

PAW STATEMENT NO. 3

**DIRECT TESTIMONY
OF
ROD P. NEVIRAUSKAS**

**WITH REGARD TO
PENNSYLVANIA AMERICAN WATER
NORTHEAST WASTEWATER OPERATIONS**

**REVENUE DEFICIENCY SUMMARY, RATE OF RETURN, CUSTOMER ASSISTANCE
PROGRAM, INCOME TAXES AND CHANGES TO PROPOSED RULES AND
REGULATIONS**

DOCKET NO. R-2010-2166214

DATE: April 23, 2010

DIRECT TESTIMONY OF ROD P. NEVIRASKAS

I. INTRODUCTION

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

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

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

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

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

8 A. I received a Bachelor’s Degree in Economics from the University of Massachusetts.

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

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

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

II. PURPOSE OF TESTIMONY

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

2 A. Yes, I am.

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

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

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

9 A. Yes, I have. The Company has filed exhibits, which reflect its accounting and financial
10 condition and which support the Company's request for increased rates. In particular, PAW
11 Exhibit 3-A sets forth the Company's future test year revenue, expense and rate base claims.
12 Applicable work papers are also contained in the Company's filing in Exhibit No. 3-B.

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

14 A. Yes, they are.

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

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

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

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

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

9 **11. Q. What are the overall results shown in Exhibit No. 3-A?**

10 A. The total effect of the pro forma adjustments on the operations of the Company results in a
11 required annual revenue increase of \$2.1 million. This represents an approximate 240
12 percent increase over present rate revenue.

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

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

1 **III. RATEMAKING SUMMARY**

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

3 A. The Northeast Wastewater Operations consist of the three formally separate wastewater
4 companies: Lehman Pike, Blue Mountain and Winona Lakes. Due to geographic and
5 operational consistencies and efficiencies, we are proposing to consolidate these systems
6 into one ratemaking entity with a single set of rates and regulations. Current Northeast
7 Wastewater rates are no longer adequate to support the investment necessary to meet the
8 needs and expectations of our customers. The requested increase in revenues of \$2.1 million
9 was calculated in accordance with previously accepted principles used for ratemaking in
10 Pennsylvania and is based on a requested overall rate of return of 8.85%. The rate request is
11 summarized in briefing sheet format on Exhibit RPN-1, which is attached. Far and away,
12 the most significant elements of the requested increase involved the depreciation expense
13 associated with and the return on the new treatment plant facilities in Lehman Pike and in
14 Blue Mountain.

15 **14. Q. Please briefly explain what is set forth in Exhibit No. 3-A.**

16 A. This exhibit presents Northeast's rate base, revenue, expense and tax information on the
17 basis of a historical test year ("HTY") ending December 31, 2009 and a future test year
18 ("FTY") ending December 31, 2010. As in previous rate cases, the requested increase is
19 based upon adjusted FTY data. In Exhibit No. 3-A, the HTY is identified as "Present Rates
20 at December 31, 2009" and the FTY as "Present Rates at December 31, 2010".

1 **15. Q. Please explain your specific areas of responsibility regarding Exhibit No. 3-A.**

2 A. As noted previously, I am sponsoring the pro forma capital structure and cost rates of debt
3 and preferred stock, the proposed customer assistance program for wastewater customers,
4 proposed treatment of utility plant acquisition adjustments, and the calculations of state and
5 federal income taxes which are included in Exhibit No. 3-A.

6 **IV. RATE OF RETURN**

7 **16. Q. Please describe the Company's proposed capital structure in this case.**

8 A. The capital structure is based on PAW's projected debt, preferred stock and common equity
9 rates at December 31, 2010, exclusive of the Pennsylvania Economic Development
10 Financing Authority loan that was utilized to finance the construction of the Coatesville
11 Treatment facility. The resulting capital structure, as shown on page 2 of Exhibit RPN-2,
12 produces for ratemaking purposes a weighted cost/overall return of 8.85% using a proposed
13 return on equity 11.50% (see testimony of Paul R. Moul).

14 **17. Q. How did the Company determine the cost rates for each component of the capital
15 structure?**

16 A. For PAW as a whole, excluding the project-specific Coatesville PEDFA funding, the cost
17 rate of the long-term debt (6.16%) and preferred stock (8.11%) were developed based on a
18 weighting of the individual issuances, their respective interest rates, issuance cost and terms
19 at December 31, 2010 as set forth on pages 4 and 5 of the attached exhibit RPN-2. The cost
20 of common equity supported by Mr. Moul is 11.75%. However, for the purpose of this
21 proceeding, the Company has selected an 11.50% cost of equity in calculating its requested

1 overall rate of return in order to minimize the impact of the proposed increase on customer
2 rates, resulting in an overall recommended return on rate base of 8.85%.

