></td></td>	As Needed <td>AS <td>BC26 <td>Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td></td></td></td>	AS <td>BC26 <td>Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td></td></td>	BC26 <td>Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td></td>	Potassium Permanganate <td>\$ 2.9250 <td></td> <td></td> </td>	\$ 2.9250 <td></td> <td></td>		
		Sal <td> <td>Sodium Hypo,13%-55GA <td>570A-55GA <td>1 Drum <td>55 gal drum <td>BC79 <td>Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td></td></td></td></td></td></td></td>	<td>Sodium Hypo,13%-55GA <td>570A-55GA <td>1 Drum <td>55 gal drum <td>BC79 <td>Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td></td></td></td></td></td></td>	Sodium Hypo,13%-55GA <td>570A-55GA <td>1 Drum <td>55 gal drum <td>BC79 <td>Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td></td></td></td></td></td>	570A-55GA <td>1 Drum <td>55 gal drum <td>BC79 <td>Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td></td></td></td></td>	1 Drum <td>55 gal drum <td>BC79 <td>Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td></td></td></td>	55 gal drum <td>BC79 <td>Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td></td></td>	BC79 <td>Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td></td>	Sodium Hypochlorite <td>\$ 0.2450 <td></td> <td></td> </td>	\$ 0.2450 <td></td> <td></td>		

PURCHASED POWER

PA - Clarion Wastewater 2009 Actual Power Bills
 from SourceNet Iron System

Facility	Provider	Account Number	January	February	March	April	May	June	July	August	September	October	November	December	Grand Total
PAAWC - Chemicky Lift Station	ALLEGHENY POWER	12714053100002	63.90	47.82	36.99	47.82	36.99	36.99	29.58	36.99	29.58	36.99	38.85	37.35	\$ 480
PAAWC - Clarion Wastewater Plant	ALLEGHENY POWER	12707052031102	8,868.05	8,506.18	8,951.95	7,380.38	8,367.27	6,876.84	8,687.32	5,729.43	5,262.10	6,664.10	6,790.38	7,317.96	\$ 89,401
PAAWC - Hemlock Lift Station	ALLEGHENY POWER	12719051154502	179.17	225.55	388.36	191.46	127.56	86.13	49.85	48.82	53.80	44.40	50.44	61.61	\$ 1,507
PAAWC - Liberty Lift Station	ALLEGHENY POWER	12719051398502	2,172.77	1,915.36	2,022.99	2,624.75	1,707.97	1,192.99	956.86	846.66	1,161.10	941.70	973.03	1,295.80	\$ 17,812
PAAWC - Mays Lift Station	ALLEGHENY POWER	12710053538002	259.41	252.88	425.31	291.23	275.72	240.07	231.91	225.24	227.71	208.04	232.38	175.19	\$ 3,045
PAAWC - Toby Lift Station	ALLEGHENY POWER	12719052371002	121.30	121.04	122.04	120.93	120.93	120.93	120.93	120.93	120.93	120.93	120.93	121.04	\$ 1,453
PAAWC - Hemlock Lift Station	NATIONAL FUEL	655921007	22.62	22.58	22.48	21.07	21.07	22.36	30.99	21.06	33.53	22.59	36.07	29.13	\$ 305
Total			\$ 11,687	\$ 11,090	\$ 11,970	\$ 10,678	\$ 10,658	\$ 8,576	\$ 10,107	\$ 7,029	\$ 6,889	\$ 8,039	\$ 8,242	\$ 9,038	\$ 114,003

Pennsylvania-American Clarion 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	\$11,665	\$11,068	\$11,948	\$10,657	\$10,636	\$8,554	\$10,077	\$7,008	\$6,855	\$8,016	\$8,206	\$9,009	\$113,698
NATIONAL FUEL	\$23	\$23	\$22	\$21	\$21	\$22	\$30	\$21	\$34	\$23	\$36	\$29	305
Total Base Year Costs	11,687	11,090	11,970	10,678	10,658	8,576	10,107	7,029	6,889	8,039	8,242	9,038	114,003

Proforma Adjustments to Base Year:

Adjusted Base Year Costs	11,687	11,090	11,970	10,678	10,658	8,576	10,107	7,029	6,889	8,039	8,242	9,038	114,003
Pro Forma Test Year Adjustments:													
Rate increase effective January 2010	11%	1,283	1,217	1,314	1,172	1,170	941	1,108	771	882	903	991	\$12,506
Proforma Power Expense	\$12,970	\$12,307	\$13,284	\$11,850	\$11,828	\$9,517	\$11,215	\$7,800	\$7,643	\$8,921	\$9,145	\$10,029	\$126,509
Base Year Power Expense per books													129,992
Total Base Year Power Costs													<u>129,992</u>
Proforma Adjustment													<u>(3,483)</u>



NEWS RELEASE

800 Cabin Hill Drive, Greensburg, PA 15601-1689

Media contact:
Fred Solomon
Manager, Corporate Communications
Phone: (724) 838-6650
Media Hotline: (888) 233-3583
E-mail: fsolomo@alleghenyenergy.com

Investor contact:
Max Kuniansky
Executive Director, Investor Relations
and Corporate Communications
Phone: (724) 838-6895
E-mail: mkunian@alleghenyenergy.com

FOR IMMEDIATE RELEASE

Allegheny Energy Announces Revised Pennsylvania Generation Rate Caps Through 2010

GREENSBURG, Pa., April 21, 2005 --Allegheny Energy, Inc. (NYSE: AYE) today announced that the Pennsylvania Public Utility Commission has approved revised rate caps for customers of the company's delivery unit, Allegheny Power, through 2010. The decision is designed to provide approximately 700,000 customers in Pennsylvania a smooth transition to market-based rates by lengthening the transition period by two years.

The proposed rates were supported by a number of stakeholders including consumer groups, industrial customers and others. Allegheny customers will benefit from the certainty provided by capped generation rates through the extended transition period. In 2010, residential customers will still pay less for electricity (9.09 cents per kilowatt-hour, as shown in the chart below) than today's state average rate (9.52 cents per kilowatt-hour).

"The Pennsylvania Public Utility Commission has taken a thoughtful and insightful approach to protecting consumers with rate certainty while ensuring a smooth and orderly transition to market-based rates," said Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy. "We appreciate the diligent work by the stakeholders in creating an agreement that is in the best interests of consumers and the company."

Under Allegheny's 1998 restructuring agreement, generation prices were scheduled to increase to market-based rates in 2009. The revised plan provides rate certainty for consumers in 2009 and 2010 in exchange for incremental increases in generation rate cap levels in earlier years. The new rates are shown in the table below:

Allegheny Power Summary of Pennsylvania Residential Rates (cents/kwh)	
Year	Total Rate*
2005	6.790
2006	7.129
2007	7.485
2008	7.859
2009	8.816
2010	9.091

* Based on current transmission and distribution rates and approved capped generation rates.

Highlights of the Commission decision announced today include:

- Extension of generation rate caps for an additional two years through 2010, with higher generation rate cap levels in 2007, 2009 and 2010. Under the decision announced today, generation prices will be market-based beginning in 2011. Allegheny's 1998 restructuring agreement previously provided for rate increases in 2006 and 2008 with prices moving to market in 2009.
- Securitization of approximately \$115 million of stranded costs—unrecovered costs Allegheny is entitled to under the 1998 market restructuring. As a result of this decision, customers will pay approximately \$25 million less in stranded costs because it allows Allegheny to securitize those costs.
- Extension of the distribution rate caps for an additional two years through 2007 for all Pennsylvania retail customers.

The new rates would enable Allegheny Energy to realize generation prices of \$30.10 per megawatt-hour (mwh) for 2005, \$32.80 per mwh in 2006, \$35.50 per mwh in 2007 and \$38.30 per mwh in 2008. In May 2005, Allegheny Power plans to launch a competitive process that will seek bids for generation to serve its Pennsylvania customers for 2009 and 2010. Any savings relative to new maximum generation prices of \$45.50 per mwh in 2009 and \$52.20 per mwh in 2010 would be passed on to customers.

Allegheny Energy

Headquartered in Greensburg, Pa., Allegheny Energy is an investor-owned utility consisting of two major businesses. Allegheny Energy Supply owns and operates electric generating facilities, and Allegheny Power delivers low-cost, reliable electric service to customers in Pennsylvania, West Virginia, Maryland, Virginia and Ohio. For more information, visit our Web site at www.alleghenyenergy.com.

Forward-Looking Statements

In addition to historical information, this release contains a number of "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, project, intend, plan, believe, and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These include statements with respect to: regulation and the status of retail generation service supply competition in states served by Allegheny Energy's distribution business, Allegheny Power; financing plans; demand for energy and the cost and availability of raw materials, including coal; provider-of-last-resort and power supply contracts; results of litigation; results of operations; internal controls and procedures; capital expenditures; status and condition of plants and equipment; regulatory matters; and accounting issues. Forward-looking statements involve estimates, expectations and projections and, as a result, are subject to risks and uncertainties. There can be no assurance that actual results will not materially differ from expectations. Actual results have varied materially and unpredictably from past expectations. Factors that could cause actual results to differ materially include, among others, the following: changes in the price of power and fuel for electric generation; general economic and business conditions; changes in access to capital markets; complications or other factors that render it difficult or impossible to obtain necessary lender consents or regulatory authorizations on a timely basis; environmental regulations; the results of regulatory proceedings, including proceedings related to rates; changes in industry capacity, development and other activities by Allegheny Energy's competitors; changes in the weather and other natural phenomena; changes in the underlying inputs and assumptions, including market conditions used to estimate the fair values of commodity contracts; changes in laws and regulations applicable to Allegheny Energy, its markets or its activities; the loss of any significant customers or suppliers; dependence on other electric transmission and gas transportation systems and their constraints or availability; changes in PJM, including changes to participant rules and tariffs; the effect of accounting policies issued periodically by accounting standard-setting bodies; and the continuing effects of global instability, terrorism and war. Additional risks and uncertainties are identified and discussed in Allegheny Energy's reports filed with the Securities and Exchange Commission.

-###-

P-0003802



"Morchesky, Donald J."
<DMORCHE@alleghenypower.com>

08/27/2007 02:40 PM

To

cc

bcc

Subject: 2008 Electric Rates Increase Reminder

History: This message has been forwarded

Folks:

As a reminder, your bundled electric rates will increase on 1/1/2008 by roughly 5%. This assumes you continue to "choose not to choose" your generation supplier and, as a result, receive your generation supply from Allegheny Power under our Provider of Last Resort (POLR) option of our tariffs. You, of course, can choose an alternate supplier at any time and encourage you to evaluate your options. Information regarding generation shopping is available at our website via the attached hyperlink: <http://www.alleghenypower.com/CSC/Choice/PA/PAchoice.asp>

Two additional increases are scheduled in 2009 and 2010 of roughly 14% and 11%, respectively. These amounts are based on your total billing charges. Attached below is a summary of the changes that occurred in 2005 regarding the transition to market-based generation pricing. Post-2011 electric generation pricing will be at market-based rates.

When preparing your 2008 budgets, please remember this increase. If you have any questions, let me know.

Thanks. Don Morchesky 724-626-6227

Rate Settlement Discussion:

On April 21st, 2005, the PUC approved the Allegheny Power (AP) request to extend the transition period to full market-based rates for generation competition. This agreement amends the 1998 restructuring agreement and therefore alters the electric rates of our customers over the next five years. As a result of the 1998 settlement, T&D rates were capped through 2005 with generation rates capped through 2008, with slight adjustments in 2006 and 2008.


Our petition to the PUC was designed to prevent rate shock to our customers, as the present market rates are significantly higher than present capped rates. Furthermore, we requested securitization of \$115 million in transition bonds authorized in the 1998 agreement to minimize carrying costs and other expenses. By way of comparison, customers in our Maryland service territory experienced increases in their electric rates of up to 55% earlier this year as the transition period expired on 12/31/04 and generation was priced at market-based rates for customers continuing to receive generation under our POLR provisions. As indicated above, this petition was designed to prevent a reoccurrence of this situation for our PA customers.

The approved amendment specifies:

1. The generation rate cap and generation rates currently established for 2005 and 2006, including the already permitted generation rate increase for 2006, will continue as is.
2. The generation rate for year 2007 is amended to provide for an average generation rate of 4.431 cents/kWh (or 5% of total rates) in 2007.
3. In 2008, the system average generation rates increase to 4.743 cents/kWh (or 5% of total

rates)

4. The period of the generation rate cap is extended from the end of 2008 through 2010
5. The T&D cap through the end of 2005 is amended to extend until 12/31/07. AP may file for an increase in 2007 for rates 1/1/08 and beyond. Any changes in rates as of 10/1/08 will be capped through calendar year 2009.
6. Transmission rates are NOT part of this agreement and may change at any time after 12/31/05.
7. AP will continue to fund the Sustainable Energy Fund at \$2M per year through 2010.



In general terms, the overall percentage increases in your electric bill will be 5% in 2006, 2007 and 2008, with a 14% increase in 2009 and a 11% increase in 2010. This assumes you continue to take generation from AP under our Provider of Last Resort (POLR) option. You, of course, can shop for generation supply at any time. While Allegheny Power encourages customers to investigate alternate suppliers for their generation needs, our present capped rates are significantly lower than the market. As a result, I suspect economical alternatives to POLR generation supply from AP will not materialize until we near the end of the transition period. However, combining various facilities generation needs into a bundled package may be attractive to generation suppliers in the near term. I trust you and your energy folks will evaluate the feasibility of this approach moving forward. In the meantime, you may want to adjust your electric budgets based on our POLR increases as noted above.

LEASED VEHICLES

Present Rates @ 12/31/10		
Unit	Monthly Lease Amount	Annualized Lease Amount
1		\$0
2		\$0

Present Rates @ 12/31/09			
% Water, if Water and Wastewater	Unit	Monthly Lease Amount	Annualized Lease Amount
0%	1	\$17	\$204
	1	\$339	4,068
	2		\$4,272

Vehicle Number	Model Year	Make	Model	VIN
040178	2004	Chevrolet	1500 4x4 Reg Cab	1GCEK14X34Z151686
040194	2004	Chevrolet	2500 4x4 Reg Cab	1GCHK24U74E145065
	2011	Purchase 2010		
	2011	Purchase 2010		

District
Clarion

RATE CASE EXPENSE

Pennsylvania American Water Company
Rate Case Expense - Estimate

	Gannett Fleming			Moul & Associates		Morgan Lewis *		2 Yr Normalization	Per Book	Adjustment		
	Depreciation	Cost of Service Allocation	Rate Design	Post - Filing Services	Cost of Equity	Post - Filing Services	Legal				Misc	Total
Coatesville	6,750	25,000	3,000	17,669	3,500	3,500	330,000	13,737	403,156	201,578	176,990	24,588
Northeast	6,750		2,000	4,449	3,500	3,500	120,000	12,769	152,968	76,484	0	76,484
Claysville	6,750		1,000	3,941	3,500	3,500	40,000	6,362	65,053	32,527	0	32,527
Clarion	6,750		1,000	3,941	3,500	3,500	60,000	7,277	85,968	42,984	0	42,984
	27,000	25,000	7,000	30,000	14,000	14,000	550,000	40,145	707,145	353,573	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
Total	\$ 40,145	\$ 13,737	\$ 12,769	\$ 6,362	\$ 7,277