3 V. CUSTOMER ASSISTANCE PROGRAM

4 **18. Q. Are you proposing the implementation of a customer assistance program for the**
5 **Company's Northeast wastewater customers?**

6 A. Yes. In the last Coatesville wastewater rate case, the Company agreed to propose, in its next
7 general base rate filing, a customer assistance program for its Coatesville wastewater
8 customers who may require financial assistance to meet their bill paying obligations. The
9 Company is pleased to report that it is proposing to establish a low income customer
10 assistance program not only for its Coatesville customers but for all of PAW's wastewater
11 customers, with the exception of the remaining customers being charged under an
12 availability rate.

13 **19. Q. How will the program for wastewater customers be structured?**

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

18 **20. Q. Please describe the customer assistance program funding.**

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

1 **VIII. PROPOSED RULES AND REGULATIONS**

2 **23. Q. Is the Company proposing changes to its tariff for the Northeast wastewater operations**
3 **in this case?**

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

11 **24. Q. Does this conclude your testimony?**

12 A. Yes it does.

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

<u>Filing Date:</u>	April 23, 2010
<u>Historic Test Year:</u>	12 Months Ended December 31, 2009
<u>Future Test Year:</u>	12 Months Ended December 31, 2010
<u>Increase Requested:</u>	\$2.1 Million
<u>Percentage Increase:</u>	240% in overall revenues
<u>Effective Date:</u>	January 22, 2011 (based on full suspension)
<u>Rate of Return:</u>	8.85% on rate base; 11.5% ROE

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

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

	Historic 12/31.2009	Ratios	Cost Rate	Weighted Cost Rate
Long term debt	\$ 951,447,759	49.82%	6.25%	3.11%
Preferred Stock	14,171,700	0.74%	8.11%	0.06%
Common Equity	944,413,846	49.44%	11.50%	5.69%
Total Permanent Capital	<u>\$ 1,910,033,305</u>	<u>100.00%</u>		<u>8.86%</u>
Long term debt	\$ 951,447,759			
PEDFA	47,000,000			
General Ledger	<u>998,447,759</u>			

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

DATE OF ISSUE	DATE OF MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING	COUPON RATE	ANNUAL INTEREST	ISSUANCE EXPENSE	NET PROCEEDS	NET PROCEEDS Ratio	PERCENT TO TOTAL	EFFECTIVE COST RATE	WEIGHTED COST RATE	
Bonds and Notes												
1-Nov-1993	1-Nov-2003	56,000,000	38,000,000	6.790%	2,576,100	174,943	57,923,054	99.54%	3.99%	6.61%	0.27%	
1-Sep-1996	1-Sep-2026	150,000,000	150,000,000	7.800%	11,700,000	2,069,648	147,930,352	96.62%	15.77%	7.92%	1.25%	
1-Aug-1989	1-Aug-2019	15,500,000	15,500,000	9.710%	1,505,050	15,469	15,334,531	96.93%	1.63%	9.82%	0.16%	
15-Feb-1991	15-Jan-2021	20,000,000	20,000,000	9.690%	1,938,000	116,061	19,883,939	95.42%	2.10%	9.75%	0.20%	
1-Nov-1991	1-Nov-2031	10,000,000	10,000,000	8.820%	882,000	88,352	9,911,648	99.12%	1.05%	8.90%	0.09%	
15-Aug-1995	1-Aug-2025	10,000,000	10,000,000	8.150%	815,000	60,119	9,939,881	99.40%	1.05%	8.20%	0.09%	
1-Nov-1997	1-Nov-2017	33,000,000	33,000,000	7.080%	2,396,400	551,663	32,446,317	96.33%	7.24%	7.24%	0.25%	
1-Jul-1998	1-Jul-2031	16,700,000	16,700,000	6.750%	1,127,250	1,335,312	15,364,688	92.00%	1.76%	7.39%	0.13%	
1-Sep-1988	1-Sep-2018	18,250,000	18,250,000	6.000%	1,095,000	905,630	17,342,370	95.03%	1.92%	6.37%	0.12%	
30-Sep-1991	15-Mar-2019	17,950,000	17,950,000	6.100%	1,094,950	1,897,808	16,052,192	94.66%	1.89%	6.52%	0.12%	
1-Apr-2001	29-Mar-2011	47,000,000	6,800,000	6.870%	467,160	320,648	46,679,352	99.32%	0.71%	6.97%	0.05%	
31-Dec-2006	21-Dec-2016	13,800,000	13,800,000	5.520%	761,760	45,774	13,754,226	99.67%	1.45%	5.56%	0.08%	
31-Dec-2006	21-Dec-2016	65,900,000	65,900,000	5.620%	3,703,580	216,587	65,687,413	99.67%	6.93%	5.66%	0.39%	
31-Dec-2006	21-Dec-2021	100,300,000	100,300,000	5.770%	5,787,310	332,690	99,967,310	99.67%	10.54%	5.80%	0.61%	
31-Mar-2007	29-Mar-2022	80,000,000	80,000,000	4.750%	3,800,000	261,178	79,738,822	99.67%	8.41%	4.78%	0.40%	
15-May-2008	15-May-2018	81,000,000	81,000,000	6.250%	5,062,500	293,994	80,706,006	99.64%	8.51%	6.30%	0.54%	
1-Jun-1999	1-Jun-2029	24,030,000	23,455,000	5.050%	1,184,478	1,191,706	22,838,294	95.04%	2.47%	5.39%	0.13%	
1-Aug-2004	1-Aug-2034	39,190,000	39,190,000	4.800%	1,881,120	2,216,014	37,768,986	94.46%	4.12%	5.17%	0.21%	
23-Sep-2004	1-Sep-2034	19,000,000	19,000,000	4.950%	940,500	1,355,440	17,644,960	92.87%	2.00%	5.43%	0.11%	
23-Sep-2004	1-Sep-2034	80,000,000	80,000,000	5.100%	4,000,000	2,566,355	77,433,645	91.45%	3.15%	5.70%	0.18%	
1-Dec-2009	1-Dec-2039	13,165,000	13,165,000	5.500%	724,075	1,306,669	12,817,511	97.36%	1.38%	5.61%	0.47%	
1-Dec-2009	1-Dec-2039	33,000,000	33,000,000	5.500%	2,046,000	347,489	32,574,156	98.71%	3.47%	5.66%	0.08%	
1-Apr-2009	1-Apr-2039	33,000,000	33,000,000	6.200%	2,046,000	425,844	32,574,156	98.71%	3.47%	6.30%	0.22%	
Water Facility Restoration Loans												
1-Mar-1996	1-Nov-2012	1,955,878	537,246	3.450%	18,535	27,563	1,928,315	96.59%	0.06%	3.56%	0.00%	
Pennvest Loans												
1-Jun-1998	1-Apr-2011	263,442	23,250	1.000%	233	0	263,442	100.00%	0.00%	1.00%	0.00%	
1-Aug-2001	1-May-2018	6,656,399	2,857,912	1.384%	39,554	110,635	6,545,764	98.34%	0.30%	1.50%	0.00%	
1-Jan-2000	1-Jan-2018	1,391,436	677,967	2.566%	17,397	69,942	1,321,494	94.97%	0.07%	2.93%	0.00%	
1-Jul-2000	1-Feb-2019	2,926,847	1,462,552	2.905%	42,487	29,069	2,897,778	98.01%	0.15%	2.97%	0.00%	
1-Jan-2003	1-Dec-2022	3,945,656	2,588,215	2.774%	71,797	8,480	3,937,176	99.79%	0.27%	2.79%	0.01%	
1-Oct-2000	1-Oct-2019	1,728,997	1,146,375	2.795%	32,041	0	1,728,997	100.00%	0.12%	2.80%	0.00%	
1-Feb-2020	1-Feb-2020	3,470,505	2,029,604	1.184%	24,031	17,155	3,453,350	99.51%	0.21%	1.21%	0.00%	
1-Apr-2000	1-Mar-2022	3,366,155	2,228,332	3.237%	72,131	56,803	3,309,352	98.31%	0.23%	3.35%	0.01%	
1-Apr-2000	1-Mar-2022	3,623,800	2,398,091	3.237%	77,626	25,430	3,598,370	99.30%	0.25%	3.28%	0.01%	
30-Aug-2000	1-Sep-2022	4,322,665	2,884,040	2.774%	93,356	25,445	4,297,220	99.41%	0.30%	3.27%	0.01%	
1-Aug-2004	1-Jul-2024	1,559,205	965,901	2.774%	28,794	13,749	1,545,455	99.12%	0.10%	2.83%	0.00%	
1-Jun-2005	1-Nov-2024	5,721,348	4,198,767	1.000%	41,988	29,484	5,691,664	99.46%	0.44%	1.03%	0.00%	
1-Jan-2005	1-Dec-2025	3,986,606	3,977,295	1.385%	55,086	34,130	3,952,476	99.37%	0.42%	1.42%	0.01%	
1-Sep-2004	1-Aug-2024	5,240,631	3,906,599	2.774%	106,425	7,951	5,232,680	99.85%	0.41%	2.78%	0.01%	
1-Nov-2004	1-Oct-2024	3,099,441	2,339,505	2.432%	56,897	5,660	3,093,781	99.82%	0.25%	2.44%	0.01%	
1-Oct-2009	1-Sep-2029	2,241,702	2,214,108	1.274%	26,208	0	2,241,702	100.00%	0.23%	1.27%	0.00%	
							\$1,013,495,713	\$58,165,119	\$1,768,912	\$985,725,901	100.00%	6.25%