Estimated Postage Per Piece \$ 0.36

				Print Amount	Postage Amount	Total
Printing	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
	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 1ST 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

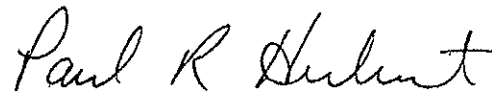
- 2 -

January 12, 2010

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

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

Very truly yours,



PAUL R. HERBERT
President
Valuation and Rate Division

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:

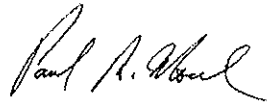
	<u>Hourly rate</u>
Paul Moul	\$245
Clerical	64

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

ELIMINATED ITEMS

ELIMINATED ITEMS

CLARION		Per Book		AMOUNT	DESCRIPTION
MEMBERSHIPS		347	Eliminated	(347.00)	Rotary Club of Clarion 675.8
FINES / PENALTIES		3,600	Eliminated	(3,600.00)	Penalties 675.3
FINES / PENALTIES		7,550	Eliminated	(7,550.00)	Penalties 675.8
REFUNDS		2,000	Eliminated	(2,000.00)	Sewer Tap Refunds 675.8
CLEANING OF DIGESTER	PV 42283514	41,050	Normalize over 10 yrs	(36,945.00)	Pipe Eye 636.4
ROAD ACCESS REPAIR	PV 42231628	6,765	Normalize over 2 yrs	(3,383.00)	Hager 636.4
DRAINAGE WORK	PV 42257228	3,927	Normalize over 2 yrs	(1,964.00)	Mealy 636.6
LAB TESTING	ACT 536000	8,503	Normalize over 2 yrs	(4,252.00)	635.3
TOTAL				(60,041.00)	

INFLATION

PENNSYLVANIA-AMERICAN WATER COMPANY - CLARION WW OPERATIONS

INFLATION CALCULATION 2010

TOTAL PER BOOK EXPENSES 677,649

LESS: ADJUSTED EXPENSES

LABOR	205,916	
GROUP INSURANCE	40,142	
40K & DEFINED CONTRIBUTION	16,194	
CHEMICALS	10,941	
POWER	129,992	
WASTE DISPOSAL	94,631	
LEASED VEHICLES	3,425	
UNCOLLECTABLES	25,669	
ELIMINATED ITEMS	60,041	
		586,951
		90,698

FORECASTED GDP 1.50%

PRO FORMA AJUSTMENT 1,360

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 Assumptions¹

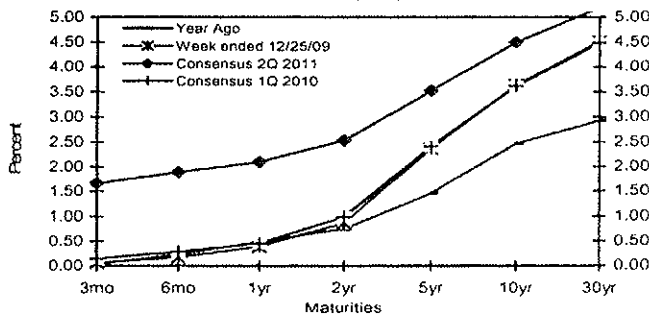
Interest Rates	History								Consensus Forecasts-Quarterly Avg.						
	Average For Week End				Average For Month				Latest Q*	1Q	2Q	3Q	4Q	1Q	2Q
	Dec.25	Dec.18	Dec.11	Dec.4	Nov.	Oct.	Sep.	4Q 2009	2010	2010	2010	2010	2011	2011	
Federal Funds Rate	0.12	0.12	0.12	0.12	0.12	0.12	0.15	0.12	0.2	0.2	0.4	0.8	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	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4Q	1Q	2Q
	2008	2008	2008	2008	2009	2009	2009	2009	2010	2010	2010	2010	2011	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). ¹Interest rate data for 4Q 2009 based on historical data through the week ended December 25th. ²Data for 4Q 2009 Major Currency Index also is based on data through week ended December 25th. 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)

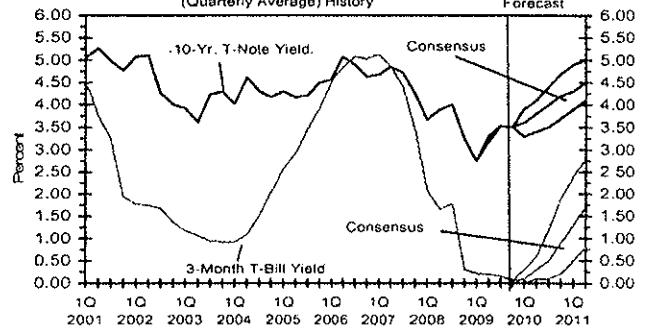
U.S. Treasury Yield Curve

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



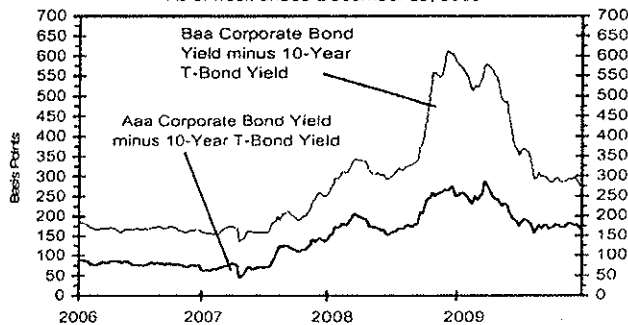
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



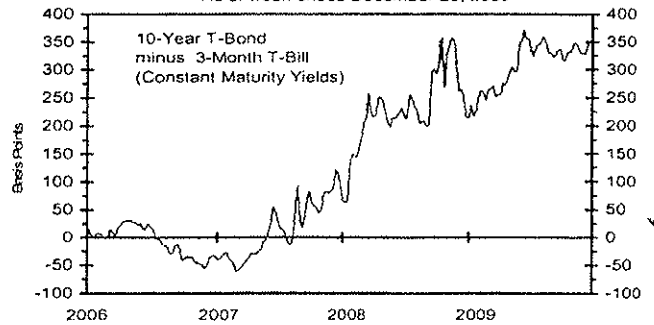
Corporate Bond Spreads

As of week ended December 25, 2009



U.S. Treasury Yield Curve

As of week ended December 25, 2009



WASTE DISPOSAL

Pennsylvania American Water Company
Waste Disposal
Clarion

	Test Year	Test Year		Proforma	Proforma	Proforma
	Quantity Totals	\$ Amount Totals		Quantity Totals	Price	\$ Amount Totals
<u>Disposal Quantity</u>						
Veolia ES Solid Waste of PA Inc						
Dump & Return	60	\$ 13,472				
MSS-ONYX	876.94	\$ 50,833		876.94	\$ 49.33	\$ 43,259
Liner Charge	58	\$ 1,523				
Solidification	221.52	\$ 15,362	(1)	73.84	\$ 69.35	\$ 5,121
Other		\$ 96				
Environmental Fee		\$ 3,694				
RO Fuel Surcharge		\$ 1,003				
Sub-Total		\$ 85,982				\$ 48,380
<u>Testing</u>						
Geochemical Testing		\$ 676				\$ 676
<u>Accrual</u>						
Monthly Sludge Accrual		\$ 4,119				
<u>Taxes</u>						
Sales/Use Tax		\$ 3,853				\$ 3,579
Total		<u>\$ 94,631</u>		Proforma		\$ 52,635
				Per Books		\$ 94,631
						\$ (41,995)

(1) Test year quantity reflects mutiple years, proforma quantity was reduced by 2/3 to reflect an ongoing level. Proforma were priced at test year unit costs.