General Ledger
LTD
Current Portion
PEDFA - Costesville WW
992,058,242
6,369,517
(47,000,000)
951,447,759

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

DATE OF ISSUE	DATE OF MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING	COUPON RATE	ANNUAL INTEREST	ISSUANCE EXPENSE	NET PROCEEDS	NET PROCEEDS Ratio	PERCENT TO TOTAL	EFFECTIVE COST RATE	WEIGHTED COST RATE	
Bonds and Notes												
1-Nov-1993	1-Nov-2033	38,000,000	38,000,000	6.780%	2,576,400	174,946	37,825,054	99.54%	3.93%	6.81%	0.27%	
1-Sep-1996	1-Sep-2026	150,000,000	150,000,000	7.800%	11,700,000	2,069,548	147,930,452	98.62%	15.53%	7.92%	1.33%	
24-Aug-1989	1-Aug-2019	15,500,000	15,500,000	9.710%	1,505,050	165,469	14,334,531	98.93%	1.60%	9.82%	0.16%	
15-Feb-1991	15-Jan-2021	20,000,000	20,000,000	9.690%	1,938,000	116,061	18,863,939	99.42%	2.07%	9.75%	0.20%	
1-Nov-1991	1-Nov-2031	10,000,000	10,000,000	8.820%	882,000	88,352	9,911,648	99.12%	1.04%	8.90%	0.09%	
15-Aug-1995	1-Aug-2025	10,000,000	10,000,000	8.150%	815,000	60,119	9,939,881	99.40%	1.04%	8.20%	0.08%	
1-Nov-1997	1-Nov-2037	33,000,000	33,000,000	7.080%	2,336,400	551,663	32,448,317	98.33%	4.23%	7.24%	0.35%	
1-Jul-1996	1-Jul-2031	16,700,000	16,700,000	6.750%	1,127,250	1,335,312	15,364,688	92.00%	1.73%	7.39%	0.13%	
1-Sep-1988	1-Sep-2018	18,250,000	18,250,000	6.000%	1,095,000	906,630	17,343,370	95.03%	1.89%	6.37%	0.12%	
30-Sep-1991	15-Mar-2019	17,950,000	17,950,000	6.100%	1,094,950	957,808	16,992,192	94.66%	1.86%	6.52%	0.12%	
1-Apr-2001	29-Mar-2011	47,000,000	3,400,000	6.870%	233,560	320,648	46,679,352	99.32%	0.35%	6.97%	0.02%	
31-Dec-2006	21-Dec-2016	13,800,000	13,800,000	5.520%	761,760	45,774	13,754,226	99.67%	1.43%	5.56%	0.08%	
31-Dec-2006	21-Dec-2016	65,900,000	65,900,000	5.620%	3,703,580	218,577	65,681,413	99.67%	6.82%	5.66%	0.39%	
31-Dec-2006	21-Dec-2021	100,300,000	100,300,000	5.770%	5,787,310	332,680	99,967,310	99.67%	10.38%	5.80%	0.60%	
31-Mar-2007	29-Mar-2022	80,000,000	80,000,000	4.750%	3,800,000	261,178	79,738,822	99.67%	8.28%	4.78%	0.40%	
15-May-2008	15-May-2018	81,000,000	81,000,000	6.250%	5,052,500	293,994	80,706,006	99.64%	8.38%	6.30%	0.53%	
1-Jun-1999	1-Jun-2029	24,030,000	23,455,000	5.050%	1,184,478	1,191,705	22,838,294	95.04%	2.43%	5.39%	0.13%	
1-Aug-2004	1-Aug-2034	40,000,000	38,590,000	4.800%	1,852,320	2,216,014	37,783,986	94.46%	3.99%	5.17%	0.21%	
23-Sep-2004	1-Sep-2034	19,000,000	19,000,000	4.950%	940,500	1,355,440	17,644,560	92.87%	1.97%	5.43%	0.11%	
23-Sep-2004	1-Sep-2034	30,000,000	30,000,000	5.100%	1,530,000	2,433,645	27,433,645	91.45%	3.11%	5.70%	0.18%	
1-Dec-2009	1-Dec-2039	80,000,000	80,000,000	5.500%	4,400,000	1,306,669	78,693,331	98.37%	8.28%	5.61%	0.46%	