Disposal Quantity	Test Year	Disposal Quantity	Test Year	Disposal Quantity	Test Year	Disposal Quantity	Test Year	Disposal Quantity	Test Year	Disposal Quantity	Test Year	Disposal Quantity	Test Year	Disposal Quantity	Test Year	Disposal Quantity	Test Year						
L10000573214	Jan-09	L10000605820	Feb-09	L100006737	Mar-09	L1000113617	Apr-09	L1000113688	May-09	L1000150004	Jun-09	L1000163895	Jul-09	L10001220190	Aug-09	L10001247627	Sep-09	L10001292293	Oct-09	L10001309185	Nov-09	L10001309185	Dec-09
PV #42118209	1/25/2009	PV #42139647	2/25/2009	PV #42159419	3/25/2009	PV #42223075	4/25/2009	PV #42283309	5/25/2009	PV #42271592	6/25/2009	PV #42290894	7/25/2009	PV #42320057	8/25/2009	PV #42340408	9/25/2009	PV #42366521	10/25/2009	PV #42395893	11/25/2009	PV #42395893	
2,412	\$	3,635	\$	4,689	\$	6,394	\$	8,264	\$	7,621	\$	9,895	\$	2,194	\$	7,521	\$	309	\$	9,170	\$	6,559	\$
2		3		3		4		8		7		6		2		7		7		7		6	
224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$	224.53	\$
409.06	\$	673.59	\$	673.59	\$	898.12	\$	1,796.24	\$	1,571.71	\$	1,347.18	\$	449.06	\$	1,571.71	\$	1,571.71	\$	1,571.71	\$	1,571.71	\$
30.89	\$	46.78	\$	64.47	\$	84.47	\$	101.57	\$	94.62	\$	82.02	\$	27.25	\$	89.94	\$	120.13	\$	81.13	\$	81.13	\$
57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$	57.79	\$
3,785.13	\$	2,703.42	\$	3,725.72	\$	3,150.71	\$	5,869.73	\$	5,468.09	\$	4,741.40	\$	1,574.78	\$	5,350.55	\$	6,842.31	\$	4,688.50	\$	4,688.50	\$
2		3		3		3		7		7		6		2		7		7		7		6	
26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$	26.25	\$
52.50	\$	78.75	\$	78.75	\$	78.75	\$	183.75	\$	183.75	\$	157.50	\$	52.50	\$	183.75	\$	183.75	\$	157.50	\$	157.50	\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
	\$		\$		\$																		

AGREEMENT FOR RESIDUALS REMOVAL

This is an Agreement dated as of March 03, 2009 between Veolia ES Solid Waste of PA, Inc. a corporation with its principal place of business at 6330 Route 219 Brockway, PA 15824 (hereinafter "Contractor") and Pennsylvania American Water Company, a corporation with its principal place of business at 800 West Hersheypark Drive, Hershey, Pa 17033 (hereinafter "American Water").

Witnesseth as follows:

WHEREAS, Contractor is engaged in the business of sludge hauling, and desires to contract with American Water to transport and dispose of its wastewater residuals; and

WHEREAS, Contractor understands the relevant state rules for transport and disposal and is willing to accept liability and responsibility for proper transport and disposal of wastewater residuals pursuant to this Agreement and the applicable rules for the fee described herein.

NOW THEREFORE, for and in consideration of the premises, the mutual undertakings and agreements herein contained and assumed, receipt and sufficiency of which is hereby acknowledged, American Water and Contractor agree as follows

1. **SCOPE OF WORK.** Contractor shall supply all supervision, inspection, material, labor, tools and equipment necessary for the proper performance of the work (hereinafter "Services") outlined in Exhibit A, which is attached hereto and incorporated into this Agreement in its entirety, at the location(s) listed below:

Clarion Wastewater Treatment Plant (WWTP) 279 CAA Lane, Clarion, PA 16214

2. **PRICES.** The Contractor agrees to accept for said Services the prices listed in Exhibit B, which is attached hereto and incorporated into this Agreement in its entirety. Said prices are inclusive of all state and local taxes and shall remain firm for the term of the Agreement.

3. **TERM OF AGREEMENT.** ~~The Term of this Agreement shall be from March 03, 2009 through March 02, 2012,~~ unless extended by American Water and Contractor in writing.

4. **PAYMENT TERMS.**

- 4.1 All payments are due within 30 days of American Water's receipt of Contractor's invoice.

- 4.2 In the event that American Water disputes the amount of any invoice, American Water will not be obligated to pay the disputed portion of such invoice until the parties have resolved such dispute. The parties agree to consider all good faith and reasonable

solutions and to exercise all reasonable efforts to resolve such matters. In the event of any dispute with regard to a portion of the invoice, the undisputed amount shall be paid as set forth herein.

4.3 In the event that the portion of any invoice not under dispute is unpaid after sixty (60) days following its receipt by American Water, Contractor will notify American Water in writing that Contractor considers American Water to be delinquent in payments due Contractor under this Agreement. If American Water fails to rectify such payment delinquency within 30 days of receipt of the written notification, then Contractor may at its sole option and discretion, terminate this Agreement. Contractor reserves cumulatively all other remedies and rights provided under this Agreement.

5. AMERICAN WATER'S RIGHT TO PERFORM THE WORK, STOP THE WORK, OR TERMINATE THE AGREEMENT

5.1 If the Contractor is adjudged bankrupt, or makes a general assignment for the benefit of creditors or if a receiver is appointed on account of the Contractor's insolvency, American Water may, without prejudice to any other right or remedy American Water may have, terminate this Agreement, by giving the Contractor or receiver or trustee in bankruptcy written notice.

5.2 In the event the Contractor fails to perform the Services properly or its obligations hereunder, American Water may notify the Contractor in writing that the Contractor is in default of its obligations hereunder and instruct the Contractor to correct the default within three (3) business days of receiving notice (hereinafter "Notice"), or such other period as American Water may require in its sole discretion.

5.3 Notwithstanding the foregoing, in the event the work or action required in the Notice cannot be completed within the time period specified, the Contractor shall be considered to be in compliance with the Notice if the Contractor commences such work or action within the specified time, provides American Water with an acceptable schedule for performance and proceeds to perform in accordance with such schedule.

5.4 If the Contractor fails to comply with the provisions of Articles 5.2 and 5.3 herein, American Water shall be entitled to:

- (a) withhold any further payments to the Contractor until the Services are finished;
- and
- (b) charge the Contractor the full cost of completing the Services.

5.5 This Agreement may be terminated by American Water at any time, without cause, provided at least 60 days' advance written notice is provided to Contractor. Contractor may terminate this Agreement at any time, without cause, provided at least 120 days' advance written notice is provided to American Water.

5.6 The preceding provisions in this Article are not meant to exclude any right to terminate that American Water might have at law.

6. CONTRACTOR'S RIGHT TO STOP THE WORK OR TERMINATE THE AGREEMENT

6.1 If American Water is adjudged bankrupt, or makes a general assignment for the benefit of creditors or if a receiver is appointed on account of American Water's insolvency, the Contractor may, without prejudice to any other right or remedy the Contractor may have, terminate this Agreement, by giving American Water or receiver or trustee in bankruptcy written notice.

6.2 If the Services should be stopped or otherwise delayed for a period of thirty (30) days or more under an order of any court, or other public authority, and providing that such order was not issued as the result of any act or fault of the Contractor or anyone directly or indirectly employed by the Contractor, the Contractor may terminate this Agreement by giving American Water written notice.

6.3 The preceding provisions in this Article are not meant to exclude any right to terminate that the Contractor might have at law.

7. **INSURANCE.** Contractor shall maintain in full force and effect throughout the terms of this Agreement the types and amounts of insurance specified in Exhibit C, which is attached hereto and incorporated into this Agreement in its entirety.

8. **FAILURE TO PERFORM.** Neither party will be liable to the other for failure or delay in performance under this Agreement to the extent that, and for so long as, the same results from an act of God, war, labor strike or other circumstance beyond the affected party's control. Each party agrees to notify the other promptly of any such circumstance delaying its performance and to resume performance as soon as reasonably practicable.

9. **ASSIGNMENT.** Neither party may assign, transfer or otherwise vest in any other entity or person, in whole or in part, any of its rights or obligations under the Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld, provided that American Water may assign this Agreement to a parent, subsidiary or Affiliate without the consent of Contractor.

10. **USAGE RIGHTS.** This Agreement does not grant any rights to use the water treatment residual material other than in accordance herein.

11. INDEMNIFICATION.

- 11.1 The Contractor shall indemnify and hold harmless American Water and its Affiliates, agents, and employees from and against all claims and suits for loss of or damage to property of American Water or others, including loss of use thereof, or for injuries, including death, to persons and from all judgments recovered therefore, and from all expense in defending such claims or suits, including court costs, attorney fees and other expenses caused in whole or in part, directly or indirectly, by any act or omission of the Contractor and/or its subcontractors, their respective agents, servants, or employees, and not caused by the sole fault or negligence of American Water and its Affiliates, their agents, servants, or employees. It is expressly understood and agreed that the foregoing undertaking of the Contractor to indemnify American Water and its Affiliates, their agents, servants and employees includes the obligation to indemnify and hold harmless such parties from any and all claims resulting from injury to any employee of the Contractor, which injury is in any manner related to Contractor's performance of the Services, and the fact that Contractor provides Workers' Compensation to any such injured employee shall not relieve Contractor of this obligation.
- 11.2 In any and all claims against American Water or any of its Affiliates, agents or employees or against any of Contractor, subcontractor, or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the indemnification obligation under the foregoing subsections of this Section shall not be limited in any way by limitation on the amount or type of damages, compensation or benefits payable by or for Contractor or any subcontractor under Workers' Compensation acts, disability benefit acts or other employee benefit acts.
- 11.3 Any provision of this Section in respect of indemnification which is prohibited or unenforceable by law in the state in which the Services or other performance described in this Agreement is located shall be ineffective to the extent of such prohibition or unenforceability, and shall not invalidate the remaining provisions of this Section of the Agreement.
- 11.4 Contractor warrants that it is in compliance with and will perform its obligations pursuant to all applicable laws, regulations, and permit requirements, and shall indemnify, defend, and hold harmless American Water from any breach thereof.
- 11.5 Affiliate means any corporation, partnership, joint venture, or other entity controlled by, controlling or under common control with, directly or indirectly, the American Water or any one of such entities.

12. **WARRANTY.** Contractor warrants that it will perform the Services with fully-trained and skilled individuals who are capable of performing such Services. Contractor further warrants that it will perform such Services in compliance with all laws, orders, rules, and regulations of all governmental and other authorities having jurisdiction over such Services, as such rules and regulations may be adopted and changed from time to time. In addition, when on American Water's premises, Contractor and its employees, subcontractors, or agents agree to

adhere to all of American Water's policies and procedures, including but not limited to those regarding personnel and security.

13. [reserved]

14. INVALID PROVISIONS. If any of the provisions of this Agreement are held to be invalid, illegal, or unenforceable, the provisions shall remain in effect to the extent allowed by law and the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

15. SURVIVAL. The provisions of this Agreement governing confidentiality continue beyond the termination, cancellation, or expiration of this Agreement.

16. THIRD-PARTY BENEFICIARIES. Contractor and American Water intend that this Agreement shall not benefit or create any right or cause of action in, against, or on behalf of any person or entity other than the parties hereto.

17. SECTION HEADINGS. The section headings in this Agreement are for descriptive purposes only and are not intended to be inclusive, definitive, or to affect the meaning of the contents or script of this Agreement.

18. LAWS, NOTICES, PERMITS, AND FEES

18.1 This Agreement shall be interpreted in accordance with the law of the state in which the Services are performed.

18.2 The Contractor shall be responsible for all permits, licenses and certificates necessary for the performance of the Services.

18.3 The Contractor shall give all required notices and comply with all applicable Federal, state and municipal laws, ordinances, rules, regulations, codes and orders of all authorities having jurisdiction which are or become in force during the performance of this Agreement and which relate to the Services, the preservation of the public health and to construction safety, including the safety of its employees.

19. CONFIDENTIALITY.

19.1 The parties agree that data, documents, policies, procedures, records and other information disclosed by American Water to Contractor may be of a confidential nature, and Contractor agrees to refrain from disclosing such Confidential Information to (i) third parties or (ii) individuals within its own organization who do not have a strict need to know. All American Water information shall qualify as confidential unless it is disclosed in writing and labeled as not confidential. Any American Water Information that is disclosed orally must be confirmed as not confidential in writing to qualify for the exclusion of protection set forth in this Section. The parties also agree that Contractor's pricing schedule, proprietary tools, and basic forms may be of a

confidential nature, and American Water agrees to refrain from disclosing such Confidential Information to (i) third parties or (ii) individuals within its own organization who do not have a strict need to know. Notwithstanding, the nondisclosure obligations herein shall not apply to information that: (i) is or becomes publicly known from acts or conduct other than the disclosing party, its employees, disclosing parties or agents, (ii) is independently developed by the receiving party or received from a third party having a right to disclose the information, (iii) is already in the possession of the receiving party at the time of the disclosure, or (iv) is disclosed pursuant to any final and non-appealable order of a court. Notwithstanding anything to the contrary, the terms and conditions of this Agreement, including but not limited to pricing information, shall be considered to be the disclosing party's confidential information. Except as may be required by law, in the event that one party to this Agreement receives a summons, subpoena, regulatory order, court order or other demand to disclose any information referred to in this Agreement, each party agrees to first notify the other of such demand in writing, and shall provide opportunity for such party to lawfully object and defend any rights it may have to the information.

- 19.2 Contractor will permit American Water to disclose information to any consultant or third-party provider, provided (1) American Water has a confidentiality agreement with that consultant or third-party provider that ensures to the supplier not to disclose to anyone or use information for its own benefit or other customers; (2) the confidentiality agreement restricts third-party's or consultant's employees to do only what American Water needs them to do; (3) the third-party or consultant agrees to use what it learns only to help American Water do what they have been paid by customer to do, and will not use the information for themselves or for their customers

20. STANDARDS OF PERSONNEL.

- 20.1 Contractor acknowledges that the Federal Government has declared public- water systems, including American Water's, to be critical infrastructure essential to the continued operation of the government and the nation.
- 20.2 Contractor acknowledges that American Water's water and wastewater operations are governed by numerous federal and state statutes and regulations and subject to regulation by numerous Federal and state agencies.
- 20.3 Contractor acknowledges that, among other things, American Water provides retail water and wastewater service to the public, as authorized and regulated by public utility commissions, so that American Water has a public-service obligation to provide safe and affordable water and wastewater service to the public.
- 20.4 Contractor will conduct, or will have conducted, a background check on each of its employees or individual subcontractors before the employee or subcontractor performs any function or activity under this Agreement that involves access to American Water's Confidential Information or on-site work at any of the American Water's facilities.

a. The background check conducted by Contractor will include at least the following:

- Previous employers and dates of employment;
- Education;
- Professional License verification;
- Military Service Verification;
- Driving record;
- Criminal history (state and federal);
- References;
- Credit history or social security number trace; and
- Personal history to the extent permitted by applicable laws and regulation.

b. Contractor's review of this information will endeavor to:

- authenticate the identity of the individual;
- insure that data is consistent with an individuals stated history and current status;
- uncover any discrepancies;
- reveal any criminal history; and
- uncover any other pertinent information tending to establish that the individual may represent a security risk to American Water's personnel, facilities, or American Water's responsibility for the public safety and the providing of safe and adequate utility services to its customers.

c. Before commencing any work under a purchase order, Contractor will provide proof to the American Water that the requirements of this Article have been met. Upon request Contractor will make available for American Water's review the documentation and results of the background check with respect to any employee of Contractor performing any function under this Agreement. American Water will not retain such records or documentation and any findings from its review will be confidential.