1-Dec-2009	1-Dec-2039	13,165,000	13,165,000	5.500%	724,075	347,489	12,817,511	97.36%	1.36%	5.68%	0.08%	
1-Apr-2009	1-Apr-2039	33,000,000	33,000,000	6.200%	2,046,000	425,844	32,574,156	98.71%	3.42%	6.30%	0.22%	
Water Facility Restoration Loans							1,928,315	98.59%	0.04%	3.56%	0.00%	
1-Mar-1996	1-Nov-2012	1,955,878	359,098	3.450%	12,389	27,563	1,928,315					
Pennvest Loans												
1-Jun-1998	1-Apr-2011	263,442	5,799	1.000%	58	0	263,442	100.00%	0.00%	1.00%	0.00%	
1-Aug-2001	1-May-2018	6,656,399	2,535,516	1.384%	35,092	110,635	6,545,764	98.34%	0.26%	1.50%	0.00%	
1-Jan-2000	1-Jan-2018	1,391,436	601,509	2.566%	15,435	69,942	1,321,494	94.97%	0.06%	2.93%	0.00%	
1-Jul-2000	1-Feb-2019	2,926,847	1,321,239	2.905%	38,382	29,069	2,897,778	99.01%	0.14%	2.97%	0.00%	
1-Jan-2003	1-Dec-2022	3,945,656	2,420,518	2.774%	67,145	8,480	3,937,176	99.79%	0.25%	2.79%	0.01%	
1-Oct-2000	1-Oct-2019	1,728,997	1,043,638	2.795%	29,170	0	1,728,997	100.00%	0.11%	2.80%	0.00%	
1-Oct-2001	1-Feb-2020	3,470,505	1,840,623	1.184%	21,793	17,155	3,453,350	98.51%	0.19%	1.21%	0.00%	
1-Apr-2000	1-Mar-2022	3,366,155	2,077,651	3.237%	67,254	56,803	3,309,352	96.31%	0.22%	3.35%	0.01%	
1-Apr-2000	1-Mar-2022	3,623,800	2,235,931	3.237%	72,377	25,430	3,598,370	99.30%	0.23%	3.28%	0.01%	
30-Aug-2000	1-Sep-2022	4,322,665	2,698,277	3.237%	87,343	25,445	4,297,220	99.41%	0.28%	3.27%	0.01%	
1-Aug-2004	1-Jul-2024	1,559,205	911,399	2.774%	25,262	13,749	1,545,456	99.12%	0.09%	2.83%	0.00%	
1-Jun-2005	1-Nov-2024	5,721,348	3,836,440	1.156%	45,505	29,484	5,691,964	99.48%	0.41%	1.19%	0.00%	
1-Jan-2006	1-Dec-2025	5,386,606	3,461,279	1.385%	47,939	34,130	5,352,476	99.37%	0.36%	1.42%	0.01%	
1-Sep-2004	1-Aug-2024	5,240,631	3,689,575	2.774%	102,349	7,951	5,232,680	99.85%	0.36%	2.78%	0.01%	
1-Nov-2004	1-Oct-2024	3,069,441	2,206,898	2.432%	53,672	5,660	3,093,781	99.82%	0.23%	2.44%	0.01%	
1-Oct-2009	1-Sep-2029	2,241,702	2,310,839	1.274%	29,440	0	2,241,702	100.00%	0.24%	1.27%	0.00%	
1-Apr-2010	31-Mar-2035	12,150,000	12,150,000	1.559%	189,419	0	12,150,000	100.00%	1.26%	1.56%	0.02%	
1-Apr-2010	31-Mar-2035	2,125,000	2,125,000	1.799%	38,229	0	2,125,000	100.00%	0.22%	1.80%	0.00%	
1-Jul-2010	30-Jun-2035	2,125,000	2,125,000	1.999%	33,979	0	2,125,000	100.00%	0.22%	1.60%	0.00%	
1-Jul-2010	30-Jun-2035	2,170,000	2,170,000	2.376%	51,559	0	2,170,000	100.00%	0.22%	2.38%	0.01%	
1-Apr-2010	31-Mar-2040	2,819,283	2,819,283	1.000%	28,193	0	2,819,283	100.00%	0.29%	1.00%	0.00%	
							\$1,017,115,084		100.00%		6.16%	
							\$17,769,912					
							\$58,188,157					

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

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

Notes:

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