21. EXTENT OF AGREEMENT. This Agreement contains the entire Agreement between the parties and replaces and supersedes all prior agreements and contemporaneous oral agreements, negotiations, and representations between the parties with respect to the subject matter hereof. This Agreement contains the entire understanding of the parties with respect to its subject matter, and supersedes all prior agreements or understandings between them with regard to that matter. This Agreement shall not be modified or changed in any manner, except by a written amendment signed by both parties and specifically designated as an amendment hereto. The parties agree that the terms and conditions stated on any purchase orders shall be superseded by these terms and conditions stated herein and shall be of no force and effect, but not all terms and conditions shall be governed exclusively by this Agreement.

22. INDEPENDENT CONTRACTOR.

Contractor is in all respects an independent contractor. Contractor shall have no authority to bind American Water by any statement, representation or promise of any kind without first obtaining American Water's specific written consent.

Contractor has exclusive liability for all contributions, taxes, deposits and payments required of employers by Federal, state or local governments with respect to wages, salaries, remuneration or benefits paid or owed by Contractor to any of Contractor's employees or others who perform work or render services for Contractor. Contractor has exclusive liability for all income, sales, use or other taxes applicable to materials, equipment, labor or performance of Services pursuant to this Agreement.

23. MISCELLANEOUS.

23.1 Contractor agrees to provide sufficient trucks and equipment to remove material from American Water's facilities in a timely manner, and without disruption to American Water's operations. If, upon reasonable notice and opportunity to cure, Contractor fails to remove material rapidly enough to avoid accumulation of material and subsequent disruption to American Water's operations, American Water may hire a third party at Contractor's expense.

23.2 American Water reserves the right to inspect incoming vehicles and refuse any vehicles containing any material. American Water also reserves the right to audit any Contractor documentation relating to the conveyance or ultimate disposition of American Water residual material.

23.3 Contractor agrees to reasonably repair or replace, in agreement with American Water, any structure, equipment, or material damaged in the course of performing the Services to the extent caused by the negligence of Contractor, its subcontractor, or any of their agents or employees.

24. NOTICES. All notices herein provided for shall be considered as having been given upon being placed in the mail, certified, postage prepaid addressed to the Contractor or American Water at the address herein set forth in this agreement or to such other address as may be given to the other party in writing.

IN WITNESS WHEREOF, the parties have signed this Agreement in triplicate. One counterpart each has been delivered to American Water and Contractor. All portions of the Agreement documents have been signed or identified by American Water and Contractor.

Date:	4/2/2009
	Pennsylvania American Water Co.
	x <i>Paul A. Zielinski</i>
	Signature
Name:	PAUL A. ZIELINSKI
Title:	Sr Director WQ & Environmental Compliance

Date:	3/31/09
	(Contractor) Veolia ES Solid Waste of PA, L
	x <i>David K. Mottet</i>
	Signature
Name:	David K. Mottet
Title:	Sales Representative

EXHIBIT A—SCOPE OF WORK

PROJECT SPECIFICATIONS

REMOVAL AND DISPOSAL OF
WASTEWATER TREATMENT BIOSOLIDS

CLARION WASTEWATER TREATMENT PLANT

1. Description of Project

Removal and disposal of wastewater treatment plant biosolids from the Clarion Wastewater Treatment Plant.

2. Plant Site Locations

Clarion Wastewater Treatment Plant is located at:

279 CAA Lane
Clarion, PA 16214

3. Materials

CONTRACTOR shall furnish all supervision, labor, tools, equipment, materials, machinery and supplies necessary to perform all work set forth in this Specification.

4. Scope of Work

The CONTRACTOR will provide roll-off or other containers for collection of the biosolids, transport and dispose of the biosolids at a landfill approved to accept such wastes.

5. Material Quantities

Past practice has shown that the annual quantities of biosolids to be removed will be on the order shown below. However, the CONTRACTOR shall not rely on these quantities for contractual purposes. The CONTRACTOR will be paid only for the actual volume of material removed under the Contract. No adjustment to the contract unit prices shall be made if the actual volumes removed are greater than or less than the approximate quantities below. The OWNER reserves the right to verify biosolids quantities by conducting periodic weighing of tanker trucks at a local registered weigh station.

- Clarion – 750 tons

6. Material Characteristics

It shall be the CONTRACTOR's obligation to satisfy themselves as to the nature and quality of the biosolids material. The OWNER takes samples of the material annually. Chemical analyses of the biosolids from 2007 are attached to this Specification.

7. Methods of Removal

The CONTRACTOR, will provide a sufficient number of roll-off or other containers for collection of the biosolids such that normal operation of the facility can be maintained. The CONTRACTOR shall coordinate the placement and change out of the containers with the OWNER, in advance of the removal operations

The CONTRACTOR shall provide the proposed method of biosolids removal in the Bid. The Bid shall detail the equipment and procedures for removing and/or storage of the biosolids. The OWNER must first approve any subsequent changes to the proposed method. The OWNER retains the right to reject the use of any machinery that may cause damage to the OWNER's property.

The CONTRACTOR must maintain a neat and clean working environment. Any damages done to existing roads, lawns and landscaping shall be repaired or replaced by the CONTRACTOR at his own expense.

8. Methods of Transportation

The biosolids will be transported to an approved disposal site. Waste manifest and weight slips will be provided by the CONTRACTOR for each load of biosolids disposed. All biosolids transportation activities shall be performed in strict accordance with all pertinent local, state and federal laws, rules and regulations. The CONTRACTOR is responsible to obtain any permits necessary to travel all local and state roads.

9. Schedule

At a minimum, the CONTRACTOR shall meet the following tentative schedule of pick ups for each year under the Contract. The schedule may need to be revised or accelerated, depending upon plant operation or conditions.

- Clarion – 3 to 4 a month

CONTRACTOR agrees to provide roll-offs or other containers and equipment to remove material from the OWNER's facilities in a timely manner, and without disruption to the OWNER's operations.

If, upon reasonable notice and opportunity to cure, CONTRACTOR fails to remove material rapidly enough to avoid accumulation of material and subsequent disruption to OWNER's operations, OWNER may hire a third party at CONTRACTOR's expense.

The CONTRACTOR's working hours will be coordinated with OWNER, with a Monday through Friday schedule.

10. Site Access and Security

All persons entering the site are required to have one form of photo identification. Acceptable forms of photo identification include current diver's license, passport, employee identification badge, etc. One of these forms of identification must be presented upon each entry to and exit from the site.

All vehicles entering the site must be properly licensed and duly registered and all vehicles will be subject to a security inspection.

These site access provisions apply to the CONTRACTOR, subcontractors and personnel providing assistance to the CONTRACTOR or subcontractors. Therefore, it is the responsibility of the selected CONTRACTOR to properly inform all subcontractors of these provisions. Failure to comply with these provisions will likely result in project delays, the costs for which will be at the sole burden of the CONTRACTOR.

EXHIBIT B--PRICING

Plant	Site Contact	Cost/Ton
Clarion Wastewater Treatment Plant	James DeSantis 814-226-9089	49.33/Ton

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

EXHIBIT C--INSURANCE

At no expense to American Water, Contractor shall (1) obtain and keep in force during the term of this Agreement, and any renewals or extensions hereof, and (2) require its subcontractors to obtain and keep in force during the terms of their respective contracts, the following minimum insurance limits and coverage. The insurance coverage limits stated below are minimum coverage requirements, not limitations of liability, and shall not be construed in any way as American Water's acceptance of the responsibility of Contractor.

1. Commercial General liability:
 - \$1,000,000 per occurrence Combined Single Limits
 - \$1,000,000 General Aggregate
 - \$1,000,000 Products and Completed Operations Aggregate
 - CGL ISO 1996 or later Occurrence form including Premises and Operations Coverage, Products and Completed Operations, Coverage for Independent contractors, Personal Injury Coverage and Blanket Contractual Liability, and Contractors Protective Liability if the Contractor subcontracts to another all or any portion of the Work. Completed Operations shall be maintained for a period of three (3) years following Final Completion for any construction, renovation, repair and or maintenance service.

2. Workers' Compensation
 - Applicable Federal or State Requirements: Statutory Minimum
 - Employer's Liability
 - Each Accident \$1,000,000
 - Each Employee – Disease \$1,000,000
 - Voluntary workers compensation insurance coverage all employees not subject to applicable workers compensation act or acts
 - The Workers' Compensation policy shall also include U.S. Longshoreman and Harbors Workers' Compensation Act Coverage, if any Work shall be done over or within 100 feet of any body of water, or otherwise at the sole discretion of Water Company. It shall provide maritime (Jones Act) coverage if a boat or vessel of any type is used

3. Automotive Liability (including owned, hired, borrowed and non-ownership liability)
 - Bodily Injury and Property Damage \$1,000,000 each occurrence Combined Single Limits

4. Pollution Liability
 - Bodily Injury and Property Damage \$1,000,000 each occurrence Combined Single Limits

5. Umbrella Liability
 - \$4,000,000 each occurrence and annual aggregate in excess of Employer's Liability,
 - General Liability and Automotive Liability (no more restrictive than underlying insurance)

6. Contractor will maintain in full force and effect public liability insurance in the amount required by 49 CFR - Part 387.9 Subpart A (see minimum levels of Financial Responsibility for Motor Carrier of Property - DOT). Copy of the Auto Liability Policy's Form MCS-90 shall be submitted with Contractor's certificate of insurance.

- (a) The minimum liability limits required may be satisfied through the combination of the primary General Liability, Employers' Liability, and Automotive Liability limits with an Umbrella Liability policy (with coverage no more restrictive than the underlying insurance) providing excess limits at least equal to or greater than the combined primary limits.
- (b) All Commercial General Liability including completed operations-products liability coverage, Automotive liability, and Pollution liability insurance shall designate American Water, its parent, affiliates and subsidiaries, its directors, officers and employees as an Additional Insured. All such insurance should be primary and non-contributory, and is required to respond and pay prior to any other insurance or self-insurance available to American Water. In addition to the liability limits available, such insurance will pay on behalf or will indemnify American Water for defense costs. Any other coverage available to American Water applies on a contingent and excess basis. Such insurance shall include appropriate clauses pursuant to which the insurance companies shall waive its rights of subrogation against American Water.
- (c) Contractor and any of its subcontractors shall furnish, prior to the start of work, certificates or adequate proof of the foregoing insurance including, if specifically requested by American Water, copies of the endorsements and insurance policies naming American Water as an Additional Insured. Current certificates of insurance shall be provided prior to the commencement of work and shall be maintained until completion of the Agreement. Contractor shall notify in writing, at least thirty (30) days prior to cancellation, of or a material change in a policy.
- (d) Certificate holder is included as an additional insured with respect to liability arising out of the named insured's operations performed on behalf of holder. Excess policy follows form for Employers Liability, General Liability and Auto Liability Policies without exception and shall be indicated as such with an endorsement from the insurer. Waiver of Subrogation endorsement must accompany certificate of insurance and must include Workers' Compensation policies.
- (e) Carriers providing coverage will be rated by A.M. Best with at least an A-rating and a financial size category of at least Class VII. Such cancellation or material alteration shall not relieve Contractor of its continuing obligation to maintain insurance coverage in accordance with this contract. Carriers shall be licensed in state(s) where work shall be performed.

- (f) If Contractor shall fail to procure and maintain said insurance, American Water, upon written notice, may, but shall not be required to, procure and maintain same, but at the expense of Contractor. In the alternative, American Water may declare a default hereunder and, unless such default is timely cured, terminate the Agreement. Unless and until the default is cured, neither Contractor nor its servants, employees or agents will be allowed to enter upon the American Water's premises.

UNCOLLECTABLES

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

		Clarion 2415 430
Year		
2007		0.00
2008		0.00
2009		7,058.84
3 Year Ave	Net Charge-Offs	2,352.95
<hr/>		
2007		0
2008		139,048.41
2009		1,185,259.65
3 Year Ave	Billed Wastewater Sales	441,436.02
<hr/>		
2007		NA
2008		-
2009		0.005955655
3 Year Ave	Ratio	0.005330210

* used 2009 as basis

TAXES OTHER THAN INCOME

PAYROLL TAXES

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

				PROFORMA
Tax Bases	FICA	Total Salary and Wages & AIP		\$ 225,585.88
		Less: Excess Social Security Wages		-
				<u>225,585.88</u>
	FUTA	\$7000 PER EMPLOYEE	4(F)	28,000.00
	SUTA	\$8000 PER EMPLOYEE	4(F)	32,000.00
TAX	FICA	6.20%		13,986.32
	MEDICARE	1.45%		3,271.00
	FUTA	0.80%		224.00
	SUTA	2.554%		817.41
SUBTOTAL				<u>18,299.00</u>
LESS:		0.00% CHARGED TO OPERATIONS		<u>-</u>
AMOUNT CHARGED TO OPERATIONS EXPENSE				18,299.00
LESS: PER BOOKS				15,301.00
ADJUSTMENT				<u><u>\$ 2,998.00</u></u>

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
PAY THIS AMOUNT WITHIN 30 DAYS ▶	\$ 39,801.00

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

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

FOLD AND TEAR AT PERFORATION

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
PAY THIS AMOUNT WITHIN 30 DAYS ▶	\$ 39,801.00

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
Totals	\$44,935,280.00	100.0000%	\$49,400,000.00

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>
	(A)	(B)	(C)
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
Totals	\$49,400,000.00	\$25,571,314,635	

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

Group	Total Office Expenditures of Each Group for Calendar Year 2008	Percentage Distribution	Total Assessment for Fiscal Year Allocated to Each Group. (Total X Percent)
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
Totals	\$4,816,394.00	100.00%	\$4,686,620.00

Schedule B

Group	Estimated Total Office Expenditures for Fiscal Year July 1, 2009 to June 30, 2010 Assessable on Each Group (A)	Gross Intrastate Operating Revenues of Each Group for Calendar Year 2008 (B)	General Assessment Factor for Each Group (Column (A) Divided by Column (B)) (C)
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 ←
Totals	\$4,686,620.00	\$22,384,886,622.00	

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

Group	Total Office Expenditures of Each Group for Calendar Year 2008	Percentage Distribution	Total Assessment for Fiscal Year Allocated to Each Group (Total X Percent)
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
Totals	\$858,485.86	100.00000%	\$890,000.00

Schedule B

Group	Estimated Total Office Expenditures for Fiscal Year July 1, 2009 to June 30, 2010 Assessable on Each Group (A)	Gross Intrastate Operating Revenues of Each Group for Calendar Year 2008 (B)	General Assessment Factor for Each Group (column (A) Divided by Column (B)) (C)
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 ←
Totals	\$890,000.00	\$22,384,886,622.00	

OTHER

Pennsylvania-American Water Company
Balance Sheet
Total Company

	12/31/2008	12/31/2009	Change
ASSETS			
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)
Current Assets			
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
32 CAPITAL AND LIABILITIES			
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
42 Current liabilities			
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)
54 Deferred credits			
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
Clarion WW 2447

	12/31/2008	12/31/2009	Change
ASSETS			
1 Utility Plant		\$ 11,241,020	11,241,020
2 Construction work in progress	122,642	419,367	296,725
3 Accumulated depreciation		(3,909,297)	(3,909,297)
4 Utility plant acquisition adjustment		(1,950,367)	(1,950,367)
5 Other utility plant adjustments			-
6 Sub-total Utility Plant	<u>\$ 122,642</u>	<u>\$ 5,800,723</u>	5,678,081
7 Non-Utility property			-
8 Other investments			-
Current Assets			
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	923	1,629	706
19 Other			-
20 Sub-total	<u>\$ 923</u>	<u>\$ 1,629</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		171,213	171,213
29 Sub-total	<u>\$ -</u>	<u>\$ 171,213</u>	171,213
30 Total Assets	<u>\$ 123,565</u>	<u>\$ 5,973,565</u>	5,850,000
32 CAPITAL AND LIABILITIES			
33 Common Stock			-
34 Paid in capital			-
35 Retained Earnings	\$ 88,416	\$ 347,299	258,883
36 Unearned Compensation			-
37 Reacquired CIS			-
38 Total common equity	<u>\$ 88,416</u>	<u>\$ 347,299</u>	258,883
39 Preferred stock			-
40 Long term debt			-
41 Total capitalization	<u>\$ 88,416</u>	<u>\$ 347,299</u>	258,883
42 Current liabilities			
43 Bank debt			-
44 Current portion of LTD			-
45 Accounts Payable	\$ 80,292	\$ 221,693	141,401
46 Taxes accrued			-
47 Interest accrued			-
48 Customer deposits			-
49 Dividends declared			-
51 Other	2,439	6,559	4,120
52 Sub-total	<u>\$ 82,731</u>	<u>\$ 228,252</u>	145,521
54 Deferred credits			
55 Customer adv. for construction			-
56 Deferred income taxes	17,673	238,680	221,007
57 Deferred investment tax credits			-
58 Reg.liab-inc.tax.refund thru rates			-
59 Other			-
60 Sub-total	<u>\$ 17,673</u>	<u>\$ 238,680</u>	221,007
62 Contributions in aid of construction		\$ 109,593	109,593
Total capital and liabilities	<u>\$ 188,820</u>	<u>\$ 923,824</u>	735,004
Adjustments			
Allocate Materials & Supplies	923	1,629	
Allocate Deferred Taxes	17,673	238,680	

**PENNSYLVANIA AMERICAN WATER COMPANY
CLARION WASTEWATER OPERATIONS - 2447**

DESCRIPTION	PER BOOKS 12/31/2008	PER BOOKS 12/31/2009
OPERATING REVENUE	139,049	1,185,260
WASTEWATER SALES REVENUE		
461.1 RESIDENTIAL	58,706	565,366
461.2 COMMERCIAL	36,665	381,329
461.3 INDUSTRIAL	3,938	21,605
461.4 PUBLIC AUTHORITY	39,714	214,864
462.1 PUBLIC FIRE		
462.2 PRIVATE FIRE		
466.0 BULK SALES		
TOTAL WATER SALES	139,023	1,183,164
OTHER WATER REVENUES		
469.0 OTHER REVENUE INTERCO		
470.0 PENALTIES	26	2,096
471.0 MISCELLANEOUS SERVICE REVENUES		
472.0 RENTS FROM WATER PROPERTY		
474.0 OTHER WASTEWATER REVENUES		
TOTAL OTHER WATER REVENUES	26	2,096
400.0 OPERATING REVENUES	139,049	1,185,260
EXPENSES		
601.0 SALARY AND WAGES	33,967	205,916
603.8 SALARY -OFF/ DIR AG		
604.0 EMPLOYEE PENSION AND BENEFITS	7,993	56,336
610.0 PURCHASED WATER		
615.0 PURCHASED POWER	43	129,992
616.0 PURCHASED FUEL		
618.0 CHEMICALS	(923)	10,941
620.0 MATERIALS AND SUPPLIES	295	21,445
631.0 CONTRACT SERVICES - ENGINEERING		
632.0 CONTRACT SERVICES - ACCOUNTING		
633.0 CONTRACT SERVICES - LEGAL		
634.0 CONTRACT SERVICES - MANAGEMENT		
635.0 CONTRACT SERVICES - TEST	160	8,503
636.0 CONTRACT SERVICES OTHER	1,119	79,679
641.0 RENTAL OF BUILDING		
642.0 RENTAL OF EQUIPMENT		124
650.0 TRANSPORTATION	68	7,696
656.0 INSURANCE - VEHICLES		
657.0 INSURANCE		
658.0 WORKERS COMPENSATION		
659.0 INSURANCE		
660.0 ADVERTISING		
666.0 REGULATORY EXPENSE - RATE CASE		
667.0 REGULATORY EXPENSE - OTHER		
670.0 BAD DEBT	13,010	25,669
675.0 MISCELLANEOUS MAINTENANCE EXPENSE	7,338	131,348

401.0	OPERATING EXPENSES	63,070	677,649
403.0	DEPRECIATION EXPENSE	0	209,130
406.0	AMORTIZATION UTIL PLANT ACQ ADJ		
407.1	AMORTIZATION LIMITED TERM PLANT		
407.3	AMORTIZATION OTHER UTIL PLANT		
407.4	AMORT REGULATORY ASSET		
408.10	TAXES OTHER THAN INCOME - REGULATORY ASSESSMENT	868	5,410
408.11	PROPERTY TAXES		
408.12	PAYROLL TAXES	3,964	15,301
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	67,902	907,490
	TOTAL UTILITY OPERATING INCOME	71,147	277,770
NON OPERATING INCOME			
415.0	M & J REVENUES		
416.0	M & J EXPENSES		
419.0	INTEREST & DIVIDEND INCOME		
420.0	AFUDC	238	3,262
NON OPERATING DEDUCTIONS			
409.20	INCOME TAXES OTHER INC/DED		
408.20	TAXES OTHER THAN INCOME - OTHER INC/DED		
426.0	MISC NON-UTILITY EXPENSE		
	TOTAL OTHER INCOME	238	3,262
INTEREST EXPENSE			
427.2	INTEREST EXPENSE - SHORT TERM DEBT	0	0
427.3	INTEREST EXPENSE - LTD	0	0
427.5	INTEREST EXPENSE - OTHER	0	0
428.0	AMORTIZED DEBT EXPENSE	0	0
437.0	DIVIDEND DECLARED - PREF STOCK	0	0
	TOTAL INTEREST EXPENSE	0	0
	NET INCOME	71,385	281,032

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	
604.8	ALLOCATE GROUP INSURANCE PREMIUM	3,180	37,285
670.7	ALLOCATE UNCOLLECTIBLES	13,010	25,669
675.0	TRANSFER GROUNDSKEEPING EXPENSE		
408.1	TRANSFER PROPERTY TAXES		
408.1	ALLOCATE GENERAL ASSESSMENT	868	5,410
406.0	TRANSFER UPAA AMORT FROM CORP		
470.0	PENALTIES	26	2,096
	CHANGE TO NET INCOME	(17,032)	(66,268)

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